



KDDL Limited

ANNUAL REPORT

2016 - 2017

KDDL Limited

BANKERS

Bank of India
IDBI Bank Limited

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Raman Kumar Sood

AUDITORS

Messrs Walker Chandiook & Co. LLP
Chartered Accountants New Delhi – 110 001

CORPORATE OFFICE

Kamla Centre, S.C.O. 88-89, Sector 8-C,
Madhya Marg, Chandigarh – 160 009

REGISTERED OFFICE & DIALS UNIT – I

Plot No. 3, Sector III, Parwanoo – 173 220 (H.P.)

UNIT – II

Haibatpur Road, Saddomajra,
Derabassi – 140 507 (Punjab)

HANDS UNIT

UNIT – I

Plot No. 296-297, 5th Main,
Phase IV, Peenya Industrial Area,
Bangalore – 560 058 (Karnataka)

UNIT – II

408, 2nd Floor, 4th Main,
11th Cross, Peenya Industrial Area,
Bangalore – 560 058 (Karnataka)

ASSEMBLY UNIT

Village Dhana, Bagbania, P.O. Manpura,
Tehsil Baddi, Distt. Solan – 173 205 (H.P.)

PACKAGING UNITS

UNIT - I

Plot No. 25/1, Industrial Area,
Phase – II, Chandigarh – 160 002

UNIT - II

Plot No. 9, Sector V, Parwanoo – 173 220 (H.P.)

PRECISION ENGINEERING UNITS (EIGEN)

UNIT - I

408, 4th Main, 11th Cross,
Peenya Industrial Area,
Bangalore – 560 058 (Karnataka)

UNIT - II

Plot No. 9-B, Chokkasandra,
Peenya Industrial Area,
Bangalore – 560 058 (Karnataka)

UNIT - III

Plot No. 55-A,
Aerospace Industrial Area,
Bangalore (Karnataka)

DELHI OFFICE

204-206, 2nd Floor
Square One Mall
C-2, District Centre, Saket
New Delhi - 110017

Company CIN – L33302HP1981PLC008123

CONTACT DETAILS

Telephone : +91 172 2548223/24/27
Fax No. : +91 172 2548302E
mail : investor.complaints@kddl.com
Website : www.kddl.com

BOARD OF DIRECTORS:

Mr. Yashovardhan Saboo - Vice Chairman & Chief Executive Officer
Mr. Sanjeev Kumar Masown - Whole Time Director-cum-Chief
Financial Officer
Mr. Jagesh Khaitan - Independent Director
Mr. Anil Khanna - Independent Director
Mrs. Ranjana Agarwal - Independent Director
Mr. Praveen Gupta - Independent Director
Mr. Vishal Satinder Sood - Nominee Director
Mr. Jai Vardhan Saboo - Additional Director
Mr. Sanjiv Sachar - Additional Director

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KDDL Limited

(CIN - L33302HP1981PLC008123)

Registered Office: Plot No 3, Sector-III, Parwanoo, Distt. Solan, (H.P.) - 173220

Email: investors.relations@kddl.com, Website: www.kddl.com

Phone: 0172-2548223/24 & 27, Fax: 0172-2548302

NOTICE

NOTICE IS HEREBY GIVEN THAT the 37th Annual General Meeting of KDDL Limited will be held at **Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) - 173220** on Friday, 11th August, 2017 at 12:30 pm to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Financial Statements of the Company (Standalone as well as consolidated) for the financial year ended 31st March, 2017, the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a director in place of Mr. Vishal Satinder Sood, (DIN- 01780814) who is liable to retire by rotation and being eligible, offers himself for re-appointment.
4. **To appoint Statutory Auditors and to fix their remuneration and in this regard, to consider and, if thought fit, pass, with or without modification(s), the following resolution as an Ordinary Resolution:-**

“RESOLVED THAT pursuant to the provisions of Sections 139, 141 and 142 and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder (including any statutory modification(s) or re-enactments thereof for the time being in force) M/s BSR & Co. LLP, Chartered Accountants, Gurgaon(Firm Registration No. 101248W/W-100022), be and are hereby appointed as Statutory Auditors of the Company, (in place of Messrs Walker Chandiook & Co. LLP, Chartered Accountants, the retiring Auditor) for a term of two years commencing from the Company's financial year ending March 31, 2018 to hold office from the conclusion of the 37th Annual General Meeting of the Company till the conclusion of the 39th Annual General Meeting subject to ratification of their appointment by the Members at every intervening Annual General Meeting held after this Annual General Meeting on such remuneration plus applicable taxes, out-of-pocket expenses etc., as may be mutually agreed upon by the Board of Directors and the Statutory Auditors.

RESOLVED FURTHER THAT the Board of Directors of the Company including its Committee thereof and/or Mr. Sanjeev Kumar Masown, Whole Time Director-cum- Chief Financial Officer or Mr. Raman K Sood, Company Secretary be and are hereby severally authorized to do all such acts and take all such steps as may be considered necessary, proper or expedient to give effect to this Resolution.”

SPECIAL BUSINESS:

5. **To appoint Mr. Jai Vardhan Saboo as a Non-Executive Director of the Company and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**
“RESOLVED THAT pursuant to the provisions of Sections 149, 152, 161 and other applicable provisions of the Companies Act, 2013 and rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), if any, and subject to articles of association and SEBI (LODR) Regulations, 2015 or any other applicable laws, rules, etc., if any, Mr. Jai Vardhan Saboo (DIN 00025499), who was appointed as an additional director of the Company by the Board of Directors of the company w. e. f 12th December, 2016 and who holds office up to the date of this Annual General Meeting and in respect of whom a notice has been received from a member proposing his name for the office of Director, be and is hereby appointed as a Non - Executive Director of the company, liable to retire by rotation.”
6. **To appoint Mr. Sanjiv Sachar as an independent, Non-Executive Director of the Company and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**
“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152, and other applicable provisions of the Companies Act, 2013 and rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), articles of association of the company, SEBI (LODR) Regulations, 2015, or any

other applicable laws, rules etc., if any, Mr. Sanjiv Sachar (DIN 02013812), who was appointed as an additional director in the capacity of independent Director by the Board of Directors of the Company w. e. f 7th March 2017 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing from a member proposing the name of Mr. Sanjiv Sachar as a candidate for the office of Director of the Company and Mr. Sanjiv Sachar has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5 (Five) Years from his appointment i.e. till March 6, 2022”

7. To approve amendment in existing Article 114 of the Articles of Association of the Company and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 14 and any other applicable provisions of the Companies Act, 2013, the existing Article 114 of the Articles of Association of the Company, be and is hereby amended/alterd to read as follows:

114. *“The Directors may from time to time elect one of their members to be Chairman of the Board of Directors and determine the period for which he is to hold office. The Directors may likewise appoint a vice Chairman of the Board of Directors. The Chairman or Vice Chairman so appointed may also be appointed as Managing Director and/or Chief Executive Officer of the company and vice versa.”*

RESOLVED FURTHER THAT the Board of Directors or Company Secretary of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

8. To approve amendment of the Articles of Association of the Company by inserting a new article No. 114-A after existing article 114 of articles of association and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and any other applicable provisions of the Companies Act, 2013 the Articles of Association of the Company be and are hereby altered as under, by inserting the following Article as 114-A after the present Article 114 of the Articles of Association of the Company:

114-A Chairman Emeritus

- (1) The Board shall be entitled to appoint any person who has rendered significant or distinguished services to the Company or to the industry to which the Company's business relates or in the public field, as the Chairman Emeritus of the Company, including ratification of any previous appointments made, from such period as the board may decide.
 - (2) The Chairman Emeritus shall hold office until he resigns from his office or a special resolution to that effect is passed by the members in a general meeting.
 - (3) The Chairman Emeritus may attend any meetings of the Board or Committee thereof but shall not have any right to vote and shall not be deemed to be a party to any decision of the Board or Committee thereof.
 - (4) The Chairman Emeritus shall not be deemed to be a director for any purposes of the Act or any other statute or rules made thereunder or these Articles including for the purpose of determining the maximum number of Directors which the Company can appoint.
 - (5) The Board may provide such facilities and / or decide to make any payment in any manner for any services rendered by the Chairman Emeritus to the Company.
 - (6) If at any time the Chairman Emeritus is appointed as a Director of the Company, he may, at his discretion, retain the title of the Chairman Emeritus.”
- 9. To Approve re-appointment and remuneration of Mr. Yashovardhan Saboo as Chairman and Managing Director and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

“RESOLVED THAT pursuant to section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder read with Schedule-V of the Companies Act, 2013, SEBI (LODR) regulations, 2015, Articles of association of the company, and subject to the necessary approvals from Central Government, the Statutory authorities and the Financial Institutions, if any, and all other statutory approval as may be required from time to time, and subject to such conditions and modifications as may be prescribed by the approving / consenting authority(ies) while granting such approvals, the consent of the Company, be and is hereby, accorded for the re-appointment of Mr. Yashovardhan Saboo (DIN 00012158) with designation of Chairman and Managing Director of the Company, w. e. f. 1st April, 2017, for a further period of three years, i.e., up to 31st March, 2020, upon terms and conditions including remuneration as set out in the Explanatory Statement appended herewith and the Board of Directors, be and is hereby authorised to alter and vary such terms of his appointment and remuneration as may be agreed to by the Board of Directors and Mr. Yashovardhan Saboo so as not to exceed the limits as specified in Schedule-V to the Companies Act, 2013.

RESOLVED FURTHER THAT the Board of Directors of the Company or any committee thereof be and is hereby authorised to alter and / or vary the terms and conditions of the said appointment and / or enhance, alter or vary the scope and quantum of remuneration, perquisites, benefits and other amenities payable to Mr. Yashovardhan Saboo which shall be in accordance with the provisions of the Companies Act, 2013 and / or rules made thereunder and further to do all such acts, deeds, matters and things as may be necessary, proper or expedient for the purpose of giving effect to this resolution and matters concerned therewith or incidental thereto.”

10. To Authorize investment in the subsidiary company and in this regard, to consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to regulation 23(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 as applicable and any amendments thereto as are made effective from time to time and subject to such other approvals and sanctions of any authorities as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to enter into contract(s)/arrangement(s) with Ethos Limited, a material subsidiary within the meaning of the aforesaid clause, and a related party, on such terms and conditions as may be mutually agreed upon, for subscribing to its paid up share capital, i.e. Equity and/or Preference share capital, subject, however, to that the value of this contract/arrangement for investment in shares during the financial year shall not exceed in aggregate Rs.30 Crores including investments already made during previous financial year.”

11. To Authorize borrowings by way of inviting unsecured fixed deposits from shareholder of the company and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT in accordance with the provisions of section 73 and other applicable provisions, if any, of the Companies Act, 2013 and the rules prescribed there under, approval of the Company, be and is hereby, accorded to the Board of Directors of the Company to borrow money from its members by way of Fixed Deposits subject to compliance of all the conditions stated under section 73(2) of the Act or any other applicable provisions of the act, if any and subject to maximum limits provided under the act read with the Companies (Acceptance of Deposits) Rules, 2014 as amended from time to time.

RESOLVED FURTHER THAT the Deposits accepted by the Company, may be cumulative or non-cumulative as per the scheme framed by the Company and carrying rates of interest for periods varying from one year to three years specified in the Circular to be specifically approved by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of directors, be and are hereby, specifically authorised to do all such acts, deeds and things as may be necessary to give effect to the above resolution and to settle any question, difficulty or doubt that may arise in this regard.”

By Order of the Board

Date: 30th May, 2017
Place: Chandigarh

(R.K.Sood)
Company Secretary
FCS-3722

IMPORTANT NOTES:

1. The Register of Members and the Share Transfer books of the Company will remain closed from 6th August, 2017 to 11th August 2017 (both days inclusive) for annual closing and determining the entitlement of the shareholders to the dividend for 2016-17.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.**

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxy Form submitted on behalf of the Companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.

4. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend are requested to write to the Company.
5. Under Section 124 of the Companies Act, 2013, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government.

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends. The Members who have not encashed their dividend warrants so far are requested to immediately return the outdated warrants to the Company to enable the Company to issue D/D in lieu thereof.

6. Ministry of Corporate Affairs, Government of India, has notified new rules namely "Investor Education and Protection Fund authority (Accounting, Audit, Transfer and Refund) Rules, 2016 which have come into force from 7th September, 2016 and "Investor Education and Protection Fund authority (Accounting, Audit, Transfer and Refund) Rules, 2017 which have come into force from 28th February, 2017" (IEPF Rules). The said rules, amongst other matters, contain provision for transfer of all shares to DEMAT Account of IEPF authority in respect of which the beneficial owner has not encashed any dividend warrant during last seven years.

Members are therefore requested to claim the unpaid / unclaimed amount(s) of dividend at the earliest.

7. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
9. Details in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.

10. Electronic copy of the Annual Report for 2016-17 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2016-17 is being sent in the permitted mode.
11. Electronic copy of the Notice of the 37th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 37th Annual General Meeting of the Company *inter alia* indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
12. Members may also note that the Notice of the 37th Annual General Meeting and the Annual Report for 2016-17 will also be available on the Company's website www.kddl.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Parwanoo for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investor.complaints@kddl.com or raman.sood@kddl.com
13. **Voting through electronic means:**
 - I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended up to date, the Company is pleased to provide member's facility to exercise their right to vote at the 37th Annual General Meeting (AGM) by electronic means and the business may be transacted through **e-Voting platform provided by Karvy**.
The instructions for e-voting are as under:
 - i. Use the following URL for e-voting: Karvy website: <http://evoting.karvy.com>
 - ii. Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the record date, i.e. 4th August, 2017 (End of Day) may cast their vote electronically.
 - iii. Enter the login credentials i.e. User ID and password mentioned in the attendance slip attached with the Annual Report. Please follow the instructions given in the e-voting portal.
 - iv. After entering the details appropriately, click on LOGIN.
 - v. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - vi. You need to login again with the new credentials.
 - vii. On successful login, the system will prompt you to select the EVENT, i.e. KDDL Limited.
 - viii. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternately you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
 - ix. Shareholders holding multiple folios/demat account shall choose the voting process separately for each folios/demat account.
 - x. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm, else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.

- xi. Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
 - xii. The Portal will be open for e-voting from 8th August 2017 at 10:00 am to 10th August, 2017 till 5:00p.m.
 - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt. Ltd at Tel No. 1800 345 4001 (toll free).
- II. The Company has appointed Mr. Ajay Arora, Company Secretary, whole time in Practice (ICSI Membership No. FCS - 2191 and Certificate of Practice No. 993) as the Scrutinizer to scrutinize and collate the e-voting process in a fair and transparent manner.
- III. The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IV. The results shall be declared on or after the AGM of the Company. The results along with the Scrutinizer's Report shall be placed on the Company's website www.kddl.com and on the website of **Karvy**.
- V. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to Mr. Ajay Arora, Practicing Company Secretary at his e-mail address ajaykcs@gmail.com with a copy marked to Company Secretary, KDDL Ltd, Chandigarh at raman.sood@kddl.com
14. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (11.00 am to 2.00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO.5

Mr. Jai Vardhan Saboo was appointed as an Additional Director of the Company at the Board of Directors meeting held on 12th December, 2016 who holds office till this Annual General meeting of the company. Notice has been received from member proposing Mr. Jai Vardhan Saboo as candidate for the office of Director of the company. He is not disqualified from being appointed as a Director in terms of Section 164 of the Act and applicable provisions of the articles of association and SEBI (LODR) Regulations, 2015, and has given his consent to act as Director.

Brief resume of Mr. Jai Vardhan Saboo, nature of his expertise in specific functional area and names of companies in which he hold directorships and memberships/ chairmanships of Board Committees, is provided in this Notice. Mr. Saboo is not the member /Chairman of any Committee of the Board of the Company. Mr. Jai Vardhan Saboo does not hold any shares of the Company. The Nomination and Remuneration Committee of the company in its meeting held on 20th May, 2017 has also recommended the appointment of Mr. Jai Vardhan Saboo as non executive director of the company, liable to retire by rotation.

The terms and conditions of appointment of the above director shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working days from 11.00 am to 2.30 pm and shall also be available on the website of the company.

A brief profile of Mr. Jai Vardhan Saboo whose appointment is proposed has been given in the annexure attached to this notice.

Except Mr. Yashovardhan Saboo and the appointee, none of the other Directors and/or Key Managerial Personnel of the Company and their relatives is interested in the aforesaid resolution.

The Board recommends this Resolution for the approval of the shareholders.

ITEM NO 6

Mr. Sanjiv Sachar, was appointed as an Additional Director of the Company w.e.f. 7th March 2017 by the Board of

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Directors of the Company, who holds office till this Annual General meeting of the company. Notice has been received from member proposing Mr. Sanjiv Sachar as candidate for the office of Director of the company. He is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as Director.

In the opinion of the Board, Mr. Sanjiv Sachar, as the Independent Director, fulfill the conditions specified in Sections 149, 152 and Schedule-IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2013 and requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, the aforesaid Independent Director have given a declaration to the Board of Directors to the effect that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

Pursuant to Sections 149, 152, Schedule-IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, and SEBI (LODR) Regulations, 2015, it is proposed to appoint Mr. Sanjiv Sachar as Independent, Non-Executive Director of the Company up to 5 (five) consecutive years w.e.f date of his appointment i.e. till 6th March, 2022. The Nomination and Remuneration Committee of the company in its meeting held on 20th May, 2017 has also recommended the appointment of Mr. Sanjiv Sachar as independent, Non-Executive Director of the Company.

In compliance with the provisions of section 149 read with Schedule-IV of the Act, the appointment of Mr. Sanjiv Sachar as Independent Director is now being placed before the members for their approval. The terms and conditions of appointment of the above directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day from 11.00 am to 2.30 pm

A brief profile of Mr. Sanjiv Sachar as the Independent Director whose appointment is proposed has been given in the annexure attached to this notice.

Except Mr. Sanjiv Sachar, none of the other Directors or Key managerial personnel or their relatives are either concerned or interested in this resolution.

The Board recommends the approval of shareholders for this Resolution.

ITEM NO. 7

The Articles of Association of the Company does not contain a provision that the position of Chairman may be held by Managing Director or vice versa. To enable such a provision as required under Section 203 of the Companies Act, 2013, it is proposed to amend the Article No. 114 of the Articles of Association.

The proposed amendment in the Articles of Association of the Company requires the approval of the members in the General Meeting. The Board recommends the passing of the resolution as set out in Item 7 as a Special Resolution. A copy of the new Articles of Association is available for inspection at the Registered Office of the Company during business hours on any working day between 11:00 am to 2:30 pm up to the date of the Annual General Meeting and is also available on the website of the Company at www.kddl.com.

None of the Directors or their relatives and Key managerial personnel or their relatives is either concerned or interested in this resolution.

The Board recommends the approval of shareholders for this Resolution.

ITEM NO. 8

Under Section 14 of the Companies Act, 2013, the Board of Directors of a company cannot, except with the consent of the members in a general meeting by a special resolution, amend the Articles of Association of the Company.

It is proposed to insert new Article 114-A in the Articles of Association after the existing Article 114 so as to include provision relating to Chairman Emeritus on the terms mentioned therein.

None of the Directors or their relatives and Key managerial personnel or their relatives are either concerned or interested in this resolution.

The Board recommends the approval of shareholders for this Resolution.

ITEM NO. 9

The Board of Directors at its meeting held on 30th May, 2017, has re-appointed Mr. Yashovardhan Saboo as Chairman and Managing Director of the company w.e.f. 1st April, 2017 for a further period of 3 (three) years i.e., up to 31st March, 2020, subject to the approval of shareholders.

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The terms and conditions relating to remuneration of Mr. Yashovardhan Saboo as approved by the Board of Directors on the recommendation of Nomination and Remuneration Committee, are given below:-

	Particulars	2017-18		2018-19		2019-20	
		Per Month	Per Annum	Per Month	Per Annum	Per Month	Per Annum
1)	Salary (10% annual increment)	600,000	7,200,000	660,000	7,920,000	726,000	8,712,000
2)	Perquisites						
	a) Fully furnished rent free accommodation (separately agreement to be executed considering the market value)		1,830,000		1,938,000		2,056,800
	b)10% of value of furniture provided		257,193		257,193		257,193
	c) Reimbursement of charges for water, electricity and gas expenses, subject to maximum of Rs. 10,20,000 p.a		600,000		600,000		600,000
	d) Medical Reimbursement : Expenses incurred by him and family subject to a ceiling of One month's salary in a year or three month's salary over a period of three years.		600,000		660,000		726,000
	e) Personal Accident Insurance and/or Medical Insurance subject to a maximum of Rs. 50,000 per annum		50,000		50,000		50,000
	f) Club Fees for two clubs subject to a maximum of Rs. 30,000 per annum		30,000		30,000		30,000
	g) Perquisites on a/c of Superannuation exceeding Rs. 1.50 lac		930,000		1,038,000		1,156,800
	Total Perquisites		4,297,193		4,573,193		4,876,793
3)	Bonus: Maximum Rs. 50,00,000 based on the performance as per the parameters to be fixed from time to time by the remuneration committee.		5,000,000		5,000,000		5,000,000
	*Total Payable		16,497,193		17,493,193		18,588,793
	* Subject to maximum Limits as per Companies Act, 2013 read with rules made there under from time to time Other perquisites (not included in the computation of the ceiling on remuneration, specified under applicable provisions of Companies Act).						
	Contribution to Provident Fund		864,000		950,400		1,045,440
	Contribution to Superannuation Fund		150,000		150,000		150,000
	Gratuity		346,154		380,769		418,846
	Total		1,360,154		1,481,169		1,614,286
	Grand Total		17,857,347		18,974,362		20,203,079
	Earned Leave: Encashment of un-availed earned leaves as per the Company's rules at the end of each year on his request or at the end of the tenure. Provision of Car(s) for use on Company's business and mobile phone(s) or telephone(s) at residence will not be considered as perquisites. Personal long distance calls on telephone(s), if any, for private purpose shall be billed by the Company and recovered through his imprest from time to time.						

The above remuneration and perquisites shall be subject to the limits allowed under respective schedule-V of the Companies Act, 2013 or any modification(s) or amendment(s) in force from time to time and the same shall also be considered as minimum remuneration in the event of absence or inadequacy of profits.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. Yashovardhan Saboo as Chairman & Managing Director of the Company and the remuneration payable to him. The terms and conditions proposed by the Board of Directors at their meeting held on 30.05.2017 are keeping in line with the remuneration package that is necessary for the important position to encourage good professional managers with a sound career record to important position as that of the Chairman and Managing Director. The Nomination and Remuneration Committee of the company in its meeting held on 20th May, 2017 has also recommended the proposed appointment and Remuneration of Mr. Yashovardhan Saboo.

None of the Directors or their relatives and Key Managerial Personnel or their relatives except Mr. Yashovardhan Saboo and Mr. Jai Vardhan Saboo, is either concerned or interested in the resolution.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 190 of the Companies Act, 2013 and also as a disclosure under SEBI (LODR) Regulations, 2015. The brief profile of Mr. Yashovardhan Saboo is given with annexure accompanying this notice.

The Directors recommend this **special resolution** for your approval.

ITEM NO. 10

In the Extra Ordinary General Meeting held on 8th November 2016, the company was authorized to invest an amount up to Rs. 30 Crores during the financial year in its subsidiary company, Ethos Limited for meeting its growth and expansion plans in following manner:-

1. Rs. 15 crores by way of subscribing in 1,063,829 Equity Shares of Rs.10/- each at the price of Rs. 141/- per share;
2. Rs. 15 Crores by way of subscribing in 15,00,000 12% redeemable preference shares of Rs. 100/- each for a term of 3 years

Upto the financial year ended 31st March 2017, the company has already invested Rs. 8 crores in equity share capital of the subsidiary company. Your permission is required to invest the balance amount i.e. Rs. 7 crore as equity and Rs. 15 crore as Preference share capital, of Ethos Limited, under the provisions of SEBI (LODR) Regulations, 2015 as Ethos Limited is a related party to KDDL Limited and other applicable provisions for proposed investment of funds of the Holding Company in Subsidiary Company by way of subscription to its Equity and Preference Share Capital.

