

CURRENT STATE OF AFFAIRS OF THE COMPANY

The Palakkad unit of the Company was operating at about 15% of its capacity for bottling third party products. Except the Palakkad unit, no operations have been carried out in other plants due to working capital crunch. Employee dues since November 2018 were unpaid.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

There is no change in the nature of the business during the year.

DIVIDEND

Due to losses incurred by the Company, the question of recommending any dividend for the financial year ended 31st March 2019 did not arise.

TRANSFER TO RESERVES

Your Company has not transferred any amount to the General Reserve due to losses incurred during the year under review.

SHARE CAPITAL

There is no change in the Authorized / Paid-up share capital of the company during the year under review. The Company has not bought back any of its shares during the year under review.

The Company also has not issued any sweat equity shares, bonus shares or stock option scheme during the year under review.

DEPOSITS

Your Company has not accepted any deposits from the shareholders or from the public during the year under review.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans, guarantees and investments under section 186 of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014 for the financial year 2018-19 are given in Notes to financial statements.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT

The CoC approved resolution plan submitted to the NCLT-Chennai Bench was approved on 20th January, 2020. Pursuant to the approved Resolution Plan, a Monitoring Committee was constituted to oversee the effective implementation of the Resolution Plan. The Monitoring Committee reconstituted the Board of Directors of the Company with effect from 27th January, 2020. The implementation of the resolution plan was stayed by Madras High Court with effect from 30th Jan. 2020 on the WP filed by the promoters and the stay was eventually vacated by the High Court on 19th March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, is provided as **Annexure A**, which forms part of the Annual Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

There was no change in Directors during the year under review.

DECLARATION BY INDEPENDENT DIRECTORS

In the term of section 17 (1) (b) of the Insolvency and Bankruptcy Code, 2016 ("the Code"), the powers of the board of directors have been suspended and be exercised by the IRP/RP. RP has not received any declaration u/s.149 (7) of the Act from any independent directors during the CIRP. Hence, we are unable to comment on the same.

NUMBER OF BOARD MEETINGS HELD DURING THE YEAR 2018-19:

During the year under review, the Board met 3 times on 30th May 2018, 13th August 2018 and 14th February, 2019. The erstwhile directors did not attend meetings convened by the RP.

DETAILS OF POLICIES**(i) Nomination and Remuneration Policy**

The Board on the recommendations of the Nomination & Remuneration Committee framed a policy for the selection and appointment of Directors, Senior Management and their remuneration. The Company's Nomination and Remuneration Policy is available on the Company's website: www.empeegroup.co.in

(ii) Corporate Social Responsibility (CSR)

The Board has framed a CSR Policy and the same is available on the Company's website www.empeegroup.co.in. Due to absence of profits, the Company could not allocate funds for CSR activities.

(iii) Risk Management Policy

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the business and functions are systematically addressed through mitigating actions on a continuing basis. The Risk Management Policy is available on the Company's website www.empeegroup.co.in

(iv) Whistle Blower Policy – Vigil Mechanism

Your Company has formulated a Vigil Mechanism Policy with a view to provide a mechanism for employees and Directors of the Company to approach the Chairman of the Audit Committee to ensure adequate safeguards against victimization. This policy would help to create an environment wherein the individuals feel free to secure to raise an alarm, whenever any fraudulent activity takes place or is likely to take place. It will also ensure that complainant(s) are protected from retribution, whether within or outside the organization. The details of the vigil mechanism policy are displayed on our website www.empeegroup.co.in.

CORPORATE GOVERNANCE

A Report on Corporate Governance as stipulated under Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided under separate section and forms part of this Report.

The requisite certificate issued by Statutory Auditors of the Company confirming the compliance of the conditions stipulated under Regulations is attached to the Report on Corporate Governance.

SUBSIDIARIES

A statement containing salient features of the subsidiaries in Form AOC – 1 is annexed herewith marked as **Annexure-B** and forms part of this report. *Regarding the Investments in Apollo Distilleries & Breweries Private Limited an application (preferential transaction) has been filed by the Resolution Professional u/s.43 of Insolvency & Bankruptcy Code, 2016 with Hon'ble National Company Law Tribunal, Chennai, as the erstwhile management has claimed transfer of shares held by it in Apollo Distilleries & Breweries Private limited to South India Hotels Private Limited prior to the commencement of the CIRP.*

CONSOLIDATED FINANCIAL STATEMENTS

In spite of constant follow up with the subsidiaries of the EDL, we were unable to get the audited accounts for the financial year ended 31st March 2019. Hence, we are unable to present the consolidated financial statement.

AUDITORS

a. Statutory Auditors

M/s. Venkatesh & Co, Chartered Accountants, who were appointed as Statutory Auditors for five years in terms of Sec. 139, 141 of the Companies Act, 2013 shall hold office till the conclusion of the 35th AGM of the Company to be held in the year 2020.

b. Secretarial Auditors

As per provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, your Company has appointed **M/s. S. Dhanapal & Associates**, Practicing Company Secretaries, Chennai as Secretarial Auditor to undertake the Secretarial Audit of the Company for the financial year 2018-19. The Report of the Secretarial Auditor is annexed to this report. **Annexure-C**

c. Cost Auditors

Mr.G. Sugumar, Cost Auditor appointed by the Company, expressed his inability to conduct the Cost Audit for the financial year from 2015-16 to 2018-19. Consequently, pursuant to Sec. 148(3) of the Act, the Board of Directors had appointed **Mr. J. Karthikeyan**, Cost Accountant (having membership number 29934), as Cost Auditors of the Company for conducting the audit of the Cost records of the Company for the financial year from 2015-16 to 2018-19.

BOARDS COMMENTS AUDITORS QUALIFICATIONS / RESERVATIONS

| Sl.No. | Statutory Auditors Qualifications / Reservations | Boards' Comments |
|--------|--|--|
| 1 | The company has made an investment of Rs.1.55 Crores towards Equity Shares and further investment by way of share application money of Rs.140.36 Crores to its subsidiary Empee Sugars and Chemicals Limited (ESCL). ESCL has been incurring losses. No Provision for diminution in the value of investment in respect of the above company has been considered in the accounts. | The books of accounts of the company were maintained on SAP accounting system. The accounting system could not be accessed by RP and his team as the erstwhile management did not provide the required access codes and despite RP's persistent attempts by engaging the SAP recovery teams in place, the accounts could not be retrieved. The accounts for the financial year 2018-19 have been compiled based on the opening balances as on 01-04-2018. Hence, we are unable to comment on the same. |
| 2 | Other Advances amounting to Rs. 31.44 Crores out of 32.99 Crores under the head Current Financial Assets, Sundry Debtors Rs. 61.47 Crores and Loan and advances to related parties Rs. 37.18 Crores, Other Long Term Liabilities Rs. 39.20 Crores and Trade Payable of Rs. 59.54 Crores and debit balances of Suppliers account of Rs.14.39 Crores are subject to confirmation and reconciliation. The impact on profitability is not ascertainable | |
| 3 | No provision for diminution in value of non-moving inventories of Rs. 16.48 crores have been considered in the accounts. | |
| 4 | Attention is drawn to note no 6.1 where in it is stated that the company is under Corporate Insolvency Resolution Process (CIRP) and the fact that the accounts of the company have been made up based on available information due to the inaccessibility of accounting information in SAP where the accounts were earlier maintained, non-availability of bank statements and requisite confirmation, and non-availability of details of certain transactions carried out immediately prior to the CIRP commencement & transactions without approval of IRP & RP during CIRP period. | |
| 5 | Attention is drawn to note 6.7 regarding the transactions relating to the disputed transfer of shares in Appollo Distilleries & Breweries Private limited which is litigated before the NCLT. | |
| | | The New Management & RP await favourable orders by Hon'ble NCLT Chennai. |

