



*Gujarat Hy-spin Limited*

***ANNUAL REPORT 2018-19***

## REPORT OF THE BOARD OF DIRECTORS

To,  
The Members,  
GUJARAT HY-SPIN LIMITED,

Your Directors are pleased to present their Annual Report along with the Audited financial statements for the Financial Year ended 31<sup>st</sup>, March, 2019.

### FINANCIAL HIGHLIGHTS:

Sr No	PARTICULARS	(Amount in Rs)	
		2018-19	2017-18
1.	Revenue from Operation	62,94,75,702	54,30,25,852
2.	Other Income	10,21,978	12,33,263
3.	<b>Total Revenue (1+2)</b>	<b>63,04,97,680</b>	<b>54,42,59,114</b>
4.	Cost of Materials Consumed	31,44,54,457	39,27,10,221
5.	Employees Benefits Expense	1,60,72,295	89,88,316
6.	Finance Cost	2,87,53,129	2,62,38,741
7.	Depreciation & Amortization Exp.	3,34,03,247	4,05,62,603
8.	Other Expenses	7,89,31,469	7,16,85,589
9.	<b>Profit/ (Loss) Before Tax</b>	<b>5,08,465</b>	<b>28,70,681</b>
10.	Current Tax	15,38,838	23,58,739
11.	Deferred Tax	-19,76,600	-1312,219
12.	<b>Profit/ (Loss) After Tax (PAT)</b>	<b>9,46,227</b>	<b>40,27,102</b>

### STATEMENT OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK:

During the Financial year 2018-19, the Company has earned revenue from operations of Rs 62.94 Crores as compared to previous year revenue from operation of Rs. 54.30 crores. However, during the year under report Employee Benefit Expenses of the Company increased significantly as compared to previous financial year, due to increase in Employee benefit expenses net profit of the company decreased to Rs. 9,46,227/- from Rs. 40,27,102/- during the previous financial year. Your Company's business cycle faced new economic and industry related challenges and came out with the above results. Further, your Board of Directors has tried their best to control the cost of the Company to the extent possible and to maximize the profit of the Company.



### **Financial Statement:**

In accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations') and Section 136 of the Companies Act, 2013 read with Rule 10 of the Companies (Accounts) Rules, 2014, the Annual Report containing salient features of the financial statements, including for the financial year 2018-19, along with statement containing salient features of the Directors' Report (including Management Discussion & Analysis) is being sent to all shareholders, who have not registered their email address(es) for the purpose of receiving documents/communication from the Company in electronic mode. Please note that you will be entitled to be furnished, free of cost, the full Annual Report 2018-19, upon receipt of written request from you, as a member of the Company.

Full version of Annual Report 2018-19 is also available for inspection at the registered office of the Company during working hours up to the date of ensuing Annual general meeting (AGM). It is also available at the Company's website [www.gujarathyspin.com](http://www.gujarathyspin.com)

### **DECLARATION OF DIVIDEND AND TRANSFER OF AMOUNT TO RESERVES:**

With a view to plough back profits and in order to conserve resources for operational purposes, Board of Directors does not recommend any dividend for financial year under review.

Moreover, no amount is being transferred to reserves during the financial year 2018-19

### **CHANGE IN NATURE OF BUSINESS:**

There are no changes in the nature of business of the Company during the year under Report. The Company is engaged in the business of yarn manufacturing.

### **SHARE CAPITAL:**

The Paid up Equity share Capital of the Company as on 31<sup>st</sup> March, 2019 was Rs. 16,75,00,000/- (Rupees Sixteen Crores Seventy-Five lacs only) divided into 1,67,50,000 (One Crores Sixty Seven Lacs Fifty Thousand) Equity Shares of Rs 10/- (Rupees Ten only) each. During the year, the Company has not issued any share with differential voting rights nor granted stock options or sweat equity or any convertible instrument.