Owing to the materiality of the transaction for investment of funds of the holding company in the subsidiary company by way of subscription to its share capital, this contract / arrangement requires the approval of members by way of special resolution.

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The particulars of contract / arrangement are as under :

1	Name(s) of the related party:	Ethos Limited.
2	Name of the director or key managerial personnel who is related, if any:	Mr. Yashovardhan Saboo Mr. Anil Khanna.
3	Nature of relationship:	Directors in both companies.
4	Monetary Value:	Estimated aggregate contract/arrangement value for the matter proposed in the Resolution will not exceed Rs 30 crores.
5	Nature, material terms, monetary value and particulars of the contract or arrangement	This Investment is being made pursuant to Section 186 of the Companies Act, 2013 Investment of an amount stated in clause 4 above, for subscribing to the share capital of Ethos Limited will be at a valuation to be determined by a valuer as per provisions of the Companies Act, 2013, wherever applicable. This Investment is being made by the Company keeping in view the funds requirement of its subsidiary Company for meeting its long term growth and expansion plans.
6	Any other information relevant or important for the members to take a decision on the proposed resolution:	Nil

Mr. Yashovardhan Saboo and Mr. Anil Khanna and their relatives are concerned and interested in this resolution in terms of The Companies Act, 2013 and SEBI(LODR) Regulations, 2015. None of the other Directors, Key Managerial Personnel and their relatives may be deemed to be concerned or interested in the aforesaid Resolution.

The Board of Directors of the Company believes that the aforesaid Investment in its subsidiary company is in the best interest of the Company and hence, recommends the special resolution for the approval of the shareholders.

ITEM NO. 11

Section 73(2) of the Companies Act, 2013 makes it mandatory for the Company to obtain approval of General Meeting before accepting any borrowing from the shareholder by way of Fixed Deposits.

As the conditions and maximum limits for accepting deposits from the Shareholders has been laid down in the Companies (Acceptance of Deposits) Rules, 2014 so approval of the shareholders is required for accepting deposits after complying with all the conditions stated in Section 73(2) of the Act and within the limits prescribed under the Companies (Acceptance of Deposits) Rules, 2014.

In view of the foregoing, it is therefore necessary for the shareholders to pass an ordinary resolution required under section 73(2) and other applicable provisions of the Companies Act, 2013 as set out in this resolution.

None of the Directors of the Company and /or Key Managerial Personnel of the Company and their relatives is either concerned or interested in this resolution.

The Board recommends the resolution for the approval of the Members.

By Order of the Board

Date: 30th May, 2017

Place: Chandigarh

(R.K.Sood)

Company Secretary

FCS 3722

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Brief Resume of the Directors being appointed/re-appointed at the Annual General Meeting.

Name of the Director	Mr. Vishal Satinder Sood	Mr. Jai Vardhan Saboo	Mr. Sanjiv Sachar
Date of Birth	27-02-1972	07-07-1963	04-10-1957
Date of first Appointment	02-09-2015 as additional director	12-12-2016 as additional Director	07-03-2017 as additional director
Qualification and experience in specific functional areas	Mr. Vishal S. Sood is B.E. in computer Science and MBA from IIM Ahmedabad. He has worked in investment Banking at Kotak, SSKI and SBI Capital Markets. He has spent three years as an ERP consultant with Quinnox. His primary area of focus is in growth equity.	Mr. Jai V. Saboo, is an M.Tech from Virginia Tech University, MBA from Kellogg School of Management and is a fellow of Wharton School at Penn State. He has over 20 years of international business experience spanning the US, China and Far East. He has successfully built and run companies in the US, including Concept Software and Harmonia Inc. He has been intimately involved with TIE (The Indus Entrepreneurs) and is an active member of the Indian Angel Investors Network (IAN)	Mr. Sanjiv Sachar has a Bachelor degree (Honours) from Delhi University Hindu College and is a Fellow of the Institute of Chartered Accountants of India. He was previously with A.F. Ferguson as a Auditor, Senior Consultant and thereafter worked as Senior Manager Finance in SRF Nipponenso before setting up independent consulting practice. He is the founding Partner of Egon Zehnder International, India For the period 2003-2008, he was the India Country Head. He is a core member of the Firm's Global Financial Services and Industrial Practice and leads the CFO practice in India. He has extensive experience of handling cross border Non Executive Director, CEO and Senior Functional Head mandates.
List of other companies in which Directorship held	SAIF Advisors P Ltd Manpasand Bevereges Ltd Pennar Industries Ltd Zooropa Foods P Ltd Lightfoot Consulting P Ltd Senco Gold Ltd Fizzy Foodlabs P Ltd. Emtex Engineering P Ltd	Swades Capital LLC Infoscient Inc.	NIL
Chairman/Member of the Committees of Board of other companies in which he is a Director	Senco Gold Ltd: Nomination & Remuneration Committee (Member) Corporate Social Responsibility Committee (Member)	Nil	NIL
Chairman/Member of the Committees of the Board of the Company	Nil	NIL	Member of Nomination and Remuneration Committee
Number of Shares held in the company	Nil	NIL	1400
Relationship with any Director(s) of the company	NIL	Related with Mr. Yashovardhan Saboo	NIL

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Statement giving information required under Part-II Section-II, Sub-Clause (iv) to the Schedule V of the Companies Act, 2013 for payment of remuneration to Mr. Yashovardhan Saboo, Chairman and Managing Director of the Company

I. General Information	Remarks																		
(1) Nature of Industry	The Company operates in light engineering industry and is engaged principally in manufacture of watch components.																		
(2) Date or expected date of commencement of commercial production	Commercial production started in 1983.																		
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	N.A.																		
(4) Financial performance based on given indicators	<p>The financial performance is given in the enclosed Balance Sheet and Statement of Profit and Loss of the Company. The performance of the Company as on 31.03.2017 are given below</p> <p style="text-align: right;">(Rs. in Million as on 31.03.2017)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Net Worth</td> <td>1128.04</td> </tr> <tr> <td>Turnover (gross)</td> <td>1308.29</td> </tr> <tr> <td>Net profit after tax</td> <td>71.47</td> </tr> <tr> <td>Dividend declared</td> <td>15% i.e. Rs. 1.50 per share</td> </tr> </table>	Net Worth	1128.04	Turnover (gross)	1308.29	Net profit after tax	71.47	Dividend declared	15% i.e. Rs. 1.50 per share										
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Turnover (gross)	1308.29																		
Net profit after tax	71.47																		
Dividend declared	15% i.e. Rs. 1.50 per share																		
(5) Foreign investments or collaborators, if any	<p>There is no foreign technical collaboration in operation at present. The details of foreign investments are as follows:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sr.</th> <th>Name of Investor</th> <th>No. of Shares(Rs. 10/- each)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>SAIF India V FII Holdings Ltd.</td> <td>1008400</td> </tr> <tr> <td>2.</td> <td>SAIF Partners India V Ltd.</td> <td>754716</td> </tr> <tr> <td>3.</td> <td>Radexpo AG</td> <td>48000</td> </tr> <tr> <td>4.</td> <td>Foreign Portfolio Investors</td> <td>502532</td> </tr> <tr> <td colspan="2">Total</td> <td>2,313,648</td> </tr> </tbody> </table>	Sr.	Name of Investor	No. of Shares(Rs. 10/- each)	1.	SAIF India V FII Holdings Ltd.	1008400	2.	SAIF Partners India V Ltd.	754716	3.	Radexpo AG	48000	4.	Foreign Portfolio Investors	502532	Total		2,313,648
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3.	Radexpo AG	48000																	
4.	Foreign Portfolio Investors	502532																	
Total		2,313,648																	
II. Information about the Appointee	Mr. Yashovardhan Saboo																		
(1) Background details	He is BA (Hons.), PGDBM (IIMA) and has experience of 36 years. He is a promoter director and is with the Company since inception.																		
(2) Past remuneration	During year 2016-17 (in Rs.)																		
Salary	47,19,000																		
Perquisites	298,476																		
Performance Bonus	24,00,000																		
Total	7,417,476																		

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(3) Recognition or awards	He has been conferred with “Udyog Ratna” Award by PHDCCI in 2005. He was past Chairman of CII, Chandigarh during 2002
(4) Job profile and his suitability	He is overall incharge of the Company as Chief Executive Officer and looks after new initiatives/ expansion projects and export growth.
(5) Remuneration proposed	Details of proposed remuneration of Mr. Yashovardhan Saboo are given in the explanatory statement of the accompanying notice.
(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).	Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.
(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	He is a director in the Company since inception. The details of remuneration received by Mr. Yashovardhan Saboo during 2016-17 are given above. Mr. Yashovardhan Saboo holds directly and indirectly 13.93% shares in the company and besides his relationship with Mr. Jai Vardhan Saboo does not have any relationship with any other managerial personal.

III. Other Information:

(1) Reasons of loss or inadequate profit	Due to major slow down in Watch Market leading to decline in orders from exports.
(2) Steps taken or proposed to be taken for improvement	Cost Reduction at all levels coupled with capacity consolidation and building manufacturing excellence will result in improved profitability.
(3) Expected increase in productivity and profits in measurable terms	The Company anticipates an appreciable rise in the profits with the revival of the economy and better market conditions in the international scenario.

IV. Disclosures:

The required disclosures have been mentioned in the corporate Governance Report attached to this Annual Report

DIRECTORS' REPORT

Dear Members,

Your Directors present this 37th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2017.

OPERATIONS AND PROSPECTS
Financial Results (Standalone and Consolidated)

The summary of operating results for the year 2016-17 and appropriation of divisible profits is given below:

(Rs. in million)

Particulars	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
Gross Operating Income	1308.3	1234.4	4605.7	4542.2
Profit before interest, depreciation and exceptional item	238.7	228.2	301.2	341.5
Less: Finance Cost	55.1	62.2	143.7	150.2
Gross Profit	183.6	166.0	157.5	191.3
Less: Depreciation and amortisation	72.5	68.9	116.7	112.3
Profit before exceptional Items and tax	111.1	97.1	40.8	79.0
Less/(Add): Exceptional items	0.0	0.0	0.0	0.0
Profit Before tax	111.1	97.1	40.8	79.0
Less: Provision for Income Tax, Deferred Tax	39.6	31.3	40.0	37.1
Profit after tax but before minority Interest	71.5	65.8	0.8	41.9
Less: Share in Profit / (Loss) of associates	0.0	0.0	0.0	0.1
Adjustment for Minority interest	0.0	0.0	5.7	11.1
Net Profit / (Loss) for the Year	71.5	65.8	6.5	53.1
Add: Profit brought forward from previous year	106.0	78.4	-49.1	-49.1
Profit available for appropriation	177.5	144.2	-42.6	4.0
Appropriated as under:				
Deffered tax adjustments for earlier years	0.0	0.0	0.0	2.7
Transfer of Reserves of Joint venture (SJDL) on account of acquisition of remaining 50% shares	0.0	0.0	18.0	0.0
Transfer to Minority reserve	0.0	0.0	-3.9	-3.9
Proposed Dividend	0.0	15.1	0.0	15.1
Corporate Dividend Tax	0.0	3.1	0.0	3.1
Transfer to General Reserve	20.0	20.0	20.0	20.0
Dividend on Cumulative Preference Shares (Net of Excess Provision)	0.0	0.0	23.5	16.1
Total Appropriation	20.0	38.2	57.6	53.1
Surplus carried forward to Balance Sheet	157.5	106.0	-100.2	-49.1

PERFORMANCE AND PROJECTIONS

During the year under review, the Company achieved consolidated sales revenue of Rs. 4606 million against Rs. 4542 million in the previous year, a growth of 1.4%. Profit before tax declined from Rs. 79 million to Rs. 40.8 million.

Sales revenue from manufacturing operations on standalone basis grew by 6% to Rs. 1308 Million from Rs. 1234 Million in the previous year. The company earned net profit after tax of Rs. 72 million against Rs. 66 million in the previous year.

Sales revenue in ETHOS, the retail business of the company decreased from Rs. 3287 million in the previous year to Rs. 3276 million, registering a decline of 0.3%; the loss before tax increased to Rs. 74.8 million from Rs. 46.2 million in previous year.

Manufacturing Business Segments

The main revenue of the manufacturing business is from watch components segment. The Swiss watch market, the main destination for our exports, faced one of its worst years in 3 decades, and this impacted our sales significantly. Despite the very soft export market conditions the revenue of the company from watch components improved marginally by 1%; the improved domestic market helped significantly. The other major segment of revenue is from the precision engineering business, wherein the company registered a growth of 28% over the previous year. The revenue growth from domestic and exports market was 45% and 15% respectively. The revenue from ornamental packaging business of the company witnessed a decline of 3%.

We are continuing the move to consolidate and restructure the watch components manufacturing facilities. This is being supplemented by multiple initiatives to enhance capabilities to manufacture more complex products and improved productivity and delivery compliance. Better results even in a sluggish market are already visible and we expect larger gains as the market conditions improve during the year.

The revenue from the precision engineering business of the Company is expected to maintain a healthy growth as we continue to expand our capabilities and capacity. Your company has established its reputation as a quality supplier with the ability to meet sophisticated customer needs. By focusing on the vital levers of operational performance while adding key technical capabilities and showcasing our capabilities at leading international trade exhibitions and on digital platforms, we are confident of healthy growth and returns in the ensuing periods.

The expansion project for the precision engineering business is progressing on schedule. The Company continues to believe that this business segment will be a major source of growth and profitability in the future.

Retail Business Segments:-

FY 16-17 has been an extremely challenging year for the luxury watch retail business. Close on the heels of the introduction of PAN requirement for transactions above Rs. 2 lakhs, there were further regulatory changes that were enacted. In July 2016, a new requirement for collecting TCS for all transaction in cash above Rs. 3 lakhs was introduced. Thereafter, on November 8, 2017, the government banned all Rs. 500 and Rs. 1000 notes. Subsequently, an announcement was made in the Union Budget 2017, that cash transactions above Rs. 2 lakhs would be banned with effect from 1 April 2017.

These changes have had a cumulative impact on the revenues of the company. The sales of the company have declined by 3% over the sales of the previous year from Rs. 328.6 crores to Rs. 327.3 crores. The impact of these regulatory changes was also felt on the margins of the company. The decline in sales and the margins of the company percolated to the EBIDTA level, which declined from 2.2% in FY15-16 to 1.2% in FY16-17. The loss for the year FY16-17 stood at Rs. 7.48 crores.

However, the factors that made the market opportunity for luxury watches attractive are still as robust as they were before these regulatory changes. The penetration of luxury watches continues to remain low, the number of HNI households continues to rise and the demographics continue to remain favorable. Your Company is recalibrating its strategy to realign with the new environment with a greater emphasis on accessible luxury price points, and sharper focus on margin improvement, operating leverage and capital efficiency.

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The Company is also investing in its omni-channel capabilities with a view to provide a seamless connect between the digital and physical stores. Further, the Company is expanding its footprint of stores to cities where the Company has little or no presence. In this regard, the Company has signed up 7 new locations and continues to scout for more opportunities for growth.

The Company's Swiss subsidiary, Pylania SA in Switzerland reports financial performance as per the expected levels, made possible by adding some new streams of the revenue and curtailing overheads. The recently implemented "Swiss Made" regulations and guidelines in Switzerland will create new opportunities for the watch component business of the Company through Pylania.

During the year, the former Joint Venture company, Satva Jewellery and Design Limited (SJDL) (50:50 with Pascal Vincent Vaucher, SA of Switzerland), became a 100% subsidiary of KDDL. Now the joint venture agreement has been terminated and your company's Board has approved merger of this company with KDDL for greater efficiency in operations and better utilization of resources and assets of SJDL.

LISTING OF SHARES

The equity shares of the company are listed at National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE). The Company has paid the Annual Listing Fees to both the stock exchanges for the financial year 2017-18.

DETAILS OF SUBSIDIARY, JOINT VENTURE OR ASSOCIATES

As per the provisions of Section 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the financial statements of the subsidiary Companies/ Associate Companies is prepared in Form AOC-1 and the same is enclosed as Annexure-1 to this Report.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 issued by The Institute of Chartered Accountants of India (ICAI) and as per the provisions of the Companies Act, 2013.

As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate audited accounts of its subsidiaries on its website www.kddl.com and a copy of separate audited financial statements of its subsidiaries will be provided to the shareholders at their requests.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return, in Form MGT -9 for the Financial Year 2016-17 has been enclosed with this report as Annexure 2.

NUMBER OF BOARD MEETINGS

The detail of number of meetings of the Board held during the financial year 2016-17 forms part of the Report on Corporate Governance in terms of Regulation 34(3) of Securities & Exchange Board of India (Listing obligations and Disclosure requirements) Regulations, 2015.

DIRECTOR'S RESPONSIBILITY STATEMENT

In accordance with the provisions of section 134(3)(c) of The Companies Act, 2013 the Board confirms and report that:-

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) 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.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

NOMINATION & REMUNERATION COMMITTEE POLICY

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management Personnel of the Company. This policy also lays down criteria for selection and appointment of Board Members. The detail of this policy is explained in the Report on Corporate Governance which forms part of this report.

AUDITORS AND THEIR REPORT

As per the provisions of section 139 of The Companies Act, 2013, other relevant rules and as per resolution passed by the shareholders, the term of office of M/s Walker Chandiok & Co. LLP, Chartered Accountants, Statutory Auditors of the Company, who were appointed for a period of two years at the 35th Annual General Meeting of the company, expires with the conclusion of this Annual General meeting.

Further, the company has received offer from M/s BSR & Co. LLP, Chartered Accountants, (Firm Registration No.101248W/W-100022) for appointment of Statutory auditors of the company for a period of two years and as per terms of appointment, their appointment is subject to ratification by shareholders in the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 139 of the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of section 141 of the Companies Act, 2013.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made there under, the Company has appointed M/s P. S. Dua & Associates, a firm of Company Secretaries (C.P. No.3934.) to undertake the Secretarial Audit of the Company. The Secretarial Audit Report in prescribed format MR-3 given by aforesaid Secretarial Auditors is annexed to this Board Report as Annexure 3 and forms an integral part of this report.

There is no qualification or observation made by the Secretarial Auditors in their report.

PARTICULARS OF LOAN, GUARANTEES AND INVESTMENTS UNDER SECTION 186

Details of Loans, Guarantees and Securities, and Investments covered under Section 186 of the Companies Act, 2013 given during the year under review have been given under Annexure - 4 to the Directors Report.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act 2013 for the Financial Year 2016-17 in the prescribed Form AOC 2 has been enclosed with the report as Annexure-4.

AMOUNTS TRANSFERRED TO RESERVES

The Board of Directors of the Company has decided to transfer Rs 20 million to its General Reserves.

DIVIDEND

Your directors have recommended a dividend of 15% i.e. Rs. 1.50 per equity share for the year ended 31st March, 2017. The dividend shall be paid after the approval of the shareholders at the Annual General Meeting.

The total financial outgo of the dividend to be paid to shareholders will be approximately Rs. 19.57 million (inclusive of Dividend Distribution Tax).

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term growth objectives of the company.

TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 125 of the Companies Act, 2013, the company has duly transferred the Unclaimed Dividend up to the financial years 2007-08 to the Investor Education and Protection Fund established by the Central Government. As no dividend was declared during 2008-09, hence no amount was required to be transferred to the said fund during the year.

MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no Material changes and commitments in the business operations of the Company from the financial year ended 31st March, 2017 to the date of signing of the Director's Report.

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

RISK MANAGEMENT POLICY

The risk management framework defines the risk management approach of the Company and includes periodic review of such risks and also documentation, mitigating controls and reporting mechanism of such risks.

Some of the risks that the Company is exposed to are:

Risks of Specific Nature

Company as a part of normal business monitoring review and development plans, identifies the specific risks for each business segment and develops necessary action plan to minimise the impact of same on business performance. Based on the present operations and areas of interest for the company, following specific nature risks are identified:

- Risks due to decline in overall demand for watches and over dependence on watch segment;
- Risks pertaining to over dependence on few customers;
- Foreign Exchange Risks;
- Risk related to availability of Skilled manpower;
- Risks related to compliance and statutory requirements

Risk Strategy

Company recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that the Risk cannot be eliminated but it can be better managed by

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract in case of business involving use of Foreign exchange;
- Reduced, by adopting good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

Risk Management Framework

Company adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and compliance with the regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve the risk management effectively.

The Company has constituted a Risk Management Committee of Chief Executive Officer, Chief Financial Officer, Chief Marketing Officer and Business Heads as its regular members and other senior functional heads on invitation basis. The Committee is committed to review periodically the various risks associated with the Company and report the same to the Board.

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Focus of the Company is on the three key elements, viz., Risk Assessment / Identification, Risk Management and Risk Monitoring.

- Potential Risks are identified and analyzed, considering likelihood and its impact, as a basis for determining how they should be managed.
- Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. Based on the assessment and identification of the risks, the committee decided the proactive steps for managing and monitoring these risks.

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

The Company is committed to discharge its social responsibility as a good corporate citizen. As part of its social responsibility, the Company has contributed to KDDL-Ethos foundation and the projects are undertaken by the trust formed for the same purpose. These projects have been undertaken to carry services and in compliance to the provision of the Section 135 of the Companies Act, 2013 read with Schedule VII and rules made there under and in accordance with Company's CSR Policy. The Report on CSR required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is set out as Annexure –5 forming part of this report.

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.

DIRECTORS

During the year, Mr. R.K.Saboo has communicated to the Board his desire to relinquish the position as the Chairman of the Board and the Director of the Company with effect from 1st December 2016, with a view to spend more time on social activities in which he is already involved and also spare more time for himself. The Board agreed to his request with great reluctance. The Board noted and placed on record that Mr. R.K.Saboo has rendered yeoman service and enormous contributions in establishment, growth and progress of KDDL Limited and several group companies of Saboo Business Group in past three decades. Under his able leadership, as Chairman of the Board for thirty years, the Company has grown from strength to strength. The Board further decided that in recognition of Mr R K Saboo's invaluable contribution to the Company's affairs over the last three decades the honorary title of Chairman Emeritus be conferred on him following his stepping down from the Board of Directors with effect from 1st December 2016.

Due to his pre-occupations, Mr. Chandra Mohan resigned as Director of the company w.e.f. 7th October 2016.

Mr. Jai Vardhan Saboo and Mr. Sanjiv Sachar were appointed as Additional Directors by the Board of Directors on 12th December 2016 and 7th March 2017 respectively.

Both of the Additional Directors hold office till conclusion of this Annual General meeting and it is proposed and recommended to appoint Mr. Jai Vardhan Saboo and Mr. Sanjiv Sachar as Non Executive Directors.

Mr. Vishal Satinder Sood retires as Director of the company and being eligible, offers himself for re-appointment.

DEPOSITS

The details of deposits, covered under Chapter V of the Companies Act, 2013 is given hereunder:

1. Deposits Accepted/ renewed during the year	:	Rs. 54,415,000
2. Deposits outstanding at the end of the year	:	Rs. 112,482,000
3. Deposits remained unpaid or unclaimed as at the end of the year	:	Nil
4. Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	:	NIL
5. The details of deposits which are not in compliance with the Requirements of Chapter	:	NIL

STATEMENT IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROL WITH REFERENCE TO THE FINANCIAL STATEMENTS

A strong internal control culture is an important focus and thrust area in the company. The company has comprehensive internal systems, controls and policies for all the major processes to ensure the reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws, and regulations, safeguarding of assets and economical and efficient use of resources.

The formalized systems of control facilitate effective compliance as per applicable laws. The company also has well documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed for changes warranted due to business needs.

The Internal Auditors of the company continuously monitor the efficacy of internal controls/ compliance with SOPs with the objective of providing to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance on the adequacy and effectiveness of the organization's risk management, control and governance processes.

