

HEMO ORGANIC LIMITED

26TH ANNUAL REPORT

F.Y. 2017-2018

Inside this Report

| Contents | Page No. |
|--|-----------------|
| Corporate Information | 1 |
| Directors' Report and annexure | 2 |
| Management Discussion and Analysis Report | 20 |
| Independent Auditors' Report | 22 |
| Balance sheet | 30 |
| Profit and Loss Account | 31 |
| Cash Flow Statement | 32 |
| Notes to Financial Statement | 33 |
| Notice to Shareholders | 51 |
| Attendance sheet | 59 |

Corporate Information

Hemo Organic Limited

CIN: L24231GJ1992PLC018224

| | | |
|----------------------------|---|--|
| Board of Directors | : | Dr. Dineshbhai S. Patel <i>Chairman and Managing Director</i> Mrs. Sonal D. Patel Director Mr. Pankaj R. Patel Director Mr. Krushanakant R. Patel Director Mrs. Kinnari S. Patel Director |
| Statutory Auditors | : | M/s. M A A K & Associates Chartered Accountants 5, 1st Floor, Devashish Complex, Nr. Bavarchi Rest, Off. C.G. Road, Ahmedabad – 380 006. |
| Secretarial Auditor | : | Mrs Ankita Patel Practicing Company Secretary |
| Bankers | : | State Bank of India |
| Registered Office | : | 8-A, Gulnar, Chinar-Gulnar Appartment Anand- V.V.Nagar Road, Anand 388 001 (Gujarat) |
| Works | : | At & Post: Lunej 388620 Ta: Khambhat Dist. Anand Gujarat |

Registrar & Share Transfer Agent
MCS Share Transfer Agent Limited
88 Sampatrao Colony, First Floor Nilam Apartment,
Above Chappanbhog Sweet, Alkapuri, Vadodara 390007.
Tel: 0265-2314757 Fax: 0265-2341639
Email: mcsltbaroda@gmail.com Web: www.mcsregistrars.com

Directors' Report

To

The Member(s),

The Board of Directors hereby submits the report of the business and operations of your Company ('the Company' or 'HEMO'), along with the audited financial statements, for the financial year ended March 31, 2018.

1. FINANCIAL RESULTS:**(Amount in ₹)**

| Particulars | Standalone | |
|--|--------------------|-------------------|
| | F.Y. 2017-18 | F.Y. 2016-17 |
| Revenue from operations | 8,68,600 | 59,84,164 |
| Other Income | 504 | 60 |
| Total Income | 8,69,104 | 59,84,224 |
| Operating expenditure before Finance cost, depreciation and amortization | 23,48,642 | 67,70,547 |
| Earnings before Finance cost, depreciation and amortization (EBITDA) | (14,79,538) | (7,86,323) |
| Less: Finance costs | - | - |
| Depreciation and amortization expense | - | - |
| Profit/(Loss) before tax | (14,79,538) | (7,86,323) |
| Less: Tax expense | - | - |
| Profit/(Loss) for the year (PAT) | (14,79,538) | (7,86,323) |

2. Overview of Financial Performance:

During the year under review the Revenue from operation has decreased from ₹59,84,164 to ₹8,68,600. Due to decrease in revenue from operation the Company could not generate profit this year. The loss after tax during the year 2017-18 is ₹ 14,79,538 as compared to loss of ₹ 7,86,323 in the year 2016-17.

3. Dividend

To conserve resources for future prospect and growth of the Company, your Directors regret to declare Dividend for the Financial Year 2017-18 (Previous year - Nil).

4. Change in Nature of Business:

There were no material changes in the nature of business of the Company during the year under review.

5. BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:**Constitution of Board:**

The Board of the Company comprises of five Directors out of which two is Promoter Executive Director, one is Non-Promoter Non-Executive Director and rest of the Directors is Non-Promoter Non-Executive Independent Directors. As on the date of this report, the Board comprises following Directors;

| Name of Director | Category Cum Designation | Date of Appointment at current Term & designation | Total Directorship | No. of Committee [^] | | No. of Shares held as on March 31, 2018 |
|----------------------------------|------------------------------|---|--------------------|-------------------------------|-------------------------------|---|
| | | | | in which Director is Members | in which Director is Chairman | |
| Mr. Dineshbhai Shanabhai Patel | Managing Director (Promoter) | August 28, 1992 | 1 | - | 1 | 5,36,940 Equity Shares |
| Ms. Sonalben Patel | Executive Director | July 01, 1994 | 1 | 1 | - | 47,000 Equity Shares |
| Ms. Kinnariben Patel | Non - Executive Director | July 20, 2006 | 1 | - | - | - |
| Mr. Krushnakant Rameshbhai Patel | Independent Director | September 30, 2006 | 1 | 1 | 1 | - |
| Mr. Pankaj Rameshbhai Patel | Independent Director | July 20, 2006 | 1 | 1 | 1 | - |

[^] Committee includes Audit Committee and Shareholders' Grievances Committee across all Public Companies.

The composition of Board complies with the requirements of the Companies Act, 2013 ("The Act"). Further, in pursuance of Regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Company is exempted from requirement of having composition of Board as per Listing Regulations.

None of the Directors of Board is a member of more than ten Committees or Chairman of more than five committees across all the Public companies in which they are Director. The necessary disclosures regarding Committee positions have been made by all the Directors.

Board Meetings:

Regular meetings of the Board are held at least once in a quarter. Additional Board meetings are convened to discuss and decide on various business policies, strategies and other businesses.

During the year under review, Board of Directors of the Company met 5 (Five) times, viz May 29, 2017, September 04, 2017, September 14, 2017, November 13, 2017, and February 13, 2018. The gap between two consecutive meetings was not more than one hundred and twenty days as provided in section 173 of the Act.

The details of attendance of each Director at the Board Meeting and Annual General Meeting are given below;

| Name of Director | Mr. Dineshbhai Patel | Ms. Sonalben Patel | Ms. Kinnariben Patel | Mr. Krushnakant Patel | Mr. Pankaj Rameshbhai Patel |
|-------------------------------|----------------------|--------------------|----------------------|-----------------------|-----------------------------|
| No. of Board Meeting held | 5 | 5 | 5 | 5 | 5 |
| No. of Board Meeting attended | 5 | 5 | 5 | 5 | 5 |

| | | | | | |
|-------------------------------------|-----|-----|-----|-----|-----|
| Presence at the previous AGM | Yes | Yes | Yes | Yes | Yes |
|-------------------------------------|-----|-----|-----|-----|-----|

The Independent Directors of the Company has met on March 31, 2017, inter alia, to evaluate the performance of Non-Independent Directors, Board as a whole and performance of Chairman of the Company.

Independent Directors:

In terms of Section 149 of the Companies Act, 2013 and rules made there under, the Company has two Non-Promoter Independent Directors in line with the Companies Act, 2013. A separate meeting of Independent Directors was held on February 13, 2018 to review the performance of Non-Independent Directors and Board as whole and performance of Chairperson of the Company including assessment of quality, quantity and timeliness of flow of information between Company management and Board. The terms and conditions of appointment of Independent Directors and Code for Independent Director are incorporated on the website of the Company at www.hemoorganiclimited.com.

The Company has received necessary declaration from each independent director under Section 149 (7) of the Companies Act, 2013 that they meet the criteria of independence laid down in Section 149 (6) of the Companies Act, 2013.

Information on Directorate:

In accordance with the provisions of the Articles of Association and Section 152 of the Companies Act, 2013, Mr. Dineshbhai Patel, retires by rotation at the ensuing annual general meeting. He, being eligible, has offered himself for re-appointment as being eligible to be reappointed. The Board of Directors recommends her appointment on the Board.

The relevant details, as required under Regulation 36 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), of the person seeking appointment/ re-appointment as Director are also provided in Annexure to Items 2 of the Notice convening the Annual General Meeting.

None of the Director of the Company is serving as a Whole-Time Director in any Listed Company and is holding position of Independent Director in more than 3 Listed Company and none of the Director of the Company is holding position as Independent Director in more than 7 Listed Company. Further, none of the Directors of the Company is disqualified for being appointed as Director as specified in Section 164 (2) of the Companies Act, 2013.

Key Managerial Personnel:

In accordance with Section 203 of the Companies Act, 2013, the Company has Mr. Dineshbhai Patel who is acting as Managing Director of the Company.

