

HARVESTING GLOBAL BENEFITS POWERED BY GREEN ENERGY



ANNUAL REPORT 2017-18



A distinct aroma of finest taste!



BOARD OF DIRECTORS

Mr. Balbir Singh Uppal	Chairman & Managing Director
Mrs. Vijay Laxmi Sood	Director
Mr. Amarjit Singh	Director
Mr. V.K. Mishra	Director

BANKERS

Punjab National Bank
Syndicate Bank
Axis Bank
ICICI Bank

STATUTORY AUDITORS

M/s K. Singh & Associates
Chartered Accountants
#6, Sector - 19A
Chandigarh-160019

CHIEF FINANCIAL OFFICER

Mr. P. C. Jain

COMPANY SECRETARY

Mr. Ajay K. Ratra

REGISTERED OFFICE:

S.C.O. 18-19, 1st Floor, Sector 9D,
Madhya Marg, Chandigarh – 160017, India
Tel.: +91-172-2740352, Fax: +91-172-2743057
E-mail: corporate@lakshmigroup.in
Website: www.lakshmigroup.in
CIN : L00000CH1990PLC010573

CORPORATE OFFICE & WORKS:

Ludhiana – Chandigarh National Highway,
Khamanon 141801, Dist. Fatehgarh Sahib, Punjab, India.
Tel.: +91-1628-661800, Fax: +91-1628-661805

REGISTRAR & SHARE TRANSFER AGENT

M/s Beetal Financial & Computer Services (P) Ltd.
Beetal House, 3rd Floor,
99, Madangir, New Delhi - 110062

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FROM THE CHAIRMAN'S DESK

Dear Shareholders,

I am pleased to share with you that your Company has enjoying leadership position in the market in the matter of providing hygienic and healthy food including the best aromatic rice to the domestic and international consumers for the last more than 25 years. Company's plants are equipped with the latest automatic machinery imported from Japan, Germany, Denmark and USA, which set the highest standards for the most modern food grain processing plants in India and state of art biomass based power plant producing 'green energy'.

During the year ended 31st March, 2018, your Company recorded Sales of Rs. 6099.51 million as compared to Rs.10214.97 million during the year ended 31st March, 2017, showing decline of 40.28% over the last year. Loss before tax is Rs.2931.61 million during the year under review as compared to Profit of Rs.898.05 millions in the previous year ended 31st March 2017. Consequently, there is a Loss after tax of Rs.2927.26 millions for the year ended 31st March 2018 as against Loss of Rs.11.12 millions during the previous year. Sharp decline in the financial performance is due to failure of banks in the implementation of restructuring scheme approved in 2015. Accounts of company were restructured in March 2015 by Joint Lenders Forum (JLF) consisting of PNB, Syndicate Bank, ICICI Bank and AXIS Bank as per RBI guidelines on the basis of Techno Econo Viability Study (TEV) conducted by internationally renowned company namely Dunn and Bradstreet (D&B) which was further vetted by Independent Evaluation Committee (IEC) of RBI. While company fulfilled its part of obligations, the JLF failed to release the working capital as per approved restructuring scheme due to which operations of the company has affected adversely. This has also been reiterated by TEV conducted by PNBISL in December 2017. The Company has taken legal recourse against the banks on account of their default and likely to file a claim for the losses incurred by the company and its stakeholders. A lacs of farmers, thousands of commission agents, a thousands of transporters, a thousands of labours, shareholders and Government has incurred huge losses the company will take legal action against JLF for compensating the losses to Company and its stakeholders. .



Although the company has received a great set back on account of default of banks in the matter of non implementation of Restructuring Scheme approved in March 2015, yet company is taking steps to come out of this and trying to get the work of milling of Paddy from the Government.

With the capacity installed and competence of management and its workforce, I am confident that the Company shall come out of present situation and shall be able to improve its performance. I am full confident that we shall be able to achieve its past glory. I place on record my sincere thanks to our board of directors for their outstanding support. I would also like to thank the stakeholders and shareholders as well as employees of the company who are working tirelessly to achieve the objectives of the company. I would also like to express my gratitude towards our customers, dealers, suppliers, bankers and other associates for their continued support.