The scope and authority of the Internal Audit activity are well defined in the Internal Audit scope and guidelines, approved by the Audit Committee. Internal Auditors develop a risk based annual audit plan with inputs from major stake holders and the major focus areas as per previous audit reports.

All significant audit observations are reviewed periodically and follow-up actions thereon are reported to the Audit Committee. The Audit Committee also meet the company's Statutory Auditors and Internal Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed by the company.

The top and senior management of the company also assesses opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the organization and follow up on the implementation of corrective actions and improvements in business processes.

The senior management of the company meets periodically to assess the performance of each business segment and key functions of the company and areas for improvement of performance / controls are identified and reviewed on continuous basis.

Report on adequacy of Internal Financial Control is annexed with auditors report on financial statements.

CHANGES IN SHARE CAPITAL

During the Financial Year ended on 31st March, 2017, the paid up equity share capital of the Company has increased from Rs. 10,08,48,700/- to Rs. 10,83,95,860/- pursuant to the issue and allotment of 754,716 equity shares at the price of Rs 265/- per share (including a premium of Rs. 255/- per share) by way of preferential allotment to SAIF Partners India V Limited, as authorized by the shareholders by way of Special Resolution passed at Extra Ordinary General Meeting held on 8th November 2016.

Further, the Company has neither issued any shares with differential voting rights nor any Sweat equity shares.

DISCLOSURE REGARDING ISSUE OF EMPLOYEE STOCK OPTIONS

Details as required in Rule 12(9) of Companies (Share Capital and Debenture Rules, 2014) and pursuant to clause 12 (Disclosure in the Directors Report) of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are enclosed as a **Annexure-6**

DECLARATION BY INDEPENDENT DIRECTORS

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 Regulation 16(6) of SEBI (LODR) Regulations, 2015.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under section 134(3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is given in the **Annexure - 7** forming an integral part of this Report.

CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of business of the Company during the year under review.

MANAGERIAL REMUNERATION

Disclosure pursuant to section 197(12) of the Companies Act, 2013 and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is enclosed with this report as **Annexure-8**.

RECEIPT OF ANY COMMISSION BY MD / WTD FROM A COMPANY OR FOR RECEIPT OF COMMISSION / REMUNERATION FROM ITS HOLDING OR SUBSIDIARY

During the year under review, Mr. Yashovardhan Saboo, CEO received remuneration of Rs. 3 lacs per month w.e.f. October 2016 onwards from the subsidiary company, Ethos Limited as its Managing Director which is in accordance with the provisions of The Companies Act, 2013 and relevant rules made there under.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Board of Directors of the Company has adopted Whistle Blower Policy which aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases. The Whistle Blower Policy of the Company is available at the link http://www.kddl.com/pdf/2015/KDDL_Whistle_Blower_Policy.pdf.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & RE-DRESSAL) ACT, 2013

The Company is employing about 259 women, both permanent as well as contractual in various fields within the factory premises and offices. The Company has in place a policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Re-dressal) Act, 2013. There was no complaint received from any employee during the financial year 2016-17 and hence no complaint is outstanding as on 31st March, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed Report on Management Discussion and Analysis, pursuant to Schedule-V of SEBI (LODR) Regulations, 2015 is annexed to this report as **Annexure - 9**.

CORPORATE GOVERNANCE

The Company has complied with all the conditions of Corporate Governance as stipulated in SEBI (LODR) Regulations, 2015 during the year ended on 31st March, 2017 as per Report on Corporate Governance annexed as Annexure -10 and a Certificate from the Auditors to this effect for the year ended on 31st March, 2017 is also enclosed with this report.

CASH FLOW ANALYSIS

In conformity with the provisions of Clause 34(2) of SEBI (LODR) Regulations, 2015, the Cash Flow Statement for the year ended on 31st March, 2017 forms an integral part of the Financial Statements.

PERSONNEL

Your Directors place on record their appreciation for the significant contribution made by all the employees, who through their competence, hard work, solidarity and co-operation, have enabled the Company to perform better.

TRADE RELATIONS

The Board wishes to place on record its appreciation for the support and co-operation that the Company received from its suppliers, distributors, retailers and other associates. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be Company's endeavor to build and nurture strong links based on mutuality, respect and co-operation with each other and consistent with customer interest.

ACKNOWLEDGMENTS

Your Directors take this opportunity to thank all the investors, clients, vendors, banks, regulatory and government authorities, for their continued support.

For and on behalf of the Board of Directors

Date : 30th May, 2017
Place : Chandigarh

**(Yashovardhan Saboo)
Vice-Chairman-cum-Managing Director**

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

Particulars					
Name of the subsidiary	Pylania S.A.	Kamla International Holdings AG	Ethos limited	Mahen Distribution Limited	Satva Jewellery & Design Limited
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31/03/2017	31/03/2017	31/03/2017	31/03/2017	31/03/2017
Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Rs	Rs.	Rs	Rs	Rs
Share capital	105,064,333	38,351,064	358,010,010	74,812,200	30,000,000
Reserves & surplus	(38,577,830)	3,217,298	288,521,582	(4,071,829)	(32,523,057)
Total assets	139,225,156	41,568,362	2,113,957,312	87,911,951	12,912,570
Total Liabilities	72,738,653	nil	1,467,395,691	17,171,579	15,435,626
Investments	nil	13,807,130	nil	84,003,130	nil
Turnover	69,852,752	1,194,279	3,262,153,909	1,684,039	2,259,658
Profit before taxation	53,804,383	846,773	(74,835,963)	(2,287,692)	(617,225)
Provision for taxation	nil	73,748	nil	nil	nil
Profit after taxation	53,804,383	773,025	(74,835,963)	(2,287,692)	(612,225)
Proposed Dividend	nil	nil	nil	nil	nil
% of shareholding	85	100	82	100	100

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies And Joint Ventures

Name of Associates	Kamla Tesio Dials Limited
1. Latest audited Balance Sheet Date	31/03/2017
2. Shares of Associate/ Joint Ventures held by the company on the year end	
No.	300,000
Amount of Investment in Associates/ Joint Ventures	3,000,000
Extent of Holdings %	30%
3. Description of how there is significant influence	Associate
4. Reason why the associate/ joint venture is not consolidated	N.A.
5. Networth attributable to Shareholding as per latest audited Balance Sheet	2,742,943
6. Profit/ Loss for the Year	304,841
i. Considered in Consolidation	91,452
ii. Not Considered in Consolidation	213,388

1. Names of subsidiaries which are yet to commence operations Nil
2. Names of subsidiaries which have been liquidated or sold during the year. Nil

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN :- L33302HP1981PLC008123
- ii) Registration Date :- 8th January, 1981
- iii) Name of the Company :- KDDL Limited
- iv) Category / Sub-Category of the Company :- Public Company(Limited by Shares)
- v) Address of the Registered office and contact details :-
Plot no. 3, Sector III, Parwanoo 173 220 (Himachal Pradesh)
Telephone no.: 01792-232462/233402
Fax no.: 01792-232619
- vi) Whether listed company :- Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any:-
Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Financial District,
Nanakramguda, Gachibowli, Hyderabad – 500 032
Phone No: 040-67161516/1518, Fax: 040-23420818 Website: www.karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Manufacture of Watch (Dials & Hands)	26521	76.63
2	Manufacture of Components & Press Tools	26101 & 25933	19.66

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	Mahen Distribution Limited	U93000CH2009PLC031625	Wholly Owned Subsidiary Company	100.00	2(87)(ii)
2	Ethos Limited	U52300HP2007PLC030800	Subsidiary Company	73.60	2(87)(ii)
3	Pylania SA	--	Subsidiary Company	85.00	2(87)(ii)
4	Kamla International Holdings SA	--	Wholly Owned Subsidiary	100.00	2(87)(ii)
5	Satva Jewellery and Design Limited	U36911CH2004PLC027767	Wholly owned Subsidiary	100.00	2(87)(ii)
6	Kamla Tesio Dials Limited	U33309CH1996PLC018732	Associate Company	30.00	(2)(6)

KDDL Limited

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

CODE	CATEGORY OF SHAREHOLDER	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 31/03/2016				NO. OF SHARES HELD AT THE END OF THE YEAR 31/03/2017				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	PROMOTER AND PROMOTER GROUP									
(1)	INDIAN									
(a)	Individual /HUF	4784781	0	4784781	47.45	4784781	0	4784781	44.14	-3.30
(b)	Central Government/State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	16310	0	16310	0.16	16310	60000	76310	0.70	0.54
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(1) :	4801091	0	4801091	47.61	4801091	60000	4861091	44.85	-2.76
(2)	FOREIGN									
(a)	Individuals (NRIs/Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(2) :	0	0	0	0.00	0	0	0	0.00	0.00
	Total A=A(1)+A(2)	4801091	0	4801091	47.61	4801091	60000	4861091	44.85	-2.76
(B)	PUBLIC SHAREHOLDING									
(1)	INSTITUTIONS									
(a)	Mutual Funds /UTI	90000	2900	92900	0.92	94780	2900	97680	0.90	-0.02
(b)	Financial Institutions /Banks	0	50	50	0.00	1174	50	1224	0.01	0.01
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Foreign Institutional Investors	1447065	0	1447065	14.35	1510932	0	1510932	13.94	-0.41
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total B(1) :	1537065	2950	1540015	15.27	1606886	2950	1609836	14.85	-0.42
(2)	NON-INSTITUTIONS									
(a)	Bodies Corporate	817685	161771	979456	9.71	1402371	101771	1504142	13.88	4.16
(b)	Individuals									
	(i) Individuals holding nominal share capital upto Rs.1 lakh	1121286	314087	1435373	14.23	1371004	306383	1677387	15.47	1.24
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	1154081	0	1154081	11.44	943765	0	943765	8.71	-2.74
(c)	Others									
	CLEARING MEMBERS	12732	0	12732	0.13	47613	0	47613	0.44	0.31
	FOREIGN BODIES	0	0	0	0.00	48000	0	48000	0.44	0.44
	FOREIGN COLLABORATORS	0	50000	50000	0.50	0	0	0	0.00	-0.50
	NBFC	1000	0	1000	0.01	1000	0	1000	0.01	0.00
	NON RESIDENT INDIANS	111072	50	111122	1.10	105914	50	105964	0.98	-0.12
	NRI NON-REPATRIATION	0	0	0	0.00	40788	0	40788	0.38	0.38

KDDL Limited

(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total B(2) :	3217856	525908	3743764	37.12	3960455	408204	4368659	40.30	3.18
	Total B=B(1)+B(2) :	4754921	528858	5283779	52.39	5567341	411154	5978495	55.15	2.76
	Total (A+B) :	9556012	528858	10084870	100.00	10368432	471154	10839586	100.00	0.00
(C)	Shares held by custodians, against which Depository Receipts have been Issued	0	0	0	0.00	0	0	0	0.00	0.00
(1)	Promoter and Promoter Group	0	0	0	0.00	0	0	0	0.00	0.00
(2)	Public	0	0	0	0.00	0	0	0	0.00	0.00
	GRAND TOTAL (A+B+C) :	9556012	528858	10084870	100.00	10368432	471154	10839586	100.00	

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			%age change in shareholding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
1	R. K. Saboo	1862107	18.46	-	1862107	17.18	-	-
2	Yashovardhan Saboo	1051501	10.43	3.57	1051501	9.70	3.32	-
3	Yashovardhan Saboo	333000	3.30	3.30	333000	3.07	-	-
4	Usha Devi Saboo	436180	4.33	-	436180	4.03	-	-
5	Anuradha Saboo	308050	3.05	-	308050	2.84	-	-
6	Pranav Shankar Saboo	170120	1.69	-	170120	1.57	-	-
7	Satvika Saboo	130121	1.29	-	130121	1.20	-	-
8	Yashovardhan Saboo	91371	0.91	-	91371	0.85	-	-
9	Rajendra Kumar Saboo	88432	0.88	-	88432	0.82	-	-
10	Anuradha Saboo	75977	0.75	-	75977	0.70	-	-
11	Rajendra Kumar Saboo	69820	0.69	-	69820	0.64	-	-
12	Pranav Shankar Saboo	44784	0.44	-	44784	0.42	-	-
13	Asha Devi Saboo	30925	0.31	-	30925	0.28	-	-
14	Rajendra Kumar Saboo	30800	0.31	-	30800	0.28	-	-
15	Usha Devi Saboo	15000	0.15	-	15000	0.14	-	-
16	Yashovardhan Saboo	22908	0.23	-	22908	0.22	-	-
17	Yashovardhan Saboo	10750	0.11	-	10750	0.10	-	-
18	Rajendra Kumar Saboo	7301	0.07	-	7301	0.06	-	-
19	Satvika Saboo	5634	0.06	-	5634	0.05	-	-
20	Vardhan Properties & Investment Limited	9001	0.09	-	9001	0.08	-	-
21	Dream Digital Technology Limited	7309	0.07	-	7309	0.07	-	-
22	Swades Capital LLC	-	-	-	60000	0.55	-	0.55
	Total	4801091	47.61	6.87	4861091	44.85	3.32	0.55

KDDL Limited

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl.No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
1	R.K. Saboo	1862107	18.46	1862107	18.46
2	Yashovardhan Saboo	1384501	13.73	3246608	32.19
3	Usha Devi Saboo	436180	4.33	3682788	36.52
4	Anuradha Saboo	308050	3.05	3990838	39.57
5	Pranav Shankar Saboo	170120	1.69	4160958	41.26
6	Satvika Saboo	130121	1.29	4291079	42.55
7	Yashovardhan Saboo	91371	0.91	4382450	43.46
8	Rajendra Kumar Saboo	88432	0.88	4470882	44.33
9	Anuradha Saboo	75977	0.75	4546859	45.09
10	Rajendra Kumar Saboo	69820	0.69	4616679	45.78
11	Pranav Shankar Saboo	44784	0.44	4661463	46.22
12	Asha Devi Saboo	30925	0.31	4692388	46.53
13	Rajendra Kumar Saboo	30800	0.31	4723188	46.83
14	Usha Devi Saboo	15000	0.15	4746096	47.06
15	Yashovardhan Saboo	22908	0.23	4761096	47.21
16	Yashovardhan Saboo	10750	0.11	4771846	47.31
17	Rajendra Kumar Saboo	7301	0.07	4779147	47.39
18	Satvika Saboo	5634	0.06	4784781	47.44
19	Vardhan Properties & Investment Limited	9001	0.09	4793782	47.53
20	Dream Digital Technology Limited	7309	0.07	4801091	47.61
	Date wise Increase/Decrease in Promoter shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)		No Change		
	At the end of the year				
1	R.K. Saboo	1862107	17.18	1862107	17.18
2	Yashovardhan Saboo	1051501	9.70	2913608	26.88
3	Usha Devi Saboo	436180	4.02	3349788	30.90
4	Yashovardhan Saboo	333000	3.07	3682788	33.97
5	Anuradha Saboo	308050	2.84	3990838	36.81
6	Pranav Shankar Saboo	170120	1.57	4160958	38.38
7	Satvika Saboo	130121	1.20	4291079	39.58
8	Yashovardhan Saboo	91371	0.84	4382450	40.42
9	Rajendra Kumar Saboo	88432	0.82	4470882	41.24
10	Anuradha Saboo	75977	0.70	4546859	41.94
11	Rajendra Kumar Saboo	69820	0.64	4616679	42.58
12	Pranav Shankar Saboo	44784	0.41	4661463	42.99

KDDL Limited

13	Asha Devi Saboo	30925	0.29	4692388	43.28
14	Rajendra Kumar Saboo	30800	0.28	4723188	43.56
15	Usha Devi Saboo	15000	0.14	4738188	43.70
16	Yashovardhan Saboo	22908	0.21	4761096	43.91
17	Yashovardhan Saboo	10750	0.10	4771846	44.01
18	Rajendra Kumar Saboo	7301	0.07	4779147	44.08
19	Satvika Saboo	5634	0.05	4784781	44.13
20	Vardhan Properties & Investment Limited	9001	0.09	4793782	44.22
21	Dream Digital Technology Limited	7309	0.08	4801091	44.29
22	Swades Capital LLC	60000	0.55	4861091	44.85

Note : The change in shareholding percentage is due to preferential issue of 754716 shares during the year and re-defining of promoters group.

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl no	Name of the Share Holder	Shareholding at the beginning of the Year 01/04/2016		Cumulative Shareholding during the Year 31/03/2017	
		No of Shares	% of total shares of the company	No of Shares	% of total shares of the company
1	SAIF INDIA V FII HOLDINGS LIMITED				
	At the beginning of the year	1008400	10.00	1008400	10.00
	Transfer / Sale of shares during the year	0	0.00	1008400	9.30
	At the end of the year	1008400	9.30	1008400	9.30
2	SAIF PARTNERS INDIA V LIMITED				
	At the beginning of the year	0	0.00	0	0.00
	Transfer / Sale of shares during the year	754716	7.48	754716	6.96
	At the end of the year	754716	6.96	754716	6.96
3	ASHA MUKUL AGRAWAL				
	At the beginning of the year	368259	3.65	368259	3.65
	Transfer / Sale of shares during the year	1000	0.01	369259	3.66
	At the end of the year	369259	3.41	369259	3.41
4	KITARA INDIA MICRO CAP GROWTH FUND				
	At the beginning of the year	323000	3.20	323000	3.20
	Transfer / Sale of shares during the year	51680	0.51	374680	3.46
	At the end of the year	374680	3.46	374680	3.46
5	STRIVER CAPITAL ADVISORS PRIVATE LIMITED				
	At the beginning of the year	212913	2.11	212913	2.11
	Transfer / Sale of shares during the year	-212913	-2.11	0	0.00
	At the end of the year	0	0.00	0	0.00
6	PARAM CAPITAL RESEARCH PRIVATE LIMITED				
	At the beginning of the year	211536	2.10	211536	2.10

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	Transfer / Sale of shares during the year	0	0.00	211536	2.10
	At the end of the year	211536	1.95	211536	1.95
7	DIPAK KANAYALAL SHAH				
	At the beginning of the year	101000	1.00	101000	1.00
	Transfer / Sale of shares during the year	-101000	-1.00	0	0.00
	At the end of the year	0	0.00	0	0.00
8	PULKIT.N.SEKHSARIA				
	At the beginning of the year	97000	0.96	97000	0.96
	Transfer / Sale of shares during the year	-97000	-0.96	0	0.00
	At the end of the year	0	0.00	0	0.00
9	NALINI N SEKHSARIA				
	At the beginning of the year	0	0.00	0	0.00
	Transfer / Sale of shares during the year	97000	0.96	97000	0.96
	At the end of the year	97000	0.89	97000	0.89
10	ANANTROOP FINANCIAL ADVISORY SERVICES PRIVATE LIMI				
	At the beginning of the year	84000	0.83	84000	0.83
	Transfer / Sale of shares during the year	0	0	84000	0.77
	At the end of the year	84000	0.77	84000	0.77
11	UNIVERSAL GOLDEN FUND				
	At the beginning of the year	0	0.00	0	0.00
	Transfer / Sale of shares during the year	82817	0.82	82817	0.76
	At the end of the year	82817	0.76	82817	0.76
12	SBI PIPE FUND - 1				
	At the beginning of the year	79780	0.79	79780	0.79
	Transfer / Sale of shares during the year	15000	0.15	94780	0.94
	At the end of the year	94780	0.87	94780	0.87
13	HARESH M HINDOCHA				
	At the beginning of the year	60000	0.59	60000	0.59
	Transfer / Sale of shares during the year	-60000	-0.59	0	0.00
	At the end of the year	0	0.00	0	0.00
14	R C TRITEC AG				
	At the beginning of the year	60000	0.59	60000	0.59
	Transfer / Sale of shares during the year	60000	0.55	60000	0.55
	At the end of the year	60000	0.55	60000	0.55

Statement of changes in Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

SNo	DpId	Folio/Client-Id	Name of the Share Holder	Category	Sold	bought	Cumulative Holding	Date
1	IN303173	20017256	SAIF INDIA V FII HOLDINGS LIMITED	FII	0	0	1008400	3/31/2016
	IN303173	20017256	SAIF INDIA V FII HOLDINGS LIMITED	FII	0	0	1008400	3/31/2017
2	IN303173	20017416	SAIF PARTNERS INDIA V LIMITED	LTD	0	0	754716	3/31/2016
	IN303173	20017416	SAIF PARTNERS INDIA V LIMITED	LTD	0	754716	754716	2/10/2017
	IN303173	20017416	SAIF PARTNERS INDIA V LIMITED	LTD	0	0	754716	3/31/2017
3	IN300159	10719148	ASHA MUKUL AGRAWAL	PUB	0	0	368259	3/31/2016
	IN300159	10719148	ASHA MUKUL AGRAWAL	PUB	0	1000	369259	11/4/2016
	IN300159	10719148	ASHA MUKUL AGRAWAL	PUB	0	0	369259	3/31/2017
4	IN303173	20018771	KITARA INDIA MICRO CAP GROWTH FUND	FPI	0	0	323000	3/31/2016
	IN303173	20018771	KITARA INDIA MICRO CAP GROWTH FUND	FPI	0	51359	374359	6/24/2016
	IN303173	20018771	KITARA INDIA MICRO CAP GROWTH FUND	FPI	0	321	374680	6/30/2016
	IN303173	20018771	KITARA INDIA MICRO CAP GROWTH FUND	FPI	0	0	374680	3/31/2017
5	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	0	0	212913	3/31/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	7087	0	205826	5/6/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	6497	0	199329	6/17/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	59508	0	139721	6/24/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	16030	0	123691	6/30/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	3046	0	120645	7/1/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	7266	0	113379	7/8/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	113379	0	0	7/15/2016
	IN303116	10994727	STRIVER CAPITAL ADVISORS PRIVATE LIMITED	LTD	0	0	0	3/31/2017
6	IN300159	10686990	PARAM CAPITAL RESEARCH PRIVATE LIMITED	LTD	0	0	211536	3/31/2016
	IN300159	10686990	PARAM CAPITAL RESEARCH PRIVATE LIMITED	LTD	0	0	211536	3/31/2017
7	IN300644	10001824	DIPAK KANAYALAL SHAH	PUB	0	0	101000	3/31/2016
	IN300644	10001824	DIPAK KANAYALAL SHAH	PUB	0	2000	103000	5/20/2016
	IN300644	10001824	DIPAK KANAYALAL SHAH	PUB	0	200	103200	6/30/2016
	IN300644	10001824	DIPAK KANAYALAL SHAH	PUB	0	800	104000	7/15/2016
	IN300644	10001824	DIPAK KANAYALAL SHAH	PUB	104000	0	0	8/5/2016
	IN300644	10001824	DIPAK KANAYALAL SHAH	PUB	0	0	0	3/31/2017

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S.no	Dpid	Folio/Client-Id	Name of the Share Holder	Category	Sold	bought	Cumulative Holding	Date
8	IN302603	10037574	PULKIT.N.SEKHSARIA	PUB	0	0	97000	3/31/2016
	IN302603	10037574	PULKIT.N.SEKHSARIA	PUB	97000	0	0	1/13/2017
	IN302603	10037574	PULKIT.N.SEKHSARIA	PUB	0	0	0	3/31/2017
9	IN300126	11210814	NALINI N SEKHSARIA	PUB	0	0	97000	3/31/2016
	IN300126	11210814	NALINI N SEKHSARIA	PUB	0	97000	97000	1/20/2017
	IN300126	11210814	NALINI N SEKHSARIA	PUB	0	0	97000	3/31/2017
10	IN301151	20513622	ANANTROOP FINANCIAL ADVISORY SERVICES (P) Ltd.	LTD	0	0	84000	3/31/2016
	IN301151	20513622	ANANTROOP FINANCIAL ADVISORY SERVICES (P) Ltd.	LTD	0	0	84000	3/31/2017
11	IN301348	20042747	UNIVERSAL GOLDEN FUND	FPI	0	0	82817	3/31/2016
	IN301348	20042747	UNIVERSAL GOLDEN FUND	FPI	0	73019	73019	9/9/2016
	IN301348	20042747	UNIVERSAL GOLDEN FUND	FPI	0	9798	82817	10/28/2016
	IN301348	20042747	UNIVERSAL GOLDEN FUND	FPI	0	0	82817	3/31/2017
12	IN303786	10003205	SBI PIPE FUND - 1	PUB	0	0	79780	3/31/2016
	IN303786	10003205	SBI PIPE FUND - 1	PUB	0	15000	94780	5/6/2016
	IN303786	10003205	SBI PIPE FUND - 1	PUB	0	0	94780	3/31/2017
13	IN303116	10008184	HARESH M HINDOCHA	PUB	0	0	60000	3/31/2016
	IN303116	10008184	HARESH M HINDOCHA	PUB	45000	0	15000	7/22/2016
	IN303116	10008184	HARESH M HINDOCHA	PUB	5400	0	9600	9/2/2016
	IN303116	10008184	HARESH M HINDOCHA	PUB	9600	0	0	9/9/2016
	IN303116	10008184	HARESH M HINDOCHA	PUB	0	0	0	3/31/2017
14		KDL100217	R C TRITEC AG	LTD	0	0	60000	3/31/2016
		KDL100217	R C TRITEC AG	LTD	0	0	60000	3/31/2017

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(v) Shareholding of Directors and Key Managerial Personnel:

Sl.No.	For each of the Directors and Key Managerial Personnel	Shareholding		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
A)	Mr. R.K. Saboo (Individually, Jointly and through HUF)	2058460	20.41	2058460	20.41
B)	Mr. Yashovardhan Saboo (Individually and through HUF)	1509530	14.97	3567990	35.38
D)	Mr. Jagesh Khaitan	466	0.01	3568456	35.39
E)	Mr. Anil Khanna	4283	0.04	3572739	35.43
F)	Mr. Sanjeev Kumar Masown	2000	0.02	3574739	35.45
	Date wise Increase/Decrease in Promoter shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	NO CHANGE			
	At the end of the year				
A)	Mr. R.K. Saboo (Individually, Jointly and through HUF)	2058460	18.99	2058460	18.99
B)	Mr. Yashovardhan Saboo (Individually and through HUF)	1509530	13.93	3567990	32.92
C)	Mr. Anil Khanna	4283	0.04	3572273	32.96
D)	Mr. Jagesh Khaitan	466	0.00	3572739	32.96
E)	Mr. Sanjeev Kumar Masown	2000	0.02	3574739	32.98
F)	Mr. Sanjiv Sachar	1400	0.01	3576139	32.99

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount in Rs.)