Performance Evaluation:

The Board of Directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Act.

- The performance of the board was evaluated by the board, after seeking inputs from all the directors, on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning etc.
- The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.
- The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution

and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

Separate meeting of independent directors was held to evaluate the performance of non-independent directors, performance of the board as a whole and performance of the chairman, taking into account the views of executive directors and non-executive directors. The same was discussed in the board meeting that followed the meeting of the independent directors, at which the performance of the board, its committees and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

Directors' Responsibility Statement:

Pursuant to section 134(5) of the Companies Act, 2013, the board of directors, to the best of their knowledge and ability, confirm that:

- a) In preparation of annual accounts for the year ended March 31, 2018, the applicable accounting standards have been followed and that no material departures have been made 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 or loss of the Company for that year;
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors had prepared the annual accounts for the year ended March 31, 2017 on going concern basis.
- e) The Directors had laid down the internal financial controls to be followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

COMMITTEES OF BOARD:

The Board of Directors, in line with the requirement of the act and listing regulations, has formed various committees, details of which are given hereunder.

A. Audit Committee:

The Company has formed audit committee in line with the provisions Section 177 of the Companies Act, 2013. The Audit Committee met 4 (Four) times during the financial year 2017-18 on May 29, 2017, September 14, 2017, November 13, 2017, and February 13, 2018.

The composition of the Committee and the details of meetings attended by its members are given below:

| Name of Members | Designation | Number of meetings during the financial year 2017 -18 | |
|--------------------------|-------------|---|----------|
| | | Held | Attended |
| Mr. Pankaj R. Patel | Chairman | 4 | 4 |
| Mrs. Sonal D. Patel | Member | 4 | 4 |
| Mr. Krushankant R. Patel | Member | 4 | 4 |

The Statutory Auditors of the Company are invited in the meeting of the Committee wherever requires.

Recommendations of Audit Committee have been accepted by the Board of wherever/whenever given.

Vigil Mechanism:

The Company has established a vigil mechanism and accordingly framed a Whistle Blower Policy. The policy enables the employees to report to the management instances of unethical behavior, actual or suspected fraud or violation of Company's Code of Conduct. Further the mechanism adopted by the Company encourages the Whistle Blower to report genuine concerns or grievances and provide for adequate safe guards against victimization of the Whistle Blower who avails of such mechanism and also provides for direct access to the Chairman of the Audit Committee, in exceptional cases. The functioning of vigil mechanism is reviewed by the Audit Committee from time to time. None of the Whistle blowers has been denied access to the Audit Committee of the Board. The Whistle Blower Policy of the Company is available on the website of the Company at www.hemoorganiclimited.com.

B. Nomination and Remuneration Committee:

The Company has formed Nomination and Remuneration committee in line with the provisions Section 178 of the Companies Act, 2013. Nomination and Remuneration Committee meetings are generally held for identifying the person who is qualified to become Directors and may be appointed in senior management and recommending their appointments and removal. During the year under review, Nomination and Remuneration Committee met 1 (One) time on February 13, 2018.

The composition of the Committee and the details of meetings attended by its members are given below:

| Name of Members | Designation | Held | Attended |
|--------------------------|-------------|------|----------|
| Mr. Krushankant R. Patel | Chairman | 1 | 1 |
| Mr. Pankaj R. Patel | Member | 1 | 1 |
| Mrs. Sonal D. Patel | Member | 1 | 1 |

Nomination and Remuneration Policy:

Nomination and Remuneration Policy in the Company is designed to create a high performance culture. It enables the Company to attract motivated and retained manpower in competitive market, and to harmonize the aspirations of human resources consistent with the goals of the Company. The Company pays remuneration by way of salary, benefits, perquisites and allowances to its Managing Director and the Executive Directors.

Key points of the Nomination and Remuneration Policy are;

a. Policy on Appointment of Directors, Key Managerial Personnel and Senior Management Personnel:

- The policy is formulated to identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel and Senior Management personnel and recommend to the Board for his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment.
- In case of appointment of Independent Director, the Committee shall satisfy itself with regard to the independent nature of the Director vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.

b. Policy on remuneration of Director, KMP and Senior Management Personnel:

The Company's remuneration policy is driven by the success and performance of Director, KMP and Senior Management Personnel vis-à-vis the Company. The Company's

philosophy is to align them with adequate compensation so that the compensation is used as a strategic tool that helps us to attract, retain and motivate highly talented individuals who are committed to the core value of the Company. The Company follows mixed of fixed pay, benefits and performance based variable pay. The Company pays remuneration by way of salary, benefits, perquisites and allowance. The remuneration and sitting fees paid by the Company are within the salary scale approved by the Board and Shareholders.