### **EXTRACT OF ANNUAL RETURN:**

Pursuant to Section 134(3)(a) of Companies Act, 2013, Form MGT 9 [as specified in Section 92(3) read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014] the extract of Annual Return for the Financial Year 2018-19 is enclosed with this report as "**Annexure-I**" and the annual return is also available at the company's website [www.gujarathyspin.com](http://www.gujarathyspin.com) at the link <http://gujarathyspin.com/financial-information/annual-return-2018-19>





### **BOARD MEETINGS AND INDEPENDENT DIRECTORS MEETING:**

During the year under review, Board meetings were held on 17/05/2018, 19/07/2018, 01/09/2018, 14/11/2018, 06/12/2018, and 18/02/2019 and requisite quorum were present at the said meetings.

Further, Independent Directors meeting was held on 18<sup>th</sup> February, 2019 to review the performance of Non Independent Directors and the Board as a whole; review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors and access the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonable perform their duties. Non-Executive including Independent Directors plays a crucial role in balancing the functioning of the Board by providing independent judgments on various issues raised in the Board meetings like formulation in business strategies, monitoring of performances etc. Their role, *inter alia*, includes:

- Impart balance to the Board by providing Independent Judgements
- Provide feedback on company's Strategy and Performances
- Provide effective recommendations for further improvements

### **BOARD'S RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Section 134 (5) of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, the Directors confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed and there are no material departures from the same;
- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the company for that year;
- c) the directors have taken proper and sufficient care to the best of their knowledge and ability 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 had prepared annual accounts on a going concern basis; subject to clarification that the Company has made continuing default in repayment of term loan installments and statutory dues. Further, Company is irregular in payment to its creditors also.



Hence, liquidity position of the company is in stress and indicates the existence of uncertainty about ability of the company to continue as going concern. Management has initiated various steps such as recovery from debtors, settlement with creditors, and planning for cost reduction to resolve the issue of liquidity. The management of the company assures for an early resolution of this matter and confident for ability of the company to continue as going concern.

- e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls system are adequate and are operating effectively subject to certain material weakness identified and reported by auditor that the company didn't have appropriate internal financial control system for inventory and fixed assets with regards to physical verification and maintenance of proper documentation. The management would like to clarify that due to non availability of staff company fails to follow internal financial control system adequately but management assures for the proper and adequate internal financial controls in future.
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively;

#### **RELATED PARTY TRANSACTIONS:**

During the year under report, the Company has entered into transactions with related party and all such transactions were carried on at arm's length price in the ordinary course of business. Information on transactions with related parties pursuant to section 134(3)(h) of the act read with Rule 8(2) of Companies (Accounts) Rules, 2014 are given in "**Annexure-II**" in Form AOC-2 and the same forms part of this report. Your directors draw attention of members to Note. 33 to the financial statement which sets out related party disclosures for the year under review.

#### **STATUTORY AUDITOR AND AUDITOR'S REPORT:**

As per provisions of Section 139 of the Companies Act, 2013 read with Companies (Audit and Auditor) Rules, 2014 (including any amendment thereto or re-enactment thereof) and subject to approval of Members in annual general Meeting held for the financial year 2017-18, **M/s Maharishi & Co, Chartered Accountants & a Peer Reviewed Firm, having (Firm Registration No. 124872W)** appointed as a statutory auditor of the company to hold office till the conclusion Annual General Meeting to be held in the financial year 2023, at a Remuneration as mutually agreed between the Auditors and Management of the Company.





Furthermore, Auditors have observed that the Company is in continuing default in depositing with appropriate authorities undisputed statutory dues and also the Company is not regular in repayment of its dues to Bankers for credit facilities availed by the Company.

The management would like to clarify that the Company's business is such, which is having significant impact of monsoon deficits, seasonal changes in market and global slowdown. Therefore, during the period, the Company was having financial crunches and was not able to deposit statutory dues and all instalments of credit facility in due time. However, the management ensures that in the years to come, the Company will not make any default in deposit of statutory dues and repayment of dues to Banks. The management is optimistic to come out from the existing crisis.

#### **SECRETARIAL AUDITOR AND SECRETARIAL AUDIT REPORT:**

The Board has appointed Ms. Nayna Chopra, Practising Company Secretary, Ahmedabad as a secretarial auditor to conduct Secretarial Audit for the F Y 2018-19 pursuant to Section 204 of the Companies Act, 2013. The Secretarial Audit Report for the Financial Year ended on March, 31 2019 is annexed herewith marked as "**Annexure III**" to this Report. The Secretarial Audit Report submitted by them in the prescribed form MR-3.