Particulars		Secured Loans	Deposits	Total Indebtedness
Indebtedness as at the beginning of the Financial Year 1.4.2016				
1	Principal Amount	314,068,944	119,198,000	433,266,944
2	Interest Due but not paid			
3	Interest accrued but not due	0	14,442,224	14,442,224
	Total of (1+2+3)	314,068,944	133,640,224	447,709,168
Change In Indebtedness during the financial year				
	Addition	106,934,084	62,835,000	169,769,084
	Reduction	144,457,073	58,852,999	203,310,072
	Net Change	(37,522,989)	3,982,001	(33,540,988)
Indebtedness as at the end of the Financial Year 31.3.2017				
1	Principal Amount	276,545,955	124,402,000	400,947,955
2	Interest Due but not paid	-	-	-
3	Interest accrued but not due	-	13,220,225	13,220,225
	Total of (1+2+3)	276,545,955	137,622,225	414,168,180

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of the Remuneration	Name of MD/WTD/Manager			Total Amount in Rs.
		Mr. R.K. Saboo	Mr. Yashovardhan Saboo	*Mr. Sanjeev Kumar Masown	
1.	Gross Salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2893600	7119000	4611222	14623822
(b)	Value of perquisites u/s (17(2) of Income Tax Act, 1961	94916	298476	33000	426392
(c)	Profits in lieu of salary under section 17(3) Income-tax of Income Tax Act, 1961				
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
(a)	as % of profit	-	-	-	-
(b)	Others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	2988516	7417476	4644222	15050214
	Overall Ceilings	As per Act	As per Act	As per Act	As per Act

*w.e.f. 1st June 2016

B. Remuneration to Other Directors:

Sl. No.	Particulars of the Remuneration	Name of Directors					Total Amount (Rs.)
		Mr. Chandra Mohan	Mr. Anil Khanna	Mr. Jagesh Khaitan	Mrs. Ranjana Agarwal	Mr. Praveen Gupta	
1	Independent Directors						
	Fees for attending board/committee meetings	40,000	150,000	135,000	110,000	105,000	540,000
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (1)	-	-	-	-	-	-
2	Other Non Executive Directors						
	Fees for attending board/committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-
	Total (B) = 1 + 2	-	-	-	-	-	-
	Total Managerial Remuneration	40,000	150,000	135,000	110,000	105,000	540,000
	Overall Ceilings as per Act	As per Act	As per Act	As per Act	As per Act	As per Act	As per Act

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C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(Amount in Rs.)

Sl. No.	Particulars of the Remuneration	Key Managerial Personnel		Total
		Company Secretary	CFO*	
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1314000	774000	2088000
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	nil	6600	6600
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Nil	Nil	Nil
2	Stock Option	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil
4	Commission	Nil	Nil	Nil
	a) as % of profit	Nil	Nil	Nil
	b) Others, specify	Nil	Nil	Nil
5	Others, please specify	Nil	Nil	Nil
	Total	1314000	780600	2094600

*Upto 31st May, 2016

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: (NOT APPLICABLE)

Type	Section of the Companies Act	Brief Description	Details of penalty/punishment/compounding fees imposed	Authority {RD/NCLT/Court}	Appeal made, if any {give details}
A. COMPANY					
Penalty			--NIL--		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			--nil--		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			--nil--		
Punishment					
Compounding					

Form No. MR-3**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2017**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members

KDDL Limited

(CIN: L33302HP1981PLC008123)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s KDDL Limited (hereinafter called 'the company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017(Audit Period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - Not Applicable as the Company has not granted any options to its employees during the audit period;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - Not Applicable as the company has not issued any debt securities during the audit period;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client- Not Applicable as the Company is not registered as Registrars to an Issue and Share Transfer Agents;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - Not Applicable as the company has not delisted its equity shares during the audit period and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - Not Applicable as the

company has not bought back any of its securities during the audit period.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Listing Agreements entered into by the Company with Stock Exchanges.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

We further report that we have relied on the representation made by the Company and its officers and quarterly compliance reports by respective department heads taken on record by the Board of Directors for compliance, systems and mechanism formed by the Company for following other applicable Acts, Laws and Regulations:

- a) The Factories Act, 1948;
- b) The Payment of Wages Act, 1936;
- c) The Payment of Bonus Act, 1965;
- d) The Industrial Disputes Act, 1947;
- e) Employees' State Insurance Act, 1948;
- f) The Employees' Provident Fund and Miscellaneous Provisions Act, 1952;
- g) The Water (Prevention & Control of Pollution) Act, 1974;
- h) The Air (Prevention & Control of Pollution) Act, 1981;
- i) Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008;

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except those urgent meetings which were convened at a shorter notice and were duly attended by at least an Independent director and there exists a system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions were carried through while the dissenting members' views, wherever applicable, were captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period:

- (a) The Company has obtained approval of shareholders by way of Postal Ballot for the following:
 - Authorisation to the Board of Directors of the Company to approve Loans, Investments and Guarantees in excess of limits prescribed under Section 186 of the Companies Act, 2013.
 - Authorisation to the Board of Directors of the Company to enter into Contracts or arrangement or transactions with Related Party its subsidiary company viz, Ethos Limited upto an amount of Rs. 150 Crore (Rupees one hundred fifty Crore Only).
- (b) The Company has taken approval of Shareholders by way of Special Resolution at Extra Ordinary General Meeting (EGM):-
 - Authorisation to the Board of Directors of the Company to issue and allot upto 7,54,716 (Seven Lacs Fifty

Four Thousand Seven Hundred Sixteen) equity shares of Rs. 10/- each to SAIF Partners India V Limited, a foreign body corporate for cash at a price of Rs.265/- per equity share (including premium of Rs. 255/- per equity share) ("Issue Price") for an amount not exceeding Rs. 20 Crores (Rupees Twenty Crore Only).

- Authorisation to the Board of Directors of the Company to issue and allot upto 3,77,356 (Three Lacs Seventy Seven Thousand Three Hundred Fifty Six) Zero Coupon Convertible Warrants ("Warrant") (1 Warrant convertible into 1 Equity Share of face value of Rs. 10/- each) to Promoters/ Promoter Group, for cash at a price of Rs. 265/- per Warrant on preferential basis for an amount not exceeding Rs. 10 Crores (Rupees Ten Crores Only).
- Authorisation to the Board of Directors of the Company to enter into Contract/ Arrangement(s) with Ethos Limited, a material subsidiary and a related party for subscribing to its paid up capital upto Rs. 30 Crores.
- Approval for Change in the share capital of the material subsidiary Company, Ethos Limited.

Place: - Ludhiana
Date: - 30th May 2017

Signature: -
Name of Company Secretary in Practice: - P.S. Dua
FCS No. 4552
C P No. 3934

The report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.

Annexure 'A' to Secretarial Audit Report

To
The Members
KDDL Limited
(CIN: L33302HP1981PLC008123)

Our Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Where ever required, we have obtained and relied on the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: - Ludhiana
Date: - 30th May 2017

Signature:
Name of Company Secretary in Practice: - P.S. Dua
FCS No. 4552
C P No. 3934

Disclosure of Particulars of Contracts/Arrangements entered into by the Company

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. There are no contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis:-

Sr. No.	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements / transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any:	Date on which the special resolution was passed in general meeting as required under first proviso to section 188
1.	Ethos Limited	Investment		Investment in Equity shares of subsidiary Company Ethos Limited for Rs. 400 lacs at a price of Rs. 143/- per share	Investment in subsidiary company	07.05.2016	nil	NA
2.	Rajendra Kumar Saboo Yashvardhan Saboo Jshu Devi Saboo Anuracha Saboo	Lease Agreement	1 Year	Lease of portion of House No. 1, Sector 5, Chandigarh	Official/ Residential purpose	06/02/2016	Nil	NA
3	Ethos Limited	Sub Lease Agreement	2 Years	Sub Lease Agreements with subsidiary Company Ethos Limited, for the use and occupation of the 50% of area of premises situated at 2 nd floor in shop no. 204, to 206 at square one shopping complex, life style Dist Centre, Saket, New Delhi	Official	30.05.2016	Nil	NA
4	Gamla Tesio Dials Ltd.	Hire- Purchase Agreement	2 Years	renew the hire purchase facilities for manufacture of VGP and Electrical formed dials w.e.f. 01-04-2015 for a period of 3 years at a rent of Rs. 8 Lakhs p.a. for 2015-16 and thereafter Rs. 6 lakh p.a. for remaining period.	Business	30.05.2016	Nil	n.a
5	Ethos Ltd	Guarantee	2 Years	Providing security to credit facilities available to be availed by Ethos Ltd from Banks upto Rs. 3 crore	To enable subsidiary to avail finance facilities	30.5.2016		
6	Ethos Ltd	Investment	3 Years	Investment in Ethos Limited by subscribing in 12% Redeemable Preference Shares of Rs. 100 each having tenure of (One) year upto an amount of Rs. 10 crores in one or more tranches.	Investment in Subsidiary	12.08.2016		
7	Saboo Concreting Pvt. Ltd	Lease Agreement	5 year	Lease agreement for leasing of land and factory building situated at Haibalpur Road, Vill. Sadhamajra, Derabassi (Dist. Mohali) Punjab for a period of 5 years	Lease of premises at Dera Bassi	12.11.2016	Nil	28.08.2014
8	Ethos Limited	Investment		Investment of Rs. 30 crores in subsidiary company as follows:- 1. Rs. 15 crores by way of subscribing in 1063829 Equity Shares of Rs.10/- each at the price of Rs. 141/- per share; 2. Rs. 15 Crores by way of subscribing in 15,00,000 12% redeemable preference shares of Rs. 100/- each for a term of 3years	Investment in subsidiary company	12.11.2016	NIL	NA
9	Ethos Limited	Corporate Guarantee		Enhancement of corporate guarantee to IDBI Bank amounting to Rs. 26.85 Crores in favour of Ethos Limited.	To enable Ethos Limited to avail enhanced credit limits from IDBI Bank	12.12.2016	Nil	
10	Mr. R.K.Saboo	Agreement	3 years	Appointment of Mr. R.K. Saboo as an advisor to the Board of KDDL Limited for a period of three years w.e.f. 01.12.2016 to 30.11.2019 at a lumpsum amount of professional fees of Rs. 9.00 Lacs per qtr.	Advisory services	17.12.2016	Nil	

KDDL Limited

11.	-thos Limited	Investment in Equity Capital	Investment in equity capital of Ethos Limited for Rs. 300 lacs at a price of Rs. 141/- per share.	Investment	14.02.2017	Nil
12.	-thos Limited	Corporate Guarantee	Renewal of corporate guarantee to J&K bank on behalf of Ethos Limited for Rs. 9.5 Crores	Guarantee	14.02.2017	Nil

2. Contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at arms length basis:

Sr. No.	Name(s) of the related party and nature of relationship	Nature of contracts/arrangements/transactions	Duration of the contracts / arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
1.	Saboo Coatings Limited (Entity over which significant influence is exercised by the KMP/Promoter Directors)	Business Transactions	Transactions in the normal course of business during 2016-17	Particulars i)Purchase of Raw Material etc ii)Sale of Goods & Services iii)Rent Paid by the company iv) Salaries of employees paid v) Rent Received vi) Re-imbursement of expenses vii) Security Deposit	Amt in(Rs.) 2,654,783 46,157 50,000 105,700 1,477,536 343,469 953,628	Not Required NIL
2.	Pylania SA (Subsidiary Company)	Business Transactions	Transactions in the normal course of business during 2016-17	i)Purchase of Raw Material etc ii)Sale of Goods & Services iii)Guarantee Charges received iv) Re-imbursement of expenses v) Guarantees given vi) Sale of fixed assets vii) Job work charges	3,265,373 5,145,050 499,140 13,574,434 17,452,500 1,583,514 735,402	Not Required NIL
3.	Ethos Limited	Business Transactions	Transactions in the normal course of business during 2016-17	i)Purchase of Raw Material etc ii)Sale of Goods & Services iii)Salary of employees recovered iv) Rent received v) Expenses recovered vi) Investments made vii)Security Deposit taken viii) Guarantees given ix) Purchase of fixed assets x) Re-imbursement of expenses	264,414 611,681 132,600 3,092,347 720,255 149,999,960 677,235 547,364,168 550,908 129,202	Not Required NIL
	Kamla Tesio Dials Ltd	Business Transactions	Transactions in the normal course of business during 2016-17	I) Rent Paid II) Expenses recovered	600,000 96,567	Not Required NIL
4.	Satva Jewellery & Design Limited	Business Transactions	Transactions in the normal course of business during 2016-17	i) Rent Paid ii) Interest Received iii) expenses recovered	600,000 600,000 171,774	Not Required NIL
5.	Dream Digital Technology Limited	Business Transactions	Transactions in the normal course of business during 2016-17	i) Management consultancy fee ii) Expenses recovered	1,980,000 845,494	Not Required NIL
6.	Vardhan Properties and Investment Limited	Business Transactions	Transactions in the normal course of business during 2016-17	i) Interest Paid	292,691	Not Required NIL
7.	VBL Innovations Pvt. Limited	Business Transactions	Transactions in the normal course of business during 2016-17	I) Expenses recovered	192038	Not Required NIL
8.	Vardhan International Limited	Business Transactions	Transactions in the normal course of business during 2016-17	i) Purchase of raw materials	13,715	Not Required NIL
9.	Mahen Boutiques Ltd.	Business Transactions	Transactions in the normal course of business during 2016-17	i) Investments	5,403,600	Not Required NIL
10.	Asha Devi Saboo	Business Transactions	Transactions in the normal course of business during 2016-17	i) Interest Paid	125,000	Not Required NIL

KDDL Limited

Sr. No.	Name(s) of the related party and nature of relationship	Nature of contracts/arrangement s/transactions	Duration of the contracts / arrangements/tran sactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
11.	Mr. R.K. Saboo.	Business Transactions	Transactions in the normal course of business during 2016-17	i) Rent Paid ii) Remuneration	600,000 2,988,516	Existing Contract NIL
12.	Mr. Yashovardhan Saboo	Business Transactions	Transactions in the normal course of business during 2016-17	i) Rent paid ii) Remuneration	2,054,040 7,417,476	Existing Contract NIL
13.	Ms. Anuradha Saboo.	Rent Paid for Property	Transactions in the normal course of business during 2016-17	i) Rent Paid	300,000	Existing Contract NIL
14.	Ms. Usha Saboo	Rent Paid for Property	Transactions in the normal course of business during 2016-17	ii) Rent Paid	120,000	Existing Contract NIL
15.	Mr. Sanjeev K Masown	Business Transaction	Transactions in the normal course of business during 2016-17	i) Salary paid ii) Interest Paid/ accrued iii) Deposits	4,611,222 42,677 220,000	Existing Contract NIL
16.	Mrs. Neeraj Masown	Business Transactions	Transactions in the normal course of business during 2016-17	i) Interest Paid ii) Deposits	105,127 120,000	Existing Contract NIL
17.	Sh. Lal Chand Masown	Business Transactions	Transactions in the normal course of business during 2016-17	Interest Paid	50,957	Existing Contract NIL

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2016-17

(As per format given in the Rules to the Companies (CSR Policy) Rules, 2014)

- 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.**

The Company undertakes and/or supports various activities/projects as notified by the Ministry of Corporate Affairs from time to time. The Company undertakes CSR Activities directly or indirectly through a registered trust or society or any company established under Section 8 of the Act for CSR objectives. The Company has framed a CSR Policy in compliance with the provisions of the Companies Act, 2013 and the same is placed on the Company's website and the web-link of the same is http://www.kddl.com/html/csr_policy.html

KDDL contributes towards CSR through its charitable foundation namely KDDL-ETHOS FOUNDATION, which is eligible to conduct permissible CSR activity. KDDL has contributed an amount of Rs. 18 Lacs for the financial year 2016-17 to KDDL-ETHOS FOUNDATION for carrying out various CSR activities as permissible under section 135 of The Companies Act, 2013 and allied rules.

- 2. The Composition of the CSR Committee**

Mr. R.K. Saboo is the chairman of CSR Committee. Other members of the Committee are :-

Mr. Yashovardhan Saboo	Vice-Chairman-cum-CEO
Mrs. Ranjana Agarwal	Independent Director
Mr. Jagesh Khaitan	Independent Director

- 3. Average net profit of the company for the last three financial years as per section 198 of the Companies Act, 2013.**

(Rs in lacs)

For the year ended on 31st March, 2016	:	930.36
For the year ended on 31st March, 2015	:	1043.98
For the year ended on 31st March, 2014	:	676.67
Average net profits	:	883.67

- 4. Prescribed CSR expenditure (two per cent, of the amount as in item 3 above)**

Rs. 17.67 lacs (being 2% of the average net profits as stated at item 3 above)

- 5. Details of CSR spent during the financial year**

(a) Total amount to be spent for the financial year	Rs. 17.67 lacs
(b) Amount unspent, if any :	Nil
(c) Manner in which the amount spent during the financial year is detailed below:-	

KDDL Limited

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State & District where projects or program was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
	Contribution to K D D L - E T H O S foundation, a Trust established under The Indian Trusts Act, 1882, with the motto to render CSR activities as stated under section 135 of The Companies Act, 2013 for KDDL Limited and its subsidiaries/ Group Companies	As per Section 135 of The Companies Act, 2013	Others	Rs. 18,00,000/-	N.A.	Rs. 18,00,000	Through implementing agency viz. KDDL-Ethos Foundation

The KDDL ETHOS foundation has spent towards various activities during the year 2016-17 as follows:-

S.No.	Particulars	Amount
1.	Contribution to IIMPACT towards education of girl child by sponsoring five learning centres (educating 30 girls per learning centre)	Rs. 4,75,000/-
2.	Contribution to YTTS towards promoting education, including special education and employment enhancing vocation training skills especially among children, women, elderly and differently abled and livelihood enhancement projects.	Rs. 2,50,000/-
3.	Contribution to Heart to Heart Service Society of Innerwheel Club of Chandigarh towards helping poor and needy patients in PGI	Rs. 1,00,000/-
4.	Contribution to Multiple Sclerosis Society of India for the welfare of people affected by multiple sclerosis	Rs. 30,000/-
5.	Installation of Napkin Destroyer & Napkin Vending machine at Government Model Senior Secondary School, Sector 18, Sector 20-B and Sector 35-D, Chandigarh	Rs. 90,000/-
	TOTAL	Rs. 9,45,000/-

6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report.
Not applicable
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.
The CSR Committee of the Company confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Sd/-
(R.K.Saboo)
Chairman-CSR Committee

Sd/-
(Yashovardhan Saboo)
Vice Chairman-cum-CEO (Member)

A. Summary of Status of ESOPs granted

The position of the existing scheme is summarized as under:

S.No.	Particulars	Details
1.	Details of the meeting	Authorized by the shareholders of the Company on September 15, 2011.
2.	Approved limit	Upto 1,10,000 stock options in aggregate
3.	The Pricing Formula	Exercise Price is Rs 120/- per option.
4.	Options granted	84,000
5.	Options vested and exercisable	0
6.	Options exercised	39,750
7.	Options cancelled	0
8.	Options lapsed	23,250
9.	Total number of options in force	21,000
10.	Variation in terms of ESOP	Not Applicable
11.	Total number of shares arising as a result of exercise of options	39,750
12.	Money realized by exercise of options	NIL

B. Employee-wise details of options granted during the financial year 2016-17 to:

- | | | |
|-------|--|------|
| (i) | Senior managerial personnel | None |
| (ii) | Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year | None |
| (iii) | Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant | None |

C. Weighted average Fair Value of Options granted during the year whose

- | | | |
|-----|---|-------|
| (a) | Exercise price equals market price | 120/- |
| (b) | Exercise price is greater than market price | No |
| (c) | Exercise price is less than market price | Yes |

Weighted average Exercise price of Options granted during the year whose

- | | | |
|-----|---|-----|
| (a) | Exercise price equals market price | Nil |
| (b) | Exercise price is greater than market price | NIL |
| (c) | Exercise price is less than market price | NIL |

- D.** The stock based compensation cost calculated as per the intrinsic value method for the financial year 2016-17 is Rs 52,125/-. If the stock based compensation cost was calculated as per the fair value method, the total cost to be recognized in the financial statements for the year 2016-17 would be Rs 291,900/-. Had the Company adopted the fair value method, net profit after tax would have been lower by Rs 344,025/- for the financial year 2016-17.

The effect of adopting the fair value method earnings per share is presented below:

Earnings Per Share: Basic (in Rs.)

- | | | |
|---|-------------------|------|
| - | As reported | 6.93 |
| - | Adjusted Performa | 6.90 |

Earnings Per Share: Diluted (in Rs.)

- | | | |
|---|-------------------|------|
| - | As reported | 6.93 |
| - | Adjusted Preforma | 6.90 |

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO THE PROVISIONS OF SECTION 134(3)(M) OF THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (ACCOUNTS) RULES, 2014:

A. CONSERVATION OF ENERGY :

- a) **Steps taken for conservation:** The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
 - i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
 - ii) Phased balancing of heating and lighting load.
 - iii) Increase in power factor by installing capacitor at the individual machines.
- b) **Steps taken for utilizing alternate sources of energy :-**
Cost of power is negligible in total cost of production.
- c) **Capital investment on energy conservation equipments:-**
Further energy conservation is planned through replacement of and modification of inefficient equipments and by providing automatic controls to reduce idle running of equipments.

B. TECHNOLOGY ABSORPTION:

Efforts made for technology absorption

1. Research and Development (R & D):

- a) **Specific areas on which R & D carried on by the Company:** Research and Development has been carried out for quality improvement, new product developments and productivity improvement.
- b) **Benefits derived as a result of the above R & D:** Increase in overall efficiency, productivity and quality of outgoing product and a wider range of watch components along with incremental business from customers
- c) **Future plan of action:** Further improvement in production processes, to develop new dial finishes, new types of index, development of tools and components and reduction of costs would continue.
- d) **Expenditure on R&D:** No separate account is being maintained by the company for the expenditure incurred on R&D. However, the Company is incurring recurring expenditure towards development activities.

2. Technology Absorption, Adaptation & Innovation :

Efforts, in brief, made towards technology absorption, adaptation and innovation: The Company is constantly engaged in in-house R&D and is in constant touch with the new technologies.

Benefits derived as a result of the above efforts: Due to continuous developmental efforts, the Company has been able to produce much more complicated dials which were being imported until now.

- 3. i) **Technology imported:** None after 1995.
- ii) **Year of Import:** N.A.
- iii) **Has technology been fully absorbed? :** Yes.
- iv) **If not absorbed, area where this has not taken place, reasons thereof and future plans of action:** N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in Millions)

	2016-17
Foreign Exchange earnings	688.45
Foreign Exchange outgo	55.09

PARTICULARS OF EMPLOYEES

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 134(3)(q) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

S.No.	Requirements of Rule 5(1)	Details															
(i)	The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	<table border="1"> <tr> <td>Mr. R.K.Saboo #</td> <td>18.4 : 1</td> </tr> <tr> <td>Mr. Y. Saboo</td> <td>37.9 : 1</td> </tr> <tr> <td>Mr. Sanjeev Masown</td> <td>22.1 : 1</td> </tr> </table>	Mr. R.K.Saboo #	18.4 : 1	Mr. Y. Saboo	37.9 : 1	Mr. Sanjeev Masown	22.1 : 1									
Mr. R.K.Saboo #	18.4 : 1																
Mr. Y. Saboo	37.9 : 1																
Mr. Sanjeev Masown	22.1 : 1																
(ii)	The percentage of increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial year;	<table border="1"> <thead> <tr> <th>Name</th> <th>As per Payout</th> <th>As per Terms</th> </tr> </thead> <tbody> <tr> <td>Mr. R.K.Saboo</td> <td>6.8 %</td> <td>7.1%</td> </tr> <tr> <td>Mr. Y.Saboo *</td> <td>37.7 %</td> <td>26.6 %</td> </tr> <tr> <td>Mr. Sanjeev Masown</td> <td>13.3 %</td> <td>16.7 %</td> </tr> <tr> <td>Mr. Raman Sood</td> <td colspan="2">Not applicable</td> </tr> </tbody> </table> <p>* Including remuneration from subsidiary Ethos Limited</p> <p>The difference in Terms of appointment and actual payout is due to variable component, which is linked to performance of individual and company against the agreed parameter.</p>	Name	As per Payout	As per Terms	Mr. R.K.Saboo	6.8 %	7.1%	Mr. Y.Saboo *	37.7 %	26.6 %	Mr. Sanjeev Masown	13.3 %	16.7 %	Mr. Raman Sood	Not applicable	
Name	As per Payout	As per Terms															
Mr. R.K.Saboo	6.8 %	7.1%															
Mr. Y.Saboo *	37.7 %	26.6 %															
Mr. Sanjeev Masown	13.3 %	16.7 %															
Mr. Raman Sood	Not applicable																
(iii)	The percentage increase in the median remuneration of employees in the financial year;	10%															
(iv)	The number of permanent employees on the rolls of company;	1041 employees as on 31.03.2017															
(v)	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 point out if there are any exceptional circumstances for increase in the managerial remuneration;	<p>Average Salary increase of non-managerial employees is 12.9%</p> <p>Average salary increase of managerial employees is 12.7%</p> <p>There are no exceptional circumstances in increase in managerial remuneration.</p>															
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company.	Remuneration paid during the year is as per the Remuneration Policy of the Company.															

Retired on 30th Nov. 2016

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

AN OVERVIEW OF THE ECONOMY

Global Economy

The global economy is trying to bounce back after two difficult years 2015 and 2016.

With US showing healthy growth after activities were held back in 2016 by inventory adjustment and weak investment. China is also projecting more robust growth on the back of policy support from their Government. Activity has moved upward in emerging markets on expectation of improved macroeconomic triggers.

As per the latest IMF report, world growth is expected to grow to 3.4% in 2017 and 3.6% in 2018 from 3.1% in 2016.

The impact of Brexit and the US elections, though still uncertain, points to some risk due to shifts in the direction of isolationism and protectionism. The post war consensus in favour of globalization of goods, services and labor in particular, and market-based economic organization more broadly, is under threat across the advanced economies. But it is still too early to analyze the repercussions of such decisions.

Indian Economy

India continues to dominate the market among developing nations attracting foreign investments from across the globe. Government paved way for many key policies in 2016 making acceleration of activities from the implementation of these structural reforms.

The government is all set to rollout GST during the year which will create a common Indian market, improve tax compliance, boost investment and growth and improve governance. However as watches has been included in the 28% bracket, higher than expected 18%, short term challenges are inevitable.

Government took the bold step on November 2016 to curb the black money transactions by demonetizing high denomination notes. For a while entire nation was under cash crunch. It impacted several sections of the society with their livelihood getting disrupted from individual financial crises to scarcity of demand in the market. Lack of demand caused flat growth in manufacturing and services giving rise to widened gap in economy's deficit.

The demonetization of high currency notes together with other legislative and administrative steps will help the economy to be more transparent and will give positive results in the long run.

The growth forecast as per IMF has been trimmed for 2017 to 7.2%. Medium term forecast seems to suggest growth to rise to about 8%.

The PAN Card implementation on transaction of Rs.2 lakhs and above and demonetization did affect the company adversely but not severely as competition as a smaller part of our transactions was in cash. The Company is confident of achieving higher sales number as there is definite sign of shift of consumption patterns among the consumers.

As per the 2017 union budget, Government has further imposed restriction of cash usage above Rs. 2 lakhs. The impact of the decision was already covered under PAN card implementation; thus, Company did not face major hits on the wake of this. For the retail segment, Government has taken several initiatives and steps such as liberalization of Foreign Direct Investment norms including permitting Single Brand Retail Trading (SBRT) under e-commerce route, Digital India movement, etc. It is believed that it will take few quarters before infrastructure

KDDL Limited

measures along with tax incentives starts providing impetus to consumer spending.

Swiss Watch Industry

In 2016, Swiss watchmakers had their worst year since the global financial crisis, with exports falling 10 per cent, largely as a result of weakness in Hong Kong and the US, the industry's two biggest markets. Sales to Chinese buyers have been hit in recent years by a corruption clampdown in the country, while consumer spending on luxury goods in Europe has been damped by terrorist attacks.

The environment confronting the Swiss watch industry remained difficult throughout the year 2016. Swiss watch industry exports fell for the second year in succession. Their value stood at 19.4 billion francs compared to exports of 21.5 billion francs in previous year. With this result, the industry has returned to its 2011 level and seen an end to the growth of 15% achieved between 2011 and 2014.

Exports of Swiss watches fell in the first half of 2016 to CHF 9.5 billion from CHF 10.2 billion in 2015. This decline continued in July and August also but picked up during the end of the year.

Asia strongly influenced by the trend in Hong Kong reported the biggest contraction in 2016 and accounted for more than half the decline. Europe and America posted identical downturns with -8.6%. Hong Kong played a very important role in terms of the global result. After two years of heavy decline, the value of this market has fallen by half in 4 years. China on the other hand, recovered strongly thanks to a positive second half (+9.1%). South Korea (+3.7%) was one of the few countries to progress. The Middle East markets were affected by declining oil revenues and weakened in the second half of the year.

In Europe, only the United Kingdom (+3.7%) benefiting from the weaker pound sterling, stood out as an exception in the context of a clearly negative trend. France (-19.6%) was particularly hard hit by the decline in tourism and a general sentiment of insecurity. The trend in United States (-9.1%) did not stand out in 2016 and remained in line with the global average.

Overall, during the year, Switzerland exported 25.4 million watches against 28.1 million watches in 2015, i.e. decline by 9.8%.

Main markets for Swiss Watches

Geographical distribution (in CHF million)

Countries	Value in 2016	Value in 2015	Change in %	Share in % 2016	Share in % 2015
Hong Kong	2382.6	3,179.0	-25.0%	12.3%	14.7%
USA	2145.5	2,359.1	-9.0%	11.0%	11.0%
China	1293.2	1,336.8	-3.3%	6.7%	6.2%
Italy	1180.8	1,315.9	-10.0%	6.1%	6.1%
Japan	1262.0	1,305.5	-3.3%	6.5%	6.1%
Other Countries	11,141.0	12,038.2	-7.5%	57.4%	55.9%
Total	19,405.1	21,534.5	-9.0%	100.0%	100.0%

While the outlook continues to be weak especially in Hong Kong and China market due to economic slowdown in the region and the anti-corruption and anti-kickback legislation in China. Hong Kong has also been affected by the drop in Chinese tourists due to changes in visa requirements and increased political uncertainty in the region. In addition, the sharp appreciation of the Swiss Franc in 2015 following the removal of the exchange rate floor by the Swiss National Bank led to a rise in the price of imports from Switzerland, further affecting sales.

KDDL Limited

Expectations from Europe have also deteriorated against a background of economic stagnation and geopolitical uncertainty caused by a series of terrorist attacks. The most highly rated market remains North America and considered as the market with most potential.

Main watch exporting countries (Direct Exports)

Countries	Units in Million	Change in %	Units in Million	Change in %
	2016		2015	
China	652.0	-4.5%	682.8	+2.1%
Hong Kong	241.0	-12.9%	276.7	-12.2%
Switzerland	25.4	-9.8%	28.1	-1.6%
Germany	17.5	-20.5%	21.9	+4.4%
USA	10.4	+9.2%	9.5	-2.0%

China exported 652 million pieces of watches in 2016, decline of 4.5% over previous year but the value of exports were 3.3% higher in the local currency with a value equivalent to 5.6 billion dollars. On the other hand Hong Kong volume exports declined by 12.9% to 241 million pieces with value of 8.8 billion dollars. Volumes wise, Switzerland maintained its third position with exports of 25.4 million watches in 2015, decline of 9.8% over previous year.

Swiss brands also gained visibility in the Smart watch market. Swatch, which was already quoted in the top 3 smart watch brands in 2015 is now joined by Tag Heuer.

So far, Swiss brands have not played a very important role in the smart watch market. During the year, TAG Heuer and Frederique Constant have also launched smart watches. Despite the dramatic sales growth of the smart watch segment, it remains unclear whether it poses a significant threat to the Swiss watch industry. The decrease in exports of Swiss watches in recent months was mainly caused by the decline in Hong Kong and China, a strong Swiss Franc and uncertainty in the global environment. There is no sign that sales of Swiss watches have been impacted by Smart watches.

Another major development during the year is the implementation of the "SWISS ORIGIN" regulations w.e.f. 2017 and the sourcing strategy of the watch brands may undergo change in the next couple of quarters based on the requirement for compliance of these regulations.

Overview of Indian Retail Sector

Both the size and shape of the consumer market in India are fundamentally changing. The Indian retail industry is one of the fastest growing in the world. Retail industry in India is expected to grow to US\$ 1.3 trillion by 2020, registering a Compound Annual Growth Rate (CAGR) of 16.7% over 2015-20. Due to its high market potential, low economic risk and moderate political risk, it has occupied remarkable position in global retail rankings.

India is the 5th largest preferred retail destination globally. With the Retail sector developing not only in major cities & metros but also in Tier II & Tier III cities, India is experiencing an exponential growth compared to other developing markets. The factors driving growth in the Retail industry in India are Healthy economic growth, changing demographic profile, increasing disposable incomes, urbanization, changing consumer tastes and preferences.

Overview of Indian Luxury Market

India's nominal year-over-year expenditure growth of 12% is more than double the anticipated global rate of 5% and it will make India the third-largest consumer market by 2025. Rising affluence is the highest driving factor for increase in consumption.

Consumers in emerging cities behave differently from the big-city consumers. They have high purchasing aspirations but are often constrained by product availability. Company is adding few stores to tap the opportunities in such locations driving their aspirations into actual sales.

Indian luxury market is currently pegged to be at \$18.6 billion and is expected to touch \$50 billion by 2020 & further

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to reach \$180 billion by 2025. This will make India the 12th largest luxury retail market in the world by 2020.

India is adding substantial number of ultra-high net worth individuals annually in its portfolio which drives the luxury segment in the country. A series of progressive political and trade measures introduced by the Government of India over the past three years has further triggered luxury trade interest.

A national love for the shopping and bartering experience is a large part of the reason why luxury brands choose to enter the country through brick and mortar stores, despite the limited infrastructure and mall space which is a huge stumbling block. Luxury has not been able to make footprints into the interiors of the country yet. However, tier II cities such as Surat, Pune, Ahmedabad and Baroda are home to some of the richest Indian families in the country, who are eager to spend money on luxury but are left with limited options.

BUSINESS OVERVIEW

KDDL Limited is one of the leading Companies in India in manufacture of watch components and also emerging as a strong engineering company for manufacture of high quality precision stamped components and progressive tools for various applications. KDDL also manages the largest retail chain luxury Swiss watches in the organised sector through its subsidiary, Ethos Limited.

The Company's revenues are primarily from manufacture of watch components, progressive tools, precision engineering components and sub-assemblies. An overview of the different business segments are given below:

Turnover

Despite the sluggish watch market environment, the total turnover of the company grew by 5% during the year as compared to decline of 3% during the last year, primarily driven by the growth in the Precision Engineering business.

The watches component segment of company which has a major revenue share in the overall business is not insulated from market environment and was impacted by the Swiss market down and the revenue from exports declined by 6%. In spite of decline in revenue from exports market, the overall revenue in watch component segment improved marginally by 1% because of the improved market conditions in domestic market.

All segments of the manufacturing business (except Packaging) witnessed growth in operational revenue. The overall turnover from the domestic market improved by 22% and on the other hand turnover from exports market declined by 4% compared to the revenue in last year from respective markets.

The watch components business of the domestic market saw healthy growth of 14.7% in value. On the other hand, exports value of watch components business declined by 6.1% due to slow down in the Swiss market. This is the second year in a row when the exports market have remained sluggish and the revenue has declined from exports to Swiss customers.

EIGEN the precision engineering business of the company saw a healthy growth of 28% in revenue compared to previous year on account of improved market conditions especially in the 'Electrical & Electronics' and 'Automobile' segments catered by the company.

Revenue of ornamental packaging business of the company was stagnant during the year.

The Company's overall strategy is to continue focus on increasing exports of watch components to Swiss market and to accelerate the growth of Precision Engineering business by adding new capabilities and increasing marketing efforts.

Watch Components

During the year, dial units of the company located at Parwanoo and Baddi (H.P) and Derabassi (Punjab) operated at sub-optimal capacity utilisations due to sluggish order position mainly from export markets. The overall revenue of Dial units declined further by 10% over a decline of 4% in previous year. The major reason of decline in Dial units revenue was from exports market, which declined by 22% compared to previous year. All major customers and brands in Swiss market were impacted by the slowdown and this led to overall decline in the order position for the company. The Dial units revenue from domestic market improved by 12% during the year compared to a decline of 3% in previous year.

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The overall revenue of Watch Hands Units of the Company located at Bangalore registered a growth of 11% compared to decline of 5.5% in the previous year. The revenue of Hands unit from domestic and exports market increased by 18% and 7% respectively compared to previous year.

Precision Engineering Components

The overall revenue of our precision components manufacturing unit at Bangalore witnessed a healthy growth of 28% compared to a decline of 6.5% in the previous year. The growth in turnover of the unit was from all segments and markets catered by the unit. The year on year growth in revenue from domestic market was 45%, whereas the direct and indirect exports market grew by 15% compared to previous year. During the year, company had initiated various efforts for increasing its presence and reach with the potential customer segments, by regular participations in the relevant trade fairs and exhibitions.

Other Businesses

Another business of the company relates to manufacture of Packaging for ornamental jewellery, watches, writing instruments and other accessories. The revenue of the company from this business declined by 0.7% compared to previous year revenue. The major reason for decline in revenue was slow down in the market post demonetization of high currency notes by the Government of India.

Strategic Initiatives

The financial year 2016-17 commenced with suppressed market conditions in the Swiss watch industry. Contrary to expectation of improvement in H2, market conditions continued to fall. Only in the last quarter of the year, the market conditions showed signs of improvement. It is likely that the Swiss watch industry will still need 2 to 3 quarters time for full recovery. The efforts of the company in the previous few year for consolidation and restructuring of the watch component manufacturing facilities, enhancing the capabilities to manufacture more complex products coupled with improvement in productivity and delivery compliance will help the company in meeting the challenge of sluggish markets. The company will be well positioned to capture and encash the opportunities post revival of market conditions.

During the year, company initiated efforts for manpower rationalization and restricting overheads on non-productive areas. Company is continuously putting efforts and resources for enhancing skills to optimize operational efficiencies, improving productivity and add capabilities to manufacture additional features, more complex components.

Despite the suppressed Swiss watch market conditions, the watch hands business of the company captured market share from competition by offering new features and designs to customers and gained entry into many new customers in the high end of segment by demonstrating the enhanced level of capability and execution skills. Company also initiated the efforts for induction of some of the new customers in the Hong Kong market, where in the existing presence and share of market was not significant. The efforts of the company to capture business from the Far East market segment will help in generating healthy growth in the coming years.

The major focus of the company is to increase market presence in engineering business by enhancing the core capabilities, adding value additive capabilities and aggressive marketing efforts.

As a part of this exercise, during the year, company increased its efforts for enhancing the growth of precision stamped components and progressive tooling. The Company is show casing its technical capabilities by participating in relevant international trade fairs and exhibitions. The Company has also initiated efforts in digital marketing of capabilities and capacities in targeted countries; the response from these marketing efforts is healthy. The flow of RFQ's both from existing and new customers are steadily improving. Leading indicators for the business are very positive. The company continues to view the precision engineering business as major growth drivers in the coming years.

During the last year, company got AS 9100C certification by the inspection and registering authority TUV SUD. This certification will help the company in getting leads and business from the Aerospace segment in due course

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of time. In addition the company also got certified for the Environmental Management System in accordance with ISO 14001:2015, which becomes a pre-requisite for many of the international customers. Company also qualified as VDA – 6.3 (QMC) Quality Management Center from the Continental Group and this makes company eligible for getting the leads and RFQ's for the existing capabilities of the company.

The revenue of the company during the year increased from new capabilities of mould making and manufacture of plastic injection moulded components. During the year, company also added the capacity and capability of stamping on higher tonnage presses, Wire EDM and EDM. The company also initiated the expansion project near Bangalore Airport in KIADB Aerospace Park. The expansion project is progressing as per schedule.

During the year, the website of company www.ethoswatches.com, was utilised to the maximum potential for enhancing the online leads and conversion. This platform continues to be used by our subsidiary Ethos Limited.

Company continues to identify and eliminate the non-value added process for improving internal controls and efficiencies and during the year, company has extended the SAP tools for many additional processes and automated many other processes for better compliance and cost optimizations.

BUSINESS PERFORMANCE REVIEW

Revenue

The gross operating income of the company declined from Rs. 1234 million to Rs. 1308 million representing an increase of 6% over the previous year. The turnover of the company was broadly stable in both half's of the year, but third quarter was significantly low in the year as the market slowdown impacted lead to reduced order position for the company. However, the market situation and order position improved in the last quarter. The watch market conditions and overall environment was sluggish, but the impact on Company operations was less because of the structured focus and efforts of the company on other business streams coupled with the delivery of the high quality competitive products. The watch segment gross operating income improved marginally from Rs. 943 Million to Rs. 944 Million, compared to a decline of 1.7% in previous year. The precision engineering business stream revenue increased from Rs. 185 Million to Rs. 248 Million, registering a healthy growth of 34% compared to a decline of 3.9% in the previous year. The revenue from residual business stream mainly comprising of ornamental packaging reduced from Rs. 45 million to Rs. 44 million.

The domestic sale of the company improved from Rs. 443 Million to Rs. 538 Million representing a healthy growth of 21.5%, whereas the direct and indirect export revenue declined from Rs. 730 Million to Rs. 700 Million registering a decline of 4.2%, mainly because of sluggish market conditions in the Swiss watch industry.

Margins

During the year the margins of the company remained under pressure due to major slowdown in the watch export markets and strategic initiatives of the company for developing and enhancing the revenue from Precision engineering business.

The earnings before interest, depreciation, taxes and appropriations improved from Rs. 228 million to Rs. 239 million, increase of almost 4.6% over the previous year. The operating EBIDTA earning after eliminating the exceptional, abnormal cost and CSR expenditure reduced from 19.2% to 18.8% achieved in previous year. The reduction in EBIDTA percentage was due to decline in the exports revenue, wherein the margins are better compared to domestic market.

Shareholders' Funds

The company's reserves improved from Rs. 756 million as on 31st March 2016 to Rs. 1019 million as on 31st March 2017, on account of retained earnings from the profitability of the company and also due to receipt of share premium of Rs. 191 million on issue and allotment of 754716 equity shares of face value Rs. 10 each on a preferential basis for cash at a price of Rs. 265 (including premium of Rs. 255) during the year.

The Share capital of the company also increased from Rs. 101.7 million to Rs. 109.2 million on account of allotment of equity shares on preferential basis.

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In addition, Company allotted 377356 Zero Coupon Convertible Warrants (1 warrant convertible to into 1 equity share of face value of Rs. 10 each to promoter group for cash at a price of Rs. 265 per warrant (including premium of Rs. 255).

Loan Funds and Cost of Debt

The interest cost as a percentage to total revenue decreased substantially from 3.9% to 2.7% in 2016-17. During the year, Reserve Bank of India reduced the interest rates but banks were lagging behind in passing on the benefit to customers. However due to improved liquidity of the company post induction of funds through allotment of new shares on preferential basis, the company reduced its high costs debts and working capital borrowings, which led to sharp reduction in the borrowing costs. All new debt borrowings of the company are being negotiated and concluded at lower interest rates. The overall simple average cost of debt decreased to 8.6% from 10.1% during the previous year.

The Company continues to focus and optimize the working capital cycle and reduce cost of borrowing by effective use and availing of different financing options. The company continues its efforts on restricting the overall borrowing of the company for better leverage.

Fixed Assets

Gross Fixed Assets of the company including Capital work in progress during the year increased from Rs. 1317 million to Rs. 1430 million mainly on account of expansion project of precision engineering business in KIADB Aerospace Park, near Bangaluru Airport. In addition some investment was done on normal capital expenditure in the different units for increasing productivity, new product developments and addition of other assets for quality, safety, Information technology and administrative functions.

Subsidiary Companies and Joint Ventures

Ethos Limited

FY 16-17 has been an extremely challenging year for the luxury watch retail business. Close on the heels of the introduction of PAN requirement for transactions above Rs. 2 lakhs, there were further regulatory changes that were enacted. In July 2016, a new requirement for collecting TCS for all transaction in cash above Rs. 3 lakhs was introduced. Thereafter, on November 8, 2017, the government banned all Rs. 500 and Rs. 1000 notes. Subsequently, an announcement was made in the Union Budget 2017, that cash transactions above Rs. 2 lakhs would be banned with effect from 1 April 2017.

