

Sreeleathers Limited

**25th ANNUAL REPORT
2015-2016**

BOARD OF DIRECTORS

Sri Satyabrata Dey - Managing Director
Sri Sumanta Dey - Director
Sri Tanmoy Shome - Independent Director
Smt. Sadhana Adhikary - Independent Director

Chief Financial Officer

Sri Sujay Bhattacharjee

Company Secretary & Compliance Officer

Sri Bijoy Kumar Roy

Auditors

K. Rungta & Co.
Chartered Accountants
1, Crooked Lane
1st Floor, Room No.102
Kolkata - 700 069

Bankers

HDFC Bank Ltd., Chowringhee Branch
Bank of India, Lindsay Street Branch
State Bank of India, Strand Road Branch

Regd. Office

6, Tottee Lane, Kolkata – 700 016
Phone : +91 33 2286 1510/ 11
Fax : +91 33 2217 6468
E-mail : sreeleathers@sreeleathers.com
Website : www.sreeleathers.com
CIN : L67190WB1991PLC050656

Registrar & Share Transfer Agent

Niche Technologies Private Limited
D-511, Bagree Market
71, B. R. B. Basu Road
Kolkata – 700 001

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their 25th Annual Report together with the Audited Financial Statements of the Company for the Year ended March 31, 2016.

FINANCIAL RESULTS:

(₹ In Lacs)

Particulars	March 31, 2016	March 31, 2015
Receipt from Operations	7973.31	6676.23
Profit before depreciation & taxes	1866.25	1359.39
Less: Depreciation	123.66	112.72
Profit Before Tax	1742.59	1246.67
Less: Provision for:		
(a) Income Tax	627.44	419.13
(b) Deferred Tax	(14.81)	(16.80)
Profit after tax	1129.96	844.34
Add: Balance brought forward from last year	2992.86	2148.56
Profit available for appropriation	4122.82	2992.90
Adjustment for Depreciation	-	0.04
Balance carried to Balance sheet	4122.82	2992.86

The company does not propose to transfer any amount to the General Reserves. An amount of Rs. 4122.82Lacs is proposed to be retained in the statement of Profit & Loss.

OPERATIONAL REVIEW:

Gross revenues increased to Rs.7973.31lacs, a growth of around 20% against Rs.6676.23 lacs in the previous year. Profit before depreciation and taxation is Rs.1866.25 lacs against Rs. 1359.39 lacs in the previous year. After providing for depreciation and taxation of Rs.123.66 lacs & Rs. 612.63 lacs respectively as against Rs. 112.72 lacs & Rs. 402.33 lacs respectively in the previous year, the net profit of the Company for the year under review was placed at Rs.1129.96 lacs as against Rs.844.34 lacs in the previous year.

In spite of tough market conditions and very high levels of competition the company's turnover in terms of value has increased by around 20% during the year under review and Profit after tax has increased by 33.82%.

DIVIDEND:

Your Directors regret for not recommending any dividend for the year under review. The directors foresee to make further expansions in business and for this, the profits are ploughed back.

SHARE CAPITAL:

The paid up equity capital as on March 31, 2016 was Rs.2,515.50 lacs. The company has not issued any shares with differential voting rights nor granted stock options nor sweat equity during the year under review.

FINANCE:

Cash and cash equivalents as at March 31, 2016 was Rs.1,806.50 lacs. The company continues to focus on judicious management of its working capital, receivables and inventories. Other working capital parameters were kept under strict check through continuous monitoring.

FIXED DEPOSITS:

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013.

The details of the investments made by company are given in the notes to the financial statements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an Internal Control System and risk mitigation system, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board & to the Managing Director.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

As part of its initiatives under “corporate social responsibility” (CSR), the company has contributed funds for the schemes for promotion of education, vocational training, livelihood enhancement projects & sanitation. The contributions in this regard have been made to the registered trust which is undertaking these schemes.

The Annual Report on CSR activities is annexed herewith as: Annexure A

CONSERVATION OF ENERGY:

- a) Company ensures that the operations are conducted in the manner whereby optimum utilization and maximum possible savings of energy is achieved.
- b) No specific investment has been made in reduction in energy consumption.
- c) As the impact of measures taken for conservation and optimum utilization of energy are not quantitative, its impact on cost cannot be stated accurately.
- d) Since the Company does not fall under the list of industries, which should furnish this information in Form A annexed to the aforesaid Rules, the question of furnishing the same does not arise.

TECHNOLOGY ABSORPTION:

The Company doesn't have any in-house R & D Facility. The Company has not imported any technology during the year under review.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENT RELATE AND THE DATE OF REPORT

Management does not perceive any material changes occurred subsequent to the close of financial year as on 31.03.2016 and before the date of Report dated 28.05.2016 affecting financial position of the company in any substantial manner.

FOREIGN EXCHANGE EARNINGS AND OUT-GO:

During the period under review there was no foreign exchange earnings or out flow.

INDUSTRIAL RELATIONS:

During the year under review, your Company enjoyed cordial relationship with employees at all levels.