| Sl.No. | Secretarial Auditors Qualifications / Reservations | Boards' Comments |
|--------|---|---|
| 1 | <ul style="list-style-type: none"> • An amount of Rs.6.47 lakhs is required to be transferred to Investors Education and Protection Fund relating to dividends for financial year 2011-12 and 2010-11. The same is pending till date. • The Company has issued 14% Secured, Listed, Redeemable Non-convertible Debentures amounting to Rs.47.50 crores under private placement basis. As per the provisions of the Companies Act, 2013, the Company has been mandated to provide DRR at the rate of 15% of the principal amount of Debentures would be redeemed during the current financial year 2018-19 and this works out to Rs.1.43 crores. Such DDR should have been created latest by 30th April 2018. It appears as the Company was continuously incurring losses for the past few years and was also facing difficulties, the DRR could not be deposited in a 'no lien account' with the banks. • We are not able to comment as to whether there was proper balance of Executive Directors, Non-Executive Directors and Independent Directors during the year. • Delay in filing of Annual Return on Foreign Assets and Liabilities for the year ended 31.03.2018 and we are unable to comment on the status of filing of Annual Return for the year ended 31.03.2019. | <p>The Company was under CIRP with effect from 1st November 2018. As stated earlier, due to non co-operation by the erstwhile Board of Directors and the Management team, no information / documents as sought for by the Resolution Professional was disclosed by the erstwhile management / directors.</p> <p>Hence the new management is unable to comment on the status of these qualifications.</p> |
| 2 | Delay in filing of various returns and disclosures with Stock Exchanges | The reconstituted Board of Directors, with effect from |

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|---|--|---|
| 3 | The Annual General Meeting for the year ended 31 st March 2019 is yet to be conducted | 27 th Jan. 2020, under the supervision of the Monitoring |
| 4 | Delay in filing of forms and returns with Ministry of Corporate Affairs | Committee, is taking all efforts to close all pending compliances with Stock Exchanges and Ministry of Corporate Affairs under the provisions of the Companies Act, 2013, the rules and regulations framed thereunder ("Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations"). |

DETAILS IN RESPECT OF FRAUD REPORTED BY AUDITORS

No fraud has been reported by the Auditors during the year under review. However, a preferential transaction application filed by the Resolution Professional as per the provisions of IBC is pending with Hon'ble NCLT Chennai.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

During this financial year, an amount of Rs. 6.47 lakhs is required to be transferred to Investor Education and protection fund relating to dividends for financial years 2011 12 and 2010 11. The same remains un-transferred till date.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

The Company has no activity relating to Conservation of Energy, Technology Absorption. There was no Foreign Exchange Earnings and Outgo during the year under review.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

We are unable to obtain sufficient and appropriate audit evidence to comment whether all transactions with the related parties as disclosed to the financial statements are in compliance with section 177 and 188 of Companies Act, 2013.

PARTICULARS OF EMPLOYEES

There were no employees of the Company who received remuneration in excess of the limits prescribed under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

BOARD EVALUATION

Evaluation of Board has not taken place, since the powers of the Board of Directors have been suspended, consequent to commencement of the Corporate Insolvency Resolution Process with effect from 1st Nov. 2018.

ADEQUACY OF INTERNAL FINANCIAL CONTROL SYSTEM

Details on the adequacy of internal financial control system are provided in the Management Discussion and Analysis Report, which forms part of this Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

The CoC-approved resolution plan submitted to the NCLT-Chennai Bench was approved on 20th January, 2020. Pursuant to the approved Resolution Plan, a Monitoring Committee was constituted to oversee the effective implementation of the Resolution Plan. The Monitoring Committee reconstituted the Board of Directors of the Company with effect from 27th January, 2020. The implementation of the resolution plan was stayed by Madras High Court with effect from 30th Jan. 2020 on the WP filed by the promoters and the stay was eventually vacated by the High Court on 19th March 2020.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return pursuant to the provisions of Section 92(3) read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is enclosed as **Annexure D**, which form part of the Directors' Report.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The Company has not received any complaint on sexual harassment during the year under review.

INDUSTRIAL RELATIONS

The Industrial relations continued to remain congenial during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The directors have prepared the annual accounts on a going concern basis.
- e) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f) The directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

ACKNOWLEDGEMENT

The reconstituted board of directors wish to express their gratitude for the continuous assistance and support extended by the Banks, Financial Institutions, Customers, employees and Government authorities in the implementation of the NCLT-approved resolution plan. The new management is hopeful of reviving the company by following the due process of implementation under the supervision of the Monitoring Committee. Further, your Directors also place on record their deep sense of appreciation for the contributions made by employees at all levels to the growth and success of the company.

For and on behalf of the Board of Directors



NAGALINGAM JAYAMURUGAN

Chairman

DIN: 00943034

Place: Chennai

Date : June 10, 2020