Best regards,

Balbir Singh Uppal
Chairman and Managing Director

DIRECTORS' REPORT

Dear Members,

The Board of your Company is immensely delighted in presenting its 27th Report. The Report is being presented along with the Audited Financial Statements for the Financial Year ended March 31, 2018.

Financial Results

(Rs. In Millions)

Sl. No.	Particulars	Standalone		Consolidated	
		Year ended 31.03.2018	Year ended 31.03.2017	Year ended 31.03.2018	Year ended 31.03.2017
1.	Revenue from operations	6099.51	10214.39	6102.31	10226.50
2.	Other Income	1.67	1.91	1.67	1.94
3.	Total Revenue	6101.18	10216.30	6103.98	10228.44
4.	Expenditure				
	a. Cost of Raw Material Consumed	326.59	2101.49	326.58	2618.32
	b. Purchase of Stock in trade	5376.53	8180.13	5379.07	8223.20
	c. (-) Inc. / (+) Dec. In stock	3048.25	(1467.35)	3048.24	(2015.96)
	d. Employees benefit expenses	70.00	49.17	70.30	51.81
	e. Finance Cost	8.26	249.86	8.26	249.86
	f. Depreciation	96.67	136.64	98.35	138.53
	g. Other Expenditure	106.48	68.30	107.28	72.37
	Total Expenses	9032.79	9318.25	9038.10	9338.13
5.	Profit/(Loss) from ordinary activities, PBT before exceptional Items	(2931.61)	898.05	(2934.12)	890.31
6.	Exceptional items (Interest transferred to FITL/WCTL, payable in the next eight years as approved by IEC under RBI guidelines)	--	(924.53)	--	(924.53)
7.	Profit/(Loss) from ordinary activities before tax PBT	(2931.61)	(26.48)	(2934.12)	(34.22)
8.	Tax Expenses				
	-Current Tax		-		-
	-Deferred Tax	(4.35)	(15.35)	(5.37)	(44.09)
	-MAT credit entitlement				
9.	Profit after Tax (PAT)	(2927.26)	(11.12)	(2928.75)	9.87
10.	Other comprehensive income	5717.91	-	5717.91	--
11.	Total comprehensive income(after tax)	2790.65	(11.12)	2789.16	9.87
12.	Earnings per share				
	Basics (Rs.)	(41.03)	(0.16)	(41.05)	0.14
	Diluted (Rs.)	(39.76)	(0.15)	(39.78)	0.14

Financial & Performance Review

The company is in the business of agri based products such as rice processing, food processing and green power generation based on agri-waste mainly rice husk which is one of the Company's by-products. The Company is primarily engaged in the handling, storage, and transportation of food grains. In the process, the prime motive is to preserve and store the food grains. Warehousing infrastructure, transportation and packing plays key role in the process and profitability as it also earns tax benefits under the tax laws.

Your Company's USP is excellent quality, strategic procurement, marketing and brand. Your Company's presence is all pervasive starting from grass root level of farmers, mandi yards through representatives, procurement, transportation, warehousing, paddy processing, generating other by-products like rice bran oil, de-oiled cakes and using husk for power plant.

During the year ended 31st March, 2018, your Company recorded Sales of Rs. 6099.51 million as compared to Rs. 10214.97 million during the year ended 31st March, 2017, showing decline of 40.28% over the last year. Loss before tax is Rs. 2931.61 million during the year under review as compared to Profit of Rs. 898.05 millions in the previous year ended 31st March 2017. Consequently, there is a Loss after tax of Rs. 2927.26 millions for the year ended 31st March 2018 as against Loss of Rs. 11.12 millions during the previous year.

During the year ended 31st March 2018, Revaluation of Fixed Assets forming Plant & Machinery, Land and Buildings was conducted on 25 Feb. 2018 by an Independent Valuer, GATS India Ltd. The assets has revalued and as a result of which the carrying cost of assets increased by 8119.03 millions and depreciation readjustment in valuation has been to the tune of 2401.11 millions resulting to net revaluation of Rs 5717.92 millions which has been considered as comprehensive income during the year and has been made part of the Equity. The carrying amount of each revalued class of property, plant and equipment has been recognised and the asset has been carried under the cost model. Revaluation surplus shall not be utilised for distribution of Dividend or issue of Bonus shares.

The company is effectively taking steps to curtail the expenses and increasing the efficiency on all fronts. Sharp decline in the financial performance is due to failure of banks in the implementation of restructuring scheme approved in 2015. Accounts of company were restructured in March 2015 by Joint Lenders Forum (JLF) consisting of PNB, Syndicate Bank, ICICI Bank and AXIS Bank as per RBI guidelines and further vetted by Independent Evaluation Committee (IEC) of RBI. While company fulfilled its part of obligations, the JLF failed to release the working capital as per approved restructuring scheme due to which operations of the company has affected adversely. The Company has taken legal recourse against the banks on account of their default and likely to file a claim for the losses incurred by the company and its stakeholders.

Note on Banks

1. As regards bank balances it is submitted that that debts of company were restructured as per Reserve Bank of India guidelines by Joint Lender Forum (JLF) led by Punjab National Bank with effect from 01-10-2014 when the accounts of the company were Standard. Restructuring was done on the Techno Economic Viability (TEV) Study conducted by internationally renowned M/s Dun & Bradstreet. This restructuring package was later approved by Independent Evaluation Committee (IEC) of experts members of RBI. The JLF approved the restructuring package. As per approved restructuring package JLF banks were under obligation to disburse assessed working capital as per TEV report to enable the company to make the desired procurement and utilize its production capacity and achieve the profitability in line with the scheme. However, the company performed its part of obligation as per Restructuring Package but members banks did not sanction/disburse the working capital limits as per approved PBF as per restructuring scheme. Due to non cooperation by banks, there was delay in finalization of accounts of the company. On account of this the company could not make the desired procurement which has adversely affected the production, capacity utilization and profitability of the company. The company completed its part of obligation up to Sep/Oct 2016, but banks did not implement their part. As a result, bank accounts of the company were categorized as sub-standard in January 2017.

2. Realizing the mistake of JLF banks in implementation of restructuring approved in March 2015, the JLF again decided to restructure the accounts under S4A scheme of RBI in its meeting held on 21.06.2017. Again, TEV study was done by N/s PNB Investment Services Ltd (100% subsidiary of PNB, the lead bank) which was engaged by JLF. PNBISL while finding out the reasons for sub standard status of accounts of company, gave its findings that non release of approved working capital as per TEV report of D & B by the JLF is reasons for sub standard classification. The TEV report of PNBISL further stated that the company performed its part of obligations up to Sep 2016. PNBISL finally concluded that company is eligible for S4A scheme. However S4A scheme could not be taken forward due to RBI Circular dated 12th February, 2018.
3. In view of the above, the restructuring package approved on the basis of TEV report of D & B failed due to failure of banks and bank balances outstanding as per company books have been taken into considerations as the entire amount outstanding is under dispute.
4. The company has state of the art biomass based power plant which the Government of India is encouraging to check the pollution. Hon'ble Supreme Court and Govt. of India has also issued directives from time to time to stop burning of biomass to stop the pollution and using the same as biomass fuel for biomass based power plants/ Power Plant of the company supplies electricity to the lacs of families in number of villages. The company has entered into long term Agreement with PSPCL for supply of electricity till 2029 which is further extendable. We may here emphasize that Agreement with PSPCL is very tough specially in respect of biomass based power plant. With the wrong actions of the banks, our power plant is also not working to its full capacity. There is no T/L or WC on this power plant.
5. Due to closure of plant of the company, there are huge losses to thousands of farmers, commission agents, transporter, workers and shareholders associated with the company. There is a great loss in terms of revenue to the government, which otherwise company would have paid had the company performed its full capacity.
6. The company has initiated legal proceedings in the Hon'ble Delhi High Court against the banks for non-compliance of RBI guidelines by banks. RBI is also a party in this legal case and the matter is sub judice. The company is also in the process of filing another case for an amount of Rs.2000 crore (approx) against the banks in respect of loss incurred by the bank on account of failure restructuring scheme by JLF.

A detailed discussion on the business performance and future outlook has been given in 'Management Discussion and Analysis' (MDA).

Consolidated financial statements

Further pursuant to IndAS- I 10 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented in this Annual Report include financial information of the subsidiary companies i.e Punjab Greenfield Resources Limited, M/s Lakshmi Green Power Limited and M/s Green Energy and Foods Pte. Ltd, Singapore.

Change in nature of Business

During the year under review, there was no change in the nature of Business. No major expansion/modernisation has been undertaken during the year.

Performance of Subsidiaries

The following may be read in conjunction with the Consolidated Financial Statements prepared in accordance with Ind AS- I 10. Shareholders desirous of obtaining the report and accounts of your Company's subsidiaries may obtain the same upon request. Further, the report and accounts of the subsidiary companies will also be available on Company's website, www.lakshmigroup.in, in a downloadable format.

Punjab Greenfield Resources Limited, a wholly owned subsidiary Company presently acts as a sales and marketing arm of LEAF and has been engaged in buying the finished rice varieties from LEAF, warehousing them and distributing them in various parts of the country using its network of brokers, dealers and distributors.

Directors' Report

M/s Lakshmi Green Power Limited is wholly owned subsidiary of your company. On being operational, this company shall significantly contribute to generate power.

M/s Green Energy and Foods Pte. Ltd, Singapore is subsidiary company. Being not operational since long, it is being liquidated.

There is no associate Company and joint venture of the Company.

Material Subsidiaries - The Board of Directors of the Company in its meeting approved the policy for determining Material Subsidiaries. At present the Company does not have any Material Subsidiary. The Policy on Material Subsidiary has been posted on the website of the Company at the following link: <http://lakshmigroup.in/downloads/Policyonmaterialsubsidiaries.pdf>

The statement containing the salient feature of the financial statement of a Company's subsidiaries as per first proviso to sub-section (3) of section 129 in Form AOC-I is attached as Annexure-I and forms part of Annual Report.

Transfer to Reserves

The Company has not transferred any amount to the General Reserves during the year under review.

Dividend

Taking into account loss incurred by the Company, Board of directors of the Company do not recommend any dividend for the year ended 31st March, 2018.

Directors and KMP

In accordance with the provisions of Section 152 of the Act, read with the Articles of Association of the Company, Mrs. Vijay Laxmi Sood will retire by rotation at the AGM and being eligible, offers herself for re-appointment. Your Board has recommended her re-appointment. Brief resume/details of the Director, who is to be re-appointed as mentioned above have been furnished in the Notice of the ensuing Annual General Meeting.

During the financial year, Mr. Balbir Singh Uppal was re-appointed as the Managing Director of the company to hold office for a term of 3 years w.e.f. 01.09.2017. Further, Mr. Janak Raj Uppal served his resignation from the office of Joint Managing Director of the company w.e.f. 27.03.2018 and continued to be associated as a Non-Executive Director of the company w.e.f. 27.03.2018

The detailed section on 'Board of Directors' is given in the separate section titled 'Corporate Governance Report' forming part of this Annual Report.

Declaration of Independence

The Board has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and regulation 16(b) of Securities & Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. In the opinion of the Board they fulfil the conditions specified in the Act and the Rules made thereunder and are Independent of the management.

Number of Board Meetings

During the year ended 31st March, 2018, five meetings of the Board were held on 30-05-2017, 12-08-2017, 23-09-2017, 14-11-2017 and 14-02-2018.

Mechanism for evaluation of board, committees and individual directors

Pursuant to the provisions of the Companies Act, 2013 and regulation 17(10) of SEBI (LODR) regulations, 2015, a structured procedure was adopted after taking into consideration the various aspects of the Board's functioning, composition of the Board and its various Committees, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed in time. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Board of Directors expresses its satisfaction with the evaluation process.

The Nomination and Remuneration ("NR") Committee has laid down proper criteria and procedure to evaluate and scrutinize performance of the Chairperson, each (including Executive, Non-Executive and Independent directors), of the Board as a whole and its Committee.

The criteria include different aspects covered under Administrative, Strategic, Operational and Compliance headings.

As per laid down procedure, the Independent Directors held a separate meeting to review the performance of the Chairperson of the Company after taking into account the views of Executive and Non Executive Directors. The substantial, and continuing, contribution of the Chairperson in the growth of the Company has been highly commended. The Independent Directors also reviewed performance of every Executive and Non Executive Director of the Board. The performance evaluation of each Independent Director was done by the entire Board (except the Independent Directors being evaluated).

The performance of each committee has been evaluated by its members and found to be highly satisfactory.

On the basis of this exercise, the NR Committee and the Board, after recognising the important contribution being made by each Independent Directors have decided that all Independent Directors should continue to be on the Board.

Familiarisation programme for Independent Directors

During FY 2017-18, the Board including all Independent Directors were explained about their roles, rights, and responsibilities in the Company through detailed presentations as per the Companies Act, 2013 and SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

The Board including all Independent Directors was provided with relevant documents, reports and internal policies to enable them to familiarise with the Company's procedures and practices from time to time besides regular briefing by the members of the Senior Leadership Team.

The Familiarisation programme for Independent Directors is posted on the website www.lakshmienergy.in and can be viewed at the following link- http://www.lakshmienergy.in/downloads/Familiarisation_program_for_Independent_Directors.pdf

Remuneration Policy

Your Company has set up a Nomination and Remuneration ('NR') Committee pursuant to Section 178 of the Act which has formulated a policy for Directors' Appointment and remuneration for Directors, KMP and other employees. They have also developed the criteria for determining qualifications, positive attributes and independence of a Director including making payments to Non-Executive Directors.

NR Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages. Further the compensation package for Directors, Key Managerial Personnel, Senior Management and other employees are designed based on the following set of principles:

- Aligning key executive and Board remuneration with the long term interests of the Company and its shareholders;
- Minimise complexity and ensure transparency;
- Link to long term strategy as well as annual business performance of the Company;
- Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- Reflective of line expertise, market competitiveness so as to attract the best talent.

Directors' Report

Your directors affirm that the remuneration paid to employees, KMP and Directors is as per the Remuneration Policy of the Company. The Remuneration Policy of the Company is posted on the website www.lakshmigroup.in and can be viewed at the following Link <http://lakshmigroup.in/Investor.html>

Directors' Responsibility Statement

Your Directors make the following statement in terms of Section 134(3)(c) & (5) of the Act, which is to the best of their knowledge and belief and according to the information and explanations obtained by them:

1. that in the preparation of the annual accounts for the Financial Year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the State of Affairs as at March 31, 2018 and of the Profit/Loss of your Company for the Financial Year ended March 31, 2018;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
4. that the annual accounts for the Financial Year ended March 31, 2018 have been prepared on a going concern basis;
5. that the Directors have laid down Internal Financial Controls which were followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and
6. that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Management Discussions and Analysis Report

Management Discussions and Analysis Report as required, pursuant to Schedule V of Securities & Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 is annexed and forms part of this Report.

Frauds reported by statutory auditors

During the financial year under review, the statutory auditors have not reported any frauds under sub section (12) of Section 143 of the Companies Act, 2013 other than those which were reportable to the Central Government.

Amounts due to micro, small and medium enterprises

Based on the information available with the company regarding the status of the suppliers under the MSME, there are no dues outstanding to Micro and small Enterprises as at 31st March 2018.

Corporate Governance

The Company has complied with the Corporate Governance requirements, as stipulated in Securities & Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015. A separate section on Corporate Governance along with a certificate from the Auditors of the Company confirming the compliance is annexed and forms part of this Report.

The Board has also evolved and adopted a Code of Conduct based on the principles of Good Corporate Governance and best management practices being followed globally. The Code is available on the website of the Company www.lakshmigroup.in.