These changes have had a cumulative impact on the revenues of the company. The sales of the company have declined by around 1% over the sales of the previous year from Rs. 328.6 crores to Rs. 327.3 crores. This is for the first time that such a decline has happened in the entire history of the company. However, it is pertinent to note that while the introduction of the PAN and the TCS requirement did have an immediate impact on the sale of the company, the sales showed a turnaround and witnessed an increased rate of growth. The sales in Q1 of FY16-17 showed a growth of 6%. In Q2, the sales of the company grew by 8%. This reflected the Company's position that that the impact of PAN guidelines will diminish over a period and sales will revert to the normal rates of growth. The demonetization event also had a similarly large immediate impact on sales. However, as these regulatory changes gain wider acceptance amongst the watch customers, the sales growth should revert to levels witnessed.

The gross margins of the company declined by nearly 2% in FY16-17. The decline in sales and the margins of the company percolated to the EBIDTA, which declined from 2.2% in FY15-16 to 1.2% in FY16-17. The loss for the year FY16-17 stood at Rs. 7.48 crores. Needless to say, the impact of these changes has been considerable.

However, the factors that made the market opportunity for luxury watches attractive are still as robust as they were before these regulatory changes. The penetration of luxury watches continues to remain low, the number of HNI households continues to rise and the demographics continue to remain favorable. The company is recalibrating it's strategy to realign with the new environment with a greater emphasis on accessible luxury price points, and sharper focus on margin improvement, operating leverage and capital efficiency. We expect a healthy rebound in all the basic performance metrics during the current financial year, after the turbulence that is

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expected after the GST implementation has died down.

The Company is also investing in its omni-channel capabilities with a view to provide a seamless connect between the digital and physical stores. Further, the Company is expanding its footprint of stores to cities where the Company has little or no presence. In this regard, the Company has signed up 7 new locations and continues to scout for more opportunities for growth.

Pylania SA

During the financial year 2016-17 the manufacturing operations of the company were recommenced partially for the manufacture of Watch Hands. During the year, company also commenced the watches trading to India for the some of the major Swiss Brands like Titoni, Corum, Raymond Weil and ORIS.

As a result of these initiatives the revenue of the company during the year increased to CHF 1040 K from CHF 486 K in 2015-16, registering a healthy growth of more than 114%. During the year, company continued to provide consultancy and managerial services to customers.

During the year, Kamla International Holding SA (KIH) waived partially subordinated loans of CHF 690 K, which resulted in onetime extraordinary income for the company. These loans were purchased earlier by KIH from 3rd party lenders at discounted prices and without any financial outgo. The waiver of loan did not have any adverse financial impact on KIH financials. Management of Pylania has also taken various steps for restricting overheads and meeting financial obligations of all stakeholders.

During the year, SWISS MADE regulations have been implemented w.e.f. 1st January 2017 and this will lead to shift in sourcing strategy of some watch manufacturing brands. Company plans to extend operations to meet the requirement of these customers.

The Company has reported profit of CHF 768 K (including extraordinary income of CHF 690 K on account of loan waiver) during the financial year compared to profit of CHF 56 K in previous year.

The management is confident that with the improvement in market conditions, Swiss made regulations and trading business of the company will help in further improving the financial performance and growth of revenue and profitability.

Satva Jewellery and Design Limited

During the financial year, this company became 100% subsidiary of the KDDL from earlier joint venture Company between KDDL and Pascal Vaucher Holding, SA of Switzerland with equal ownership. Company was in dialogue with other joint venture partner for last few years and now the joint venture agreement has been terminated without any financial liability on company. KDDL Board has also approved the merger of this company with parent company to bring synergy in the operations and to utilize its resources for creating value for shareholders.

Human Resource Management

The skills and capabilities of our team remain our most valuable asset. KDDL seeks to attract and retain the best talent available. Human Resource Management incorporates a process driven approach that invests regularly in the training and development needs of employees through succession planning, job rotation, on the job training and extensive training workshops and programs.

The Company's Talent Management process focused on building talent at various levels in the organization. A number of professions in different functions had been hired keeping in mind the company's future needs to build a leadership pipeline. Also, new people had been hired to build capabilities in new areas and to fill any gaps. As such, the Company has focused on developing internal talent through a robust identification process and with a clear development plan designed for each such talent.

During the year the Company held various employee engagement programs in order to bolster employee morale inculcate a feeling of team work and camaraderie and create a mechanism to recognize individual and team contributions to the organizations. Programs such as Chairman's Annual Awards and Star Performer Awards recognize and reward individual and team achievements across the Group. The total number of employees of the Company was over 1300 during the year under review.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

A strong internal control culture is an important focus and thrust area in the company. The company has comprehensive internal systems, controls and policies for all the major processes to ensure the reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws, and regulations, safeguarding of assets and economical and efficient use of resources.

The formalized systems of control facilitate effective compliance as per Clause 49 of the Listing Agreement. The company also has well documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed for changes warranted due to business needs.

The Internal Auditors of the company continuously monitors the efficacy of internal controls/ compliance with SOPs with the objective of providing to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance on the adequacy and effectiveness of the organization's risk management, control and governance processes.

The scope and authority of the Internal Audit activity are well defined in the Internal Audit scope and guidelines, approved by the Audit Committee. Internal Auditors develops a risk based annual audit plan with inputs from major stake holders, and the major focus areas as per previous audit reports.

All significant audit observations are reviewed periodically and follow-up actions thereon are reported to the Audit Committee. The Audit Committee also meet the company's Statutory Auditors and Internal Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed by the company.

The top and senior management of the company also assesses opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the organization and follows up on the implementation of corrective actions and improvements in business processes.

The senior management of the company meets periodically to assess the performance of the each business segment and key functions of the company and areas for improvement of performance / controls are identified and reviewed on continuous basis.

RISKS, THREATS AND CONCERNS

Risk means uncertainties about events and their outcomes that could have a material impact on the performance and projections of the Company. Since risk is inherent in every business, it is the Company's responsibility to minimize its incidence in order to protect and enhance shareholder value.

Our framework for combating risks recognizes that risks may be divided into two broad categories – risks that are common and relevant for most business in general and risks that are more specifically applicable to your company and business in particular. The Risk Management Policy at KDDL inter-alia provides for Risk identification, assessment, and reporting and mitigation procedure. The Policy is continuously updated and adopted to the changing environment in which the Company operates.

Risks of General Nature

Risks relating to the general macroeconomic environment of the Company include risks associated with political and legal changes, changes in tax structures, and commercial rules & laws. The Company keeps a proactive track to anticipate such changes and mitigate associated risks to the extent possible.

Risks related to man-made and natural disasters such as explosions, earthquakes, storms as well as civil disturbances are handled by following best practices in the design of structures and “safety first” as a guiding principle while designing technical and business processes duly supplemented with requisite insurance coverage.

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The third set of general risks relates to risks from market led changes. These include risks associated with sudden fall in GDP and growth rates, overall market condition in India and abroad, or sudden changes in market preferences. The mitigation of these risks is achieved by a cost-effective and flexible working structure which would allow the Company to scale up or scale down working in affected areas in accordance with the changes.

Specific Risks

We have identified the following specific risks that need more detailed attention in the present circumstances and business of the Company.

Risks due to decline in overall demand for watches: While we remain confident of a steady growth in the demand of watches in India over the next 10-15 years, we are aware of the decline of the watch as a time keeping instrument. At the same time, we see an evident increase in the watch becoming an important fashion accessory and also as an activity monitoring cum communicating instrument. The risk of such decline in the functional value of a watch is mitigated by positioning ourselves to better serve the watch as a fashion and wearable technology.

Risks pertaining to over dependence on few companies: The Company has enjoyed a close and mutually beneficial association with several leaders in the watch business most notably Titan, Timex in India and the Swatch Group and many of the other leading brands in Switzerland. This inevitably has led to a substantial part of the Company's business being related to these groups.

Notwithstanding the strong standing of these companies and our Company's enduring relationship with them, we recognize that broad-basing our customer base and brand partner base is a priority to mitigate any inherent risk from over-dependence on any specific partner.

Risks related to over dependence on one business: The company is structurally focussing on increasing the revenue from other manufacturing business streams and strategically enhancing the growth of these segments, which will help is off-setting the over dependence on the watch segment. In order to overcome the risks of over dependence on watch components, company is aggressively focusing on the business growth from other business segment of precision engineering components and also adding new capabilities for enhancement of revenue stream.

Foreign Exchange Risks: More than 55% of the Company's manufacturing turnover comes from exports, denominated in Swiss Francs and US Dollars. The fall and rise in these currencies can seriously impact the working of the Company in the short and medium term. In the current year, the fall in the value of these currencies will have a significant impact on the export earnings in Rupee terms and thereby on the profitability of the Company. This risk is mitigated with several measures which include:

- Hedging of currencies to the extent reasonably possible, also keeping in mind natural hedge we enjoy by exporting and importing in the same currency.
- Balancing of imports and exports.

Risk related to Personnel: Our business is increasingly dependent on the skills and competencies of our employees and management team. The general war for talent in our growing economy has created a risk related to the retention of key personnel both in manufacturing and retail sector. This risk is mitigated through effective HR policies relating to recruitment and retention and a proactive remuneration and rewards policy that is periodically reviewed at the highest management level.

CAUTIONARY STATEMENT

Certain statements made in the "Management Discussion and Analysis Report" relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make significant difference to the Company's operations and actual results include among others, Government Regulations, statutes, tax laws, economic developments within India and countries in which the company conducts businesses, litigations and other allied factors.

REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of laws, rules, regulations and adherence of standards for achieving the objectives of the Company, enhance shareholder value and discharge of social responsibility. The Corporate Governance structure in the Company assigns responsibility and authority to Board of Directors, its committees and executive management, senior management, employees etc.

The Company acknowledges its responsibility to its esteemed stakeholders. Even in a fiercely competitive business environment, the Management and the employees of the Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to the Saboo Business Group. The Company believes that Corporate Governance helps to achieve commitment and goals to enhance stakeholder value by focusing towards all stakeholders. Any good corporate governance provides an appropriate framework for the Board, its committees and the executive management to carry out the objectives that are in the interest of the Company and its stakeholders. The Company maintains highest levels of transparency, accountability and good management practices through the adoption and monitoring of corporate strategies, goals and procedures to comply with its legal and ethical responsibilities.

II. BOARD OF DIRECTORS

(a) Composition and attendance in meetings

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The Board of Directors presently comprises of 9 (nine) members including 2 (two) Whole-Time directors, i.e., the Vice Chairman–cum-Chief Executive Officer and the Whole Time Director-cum-Chief Financial Officer. The composition of the Board is in conformity with regulation 17 of Securities & Exchange Board of India(Listing Obligations and Disclosure Requirement) Regulations, 2015. [SEBI (LODR) Regulations, 2015]

During the financial year ended on 31st March 2017, 7 (Seven) Board Meetings were held and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

2nd May 2016	12th November 2016
30th May 2016	12th December 2016
12th August 2016	14th February 2017
7th October 2016	

The following table gives the composition and category of the Directors, their attendance at the Board meetings held during the year and at the last Annual General meeting, number of other boards or board committees in which he/she is a member or chairperson:-

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Name of the Director	Business Relationship	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM held on 12.08.2016	No. of Directorship in other Public Limited Companies	*No. of Committee positions held in other companies		Number of Shares / Convertible instruments held by non-executive directors
						Chairman	Member	
Mr. R.K. Saboo *	Chairman	Promoter-Executive	4	Yes	-	-	-	-
Mr. Yashovardhan Saboo	Vice-Chairman -Cum-Chief Executive Officer	Promoter-Executive	7	Yes	8	1	3	-
Mr. Dinesh Agrawal **	Chief Operating Officer (COO)	Executive	Nil	NA	3	-	-	-
Mr. Jagesh Khaitan	Director	Independent-Non Executive	6	Yes	2	-	2	466
Mr. Anil Khanna	Director	Independent-Non Executive	7	Yes	1	1	1	4283
Mr. Chandra ** Mohan	Director	Independent-Non Executive	2	No	6	-	3	-
Ms. Ranjana Agarwal	Director	Independent-Non Executive	5	Yes	3	1	3	-
Mr. Praveen Gupta	Director	Independent-Non Executive	7	Yes	1	-	-	-
Mr. Vishal Satinder Sood ***	Nominee Director	Non- Executive Nominee	2	No	3	-	-	-
Mr. Jai Vardhan Saboo##	Additional Director	Promoter- Non Executive	1	NA	-	-	-	-
Mr. Sanjiv Sachar##	Additional Director	Independent-Non Executive	nil	NA	-	-	-	1400
Mr. Sanjeev Kumar Masown^	Whole Time Director-cum- CFO	Executive	5	Yes	-	-	-	-

(Committee positions includes only the membership of Audit Committee and Stakeholder's Relationship Committee as per SEBI(LODR) Regulations, 2015)

Except Mr. Yashovardhan Saboo and Mr. Jai Vardhan Saboo, none among other directors have any inter-se relationships.

Notes on changes in Board of Directors during the year:

*Mr. R.K.Saboo retired as Chairman / Director of the company upon completion of his term w.e.f.1st December 2016;

**Mr. Dinesh Agrawal and Mr. Chandra Mohan resigned from the Board of Directors w.e.f. 30th May 2016 and 7th October 2016 respectively due to their pre-occupations;

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***Mr. Vishal Satinder Sood was appointed as Non- Executive, Nominee Director by the shareholders at the Annual General meeting held on 12th August 2016;

##Mr. Jai Vardhan Saboo and Mr. Sanjiv Sachar were appointed as Additional Directors of the company w.e.f. 12th December 2016 and 7th March 2017 respectively;

^Mr. Sanjeev Kumar Masown was appointed as Whole Time Director-cum-Chief Financial Officer of the company w.e.f. 30th May 2016 by the shareholders at the Annual General Meeting held on 12th August 2016.

Familiarisation programme for Independent Directors

Letter of Appointment(s) are issued to Independent Directors setting out in detail, the terms of appointment, duties, responsibilities and expected time commitments. The web link for the Familiarization Programmes for Independent Directors is <http://www.kddl.com/html/familiarisation-programme-for-the-independent-directors.html>

III. COMMITTEES OF BOARD

Currently, the Board has four committees: Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Stakeholders' Relationship Committee.

1. AUDIT COMMITTEE

The Company has duly constituted Audit Committee and its composition meets the requirements of section 177 of the Companies Act, 2013 and regulation 18 of SEBI (LODR) Regulations, 2015. The terms of reference of the Audit Committee are broadly as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b) Changes, if any, in accounting policies and practices and reasons for the same
 - c) Major accounting entries involving estimates based on the exercise of judgment by management
 - d) Significant adjustments made in the financial statements arising out of audit findings
 - e) Compliance with listing and other legal requirements relating to financial statements
 - f) Disclosure of any related party transactions
 - g) Modified opinion(s) in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through and issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency, monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;

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10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

During the financial year ended on 31st March 2017, 5 (five) meetings of the Audit Committee were held. The dates on which the meetings of the Audit Committee were held, are as under:

2nd May 2016	12th November 2016
30th May, 2016,	14th February 2017
12th August 2016	

The Audit Committee comprises of three independent, non-executive Directors and one promoter Executive Director having financial and management expertise. The Chairman of Committee is Mr. Jagesh Khaitan, an independent non-executive Director. The Chairman of the Audit Committee was present at the last annual general meeting. The composition of the Audit Committee and the details of meetings attended by the Directors are given below:

Attendance of Members at Meetings of the Audit Committee			
Name of the Director	Category	Designation	Meetings attended
Mr. Jagesh Khaitan	Independent Non Executive	Chairman	4
Mr. R.K. Saboo*	Promoter Executive	Member	3
Mr. Anil Khanna	Independent Non Executive	Member	5
Mrs. Ranjana Agarwal	Independent Non Executive	Member	4
Mr. Yashovardhan Saboo**	Promoter Executive	Member	NA

* Mr. R.K.Saboo has retired as director of the Company w.e.f. 1st December 2016

** Mr. Yashovardhan Saboo was appointed as member of the Audit Committee w.e.f. March 2017

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The Audit Committee invites such Executives as it considers appropriate to be present at its meetings. The Company Secretary attended all the meetings. The Statutory Auditors are invited to the meetings in which Quarterly/Annual Accounts are considered. The Internal Auditors are also invited to the meetings in which Internal Audit Reports are discussed. The Company Secretary acts as the Secretary of the Committee.

2. NOMINATION AND REMUNERATION COMMITTEE

The role of the Nomination and Remuneration committee as set out in Part-D of Schedule-II of SEBI (LODR) Regulations, 2015 and a brief description of terms of reference include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board of Directors;
3. Devising a policy on diversity of Board of Directors;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

During the financial year ended on 31st March, 2017, 2 (two) meetings of the Nomination and Remuneration Committee were held on 30th May 2016 and 12th December 2016. Mr. Jagesh Khaitan, Independent and non executive director is the chairman of the Committee.

The Nomination and Remuneration Committee was re-constituted in March 2017. The composition of the Nomination and Remuneration Committee as on 31st March 2017 is as given below:

Attendance of Members at Meetings of the Nomination and Remuneration Committee			
Name of the Director	Category	Designation	Meetings attended
Mr. Jagesh Khaitan	Independent Non Executive	Chairman	2
Mr. Anil Khanna	Independent Non Executive	Member	2
Mr. Chandra Mohan	Independent Non Executive	Member	1
Mrs. Ranjana Agarwal	Independent Non Executive	Member	NA
Mr. Praveen Gupta	Independent Non Executive	Member	NA
Mr. Sanjiv Sachar	Independent Non Executive	Member	NA

During the year, Mr. Chandra Mohan resigned as Director of the company w.e.f. 7th October 2016. Mr. Anil Khanna resigned as member of the Committee and Mrs. Ranjana Agarwal, Mr. Praveen Gupta and Mr. Sanjiv Sachar were appointed as members of the committee w.e.f 10th March 2017.

Performance evaluation criteria for Independent Directors-

The Nomination and Remuneration Committee has laid down the criteria for performance evaluation of Independent Directors which are as under-

- Frequency of meetings attended
- Timeliness of circulating Agenda for meetings and descriptiveness
- Quality, quantity and timeliness of flow of information to the Board
- Promptness with which Minutes of the meetings are drawn and circulated
- Opportunity to discuss matters of critical importance, before decisions are made

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- Familiarity with the objects, operations and other functions of the company
- Importance given to Internal Audit Reports, Management responses and steps towards improvement
- Avoidance of conflict of interest
- Exercise of fiscal oversight and monitoring financial performance
- Level of monitoring of Corporate Governance Regulations and compliance
- Adherence to Code of Conduct and Business ethics by directors individually and collectively
- Monitoring of Regulatory compliances and risk assessment
- Review of Internal Control Systems
- Performance of the Chairperson of the company including leadership qualities
- Performance of the Whole time Director
- Overall performance of the Board/ Committees

The members of the Board jointly discuss, evaluate and identify the areas for improving the performance and effectiveness of the Board.

Remuneration of Director

There was no pecuniary relationship or transaction between the Non-Executive Directors and the company during the financial year 2016-17.

(1) Non-Executive Directors

The remuneration of Non Executive Directors shall be finalised considering the following:

- a) They will be entitled to receive remuneration by way of sitting fees for attending meetings of the Board or its Committees at rates within the limits prescribed under the Companies Act, 2013 and rules made thereunder.
- b) Non Executive Directors do not participate in Board discussions which relate to their own remuneration.
- c) They receive reimbursement of reasonable expenses incurred in attending the Board, Committee and other adhoc meetings.
- d) Remuneration is paid subject to deduction of Income Tax at source and payment of applicable Service Tax.

During the year under review, the Non Executive Directors of the Company were paid sitting fees as under (including fees paid for Committee meetings):

Name of the Director	Sitting Fees paid (Gross) (Rs.)
Mr. Anil Khanna	150,000
Mr. Chandra Mohan	40,000
Mr. Jagesh Khaitan	135,000
Mr. Praveen Gupta	105,000
Mrs. Ranjana Agarwal	110,000
Total	540,000

(2) Executive Directors

The Company has framed a Remuneration Policy, the brief terms of which are given hereunder:-

- a) At the time of appointment or re-appointment, the Chairman, Vice Chairman, Managing Director and Whole Time Director shall be paid such remuneration as may be mutually agreed between the

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Company (which includes the Nomination & Remuneration Committee and the Board of Directors) and the respective Director within the overall limits as prescribed under the Companies Act, 2013 and rules made thereunder.

- b) The remuneration shall be subject to the approval of the Members of the Company in General Meeting.
- c) The remuneration of the above said directors is broadly divided into fixed and variable component whereas the remuneration of Chairman consists of fixed components only.
- d) The remuneration of the directors may also include Employee Stock Option Plans (ESOPs) as per the provisions of applicable laws.
- e) The fixed compensation shall comprise salary, allowances, perquisites, amenities and retirement benefits. The variable component shall comprise of individual and company performance bonus.
- f) In determining the remuneration (including the fixed increment and performance bonus), the Nomination & Remuneration Committee shall consider the following:
 - The relationship of remuneration and performance benchmarks is clear;
 - Balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
 - Responsibility required to be shouldered by the above said Directors and the industry benchmarks and the current trends;
 - The Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the Key Responsibility Areas (KRAs) / Key Performance Indicators (KPIs).
- g) Executive Directors are not entitled to sitting fees for attending meeting of directors.

The Nomination and Remuneration Committee will consider the performance against measurable parameters and also have subjective assessment of individual while fixation / revisions of remuneration.

Details of remuneration paid to the executive directors during the financial year ended on 31st March, 2017, including disclosures as required under clause-IV, Section-II, Part-II of Schedule-V of the Companies Act, 2013 are given as follows:

(Amount in ₹)

S.No.	Particulars of the Remuneration	Name of Executive Director		
		Mr. R.K. Saboo	Mr. Yashovardhan Saboo	Mr. Sanjeev Kumar Masown
(i)	Salary and Allowances			
a.	Salary	2,893,600	4,719,000	3,870,000
b.	Perquisites & allowances	94,916	298,476	33,000
c.	Bonus	-	-	-
d.	Stock options	-	-	-
e.	Pension	-	-	-
(ii)	Details of fixed component and performance linked incentives along with performance criteria	-	2,400,000	741,222
(iii)	Service Contract, Notice period, Severance fee	-	-	-
(iv)	Stock options details			
a.	Whether issued at discount	-	-	-
b.	Period over which accrued and exercisable	-	-	-
	Total	2,988,516	7,417,476	4,644,222

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Notes

- a. Mr. R.K. Saboo retired as Chairman / Director w.e.f 1st December, 2016.
- b. Except above mentioned details, the company has not paid any other remuneration to any director during the year 2016-17.
- c. The Company has not granted any Stock Options to its Directors or Employees during Financial Year 2016-17.
- d. The performance criteria of executive directors is given at point no. 2 (f) above.

3. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee has been constituted to specifically look into transfer / transmission / demat/remat of shares, issue of duplicate/split/consolidation of share certificates, notices and to attend shareholder's complaints on SCORES system of SEBI or otherwise etc.

Mr. Anil Khanna, Independent Non Executive Director is Chairman of the committee. The present composition of Stakeholders' Relationship Committee is as under:

Name	Category	Designation
Mr. Anil Khanna	Independent Non Executive Director	Chairman
Mr. Yashovardhan Saboo	Whole time Director	Member
Mr. Dinesh Agrawal*	Whole time Director	Member
Mr. Sanjeev Masown	Whole time Director - Cum - Chief Financial Officer	Member

* Mr. Dinesh Agarwal resigned as Whole Time Director w.e.f. 30th May 2016

This Committee meets fortnightly or as may be required. The Company Secretary of the Company is authorized to authenticate the transfers/transmissions/issue of duplicate share certificates etc. All requests for dematerialization of shares are processed and confirmed by M/s Karvy Computershare Private Limited, Registrars and Share Transfer Agents of the Company.