Some observation by Secretarial Auditor under report for FY 2018-19 are as under:

1. Company has not appointed Company Secretary Pursuant to provision of Companies Act, 2013 and hence as on 31<sup>st</sup> March, 2019 status of company was Active Non-Compliant.

**Reply by Board:** The Board would ensure compliance of this provision of the Act as early as possible.

2. Company fails to file Form DIR-12 for Resignation of Company Secretary within a period of 30 days and same was filed with additional fees as on 27/02/2019.

**Reply by Board:** Board took note of the same and shall take necessary steps in future for timely compliance of the same.

3. Company fails to comply with clause 7 of Para A, Part A, of Schedule III read with Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 regarding intimation for resignation of Company Secretary and Director of the Company.

**Reply by Board:** Board took note for the same and shall take necessary steps for timely compliance of the same.



4. Company fails to appoint Internal Auditor as per provision of Section 138 of the Companies Act, 2013

**Reply by Board:** Board took the note of the same and shall take necessary steps in future for timely compliance of the same.

5. The Company was not regular in repayment of dues (instalments and Interest) of credit facilities availed by it from the Bank. Further, Company was in continuing default in depositing with appropriate authorities undisputed statutory dues with respect to Provident Fund, Professional Tax and GST.

**Reply by Board:** The delay in payment of statutory dues and credit facility has been occurred due to weak financial position of the Company. Management also strive to make payment of statutory dues and for repayment of credit facility in a timely manner.

**PARTICULARS OF LOAN, GUARANTEES AND INVESTMENTS MADE:**

During the year under report, the Company has not granted any loan or provided any guarantee or made any investment as specified in Section 186 (2) of the Companies Act, 2013. Hence no approval from the shareholders in this regard was required.

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

At our company, all employees are of equal value. There is no discrimination between individuals at any point on the basis of race, colour, gender; religion, political opinion, national extraction, social origin, sexual orientation or age.

At Gujarat Hy-spin Limited, every individual is expected to treat his/her colleagues with respect and dignity. This is enshrined in values and in the Code of Ethics & Conduct of Gujarat Hy-spin Limited. The Direct Touch (Whistle-Blower & Protection Policy) Policy provides a platform to all employees for reporting unethical business practices at workplace without the fear of reprisal and help in eliminating any kind of misconduct in the system. The Policy also includes misconduct with respect to discrimination or sexual harassment.

The Company also has in place 'Prevention of Sexual Harassment Policy'. An Internal Complaints Committee (ICC) is in place to redress complaints received regarding sexual harassment.

- No. of Complaints Received:
- No. of Complaints disposed off:
- No. of Complaints pending:





### **CORPORATE SOCIAL RESPONSIBILITY (CSR):**

Pursuant to provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, every company with a net worth of Rs. 500 Crores or more OR an annual turnover of Rs.1000 Crores or more OR with a net profit of Rs. 5 Crores or more during the immediately preceding financial year is required to constitute a CSR Committee and also required to spent at least 2% of average net profit during the immediately preceding three financial year.

At present, Gujarat Hy-spin Limited is not required to constitute a CSR Committee in this regards as none of the above referred limits has been triggered.

### **DETAILS OF BOARD OF DIRECTORS:**

Pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013, one-third of such of the Directors as are liable to retire by rotation, shall retire every year and, if eligible, offer themselves for re-appointment at every AGM. Consequently Mrs. Bindiya K. Parvadiya, Director [DIN 08210285] will retire by rotation at the ensuing AGM, and being eligible, offer himself for re-appointment in accordance with provisions of the Companies Act, 2013.

The Directors recommend their re-appointment at the ensuing AGM. During the year under report following appointment and resignation taken place:

1. Mr. Kamlesh Bokarwadiya, Director [DIN: 00153160] has resigned from the office of director w.e.f 06<sup>th</sup> December, 2018 and board has taken the note of such resignation in the Board meeting held on 06<sup>th</sup> December, 2018
2. Mrs. Madhuben Maheshbhai Gandhi, Director [DIN:07563463] has resigned from the office of director w.e.f 01<sup>st</sup> September, 2018 board has taken the note of such resignation in the Board meeting held on 01<sup>st</sup> September, 2018
3. Mrs. Bindiya K. Parvadiya, Director[DIN:08210285] has been appointed as an Additional Director by the Board of Directors of the Company in the Board Meeting held on 01<sup>st</sup> September, 2018 and appointed as a Director by members in the Annual General meeting held for the Financial Year 2017-18.