DIRECTORS:

There is no change in the composition of the Board of Directors during the period under review.

Director Sri Sumanta Dey (DIN 00647680) retires by rotation and, being eligible, offers himself for re-appointment. Sri Sumanta Dey was appointed as Non-Executive Director, liable to retirement by rotation in the last A.G.M. in September 2015. The Board now recommends the re-appointment of Sri Sumanta Dey as Non-Executive Director.

All independent directors have given declarations that they meet the criteria of independence as laid down under section 149(6) of the Companies Act, 2013 and there is no change in their status of independence.

Board Evaluation:

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out an evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Appointment & Remuneration Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

Remuneration Policy

The Board has, on the recommendation of the Appointment & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors.

During the year five Board Meetings and four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

DIRECTOR'S RESPONSIBILITY STATEMENT:

In terms of Section 134 (3)(c) of the Companies Act, 2013, the directors would like to state that:

- i) In the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards have been followed.
- ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.
- v) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- vi) The directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

RELATED PARTY TRANSACTIONS:

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large. All related party transactions are placed before the audit committee as also to the Board for approval.

The policy on Related Party Transactions as approved by the Board of Directors has been uploaded on the website of the Company and can be viewed at <http://www.sreeleathers.com/SL/Relatedparty.pdf>.

SUBSIDIARY COMPANIES:

The Company does not have any subsidiary.

CODE OF CONDUCT:

The Board of Directors has approved a Code of Conduct which is applicable to the Members of the Board and all employees in the course of day to day business operations of the company. The Company believes in “Zero Tolerance” against bribery, corruption and unethical dealings / behaviour of any form and the Board has laid down the directives to counter such acts. The code laid down by the Board is known as “Code of Business Conduct” which forms an Appendix to the Code. The Code has been posted on the Company’s website www.sreeleathers.com.

The Code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The Code gives guidance through examples on the expected behaviour from an employee in a given situation and the reporting structure.

All the Board Members and the Senior Management personnel have confirmed compliance with the Code. All Management Staff were given appropriate training in this regard.

VIGIL MECHANISM / WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy to report genuine concerns or grievances. The Whistle Blower Policy has been posted on the website of the Company (www.sreeleathers.com).

PREVENTION OF INSIDER TRADING:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company’s shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code.

All Directors and the designated employees have confirmed compliance with the Code.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

The Company has in place an Anti harassment policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaint Committee are set up at shop floor level to redress complaints received regularly and are monitored by women line supervisors who directly report to the Managing Director. All employees (permanent, contractual, temporary, trainees) are covered under the policy. There was no complaint received from any employee during the financial year 2015-16 and hence no complaint is outstanding as on 31.03.2016 for redressal.

AUDITOR’S REPORT/ SECRETARIAL AUDIT REPORT:

The observation made in the Auditors’ Report read together with relevant notes thereon are self explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

As required under section 204 (1) of the Companies Act, 2013 the Company has obtained a secretarial audit report. The Secretarial Audit Report read together with relevant notes thereon are self explanatory and hence, do not call for any further comments.

AUDITORS:

At the Annual General Meeting held on 25.09.2014, K Rungta & Co.(FRN – 321068E), Chartered Accountants, were appointed as Statutory Auditors of the Company to hold office till the conclusion of the Annual General Meeting to be held in the year 2017. In terms of the first proviso to Section 139 of the Companies Act, 2013, the appointment of the auditors to be placed for ratification at every Annual General Meeting. Accordingly, the appointment of K Rungta & Co., Chartered Accountants, as Statutory Auditors of the Company, is placed for ratification by the Shareholders in the ensuing Annual General Meeting. The Company has obtained written confirmation from M/s K Rungta & Co., that their appointment, if made, would be in conformity with the limit specified in the said section.

SECRETARIAL AUDIT:

Pursuant to provisions of section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the company has appointed SA & Associates, a firm of Company Secretaries in practice to undertake the Secretarial Audit of the Company. The Secretarial Audit report is annexed herewith as “Annexure B”

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as “Annexure C”.

PARTICULARS OF EMPLOYEES:

The information required under section 197(12) of the Companies Act, 2013 and the rules made thereunder, as amended has been given in the annexure appended hereto and forms part of this report. The company does not have any employees who were employed throughout the year and were in receipt of remuneration of more than Rs. 60.00 lacs per annum or employed for part of the year and were in receipt of remuneration of more than Rs. 5.00 lacs per month.

EMPLOYEE STOCK OPTION:

The company has not given any employee stock option scheme during the financial year 2015- 16. Previous year: Nil

PARTICULARS PURSUANT TO SECTION 197(12) AND THE RELEVANT RULES:

- a) The ratio of remuneration of each director to the median employee’s remuneration for the financial year and such other details as prescribed is as given below:

Name	Ratio
Satya Brata Dey (Managing Director)	12.08: 1
Sujay Bhattacharjee (Chief Financial Officer)	2.02: 1
Bijoy Kumar Roy (Company Secretary)	2.03:1

For this purpose, Sitting fees paid to the Directors have not been considered as remuneration.

- b) The % increase in the remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

Satya Brata Dey (Managing Director)	Nil
Bijoy Kumar Roy (Company Secretary)	8.00%
Sujay Bhattacharya (Chief Financial Officer)	11.85%

- c) The % increase in the median remuneration of employees in the financial year: 9.78%.
- d) The number of permanent employees on the rolls of company: 51.
- e) The explanation on the relationship between average increase in remuneration and company performance; The Company’s PAT has grown from Rs. 844.34 lacs to Rs. 1129.96 lacs an increase of 33.83% against which the average increase in remuneration is 9.78%, and this increase is aligned with the Compensation Policy of the company.

- f) Comparison of the remuneration of the Director and Key Managerial Personnel against the performance of the company: The increase in remuneration to the Directors, key managerial persons as well as employees of the company are based on a annual review mechanism which takes care of the individual performance of the employee as well as the overall growth of the company.
- g) Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year.

Particulars	March 31, 2016	March 31, 2015	% Change
Ordinary Shares			
Market Capitalization (Rs. In Crs)	313.68	462.85	-32.23
Price Earning Ratio	27.77	54.76	-49.29

- h) Percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer:

Market Price as on March 31, 2016	Rs.124.70
Price at the time of public issue of 18,10,200 equity shares made in the fiscal 1997 – 1998.	Rs.10.00
% increase of market price over the price at the time of public issue	1247%

Note : Closing share price of ordinary shares at BSE Ltd. has been used for the above table.

- i) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and any exceptional circumstances for increase in the managerial remuneration: Average increase in remuneration is 9.78% for Employees other than Managerial Personnel, 8% for Sri Bijoy Kumar Roy, Company Secretary & 11.85% for Sri Sujay Bhattacharjee, Chief Financial Officer of the company.
- j) The key parameters for any variable component of remuneration availed by the directors: There is no variable component for any director, key managerial personnel as well as any employee of the company during the financial year.
- k) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year: Not Applicable.
- l) Affirmation that the remuneration is as per the remuneration policy of the company: The remuneration for Managing Director, KMP and rest of employees is as per the remuneration policy of the company.
- m) Comparison of each remuneration of the key managerial personnel against the performance of the company:

	Sri Satyabrata Dey Managing Director	Sri Sujay Bhattacharjee Chief Financial Officer	Sri Bijoy Kumar Roy Company Secretary
Remuneration in Fiscal 2016 (in lacs)	24.00	4.03	4.05
Revenue (in lacs)	7973.31		
Remuneration as % of revenue	0.30	0.05	0.05
Profit / (loss) before Tax (in lacs)	1742.59		
Remuneration (as % of PBT)	1.37	0.23	0.23

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORTS:

The Corporate Governance and Management Discussion & Analysis Report, which form an integral part of this Report, are set out as separate Annexure, together with the Certificate from the auditors of the Company regarding compliance with the requirements of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand-supply conditions, material prices, changes in Government Regulations, tax regimes, economic developments within the Country and outside the Country and other factors such as litigation and labor negotiations

ACKNOWLEDGEMENTS:

Your Company and its Directors wish to extend their sincere thanks to the Members of the Company, Bankers, State Government, Local Bodies, Customers, Suppliers, Executives, Staff and workers at all levels for their continuous co-operation and assistance.

For and on behalf of the Board of Directors

Kolkata
May 28, 2016

Sumanta Dey
Director

Annexure A to Boards Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

CSR policy is stated herein below:

CSR Policy

(Approved by the Board of Directors on 01.09.2014)

Our aim is to be one of the most respected companies in India delivering superior and everlasting value to all our customers, associates, shareholders, employees and Society at large.

The CSR initiatives focus on holistic development of host communities and create social, environmental and economic value to the society.

To pursue these objectives we will continue to:

- 1) Work actively in areas of eradication of hunger and poverty, promoting preventive health care and sanitation, providing opportunity and financial assistance for the promotion of education in the form of Yoga, and provide medical aid to the needy.
- 2) Collaborate with likeminded bodies like Voluntary organizations, charitable trusts, governments and academic institutes in pursuit of our goals.
- 3) Interact regularly with stakeholders, review and publicly report our CSR initiatives.

The policy has been uploaded on the website of the company – www.sreeleathers.com

Web Link: <http://www.sreeleathers.com/SL/CSR.pdf>

2. Composition of CSR committee

Name of The Member	Designation
Shri Sumanta Dey	Chairman
Smt. Sadhana Adhikary	Member
Shri Tanmoy Shome	Member

3. Average net profit of the company for last three financial years:

Average net profit: Rs.11.20 Crores

4. Prescribed CSR Expenditure (Two percent of the amount as in item 3 above)

The company is required to spend for financial year 2015 – 16	Rs.22.41lacs
Amount unspent for Financial year 2014 – 15	<u>Rs. 14.60 Lacs</u>
Total	Rs. 37.01 Lacs

5. Details of CSR spent for the financial year :

- a) Total amount spent for the financial year: Rs.15.30 lacs.
- b) Amount unspent if any: Rs. 21.71 lacs