Status of Shareholders'/Investors' complaints

Complaints pending as on 1st April, 2016	Nil
Complaints received during 1st April 2016 to 31st March, 2017	16
Complaints disposed off during the year ended 31st March, 2017	16
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2017	Nil

4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

In order to comply with the provisions of Section 135 of the Companies Act, 2013 read with rules made thereunder, the Board of Directors have constituted a 'Corporate Social Responsibility Committee with the following directors:

Name	Designation
Mr. R. K. Saboo	Chairman
Mr. Yashovardhan Saboo	Member
Mrs. Ranjana Agarwal	Member
Mr. Jagesh Khaitan	Member
Mr. Chandra Mohan*	Member

*Mr. Chandra Mohan resigned as Director w.e.f. 7th October 2016.

During the year under review, two meetings of Corporate Social Responsibility committee were held on 30th May 2016 and 14th February 2017

The CSR policy is available at the link http://www.kddl.com/html/company_policy.html of the website of the Company.

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SUBSIDIARY COMPANIES

The financials of the subsidiary companies viz M/s Ethos Limited, Mahen Distribution Ltd , Pylania S.A, Satva Jewellery and Design Limited & Kamla International Holdings S.A. have been duly reviewed by the Audit Committee and Board of Directors of the Company. The KDDL Board is also periodically reviewing all significant transactions entered into by the subsidiary companies.

The company has formulated a policy for determining the material subsidiaries and the details of such policy is available in the website of the company at web link <http://www.kddl.com/html/companypolicy.html>

IV. SHAREHOLDERS INFORMATION

General Body Meetings

- (I) Location, date and time where last three Annual General Meetings were held along with the special resolutions passed, are as follows:

Financial year	Details of Location	Date	Time	Special resolutions passed
2015-16	Hotel Timber Trail Resorts, Parwanoo -173 220 (HP)	12 th August 2016	12.30 p.m.	Appointment of Mr. Sanjeev Kumar Masown as Whole Time Director-cum-Chief Financial Officer.
2014-15	Hotel Timber Trail Resorts, Parwanoo -173 220 (HP)	24 th August 2015	12.30 p.m.	Issue and allot 1008400 equity shares on preferential basis to SAIF India V Holdings Limited.
2013-14	Hotel Timber Trail Resorts, Parwanoo -173 220 (HP)	6 th August, 2014	12.30 p.m.	a. Re-appointment of Mr. Rajendra Kumar Saboo as Chairman of the Company w.e.f. 1st December, 2013, for a further period of three years, i.e., upto 30th November, 2016. b. Re-appointment of Mr. Yashovardhan Saboo as Managing Director with functional designation of Vice Chairman and Chief Executive Officer of the Company, w.e.f. 1st April, 2014, for a further period of three years, i.e. upto 31st March, 2017. c. Approval under section 180(1)(c) of the Companies Act, 2013 regarding borrowing limits. d. Appointment of Mrs. Malvika Saboo as General Manager of the Company w.e.f. 01.12.2013 under section 314(1)(b) of the Companies Act, 1956. e. Approval under section 372A of the Companies Act, 1956 regarding ratification of Corporate Guarantees already given in favour of our subsidiary company, M/s Ethos Limited.

- (ii) One Extra –Ordinary General Meeting of the shareholders of the Company was held during the year in which following resolutions were passed with overwhelming majority:-

Details of Location	Date	Time	Special resolutions passed
PHD House, PHD Chamber of Commerce & Industry, Sector 31, Chandigarh	8 th November 2016	12.30 p.m.	1. Further issue of equity shares through preferential allotment 2. Issue of Zero Coupon Convertible Warrants through preferential allotment. 3. Approval of material related party transactions 4. Approval of change in share capital of material subsidiary, Ethos Limited.

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- (iii) One postal ballot was conducted during the year and one special resolution and one ordinary resolution were passed in the Postal Ballot. Mr. Ajay K. Arora, Practicing Company Secretary was appointed as the Scrutiniser for the aforesaid Postal Ballot. Details of voting of the Postal Ballot dated 16th April 2016 is as follows:-

Item No.	Subject	No.of Shares Voted 'For'	No.of Shares Voted 'Against'	Total No. Of Shares Voted	Assent %	Dissent %	Result
1	To authorize the Board of Directors of the company to approve loans, investments and guarantees up to Rs. 200 crores	4094294	5	4094299	100	0	Passed as Special Resolution
2	To authorize Board of Directors of the company to enter into contracts or arrangements or transactions including material related party contracts or arrangements upto Rs. 150 crores	120951	405	121356	99.67	0.33	Passed as Ordinary Resolution

At present, there is no special resolution proposed to be conducted through postal ballot. Procedure for the Postal Ballot is in compliance with the provisions of Companies Act, 2013 read with rules made thereunder.

V. DISCLOSURES

During the year, there were no materially significant transactions with related parties that may have potential conflict with the interests of the Company in large. The transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in the Balance Sheet (See Note 33 to the financial statements in the Annual Report). Also, there has not been any non-compliance by the Company in this regard.

The policy on dealing with related party transactions as approved by the Board is posted on the company's website www.kddl.com

Except settlement amount of Rs. 2,31,750/- towards delayed compliance of regulation 7(3) of SAST Regulations, 1997, which was paid on October 17,2016, no other penalties or strictures were imposed by the Stock Exchange(s), SEBI or any other Statutory Authority on any matter related to Capital Markets during the last three years.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have certified to the Board in accordance with SEBI(LODR) Regulations, 2015 pertaining to CEO/CFO certification for the financial year ended 31st March, 2017.

The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements and the Company has not adopted a treatment different from that prescribed in the Accounting Standards or revised relevant schedule of the Companies Act, 2013 read with rules made there under.

The Company has framed a Whistle Blower Policy, the details of which are available on the company's website.

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The Management affirms that no person has been denied access to the Audit Committee. All details relating to financial and commercial transactions where Directors may have pecuniary interest are provided to the Board, and the interested directors neither participate in the discussion, nor do they vote on such matters. In matters other than those with pecuniary interests, the Directors are considered to be interested to the extent of their shareholding in the Company and following is the status of their shareholding as on the date of this Report:

Name of the Director	No. of equity shares held as on 31st March 2017
Mr. Yashovardhan Saboo	1509530
Mr. Jagesh Khaitan	466
Mr. Anil Khanna	4283
Mr. Jai Vardhan Saboo	Nil
Mrs. Ranjana Agarwal	Nil
Mr. Sanjeev Kumar Masown	2000
Mr. Vishal Satinder Sood	Nil
Mr. Sanjiv Sachar	1400
Mr. Praveen Gupta	Nil

In compliance to various provisions under SEBI(LODR) Regulations, 2015, the company has also framed various policies as under:-

- a) Policy on Preservation of Documents;
- b) Policy for determination of materiality of events or information;
- c) Policy for determination of Material subsidiaries;
- d) Corporate social responsibility policy;

The above policies are hosted on the website of the company viz. www.kddl.com

VI. MEANS OF COMMUNICATION

Quarterly/Half yearly report sent to each shareholder's residence	The Financial results are communicated to the stock exchanges after these are approved by the board as well as are published in the newspapers as required. The results are also displayed at the website of the company.
Newspapers in which quarterly results are published	Financial Express (English)/Jan Satta (Hindi)
Any website where results or official news are displayed	Yes, www.kddl.com
Whether it also displays official news releases	Yes
The presentations made to institutional investors or to the analysts	Yes

VII. GENERAL SHAREHOLDER INFORMATION

(a) Annual General Meeting

Date :	11th August 2017
Venue:	Hotel Timber Trail Resorts, Parwanoo (H.P.)-173220
Time :	12:30 PM

(b) Financial Year

Financial year	:	1st April to 31st March
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For the financial year ended 31st March, 2017, results were announced on:

● 30th June, 2016	:	12th August 2016
● 30th September, 2016	:	12th November 2016
● 31st December, 2016	:	14th February 2017
● 31st March, 2017	:	30th May 2017

For the financial year ending 31st March, 2018, the tentative dates for announcement of the results:

● 30th June, 2017	:	2nd Week of September 2017
● 30th September, 2017	:	Second week of November, 2017
● 31st December, 2017	:	Second week of February, 2018
● 31st March, 2018	:	Fourth week of May, 2018

(c) Date of Book Closure

Book Closure	:	6th August 2017 to 11th August 2017 (both days inclusive)
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(d) Dividend Payment Date	:	Subject to approval of shareholders, the dividend shall be paid after 11th August, 2017
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(e) Name of Stock Exchanges where the securities are listed

The equity share capital of the company is listed at National Stock Exchange of India Limited (NSE), and Bombay Stock Exchange Limited (BSE). The company has paid Annual Listing Fee for the year 2017-18 to both exchanges.

(f) Stock Code

National Stock Exchange (NSE)	- KDDL
Bombay Stock Exchange (BSE)	- 532054

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(g) Market Price Data & performance in comparison with Sensex

Month	Quote as BSE (Amount in Rs.)		BSE Sensex	Quote as NSE (Amount in Rs.)		Nifty 50 Sensex
	High	Low	Close	High	Low	Close
April, 2016	202.90	168.00	25606.62	224.40	166.00	7849.80
May, 2016	184.70	162.00	26667.96	182.80	162.00	8160.10
June, 2016	222.40	167.00	26999.72	220.00	167.00	8287.75
July, 2016	254.50	195.00	28051.86	255.00	195.00	8638.50
August, 2016	294.50	215.40	28452.17	297.00	213.60	8786.20
September, 2016	237.50	200.20	27865.96	239.40	197.00	8611.15
October, 2016	253.20	212.10	27930.21	252.90	210.00	8625.70
November, 2016	287.70	196.00	26652.81	286.00	193.00	8224.50
December, 2016	235.00	179.00	26626.46	234.70	179.00	8185.80
January, 2017	214.00	177.10	27655.96	213.50	190.00	8561.30
February, 2017	199.00	172.50	28743.32	199.70	169.30	8879.60
March, 2017	199.80	171.90	29620.50	209.40	171.55	9173.75

(h) Registrar and Share Transfer Agent

M/s Karvy Computershare Private Limited, Hyderabad are the Registrar and Share Transfer Agent of the Company for handling the share transfer work both in physical and electronic form. All correspondences relating to share transfer, transmission, dematerialization and rematerialisation can be made at the following address:

Karvy Computershare Private Limited

(CIN – U74140TG2003PTC041636)

UNIT: KDDL LIMITED

'Karvy Selenium Tower B', Plot 31-32, Financial District,

Nanakramguda, Gachibowli, Hyderabad – 500 032

Ph : 040-67161516/1518

Fax : 040-23420818

Website: www.karvy.com

Contact Person: Mr. Srikrishna Pemmaraju/Mr. Suresh Babu D.

(i) Share Transfer System

The Company has appointed M/s Karvy Computershare (P) Ltd., Hyderabad as its share transfer agents which handles all work related to transfer/demat/remat of shares, issue of duplicate/split/consolidation of share certificates, notices, redressal of Investors' complaints etc. As informed earlier, the Company has constituted Stakeholders' Relationship Committee which meets on an average once in a fortnight. The list of valid transfers and objections, requests for split up/consolidation/ duplicate/dematerialization, if any, are placed before the Committee for its approval and confirmation.

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(j) Distribution of Shareholding (as on 31st March 2017)

S. No	Category	Cases	% of Cases	Amount (in ₹)	% Amount
1	upto 1 - 5000	5025	86.18	6149440.00	5.67
2	5001 - 10000	362	6.21	2827450.00	2.61
3	10001 - 20000	186	3.19	2787830.00	2.57
4	20001 - 30000	81	1.39	2102920.00	1.94
5	30001 - 40000	31	0.53	1116460.00	1.03
6	40001 - 50000	26	0.45	1215910.00	1.12
7	50001 - 100000	53	0.91	4045040.00	3.73
8	100001 & ABOVE	67	1.15	88150810.00	81.32
	Total:	5831	100.00	108395860.00	100.00

(k) Share Holding Pattern as on 31st March 2017

S. No	Description	Cases	Shares	% Equity
1	ALTERNATIVE INVESTMENT FUND	1	94780	0.87
2	BANKS	1	50	0.00
3	CLEARING MEMBERS	67	47613	0.44
4	DIRECTORS	3	19651	0.18
5	DIRECTORS AND RELATIVES	8	27229	0.25
6	EMPLOYEES	6	8015	0.07
7	FOREIGN BODIES	1	48000	0.44
8	FOREIGN INSTITUTIONAL INVESTOR	1	1008400	9.30
9	FOREIGN PORTFOLIO INVESTORS	5	502532	4.64
10	H U F	1	5987577	0.81
11	INDIAN FINANCIAL INSTITUTIONS	1	1174	0.01
12	BODIES CORPORATES	191	15041421	3.88
13	MUTUAL FUNDS	1	2900	0.03
14	NBFC	1	1000	0.01
15	NON RESIDENT INDIANS	49	105964	0.98
16	NRI NON-REPATRIATION	23	40788	0.38
17	PROMOTERS BODIES CORPORATE	3	76310	0.70
18	COMPANY PROMOTERS	19	4784781	44.14
19	RESIDENT INDIVIDUALS	5291	2478680	22.87
	Total:	5831	10839586	100.00

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(l) Dematerialization of shares and liquidity

As on 31st March, 2017, 10,368,432 equity shares equivalent to about 96% of the Company's paid up equity capital is held in dematerialized form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 24th May, 2001 as per the notification issued by the Securities and Exchange Board of India.

The ISIN (International Securities Identification Number) of the Company is **INE291D01011**.

(m) Unclaimed dividend

Pursuant to the provisions of section 124 of the Companies Act, 2013 and rules made thereunder, the amount of dividend which remains unclaimed for a period of seven years from the date of transfer to unclaimed/unpaid dividend account would be transferred to the "Investor Education and Protection Fund" The unclaimed dividend for the years till 2007-08 has already been transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 2010-11 onwards. The investors are also requested to refer to para 5 and 6 of notes to notice of AGM in this regard.

The schedule for transfer of dividend / shares for the following years remaining unclaimed for seven years from the date of declaration and which are required to be transferred by the Company to the said account is tabled below:

Year	Dividend No.	Dividend unclaimed (₹) as on 31st March, 2017	Date of declaration	Due date for transfer
2010-11	18	375,903	15.09.2011	21.10.2018
2011-12	19	406,305	17.09.2012	23.10.2019
2012-13	20	155,736	09.09.2013	15.10.2020
2013-14	21	234,899	06.08.2014	12.09.2021
2014-15	22	305,746	24.08.2015	30.09.2022
2015-16	23	267,999	11.03.2016	17.04.2023

(n) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

- i) There are no outstanding GDRs/ADRs issued by the Company during the year.
- ii) The company has issued 113,206 Zero coupon convertible warrants of Rs. 265/- each on 12th December, 2016 and 264,150 Zero coupon convertible warrants of Rs. 265/- each on 21st December, 2016 to promoters / promoters group. These warrants shall be convertible into one equity share of Rs. 10/- each at a premium of Rs. 255/- per share on or before 18 months of their issue.

(o) Commodity price risk or foreign exchange risk and hedging activities

The Company is exposed to foreign exchange risks. The Company continuously evaluates exchange risks exposures and takes required hedging from time to time to minimize the impact of fluctuations in exchange rate movement.

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(p) Plant/Business Locations

Dial Units	1.	Plot No. 3, Sector III, Parwanoo (H.P.) INDIA
	2.	Haibatpur Road, Saddomajra, Derabassi INDIA
Assembly Units	1.	Village Dhana, Bagbania, P.O Manpura, Tehsil Baddi, Distt. Solan (H.P), INDIA
Hands Unit	1.	296-97, 5 th Main, 11 th Cross, Peenya Industrial Area, Bangalore, INDIA
	2.	408, 2 nd Floor, 4 th Main, 11 th Cross, Peenya Industrial Area, Bangalore, INDIA
Packaging Unit	1.	25/1, Industrial Area, Phase-II, Chandigarh, INDIA
	2.	Plot No. 9, Sector V, Parwanoo (Himachal Pradesh)
Precision Stamping Unit - EIGEN	1.	408, 4 th Main, 11 th Cross, Peenya Industrial Area, Bangalore, (Karnataka)
	2.	Plot No 9-B, Chokkasandra, Peenya Industrial Area, Bangalore , (Karnataka)
	3.	Plot No 55-A, Aerospace Industrial Area, Bangalore (Karnataka)

(q) Address for correspondence

Shareholders are requested to contact the following:-

Mr. R.K.Sood

Company Secretary and Compliance Officer

KDDL Limited

Corporate Office: 'Kamla Centre', SCO 88-89

Sector 8-C, Chandigarh-160 009

Tel: 0172-2544378, Fax: 0172- 2548302

Website: www.kddl.com

Email: raman.sood@kddl.com

(r) Other Disclosures

- (i) During the financial year ended 31st March, 2017 there were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.
- (ii) The Company has established vigil mechanism policy and Whistle Blower policy. All the personnel of the company have the access to the Audit Committee.
- (iii) The Company has complied with the mandatory requirements of the SEBI (LODR) Regulations, 2015. The Company has adopted various non-mandatory requirements as well, as discussed under relevant headings.
- (iv) The Company has framed a Material Subsidiary Policy and the same is placed on the Company's website and the web link for the same is www.kddl.com
- (v) The company has framed Related Party Transaction Policy and same is placed on the Company's website and the web link for the same is www.kddl.com

There has been no instance of non-compliance of any requirement of Corporate Governance Report.

ADOPTION OF NON-MANDATORY REQUIREMENTS

I. The Board

The company does not have a Non Executive Chairman.

II. Shareholder Rights

KDDL Limited

The Half yearly financial results are forwarded to the Stock Exchanges and uploaded on the website of the Company.

III. Modified opinion(s) in Audit Report

There was no Audit qualification in the Auditors' Report on the Company's financial statements during the financial year under review.

IV. Separate posts of Chairman and CEO

As on this date, office of the Chairman of the Company is vacant and Mr. Yashovardhan Saboo is the CEO of the company.

V. Reporting of Internal Auditor

The Internal Auditor of the Company reports directly to the audit committee.

VI. The Company has fully complied with the applicable requirement specified in Reg. 17 to 27 and clause (b) to (i) of sub-regulation (2) of regulation 46.

VII. The information regarding disclosures with respect to Demat suspense account / unclaimed suspense account pursuant to Schedule-V(F) of SEBI (LODR) Regulations, 2015 is Nil

Declaration by the CEO under SEBI(LODR) Regulations, 2015 regarding adherence to the Code of Conduct

In accordance with regulation 34(3) of Securities & Exchange Board of India(Listing Obligations and Disclosure Requirement) Regulations, 2015, I hereby confirm that, all Directors and the Senior Management personnel of the Company have affirmed compliance to the KDDL's respective Code of Conduct, for the financial year ended 31st March, 2017.

For KDDL Limited

Sd/-

Yashovardhan Saboo

Vice Chairman-Cum-Chief Executive Officer

Auditors' Certificate on Corporate Governance under SEBI (LODR) Regulations, 2015

To the Members of

KDDL Limited

We have examined the compliance of conditions of corporate governance by KDDL Limited ("the Company"), for the year ended on 31 March 2017, as stipulated in Chapter IV of Securities & Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Securities & Exchange Board of India(Listing Obligations and Disclosure Requirement) Regulations, 2015.

We further state that this certificate is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M.R. Chechi & Associates

Company Secretaries

Place: Chandigarh
Date: 30th May, 2017

Mast Ram FCS, Proprietor
Membership No. FCS 3823
CP No. : 2906

Independent Auditor's Report

To the Members of KDDL Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of KDDL Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these standalone financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these standalone financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. Further to our comments in Annexure I, as required by Section 143(3) of the Act, we report that:
- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. the standalone financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act;
 - f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 30 May 2017 as per Annexure II expresses unqualified opinion;
 - g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in Note 32 (c) to 32 (f) to the standalone financial statements, has disclosed the impact of pending litigations on its financial position;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
 - iv. the company, as detailed in Note 45 to the standalone financial statements, has made requisite disclosures in these standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the company.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013
per **Lalit Kumar**
Partner
Membership No.: 095256

Place: Chandigarh
Date: 30 May 2017

Annexure I to the Independent Auditor's Report of even date to the members of KDDL Limited on the standalone financial statements for the year ended 31 March 2017

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (I) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) The title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company except for the following piece of land situated at Parwanoo which was transferred to the Company, as a result of amalgamation of Himachal Fine Blanks Limited, erstwhile wholly owned subsidiary of the company.

Nature of property	Total Number of Cases	Whether leasehold /freehold	Gross block as on 31 March 2017 (Rs.)	Net block on 31 March 2016 (Rs.)	Remarks
Land	1	Freehold	566,913	566,913	The management is completing formalities for transferring the title deeds.

- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management. No material discrepancies were noticed on the aforesaid verification.
- (iii) The Company has granted secured loan to a company covered in the register maintained under Section 189 of the Act; and with respect to the same:
- (a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the company's interest.
- (b) the schedule of repayment of principal and payment of interest has been stipulated in the contract. The repayment of the principal amount and payment of interest did not fall due during the year covered by our audit.
- (c) there is no overdue amount in respect of loans granted to such company.