The Nomination and Remuneration Policy, as adopted by the Board of Directors, is placed on the website of the Company at www.hemoorganiclimited.com.

Remuneration of Directors:

The details of remunerations disclosed during the financial year 2017-18 is provided in Form MGT-9 which is the part of this report.

C. Stakeholders' Grievances and Relationship Committee:

The Company has constituted Stakeholder's Grievance & Relationship Committee mainly to focus on the redressal of Shareholders' / Investors' Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; etc. During the year under review, Stakeholder's Grievance & Relationship Committee met 4 (Four) times on May 29, 2017, September 4, 2017, November 13, 2017 and February 13, 2018.

The composition of the Committee and the details of meetings attended by its members are given below:

| Name of Members | Designation | Number of meetings during the financial year 2017 -18 | |
|--------------------------|-------------|---|----------|
| | | Held | Attended |
| Mr. Dinesh S. Patel | Chairman | 4 | 4 |
| Mr. Krushankant R. Patel | Member | 4 | 4 |
| Mr. Pankaj R. Patel | Member | 4 | 4 |

During the financial year 2017-18, the Company has not received any complaint from investor. Further, there was no complaint pending for resolved at the end of financial year 2017-18.

6. PUBLIC DEPOSIT:

The Company has not accepted any deposits from Shareholders and Public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014. There were no deposits, which were claimed and remained unpaid by the Company as on March 31, 2018.

7. SHARE CAPITAL:

The Paid up Equity Share Capital as at March 31, 2018 stood at ₹ 3,46,59,000. During the year under review, the Company has not issued any Share Capital.

8. PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS & SECURITY:

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statement.

9. TRANSACTIONS WITH RELATED PARTIES:

During the financial year 2017-18, the Company has not entered into transactions with related parties as defined under Section 2(76) of the Companies Act, 2013, hence no disclosure is required for the same

10.INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The details on Internal Financial Control and their adequacy are provided in Management Discussion and Analysis Report.

11.MATERIAL CHANGES AND COMMITMENT:

There has been no material changes occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report.

12.DISCLOSURE OF REMUNERATION:

The information required under section 197 of the Act read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given as an **Annexure -1**.

13.EXTRACT OF ANNUAL RETURN:

As provided under section 92(3) of the Act, the extract of annual return is given in **Annexure – 2** in the prescribed Form MGT-9, which forms part of this report.

14.SEXUAL HARASSMENT OF WOMEN AT WORKPLACE:

To foster a positive workplace environment, free from harassment of any nature, we have institutionalized the Anti-Sexual Harassment Initiative (ASHI) framework, through which we address complaints of sexual harassment at the all workplaces of the Company. Our policy assures discretion and guarantees non-retaliation to complainants. We follow a gender-neutral approach in handling complaints of sexual harassment and we are compliant with the law of the land where we operate.

During the year under review, there were no incidences of sexual harassment reported.

15.RISK MANAGEMENT:

A well-defined risk management mechanism covering the risk mapping and trend analysis, risk exposure, potential impact and risk mitigation process is in place. The objective of the mechanism is to minimize the impact of risks identified and taking advance actions to mitigate it. The mechanism works on the principles of probability of occurrence and impact, if triggered. A detailed exercise is being carried out to identify, evaluate, monitor and manage both business and non-business risks.

16.ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

There was no energy conservation, technology absorption and foreign exchange earnings and outgo.

17.CORPORATE GOVERNANCE:

Your Company strives to incorporate the appropriate standards for corporate governance. However, pursuant to Regulation 15(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is not required to mandatorily comply with the provisions of certain regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and therefore the Company has not provided a separate report on Corporate Governance, although few of the information are provided in this report of Directors under relevant heading.

18.MANAGEMENT DISCUSSION AND ANALYSIS: