

2018-19

Annual Report



Corporate Information

Board of Directors

Mrs. Shalini Nopany, Chairperson
Mr. Arun Kumar Newar
Mr. Chhedi Lal Agarwal
Mr. Dinesh Kacholia
Mr. Bal Kishore Malpani
Mr. Chand Bihari Patodia, Managing Director

Committees of Directors

Audit Committee

Mr. Chhedi Lal Agarwal - Chairman
Mr. Arun Kumar Newar
Mr. Dinesh Kacholia
Mr. Chand Bihari Patodia

Stakeholders' Relationship Committee

Mr. Chhedi Lal Agarwal - Chairman
Mr. Arun Kumar Newar
Mr. Dinesh Kacholia

Nomination and Remuneration Committee

Mr. Arun Kumar Newar - Chairman
Mr. Dinesh Kacholia
Mr. Chhedi Lal Agarwal

Key Managerial Personnel

Mr. Chand Bihari Patodia, Managing Director
Mr. Deepak Kumar Sharma, Chief Financial Officer
Ms Mayuri Raja, Company Secretary

Auditors

M/s Agrawal, Subodh & Co.
Chartered Accountants
3 Victory House, 1 Ganesh Chandra Avenue
Kolkata - 700 001

Registrar and Share Transfer Agent

Link Intime India Pvt. Ltd.
(Unit : Palash Securities Limited)
59C, Chowringhee Road,
Kolkata - 700 020
Tel. No.:(033)2289 0540, Fax No.:(033)-2289 0539
E-mail : kolkata@linkintime.co.in

Registered Office

P. O. Hargaon District – Sitapur, (U. P.)
Pin Code – 261 121
Tel. No. : (05862) 256220, Fax No. : (05862) 256225
E-mail : birlasugar@birla-sugar.com
Website : www.birla-sugar.com
CIN – L74120UP2015PLC069675

Corporate & Head Office

Birla Building
9/1, R.N. Mukherjee Road, 5th Floor
Kolkata - 700 001
Tel. No. (033)2243 0497/8, Fax No.:(033) 2248 6369
E-mail : secretarial@birla-sugar.com
Website : www.birla-sugar.com

Contents

Corporate Information	01
Directors' Report	02
Management Discussion & Analysis	08
Report on Corporate Governance	10
Standalone Financial Statements	43
Consolidated Financial Statements	61

Directors' Report

Dear Members,

Your Directors present herewith the 5th Annual Report on the business & operations of the Company alongwith the Audited Statement of Accounts for the financial year ended 31st March, 2019.

1. Financial Results

A summary of standalone and consolidated Financial Performance of the Company for the financial year ended on 31st March 2019, as compared to the previous year are summarized below:

(Rs. in lakhs)

Particulars	Standalone		Consolidated	
	Year ended 31st March, 2019	Year ended 31st March, 2018	Year ended 31st March, 2019	Year ended 31st March, 2018
Revenue from Operations (Gross)	0.40	0.57	4565.95	4300.06
Profit before Finance Costs, Tax, Depreciation and Amortization	11.08	(34.24)	676.33	838.76
Less: Depreciation & Amortization Expenses	2.27	2.25	16.96	17.65
Less: Finance Cost	-	-	39.85	289.74
Profit/(Loss) Before Tax	8.81	(36.49)	619.52	531.37
Profit/(Loss) After Tax	7.16	(36.49)	574.08	518.54

2. Operating Performance / Status of Company's Affair

Details on the state of affairs of the Company are covered in the Management Discussion and Analysis Report.

A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussion & Analysis Report which is made an integral part of this Report and marked as **Annexure "A"**.

3. Financial Performance 2018-19

During the Financial Year 2018-19, the Company incurred a profit of Rs. 7.16 lakhs as compared to loss of Rs. 36.49 lakhs in the previous year on standalone basis. On consolidated basis the profit after tax stood at Rs. 574.08 lakhs as compared to profit of Rs. 518.52 lakhs in the previous year

In view of inadequate profits, the Board of the Directors has not recommended payment of dividend.

There is no change in the nature of business of the Company. There were no significant or material orders passed by regulators, courts or tribunals impacting the Company's operation in future.

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year i.e. 31st March 2019 and date of this report.

4. Public Deposits

During the year, the Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013.

5. Share Capital

Paid up Share capital comprises of 1,00,03,102 Equity Shares with a face value of Rs.10/- totalling to Rs.10,00,31,020/- and 13,00,000 Preference Shares of Rs. 10/- each totalling to Rs. 1,30,00,000/- . During the year under review, there has been no change in the capital structure.

Your Company has not issued any shares/securities during the Financial Year 2018-19.

6. Subsidiary, Associate and Joint Venture

During the year, there was no change in the subsidiaries. The Company has five subsidiaries. The Company has formulated a policy for determining material subsidiaries in line with the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said Policy is being disclosed on the Company's website at the weblink <http://birla-sugar.com/Assets/Palash/Palash-Securities-Policy-for-Determining-Material-Subsidiaries.pdf>

The consolidated financial statements presented by the Company include financial information of its subsidiaries prepared in compliance with applicable Accounting Standards.

Pursuant to the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014, the details containing salient features of the financial statement of subsidiary companies in Form AOC-1 forms part of this Report and marked as **Annexure "G"**

7. Human Resources

The Company continued to create a productive, learning and caring environment by implementing robust and comprehensive HR processes, fair transparent performance evaluation and taking new initiatives to further align its Human Resource policies to meet the growing needs of its business.

8. Directors

The Board comprises of 5 (five) Non-Executive Directors having experience in varied fields and a Managing Director. Out of five Non-Executive Directors, three of them are Independent Directors. Mrs. Shalini Nopany is the Chairperson of the Company.

During the year, Mr. Bal Kishore Malpani was appointed w.e.f. 10th August, 2018 as an Additional Director in the category of Non Executive Director and his appointment was regularised in the office of Non-executive Director by the Shareholders of the Company at their 4th Annual General Meeting held on 24th September, 2018.

Mr. Chandra Shekhar Nopany, Chairman & Non-executive Director has resigned from the directorship of the Company vide his letter dated 3rd November, 2018. The Board records its appreciation for his unstinted support and counselling towards development of the Company while being in the office of Director.

Mrs. Shalini Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re-appointment as Director of the Company.

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 read with Regulation 25 of SEBI (LODR) Regulations, 2015.

Other information on the Director including required particulars of Director retiring by rotation is provided in the Notice convening the Annual General Meeting.

In pursuance of the provisions of the Companies Act, 2013 and according to Regulation 25(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Performance Evaluation Criteria has been laid down for effective evaluation of performance of the Board of Directors, the Committees thereof and individual Directors including the Chairperson of the Company. After detailed discussion at Board level as well as taking input from each Director, Nomination and Remuneration Committee finalized the format / questionnaires containing various parameters to evaluate the performance of Board and its committee(s), Individual Directors and Chairperson of the Company. The performance evaluation parameters are based on their roles and responsibilities, contribution to the Company's goals, decision making process, flow of information and various other aspects. The evaluation of performance of the Board as a whole, Committees of the Board, Individual Directors including the Chairperson of the Company was carried out for the Financial Year 2018-19. Nomination and Remuneration Committee evaluated the performance of the individual Director.

The Independent Directors in their separate meeting held on 2nd November, 2018 carried out the evaluation of the Board of Directors as a whole, Chairperson of the Company and Non-Independent Directors. The evaluation of Independent Directors was carried out without the presence of concerned Director.

The Chairman of Nomination and Remuneration Committee has submitted report of the respective evaluations to the Chairperson of the Company. Based on the questionnaires received from the Directors and considering the reports of Chairman of Nomination and Remuneration Committee, the Board has evaluated its own performance and that of its committees and individual directors including independent directors.

9. Key Managerial Personnel

The following directors / executives of your Company are whole-time Key Managerial Personnel (KMPs) as on 31st March, 2019 in accordance with the provisions of Section 203 of the Companies Act, 2013 –

- a. Mr. Chand Bihari Patodia - Managing Director
- b. Mr. Deepak Kumar Sharma – Chief Financial Officer
- c. Ms. Mayuri Raja – Company Secretary

During the year under review, there was no change in the Key Managerial Personnel.

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct applicable to Directors & employees of the Company and a declaration to the said effect by the Managing Director is made part of Corporate Governance Report which forms part of this report. The Code is available on the Company's website at the weblink - <http://birla-sugar.com/Assets/Palash/Palash-Securities-Code-of-Conduct.pdf>. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013.

10. Remuneration Policy

The Board has framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy as adopted by the Board of Directors is available at the website of the Company at the weblink <http://www.birla-sugar.com/Assets/Palash/PALASH-REMUNERTION-POLICY.pdf>. The Nomination & Remuneration Committee has also framed criteria for performance evaluation of every Director and accordingly has carried out the performance evaluation during the year under review.

The Remuneration Policy, inter-alia, includes the appointment criterion & qualification requirements, process for appointment & removal, retirement policy and remuneration structure & components, etc. of the Directors, Key Managerial Personnel (KMP) and other senior management personnel of the Company. As per the Remuneration Policy, a person proposed to be appointed as Director, KMP or other senior management personnel should be a person of integrity with high level of ethical standards. In case of appointment as an independent director, the person should fulfill the criteria of independence prescribed under the Companies Act, 2013, rules framed thereunder and the Listing Regulations. The Remuneration Policy also contains provisions about the payment of fixed & variable components of remuneration to the Whole-time Director/Managing Director and payment of sitting fee & commission to the non-executive directors.

11. Corporate Social Responsibility Policy

The provisions of Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility are not applicable to the Company.

12. Meetings

A calendar of Meeting is prepared and circulated in advance to the Directors. The Board evaluates all the decisions on a collective consensus basis amongst the Directors. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. During the financial year ended 31st March 2019, 4 (Four) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the financial year 2018-19 have been furnished in the Corporate Governance Report forming a part of this Annual Report.

The Company has complied with the applicable Secretarial Standards prescribed under Section 118(10) of the Companies Act, 2013.

13. Audit Committee

The Audit Committee was constituted on 30th March, 2017. The Committee now comprises Mr. Chhedi Lal Agarwal, Mr. Arun Kumar Newar, Mr. Dinesh Kacholia and Mr. Chand Bihari Patodia. The Company Secretary acts as the Secretary to the Committee and the Chief Financial Officer is a permanent invitee to the meetings. During the year there were no instances where Board has not accepted the recommendation of Audit Committee.

The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

14. Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee was constituted on 30th March, 2017. The Committee now comprises of Mr. Chhedi Lal Agarwal, Mr. Arun Kumar Newar, and Mr. Dinesh Kacholia. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

15. Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted on 30th March, 2017. The Committee now comprises of Mr. Chhedi Lal Agarwal, Mr. Arun Kumar Newar, and Mr. Dinesh Kacholia. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

16. Loans, Guarantee and Investments

During the year under review, the Company has not given any loans and corporate guarantees covered under the provisions of Section 186 of the Companies Act, 2013. Details on particulars relating to investments under Section 186 of the Companies Act 2013 are provided in Note 10 of the financial statement.

17. Related Party Contracts / Arrangements

All Related Party Transactions entered during the year were on arm's length basis and in the ordinary course of business. There have been no materially-significant related party transactions made by the Company with the Promoters, the Directors or the Key Managerial Personnel which may be in conflict with the interests of the Company at large. Accordingly, disclosure of contracts or arrangements with Related Parties as required under section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

The Policy on Related Party Transactions as approved by the Board can be accessed on the Company's website at the web-link <http://www.birla-sugar.com/Assets/Palash/Palash-Securities-Related-Party-Transaction-Policy.pdf>. The Policy on Related Party Transactions was aligned with the changes recommended by the MCA/SEBI in this regard.

The details of related party transactions are set out in the notes to the financial statements.

18. Risk Management

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities.

19. Internal Financial Controls

The Company has laid down internal financial control's, through a combination of Entity level controls, Process level controls and IT General controls inter-alia to ensure orderly and efficient conduct of business, including adherence to the Company's policies and procedures, accuracy and completeness of accounting records and timely preparation and reporting of reliable financial statements/information, safeguarding of assets, prevention and detection of frauds and errors. The evaluations of these internal financial controls were done through the internal audit process and were also reviewed by the Statutory Auditors. Based on their view of these reported evaluations, the directors confirm that, for the preparation of financial statements for the financial year ended 31st March, 2019, the applicable Accounting Standards have been followed and the internal financial controls are generally found to be adequate and were operating effectively & that no significant deficiencies were noticed.

20. Whistle Blower / Vigil Mechanism

The Company has established a vigil mechanism and adopted whistle blower policy, pursuant to which whistle blowers can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct policy. During the year under

review, there has been change in this policy with respect to leak or suspected leak of Unpublished Price Sensitive Information has been incorporated so that whistle blowers can report concerns. The mechanism provides adequate safeguards against victimisation of persons who use this mechanism. The brief detail about this mechanism may be accessed on the Company's website at the weblink <http://www.birla-sugar.com/Assets/Palash/Palash-Securities-Whistle-Blower-Policy.pdf>

During the year, the auditors and the secretarial auditors have not reported any fraud under Section 143(12) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014

21. Corporate Governance & Annual Return

Your Directors strive to maintain highest standards of Corporate Governance. The Corporate Governance Report for the Financial Year 2018-19 is attached as **Annexure "B"** to this Report. The declaration of the Managing Director confirming compliance with the 'Code of Conduct' of the Company is enclosed as Annexure **Annexure "C"** to this Report and Auditor's Certificate confirming compliance with the conditions of Corporate Governance is enclosed as **Annexure "D"** to this Report

The extract of the Annual Return of the Company is attached as **Annexure "F"** to this Report and is also available on the Company's website viz. <http://www.birla-sugar.com/About-Us-PALASH-SECURITIES-LIMITED#>

22. Auditors, Audit Qualifications and Board's Explanations

Statutory Auditors

At the 2nd Annual General Meeting (AGM) of your Company held on 12th September, 2016 M/s. Agrawal, Subodh & Co., Chartered Accountants, having Firm Registration No. 319260E, were appointed as Statutory Auditors of your Company to hold office for a term of 5 (five) years at the 2nd Annual General Meeting (AGM) (subject to ratification of such appointment by the Members at every AGM) of your Company held on 12th September, 2016 from the conclusion of 2nd AGM till the conclusion of the 7th AGM of your Company. They have confirmed that they are not disqualified from continuing as Auditors of the Company.

However, since the first provision to Sec 139(1) has been omitted by the Companies Amendment Act, 2017 with effect from 7th May, 2018, the ratification of such appointment at every AGM is not required. Accordingly, M/s. Agrawal, Subodh & Co., Chartered Accountants, shall continue as Statutory Auditors of your Company till the conclusion of the 7th AGM of your Company.

The Notes to the Financial Statements read with the Auditor's Reports are self-explanatory and therefore, do not call for further comments or explanations. There has been no qualification, reservation, adverse remark or disclaimer in the Auditor's Reports.

Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed Messrs Vinod Kothari & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2018-19. The Secretarial Audit Report is annexed herewith as **Annexure "E"** which is self-explanatory.

There has been no qualification, reservation, observation, disclaimer or adverse remark in the Secretarial Audit Report of the Company.

In addition to the above, pursuant to new Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 introduced by SEBI on 8 February 2019, every material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, with effect from the year ended 31st March, 2019. Accordingly, the Secretarial Audit Report of the material unlisted subsidiaries of the Company viz-a-viz Allahabad Canning Limited and Hargaon Investment & Trading Co. Ltd is annexed herewith as **Annexure "E1"** & **Annexure "E2"** respectively, which is self-explanatory.

Further, there has been no qualification, reservation, observation, disclaimer or adverse remark in the Secretarial Audit Report of Allahabad Canning limited and Hargaon Investment & Trading Co. Ltd.

23. Investor Education and Protection Fund

The provisions pertaining to Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts

lying with Companies) Rules, 2012, the Company are not applicable to your company.

24. Disclosures Under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013

There has been no such case pending during the year under review.

25. Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

The provisions of Section 134(3)(m) of the Companies Act, 2013 do not apply to our Company. There was no foreign exchange inflow or outflow during the year under review.

26. Particulars of Employees

There was no employee in the Company who was in receipt of remuneration as required to be disclosed under section 134 read with Rule, 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

27. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. that in the preparation of the annual financial statements for the year ended 31st March, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. that such accounting policies as mentioned in Note 3 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the profit or loss of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken 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. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

28. CEO/CFO Certification

Mr. Chand Bihari Patodia, Managing Director and Mr. Deepak Kumar Sharma, Chief Financial Officer have submitted certificates to the Board as contemplated under Regulation 17(8) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

29. Acknowledgement

Your Directors wish to express their sincere thanks to the bankers and other stakeholders for their continued co-operation and assistance.

For and on behalf of the Board

Place: Kolkata
Dated: 10th May, 2019

Chand Bihari Patodia
Managing Director
DIN: 01389238

Bal Kishore Malpani
Director
DIN: 00209006

Annexure A

Management & Discussion Analysis

Economic Overview

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. After strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States.

Global growth is expected to remain at 3.0 per cent in 2019 and 2020, however, the steady pace of expansion in the global economy masks an increase in downside risks that could potentially exacerbate development challenges in many parts of the world. India's GDP is forecast to expand 7.5% in FY20 and 7.7% in FY21. India will further build its lead as the world's fastest-growing major economy as it picks up pace next year while the global economy is forecast to slow as per the International Monetary Fund.

In fact, the effects of the external shocks such as increase in crude price and conditions worsened as recovery in some advanced economies caused faster investment outflows were contained in part by India's strong macroeconomic fundamentals and policy changes (including amendments to the policy/code related to insolvency and bankruptcy, bank recapitalization, and foreign direct investment).

Industry Structure and Developments

Investments and growth follow a similar pattern, and investments make up a crucial component for overall growth optimization. At the top of the business cycle, investors will naturally be watching for recessionary triggers. But the fundamental indicators of economic health, the labor market and inflation are holding an ideal position heading into 2019. With no obvious financial imbalances emerging, the economy appears remarkably well-balanced and poised to enjoy a good period of full employment and price stability.

A host of factors has enabled the Country's growth, which includes a highly developed financial system, infrastructure requirements and proactive government regimes. Domestic and foreign investments both have had made an impact on the country's growth.

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

The outlook is positive for India, one of the fastest-growing economies. Fostering private investment and careful management of public finances could help the economy go a long way.

Opportunities and Threats.

Your Company being an Investment Company it seeks opportunities in the capital market. The unpredictability in the stock indices in the financial year under report represents both an opportunity and challenge for the Company. There are external risks as well, such as a more profound slowdown of the global economy than anticipated or renewed tensions over trade between the US and China.

Over the years, India has emerged as one of the fastest growing economies in the world and an attractive investment destination driven by economic reforms and a large consumption base. Next few months could offer some good investment opportunities. We continue to believe that the market would still be in watchful mode till May's centre election results. Overall, in the long term, the fundamentals underlying the business drive the stock returns and they are of at most importance to the investors.

Despite the positive outlook, the economy remains vulnerable to domestic and geopolitical risks, especially economic and political changes that can affect relative prices and hurt current and fiscal account deficit. While expectations of inflationary pressures remain benign, concerns have risen on the twin deficit problem i.e current account deficit and fiscal deficit especially as portfolio investments remain subdued while trade deficit stays high. While fiscal expansion remains key to accelerating growth, it may weigh on government coffers if private investment loses steam.

However, the management took possible steps to cash in on various opportunities and at times also observed closely which may lead to the erosion of investments.

The Government, through the Ministry of Food Processing Industries, is making every effort to boost investments in the sector. Encouraged by proactive policy measures of the Government of India and the state Governments, several foreign companies, as well as domestic corporates, have set up processing units on their own or through joint ventures (JV) and often in collaboration with other players.

Complementing the strong demand drivers, India offers the largest diversified production base in the food sector and the progressive measures and bold reforms by the government, especially in the last three years reflects the government's positive outlook, and a clear intent to develop the sector.

With an intent to optimize the deployment of fund and capital across the core business of the Company and its subsidiaries, will enable your Company to create ongoing incremental value and sustainable business growth.

Performance

The Company operates in single segment which is to invest, deal etc in securities. The businesses of the Company are carried out by its wholly-owned subsidiaries. The first three being wholly owned subsidiaries of the Company viz: OSM Investment & Trading Company Limited; Champaran Marketing Company Limited; Hargaon Investment & Trading Company Limited and are registered NBFC with RBI and primarily engaged in investment activities and whereas Hargaon Properties Ltd is a step down subsidiary engaged in investment of properties. And the other wholly owned subsidiary Allahabad Canning Ltd is engaged in the Food Processing Business thereby producing all types of Canned Fruits & Vegetables, Jams Jellies, Marmalades, Juices, Tomato Ketchup/Puree/Sauce, Vegetable Sauces, Squashes, Breakfast cereals like cornflakes, chocos, white oats etc.

The Company aims to create sustainable vision to grow the business and make long-term strategic investments in various new ventures promoted by the Company and its subsidiaries.

Apart from its operations in investment in securities including through its Wholly Owned Subsidiaries, the Company also continues to be engaged in business of food processing through its subsidiary Company i.e Allahabad Canning Limited. There has been no change during the year under review in the nature of business pursued by the Company.

The performance has resulted in a profit before tax of Rs. 8.81 lacs and a profit after tax of Rs. 7.16 lacs in the relevant year as against the loss before tax and loss after tax of Rs. 36.49 lacs in the previous year. The EBITDA stood at Rs 11.08 lacs as against a loss of Rs. 34.24 lacs in the previous year.

The Disclosure as stipulated under Regulation 34(3) read with Schedule V Clause B of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

- i. The Debtors Turnover Ratio, Inventory Turnover Ratio, Interest Coverage Ratio as on 31st March, 2019 is NIL.
- ii. The Current Ratio as on 31st March, 2019 is 0.85 as compared to 1.10 in the previous financial year.
- iii. The Net Profit Margin for the current financial year as on 31st March, 2019 is 19.20%. In addition to above, there was change in return on Net Worth to the tune of 0.72% as compared to the immediately previous financial year because of lower expenses.

Outlook

With key economic policies on track, the government is expected to focus on faster policy implementation in the year ahead, with a greater focus on infrastructure development. Government push may encourage muted private investors to participate, thereby fostering private sector expenditure and boosting investments. That being said, we believe that a key step toward healthy economic growth lies in reviving private sector investment, given that these have remained at low levels over the past several quarters.

Recent policy measures by the government to improve the investment climate and boost private consumption and investment is expected to lift economic growth in the next two fiscal years. In India, continued implementation of structural and financial sector reforms with efforts to reduce public debt remain essential to secure the economy's growth prospects. Important steps have been taken to strengthen financial sector balance sheets, including through accelerated resolution of non-performing assets under a simplified bankruptcy framework.

In the run-up to the general elections, the market is filled with anxiety and expectations. So next year we are expecting a year of volatility for the Indian stock market. Investors have always been in favour of a stable government and sustainable economic growth. Elections have a short-term impact on the market, but it is the government policies and economic growth that is more important in the long run. Also, global cues will continue to impact the Indian stock market, before and after the elections. So we should keep one thing in mind that regardless of which party would come in power, after initial reactions, Indian market would continue to follow global trends.

Risks and Concerns

Your Company follows a risk management process for identification, categorization and prioritization of various risks like operational, financial, legal and other business risks. The Chief Financial Officer aided by the Internal Auditor reviews the effectiveness of the process at regular intervals and reports the same to the Audit Committee and the Board.

The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The Company is mainly exposed to market risks in the form of reduction in value of its investment and fall in return due to dip in the investee company's performance. Delay in repayment by the borrower companies can affect liquidity and redeployment scope. The Company is also exposed to fluctuation of economy and industry cycle.

The Audit Committee periodically reviews the efficacy of Internal Financial Control Systems and risk mitigation process.

Internal Control Systems and Their Adequacy

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations

The Audit Committee periodically reviews the efficacy of Internal Financial Control Systems and risk mitigation process. Your Board believes that appropriate procedures, controls and monitoring assessment procedures are in place and considered adequate.

The Company has an adequate system of internal control implemented by the management towards achieving efficiency in operations, optimum utilization of resources and effective monitoring thereof and compliance with applicable laws. The Internal Auditors were suggested with audit plan based on the risk profile of business activities of the organization, which were approved by the Audit Committee. The adequacy of the internal control system is reviewed by the Audit Committee of the Board of Directors. The efficacy of the internal checks and control systems are verified by the Internal Auditors as well as the Statutory Auditors. The Audit Committee reviews the internal audit plan, adequacy and effectiveness of the internal control system, significant audit observations and monitors the sustainability of remedial measures.

Your Board believes that appropriate procedures, controls and monitoring assessment procedures are in place and considered adequate.

Human Resources

Steps have been taken to inculcate a performance-oriented culture by focusing and laying more emphasis on the performance management system. It has been Company's endeavour to attract talent from the most reputed institutions to meet the requirements of various functions. The Company will strengthen its operative staffs as and when need arises.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's outlook, objectives, projections, estimates and expectations may be 'forward looking statement' within the meaning of applicable laws or regulations. Actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations include changes in Government regulations and tax-regime, economic developments within India and abroad, financial markets, etc. The Company assumes no responsibility in respect of forward-looking statements that may be revised or modified in future on the basis of subsequent developments, information or events. The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 2013 (the Act) and comply with the Accounting Standards notified under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006. The management has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profit/ loss for the year. The narrative on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report.