The Company has received necessary declaration from all the Independent Directors under Section 149(7) of the Companies Act, 2013 confirming that they meet the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013 and the Listing Regulations.





As on 31<sup>st</sup> March, 2019, the composition of Board of directors was as follows:

Sr No	Name	Designation	Director Identification Number (DIN)	Date of Appointment
1.	Maganlal Parwadiya	Whole-time Director	03190749	01/02/2011
2.	Chandulal Parwadia	Whole-time Director	03197876	01/02/2011
3.	Kaushik Dave	Managing Director	06551940	27/11/2017
4.	Bindiya Ketankumar Parvadiya	Director	08210285	01/09/2018
5.	Hemant Maru	Independent Director	07563394	02/08/2016
6.	Ashokkumar Pandya	Independent Director	07563446	02/08/2016
7.	Narendra Vegad	Independent Director	07566982	02/08/2016

**COMMITTEES OF BOARD OF DIRECTORS:**

- 1) AUDIT COMMITTEE:** The Audit Committee comprises of 2 Non-Executive Independent Directors and 1 Executive Director. The Composition of committee is in conformity with the listing regulations. During the year, the Committee met four times i.e 17/05/2018, 19/07/2018, 01/09/2018 and 06/12/2018 and the attendance of the members of the meetings was as below. The Chief financial officer and Statutory Auditor are the regular invitees to the Committee meetings. All the recommendations of Audit committee were accepted by the Board of Directors.

Sr No.	Name	Status	Category	Director Identification Number (DIN)	No. of Meetings held/attended
1	Hemant Maru	Chairperson	Non Executive & Independent	07563394	4/4
2	Narendra Vegad	Member	Non Executive & Independent	07566982	4/4
3	Kaushik Dave	Member	Executive	06551940	4/4



As Mr. Hemant Maru, Independent Director [DIN: 07563394], Mr. Narendra Vegad, Independent Director [DIN: 07566982] and Mr. Kaushik Dave, Managing Director [DIN: 06551940] have resigned from the post of Director w.e.f 08<sup>th</sup> April, 2019 and Mr. Anil Kumar [DIN: 08405909] and Mr. Niteshkumar Kantariya [DIN: 08405905] have been appointed as additional (Independent) Director w.e.f. 08<sup>th</sup> April, 2019. Hence due to appointment and resignation of the director revised Audit Committee from 08<sup>th</sup> April, 2019 is as under:

Sr No.	Name	Status	Category	Director Identification Number (DIN)	No. of Meetings held/attended
1	Anil Kumar	Chairperson	Non Executive & Independent	08405909	NA
2	Niteshkumar Kantariya	Member	Non Executive & Independent	08405905	NA
3	Maganlal Parvadiya	Member	Executive	03190749	NA

**2) NOMINATION AND REMUNERATION COMMITTEE:** The Nomination and Remuneration Committee comprises of 3 Non-Executive Independent Directors. The Composition of committee is in conformity with the listing regulations. During the year, the Committee met four times i.e 17/05/2018, 19/07/2018, 01/09/2018 and 06/12/2018 and the attendance of the members of the meetings was as below.

Sr No.	Name	Status	Category	Director Identification Number (DIN)	No. of Meetings held/attended
1	Ashokkumar Pandya	Chairman	Non Executive & Independent	07563446	4/4
2	Hemant Maru	Member	Non Executive & Independent	07563394	4/4
3	Narendra Vegad	Member	Non Executive & Independent	07566982	4/4

As Mr. Hemant Maru, Independent Director [DIN: 07563394], Mr. Narendra Vegad, Independent Director [DIN: 07566982] and Mr. Ashokkumar Pandya, Independent Director [DIN: 07563446] have resigned from the post of Director w.e.f 08<sup>th</sup> April, 2019 and Mr. Anil Kumar [DIN: 08405909] and Mr. Niteshkumar Kantariya [DIN:

