

Sreeleathers Limited

**27th ANNUAL REPORT
2017-2018**

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

Chanani & Associates
Chartered Accountants
21/1/1, Benaras Road, 4th Floor
P.O. Salkia, Howrah - 711 106

Bankers

HDFC Bank Ltd., Chowringhee Branch
Bank of India, Lindsay Street Branch
State Bank of India, Strand Road Branch
Federal Bank, New Market Branch
IDBI Bank, Brabourne 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 27th Annual Report together with the Audited Financial Statements of the Company for the Year ended March 31, 2018.

FINANCIAL RESULTS

(₹ In Lacs)

Particulars	March 31, 2018	March 31, 2017
Receipt from Operations	14096.27	9958.53
Other Income	192.83	142.48
Profit before depreciation & taxes	3380.87	2178.51
Less: Depreciation	126.20	124.60
Profit Before Tax	3254.67	2053.91
Less: Provision for:		
(a) Income Tax	1136.85	730.56
(b) Deferred Tax	(19.36)	(16.95)
Profit after tax	2137.18	1340.30
Other Comprehensive Income	444.84	485.61
Total Comprehensive Income for the period	2582.02	1825.91

The company does not propose to transfer any amount to the General Reserves. An amount of Rs. 7600.30 lacs is proposed to be retained in the statement of Profit & Loss.

OPERATIONAL REVIEW

Your Company reported a top-line growth of 41.55 % over the Previous Year. The Gross Revenue from operations stood at Rs. 14096.27lacs compared with Rs.9958.53 lacs in the Previous Year. The numbers are however not comparable consequent to implementation of Goods and Services Tax (GST). The Operating Profit before tax stood at Rs. 3254.67lacs as against Rs.2053.91lacs in the Previous Year. The Net Profit for the year stood at Rs.2137.18lacs against Rs.1340.30lacs reported in the Previous Year.

The company continues to retain and reinforce its market leadership in Leather and Non-Leather footwear and accessories with distribution network comprising of exclusive stores, wholesalers and dealers.

There are no material changes or commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of this Report.

DIVIDEND

Your Directors do not recommend 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 Authorized Share Capital of your Company as on March 31, 2018 stands at Rs. 2,600 lacs divided into 26,000,000 equity shares of Rs. 10/- each. The paid up equity capital as on March 31, 2018 was Rs.2,515.50lacs. During the year under review, the company has not issued any shares with differential voting rights nor granted stock options nor sweat equity during the year under review. As on March 31, 2018, none of the Directors of the company hold instruments convertible into equity shares of the Company.

FINANCE AND ACCOUNTS

As mandated by the Ministry of Corporate Affairs, the financial statements for the year ended on March 31, 2018 has been prepared in accordance with the Indian Accounting Standards (IND AS) notified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014. The estimates and judgements relating to the Financial Statements are made on a prudent basis, so as to reflect in a true and fair manner, the

form and substance of transactions and reasonably present the Company's state of affairs, profits and cash flows for the year ended March 31, 2018.

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.

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

Your Company has an effective internal control and risk-mitigation system, which are constantly assessed and strengthened with new/ revised standard operating procedures. The Company's internal control system is commensurate with its size, scale and complexities of its operations. The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

The Audit Committee of the Board of Directors and the Business Heads are periodically apprised of the internal audit findings and corrective actions taken. Audit plays a key role in providing assurance to the Board of Directors. Significant audit observations and corrective actions taken by the management are presented to the Audit Committee of the Board. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee.

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, welfare of the children and yoga. The contributions in this regard have been made to the registered trust which is undertaking these schemes. These projects are in accordance with Schedule VII of the Companies Act, 2013 and the Company's CSR policy.

The Annual Report as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 on CSR activities is annexed herewith as: Annexure A and forms an integral part of this Report.

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 31.03.2018 and before the date of Report dated 30.05.2018 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

Industrial relations at all the units of your Company have been harmonious and peaceful with active involvement of the employees in the collective bargaining process. Your Company has also encouraged wholehearted participation of the employees in improving productivity as well as quality of its products.

The Company takes pride in the commitment, competence and dedication of its employees in all areas of the business. The Company has a structured induction process at all locations and management development programs to upgrade skills of managers. Objective appraisal systems based on key result areas (KRAs) are in place for senior management staff.

The Company is committed to nurturing, enhancing and retaining its top talent through superior learning and organizational development. This is a part of our Corporate HR function and is a critical pillar to support the organization's growth and its sustainability in the long run.

In order to retain good talent within the organization, your Company has strengthened the goal setting and measurement process during the year supported with structured development plans for high potential people to move into different roles. This has resulted in higher retention levels across the organization.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the Regulators/Courts that would impact the going concern status of the Company and its future operations.

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 2017. 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. A formal letter of appointment to Independent Directors as provided in Companies Act, 2013 has been issued.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed. The performance evaluation of the Chairman and the Non- Independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

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 twelve 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The financial statements are prepared in accordance with Indian Accounting Standard (IND AS) under the historical cost convention on accrual basis (except for certain financial instrument). The Ind AS are prescribed under section 133 of the Companies Act, 2013 ('the Act'), read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. Effective April 2017, the Company has adopted all the Ind AS standards and the adaptation was carried out in accordance with applicable transition guidance. Accounting Policies have been consistently applied (except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use):

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

- i) In the preparation of the annual accounts for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) The directors had 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 as at 31.03.2018 and of the profit or loss of the Company for the year ended on that day.
- iii) The directors had 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 directors had prepared the annual accounts 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. and
- vi) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

RELATED PARTY TRANSACTIONS

All transactions entered with Related Parties for the year under review were on arm's length basis and in the ordinary course of business and that the provisions of Section 188 of the Companies Act, 2013 and the Rules made thereunder are not attracted. Thus, disclosure in form AOC-2 in terms of Section 134 of the Companies Act, 2013 is not required. Further, there are no material related party transactions during the year under review with the Promoters, Directors or Key Managerial Personnel. 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 / behavior 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 behavior 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 Company Secretary is the compliance officer who 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 2017-18 and hence no complaint is outstanding as on 31.03.2018 for redressal.

AUDITOR’S REPORT/ SECRETARIAL AUDIT REPORT**AUDIT REPORTS**

- The Auditors’ Report for the Fiscal 2018 does not contain any qualification, reservation or adverse remark. The Auditors’ Report is enclosed with the financial statements in this annual report.
- The secretarial Auditors’ Report for the Fiscal 2018 does not contain any qualification, reservation, or adverse remark. The secretarial Auditors’ Report is enclosed to the Board Report in this Annual Report.
- As required by the Listing Regulations, the Auditors’ Certificate on Corporate Governance is enclosed to the Board Report. The Auditors’ Certificate for Fiscal 2018 does not contain any qualification, reservation or adverse remark.

STATUTORY AUDITOR & SECRETARIAL AUDITOR

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

In terms of the provisions of Section 139 of the Companies Act, 2013 read with provisions of the Companies (Audit and Auditor) Rules, 2014 as amended, M/s. Chanani & Associates, Chartered Accountants (ICAI Firm Registration No. 325425E) was appointed as the Auditors of the Company for a consecutive period of five years from the conclusion of this Annual General Meeting until the conclusion of Thirty first Annual General Meeting scheduled to be held in the year 2022.

The Members may note that consequent to the changes made in the Companies Act, 2013 and the Companies (Audit & Auditors) Rules, 2014 by the Ministry of Corporate Affairs (MCA) vide notification dated 07.05.2018, the proviso to Section 139 (1) of the Companies Act, 2013 read with explanation to sub-rule 7 of Rule 3 of the Companies (Audit & Auditors) Rules, 2014, the requirement of ratification of appointment of Auditors by the Members at every AGM has been done away with. Therefore, the Company is not seeking any ratification of appointment of M/s. Chanani & Associates, Chartered Accountants as the Auditors of the Company, by the Members at the ensuing AGM.

Your Company has received a certificate from M/s. Chanani & Associates, Chartered Accountants confirming their eligibility to continue as Auditors of the Company in terms of the provisions of Section 141 of the Companies Act, 2013 and the Rules framed thereunder.

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, as required under Section 92 of the Companies Act, 2013, is annexed as Annexure - C and forms an integral part of this Report.

SECRETARIAL STANDARD

The Company complies with all applicable secretarial standards.

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 form 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. 102 lacs per annum or employed for part of the year and were in receipt of remuneration of more than Rs. 8.50 lacs per month.

EMPLOYEE STOCK OPTION

The company has not given any employee stock option scheme during the financial year 2017-2018. 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
Satyabrata Dey (Managing Director)	67.02:1
Sujay Bhattacharjee (Chief Financial Officer)	2.23:1
Bijoy Kumar Roy (Company Secretary)	2.41:1

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:

Satyabrata Dey (Managing Director)	60.00%
Bijoy Kumar Roy (Company Secretary)	9.52%
Sujay Bhattacharya (Chief Financial Officer)	-6.10%

- c) The % increase in the median remuneration of employees in the financial year : -19.78%
- d) The number of permanent employees on the rolls of company : 34
- e) The explanation on the relationship between average increase in remuneration and company performance; The Company's PAT has grown from Rs. 1340.30 lacs to Rs. 2137.18 lacs an increase of 59.45%, against which the average decrease in remuneration is 19.78% this has been achieved by better manpower utilization.
- 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 annual review mechanism which takes care of the individual performance of the employee as well as the overall growth of the company.

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, 2018	March 31, 2017	% Change
Ordinary Shares			
Market Capitalization (Rs. In Crs)	565.99	305.76	85.11
Price Earnings Ratio	26.48	22.80	16.14

- g) 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, 2018	Rs.225
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	2150%

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

- h) 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 -19.78% for employees other than Managerial Personnel, 6.10% for Sri Bijoy Kumar Roy, Company Secretary & -6.10% for Sri Sujay Bhattacharjee, Chief Financial Officer of the company.
- i) 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.
- j) 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.
- k) 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.

I) 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 2018 (in lacs)	96.00	3.20	3.45
Revenue (in lacs)	14096.27		
Remuneration as % of revenue	0.68	0.023	0.024
Profit / (loss) before Tax (in lacs)	3254.67		
Remuneration (as % of PBT)	2.95	0.09	0.11

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORTS

As per Regulation 34 (3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on corporate governance practices followed by the Company, together with a certificate from the Company's Auditors confirming compliance forms an integral part of this Report.

The Management Discussion and Analysis Report on the operations of the Company, as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in a separate section and forms an integral part of this Report.

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 Directors wish to place on record their appreciation, for the contribution made by the employees at all levels but for whose hardwork, and support, your Company's achievements would not have been possible. Your Directors also wish to thank its customers, dealers, agents, suppliers, investors and bankers for their continued support and faith reposed in the Company.

For and on behalf of the
Board of Directors

Kolkata
May 30, 2018

Satyabrata Dey
Managing Director
(DIN : 00569965)