Annexure I to the Independent Auditor's Report of even date to the members of KDDL Limited, on the standalone financial statements for the year ended 31 March 2017 (Cont'd)

- (iv) In our opinion, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and security.
- (v) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Sections 73 to 76 and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended) as applicable, with regard to the deposits accepted. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, in this regard.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

Name of statute	Nature of dues	Amount (Rs)	Amount paid under protest (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	3,230,574	-	June 2009 September 2013	Commissioner (Appeals)
Finance Act, 1994	Service tax	623,422	-	October 2013 August 2014	Commissioner (Appeals)
Finance Act, 1994	Service tax	491,593	-	September 2014 June 2015	Commissioner (Appeals)
Finance Act, 1994	Service tax	448,946	-	July 2015 June 2016	Commissioner (Appeals)

KDDL Limited

Annexure I to the Independent Auditor's Report of even date to the members of KDDL Limited, on the standalone financial statements for the year ended 31 March 2017 (Cont'd)

Name of statute	Nature of dues	Amount (Rs) #	Amount paid under protest (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Income tax	4,046,108	4,046,108	FY 2003-04	Income Tax Appellate Tribunal, New-Delhi
Income tax Act, 1961	Income tax	13,203,431	-	FY 2004-05	Income Tax Appellate Tribunal, New-Delhi
Income tax Act, 1961	Income tax	10,625,400	9,815,807	FY 2005-06	Income Tax Appellate Tribunal, New-Delhi
Income tax Act, 1961	Income tax	1,964,000	1,964,000	FY 2010-11	Commissioner of Income-tax (Appeals), New- Delhi
Income tax Act, 1961	Income tax	6,948,302	-	FY 2011-12	Commissioner of Income-tax (Appeals), New- Delhi

amounts as per demand order including interest and penalty, whichever indicated in the order

- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or financial institution or government during the year. The Company did not have any outstanding debentures during the year.
- (ix) In our opinion, the Company has applied moneys raised by way of the term loans for the purposes for which these were raised. The Company did not raise moneys by way of initial public offer/ further public offer (including debt instruments) during the year.
- (x) No fraud by the Company or on the company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

KDDL Limited

Annexure I to the Independent Auditor's Report of even date to the members of KDDL Limited, on the standalone financial statements for the year ended 31 March 2017 (Cont'd)

- (xiv) During the year, the company has made private placement of shares. In respect of the same, in our opinion, the company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised have been used for the purposes for which the funds were raised. During the year, the company did not make preferential allotment of shares/ fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per **Lalit Kumar**

Partner

Membership No.: 095256

Place: Chandigarh

Date : 30 May 2017

Annexure II to the Independent Auditor's Report of even date to the members of KDDL Limited on the financial statements for the year ended 31 March 2017

Annexure II

Independent Auditor's report on the Internal Financial Controls under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act')

1. In conjunction with our audit of the financial statements of KDDL Limited (the 'Company') as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company of as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the IFCoFR criteria established by the Company considering the essential components of internal financial controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing ('Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A Company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of

Annexure-II to the Independent Auditor's Report of even date to the members of KDDL Limited on the financial statements for the year ended 31 March 2017 (cont'd)

financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the IFCoFR criteria established by the Company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

For **Walker Chandiook & Co LLP**
(formerly Walker, Chandiook & Co)
Chartered Accountants
Firm's Registration No.: 001076N/N500013

per **Lalit Kumar**
Partner
Membership No.: 095256

Place: Chandigarh
Date: 30 May 2017

Balance sheet as at 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Notes	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	109,267,260	101,720,100
Reserves and surplus	4	1,018,776,582	755,911,215
Money received against share warrants	5	25,078,602	-
		<u>1,153,122,444</u>	<u>857,631,315</u>
Non-current liabilities			
Long-term borrowings	6	218,717,168	185,496,105
Deferred tax liabilities (net)	7	42,728,687	38,002,832
Other long-term liabilities	8	10,050,696	7,403,039
Long-term provisions	9	17,306,439	28,179,874
		<u>288,802,990</u>	<u>259,081,850</u>
Current liabilities			
Short-term borrowings	10	85,024,930	140,978,739
Trade payables	11		
- Payable to micro and small enterprises		7,269,656	4,507,070
- Other payables		93,051,372	94,327,550
Other current liabilities	12	174,306,560	175,369,447
Short-term provisions	13	20,097,589	25,348,183
		<u>379,750,107</u>	<u>440,530,989</u>
Total		<u><u>1,821,675,541</u></u>	<u><u>1,557,244,154</u></u>
ASSETS			
Non-current assets			
Fixed assets	14		
Tangible assets		609,347,314	579,565,153
Intangible assets		6,627,829	9,784,484
Capital work-in-progress		45,855,076	25,653,878
Non-current investments	15	480,154,086	323,750,792
Long-term loans and advances	16	78,138,258	61,092,072
		<u>1,220,122,563</u>	<u>999,846,379</u>
Current assets			
Inventories	17	210,156,069	211,364,624
Trade receivables	18	211,978,905	199,215,694
Cash and bank balances	19	99,331,255	52,197,783
Short-term loans and advances	20	77,902,776	92,563,050
Other current assets	21	2,183,973	2,056,624
		<u>601,552,978</u>	<u>557,397,775</u>
Total		<u><u>1,821,675,541</u></u>	<u><u>1,557,244,154</u></u>

Notes 1 to 45 form an integral part of these financial statements

 This is the balance sheet referred to in our report of even date. For and on behalf of the Board of Directors of **KDDL Limited**

 For **Walker Chandio & Co LLP**
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer
and Vice chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Office
and Whole time Director
(DIN: 03542390)

 Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

 Place : Chandigarh
Date : 30 May 2017

Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
REVENUE			
Revenue from operations (gross)	22	1,308,290,777	1,234,410,447
Less: Excise duty		52,009,939	44,372,944
Revenue from operations (net)		<u>1,256,280,838</u>	<u>1,190,037,503</u>
Other income	23	22,170,184	20,319,246
Total revenue		<u>1,278,451,022</u>	<u>1,210,356,749</u>
EXPENSES			
Cost of materials consumed	24	292,345,761	266,543,829
Change in inventories of finished goods and work in progress	25	(5,346,166)	(6,694,215)
Employee benefit expenses	26	395,235,130	366,403,159
Finance costs	27	55,156,590	62,167,392
Depreciation and amortisation expense	28	72,514,695	68,882,747
Other expenses	29	357,438,000	355,008,637
Prior period items	30	-	923,071
Total expenses		<u>1,167,344,010</u>	<u>1,113,234,620</u>
Profit before tax		111,107,012	97,122,129
Tax expense:			
Current tax		34,390,673	36,590,335
Current tax - earlier years		515,572	(1,995,022)
Deferred tax		4,725,856	(3,247,081)
Profit for the year		<u>71,474,911</u>	<u>65,773,897</u>
Earnings per share	36		
(Nominal value of equity share Rs. 10 each)			
Basic		6.93	6.86
Diluted		6.93	6.85

Notes 1 to 45 form an integral part of these financial statements

This is statement of profit & loss referred to in our report of even date. For and on behalf of the Board of Directors of **KDDL Limited**

For **Walker Chandiok & Co LLP**
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer
and Vice chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Office
and Whole time Director
(DIN: 03542390)

Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

Place : Chandigarh
Date : 30 May 2017

Cash flow statement for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2017	Year ended 31 March 2016
A. Cash flow from operating activities:		
Net profit before extraordinary items and tax	111,107,012	97,122,129
Adjustments for:		
Depreciation	72,514,695	68,882,747
(Profit)/Loss on sale of fixed assets (net)	(49,648)	1,010,239
Fixed assets written off	385,446	875,631
Expense on employee stock option scheme	(52,125)	(83,164)
Finance Cost	55,156,590	62,167,392
Interest income	(11,315,624)	(5,412,551)
Prior period item	-	923,071
Provision no longer required written back	(2,156,200)	(1,058,971)
Provision for bad and doubtful debts	597,300	959,219
Operating profit before working capital changes	226,267,726	225,385,742
Adjustments for movement in:		
Inventories	1,208,555	7,617,975
Trade receivables	(12,783,796)	(19,614,740)
Short-term loans and advances	14,370,905	14,794,804
Long-term loans and advances	(2,556,557)	(3,412,860)
Trade payables	2,061,779	(9,949,361)
Other current liabilities	11,829,079	(6,760,199)
Other long-term liabilities	2,647,657	2,655,462
Short-term provisions	1,70,607	7,958,997
Long-term provisions	(10,873,435)	1,764,587
Cash flow from operating activities before taxes	232,342,520	220,440,407
Income tax paid	(42,635,026)	(41,211,323)
Net cash flow from operating activities	189,707,494	179,229,084
B. Cash flow from investing activities:		
Purchase of fixed assets (including capital advances and creditors for capital expenditure)	(135,654,668)	(133,264,845)
Proceeds from sale of fixed assets	4,165,652	4,206,179
Bank balances not considered as cash and cash equivalents		
- Deposits	(158,836,665)	(129,443,970)
- Matured	115,745,989	123,234,353

Cash flow statement for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2017	Year ended 31 March 2016
Investment in subsidiaries		
- Preference shares	(36,403,600)	(6,403,600)
- Equity shares	(119,999,694)	(130,474,890)
Loans repayments	1,213,203	173,733
Loans granted	-	(4,070,663)
Interest received from others	11,188,275	5,455,545
Net cash used in investing activities	(318,581,508)	(270,588,158)
C. Cash flow from financing activities:		
Proceeds from issue of share capital (including premium)	225,100,000	299,999,000
Share issue expenses	(1,010,000)	(15,083,603)
Proceeds from long-term borrowings	157,844,998	116,722,839
Repayment of long term borrowings	(139,656,089)	(109,807,529)
Proceed from long term borrowings from related parties	2,970,000	800,000
Repayment from long term borrowings from related parties	-	(25,300,000)
Proceeds from short-term borrowings	6,060,425	4,057,000
Repayment of short-term borrowings	(62,014,233)	(95,533,193)
Finance Cost paid	(56,378,589)	(60,255,690)
Dividend paid	-	(33,280,937)
Tax on dividend	-	(6,796,321)
Net cash from financing activities	132,916,512	75,521,565
Net increase/(decrease) in cash and cash equivalents	4,042,497	(15,837,508)
Opening cash and cash equivalents	11,451,791	27,289,299
Closing cash and cash equivalents	15,494,288	11,451,791

Note:

a) The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 (AS-3), on "Cash Flow Statements" as specified under section 133 of Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended)

b) Cash and cash equivalents include:

Cash in hand	1,655,704	1,380,132
Balance with banks	11,869,638	7,551,081
In equity dividend accounts	1,968,945	2,520,578
	15,494,288	11,451,791

Cash flow statement for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2017	Year ended 31 March 2016
Excluding the following:		
- Pledged in fixed deposit accounts	83,836,968	40,745,992
Balance as per books of account	<u>99,331,255</u>	<u>52,197,783</u>

c) Negative figures have been shown in brackets.

d) Cash and cash equivalents include Rs. 1,968,945 (Previous year Rs.2,520,578) held in dividend accounts - which is not available for use by the company.

Notes 1 to 45 form an integral part of these financial statementsThis is the cash flow statement sheet referred to in our report of even date. For and on behalf of the Board of Directors of **KDDL Limited****For Walker Chandiook & Co LLP**
Chartered Accountants**Yashovardhan Saboo**
Chief Executive Officer
and Vice chairman
(DIN: 00012158)**Sanjeev Masown**
Chief Financial Office
and whole Time Director
(DIN: 03542390)Per **Lalit Kumar**
Partner**Raman Sood**
Company Secretary
(Membership No. F3722)Place : Chandigarh
Date : 30 May 2017

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

1. Background and nature of operations

KDDL Limited (the "Company") incorporated in January 1981 is engaged in the business of manufacturing dials, watch hands and precision components. Currently, the Company has manufacturing facilities, at Pawanoo (Himachal Pradesh) and Derabassi (Punjab) - dial manufacturing, Bangalore (Karnataka) - hands and precision components manufacturing.

2. Significant accounting policies

a. Basis of preparation

These financial statements have been prepared under the historical cost convention on a going concern basis, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). Indian GAAP comprises mandatory accounting standards as specified under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting pronouncements of The Institute of Chartered Accountants of India.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of its assets and liabilities.

b. Use of estimates

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised in the current and future periods.

c. Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales returns and sales tax wherever applicable.
- b) Duty Entitlement Pass Book (DEPB) and any other scheme are recognized in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- c) Revenue in respect of tool development and job charges is recognized as per the terms of the contract with the customers.
- d) Interest income is recognised on a time proportion basis, taking into account the amount outstanding and the rates applicable.
- e) Dividend income is recognised when the Company's right to receive the same is established.

d. Fixed assets

Tangible assets

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

Fixed assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily takes a substantial period of time to get ready for their intended use are capitalised.

Assets acquired on hire purchase are capitalised at the inception of the hire purchase agreement. Interest cost is charged to statement of profit and loss on accrual basis.

Intangible assets

Intangible assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

e. Depreciation and amortisation

Pursuant to the notification in Part II of Schedule II to the Companies Act, 2013, effective from 1 April 2014, the management has reassessed and changed, wherever necessary the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. Depreciation on fixed assets is provided on straight line method based on life prescribed as per Schedule II of the Companies Act, 2013.

Block of asset	Useful life as per Companies Act, 2013 (in years)
Buildings	30-60
Plant and machinery	15
Furniture and fixture	10
Office equipment	5
Computers	3
Vehicles	8 – 10

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease or useful life of the assets, whichever is lower.
- Depreciation on a particular class of dies and tools manufactured by the Company and put to use after 1 April 2003 is provided over a period of 3 years.
- The cost of leasehold land other than land purchased during the current year at Bangalore for setting up new plant (amortized over the period of lease) is not amortised as these are perpetual leases.
- Know-how is amortised over a period of four years.
- Software is amortised over a period not exceeding six years.

f. Inventories

Inventories are valued as follows:

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

1. **Raw materials and components, stores and spares, finished goods and work-in-progress:** At lower of cost and net realisable value.
2. **Cost of inventories is ascertained on the following basis:**
 - a) Raw materials and components and stores and spares cost includes material cost, custom duty, freight and related direct expenses incurred in bringing the inventories to present location and condition. Cost is determined on moving weighted average basis.
 - b) Work-in-progress is valued at raw material cost plus conversion costs depending upon the stage of completion.
 - c) Finished goods are stated at the lower of cost or net realizable value. Cost is determined using moving weighted average cost basis and includes the raw material cost plus conversion costs, packing cost and other overheads costs incurred to bring the goods to their present location and condition.

g. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Long-term investments are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

h. Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction and monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the statement of profit and loss.

Forward exchange contracts not covered under Accounting Standard 11 'Effect of change in Foreign Exchange Rates', that are entered to hedge the foreign currency risk of highly probable forecast transactions and unrecognized firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

The premium or discount arising at the inception of the forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

i. Employee benefits

Short term employee benefits

All employee benefits payable/available within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, bonus, etc are recognized in the statement of profit

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

and loss in the period in which the employee renders the related service.

Post-employment benefits

Defined contribution plan

The company makes specified contribution towards employee provident fund to Employees Provident Fund administered by the Regional Provident Commissioner. The Company's contribution to provident fund, being a defined contribution plan, is recognized in the statement of profit and loss in the financial year to which it relates.

In respect of superannuation, the Company makes contribution to Life Insurance Corporation of India ("LIC") of an amount payable by the trusts to LIC, which is charged to the statement of profit and loss.

Defined benefit plan

Gratuity is a post-employment defined benefit plan. The present value of obligation for gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Gratuity and superannuation funds are administered by trustees of independently constituted trusts. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such gains or losses arise.

Other long term liability

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the balance sheet date.

Actuarial Gains/Losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such gains or losses arise.

j. Employee Stock Option Plan (ESOP)

Stock options granted to the employees under the stock options schemes are accounted at intrinsic value as per the accounting treatment prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') and guidance note on Employee share based payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, determined as per the Guidelines and guidance note, of underlying equity shares (market value), over the exercise price of the options is recognised as deferred stock compensation expense and is charged to statement of profit and loss on a straight line basis over the vesting period of the options. The amortised portion of the cost is shown under shareholders' funds.

k. Taxes on income

Tax expense comprises current tax and deferred income tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In respect

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses can be realised.

l. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

m. Leases

Leases of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease rentals in respect of assets taken under an operating lease are charged to the statement of profit and loss on a straight line basis over the lease term.

In respect of assets given on operating lease, income is being recognised on a straight line basis over the lease term.

n. Contingent liabilities and provisions

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation at the reporting date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

The company does not recognize assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognized in the financial statements of the period in which the change occurs.

o. Impairment of assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference as impairment loss and is charged to the statement of profit and loss.

p. Cash and cash equivalents

Cash and cash equivalents comprise cash and deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
3. Share capital				
a) Authorised share capital				
Equity shares of Rs. 10 each	<u>12,480,000</u>	<u>124,800,000</u>	<u>12,480,000</u>	<u>124,800,000</u>
b) Issued, subscribed and fully paid up				
(i) Issued	<u>11,013,866</u>	<u>110,138,660</u>	<u>10,259,150</u>	<u>102,591,500</u>
(ii) Subscribed and fully paid up	<u>10,839,586</u>	<u>108,395,860</u>	<u>10,084,870</u>	<u>100,848,700</u>
(iii) Shares forfeited (Rs 10 each, Rs 5 paid up)	<u>174,280</u>	<u>871,400</u>	<u>174,280</u>	<u>871,400</u>
	<u>11,013,866</u>	<u>109,267,260</u>	<u>10,259,150</u>	<u>101,720,100</u>

a. The Company has only one class of equity shares having a par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b. Reconciliation of equity share capital

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Equity shares of Rs. 10 each fully paid up				
Balance at the beginning of the year	10,084,870	100,848,700	9,076,470	90,764,700
Add: Shares issued during the year	<u>754,716</u>	<u>7,547,160</u>	<u>1,008,400</u>	<u>10,084,000</u>
Balance at the end of the year	<u>10,839,586</u>	<u>108,395,860</u>	<u>10,084,870</u>	<u>100,848,700</u>

There is no movement in forfeited equity shares of Rs. 10 each, Rs. 5 paid up during the current and previous year.

c. Shareholders holding more than 5% of the shares in the Company as at balance sheet date

	Number	Percentage	Number	Percentage
R. K. Saboo	2,058,460	18.99%	2,058,460	20.41%
Yashovardhan Saboo	1,509,530	13.93%	1,509,530	14.97%
Saif India V FII Holdings Limited	1,008,400	9.30%	1,008,400	10.00%
Saif Partners India V Limited	754,716	6.96%	-	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

d. Shares reserved for issue under options and other commitments

As on 31 March 2017, 21,000 (previous year : 24,750) equity shares have been reserved for issue under the Employee Stock Plan of the company (Refer note 41).

e. Utilisation of proceeds received pursuant to issue of equity shares and shares warrants

During the current year, the Company has issued 754,716 equity shares of Rs 10 each on preferential allotment of shares issued at the rate of Rs 265 per share (including security premium of Rs 255 each). The Company has also received Rs. 251 lacs (twenty five percent of issue price) of 377,356 equity shares warrants of Rs 10 each issued at the rate of Rs 265 per share warrant (including security premium of Rs 255 each). The amount received has been utilised as follows:

Particulars	Amount(Rs.)
Share issue expenses	1,010,000
Repayment of working capital demand loan	79,000,000
Repayment of term loan	8,349,390
Working capital requirements	115,662,268
Fixed deposit	20,000,000
Current account	1,078,342
Total	225,100,000

f. Shares issued for consideration other than cash

The Company has not issued any shares pursuant to a contract without payment being received in cash in the current year and preceding five years. The Company has not issued any bonus shares nor has there been any buy-back of shares in the current year and preceding five years.

	As at 31 March 2017	As at 31 March 2016
4. Reserves and surplus		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Forfeiture of zero coupon convertible warrants	1,025	1,025
Securities premium reserve		
Balance at the beginning of the year	466,405,572	191,574,175
Add: Additions during the year	192,452,580	289,915,000
Less: Share issue expense	(1,010,000)	(15,083,603)
Balance at the end of the year	<u>657,848,152</u>	<u>466,405,572</u>

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Employee stock option		
Options outstanding at the beginning of the year	344,238	552,525
Less: Options expired during the year	<u>(52,124)</u>	<u>(208,287)</u>
Options outstanding at the end of the year (I)	292,114	344,238
Deferred employee stock option expense at the beginning of the year	-	125,123
Less: Amortisation and other movements during the year *	<u>-</u>	<u>(125,123)</u>
At the end of the year (ii)	-	-
Employee stock option reserve(i)-(ii)	<u>292,114</u>	<u>344,238</u>
*Employee stock option recognised in statement of profit and loss during the year [Also refer note 22]	(52,124)	(83,164)
General reserve		
Balance at the beginning of the year	177,619,619	157,619,619
Add: Transferred from statement of profit and loss	<u>20,000,000</u>	<u>20,000,000</u>
Balance at the end of the year	<u>197,619,619</u>	<u>177,619,619</u>
Surplus in the statement of profit and loss		
Balance at the beginning of the year	106,031,636	78,465,303
Add: Transferred from statement of profit and loss	71,474,911	65,773,897
Less: Appropriations	-	-
Interim dividend	-	(15,127,997)
Tax on interim dividend	-	(3,079,567)
Transfer to general reserve	<u>(20,000,000)</u>	<u>(20,000,000)</u>
Balance at the end of the year	<u>157,506,547</u>	<u>106,031,636</u>
	<u>1,018,776,582</u>	<u>755,911,215</u>

5. During the year the company issued 377,356 shares warrant to be converted in to 377,356. Equity share of the face value of Rs. 10/- each. There warrant were issued at Rs. 265 per warrant (including security premium of Rs. 255) Rs. 66.25 per warrant has been paid by the allottee Each share warrant is convertible in to one equity share of Rs. 10/- each on the payment of remaining consideration or before eighteen fee months from the date of allotment of warrants.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
6. Long-term borrowings		
Secured		
Term loans		
- from banks	48,883,817	115,427,377
- from others	140,082,781	62,673,685
Vehicle loan from banks	2,972,178	5,390,145
Unsecured		
Public deposit		
- From related parties (refer note 33)	5,259,000	2,900,000
- from others	116,271,000	105,897,000
	<u>313,468,776</u>	<u>292,288,207</u>
Less: Current maturities of long term borrowings (refer note 12)		
Secured		
Term loans		
- from banks	29,458,000	62,112,032
- from others	29,339,740	5,342,491
Vehicle loan from banks	1,012,868	2,019,579
Unsecured		
Public deposit		
- From related party [Also refer note 33]	1,000,000	400,000
- From others	33,941,000	36,918,000
	<u>94,751,608</u>	<u>106,792,102</u>
	<u>218,717,168</u>	<u>185,496,105</u>

a. Details of security and terms of repayment of term loans from banks

Term loans from banks amounting to Rs 48,883,817 (previous year Rs 115,427,377) are secured as under:

- Term loans from Bank of India amounting to Rs 18,629,247 (previous year Rs 55,231,759) carrying interest rate of 2.95% over the bank MCLR are secured by way of first pari passu charge on all the plant and

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

machinery and furniture and fixtures of the Company excluding the fixed assets installed at packaging division at Chandigarh (KPAC), hands division at Bengaluru (KHAN-2), and the plant and machinery and furniture and fixtures of dials division at Parwanoo (TTPA) acquired before 31 March 2005 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of dials division at Derabassi (KDER). The loan includes construction loan for dials unit at Parwanoo (TTPA) which is secured by first pari passu charge on land and building of TTPA. The term loans are also personally guaranteed by the Chairman Emeritus and Chief Executive Officer (CEO) of the Company.

- Term loans from IDBI Bank Limited amounting to Rs 10,708,000 (previous year Rs 12,110,411) carrying interest rate of 2.5% over the bank base rate and Corporate loan amounting to Rs 19,546,570 (previous year Rs 24,996,000) carrying interest rate of 3% over the bank base rate are secured by way of first pari passu charge on all the plant and machinery and furniture and fixtures of KDER, tool room division at Bengaluru (EIGEN) and hands division at Bengaluru (KHAN-1) and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of KDER. The term loans are also personally guaranteed by the Chairman Emeritus and Chief Executive Officer (CEO) of the Company.

- Term loan from Corporation Bank amounting to Nil (previous year Rs 23,089,207) carrying interest rate of 5.5% over the bank base rate, are secured by way of first exclusive charge on all the plant and machinery and furniture and fixtures of KHAN-2 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The loan is further secured by exclusive mortgage charge on land and building of KHAN-1.

Repayment terms of term loans from banks (including the current maturities of long-term debt as referred to in note 12) are given as under:

- Term loan from Bank of India amounting to Rs 18,629,248 is repayable in 9 equal quarterly instalments of Rs 18,75,000 each and last instalment of Rs 17,54,248 commencing from 30 June 2017. The last instalment would be due on 30 September 2019.

- Corporate Loan from IDBI Bank Limited amounting to Rs 10,708,000 is repayable in 2 equal quarterly instalments of Rs 3,572,000 each and last instalment of Rs 35,64,000 commencing from 30 June 2016. The last instalment would be due on 31 December 2017.

- Corporate Loan from IDBI Bank Limited amounting to Rs 19,564,570 is repayable in 6 equal quarterly instalments of Rs 2,812,500 each and last instalment of Rs. 2,671,570 commencing from 31 May 2017. The last instalment would be due on 30 November 2018.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

b. Details of security amounting to Rs. 140,082,781 (previous year Rs 62,673,685) and terms of repayment of term loans from others

Term loan from Intec Capital limited amounting to Rs. 6,473,378 (previous year Rs. 8,423,685) carrying fixed interest rate of 11.75% is secured by way of hypothecation of the specific asset purchased out of proceeds of the loan. The loan is also personally guaranteed of Chairman Emeritus and Chief Executive Officer (CEO) of the Company. The loan is to be repaid in 32 monthly intallments as per the repayment schedule in equivated annual installments commencing from 1 April 2016. The last instalment would be repaid on 1 November 2019.

'Term loan from Tata Capital Financial Services Limited amounting to Rs. 50,859,400 (previous year Rs. 54,250,000) carrying interest rate equal to LTLR less 7% (presently 11.25%) is secured by way of first pari passu charge over the project immovable property and over movable fixed assets of Eigen III, situated at plot no. 55-A (Aerospace sector) Hitech, Devanahalli, Bangalore. The loan is also personally guaranteed by Chief Executive Officer (CEO) of the Company. The loan is to be repaid in 45 monthly intallments of Rs. 1,130,200 and last instalment of Rs. 1,130,600 as per the repayment schedule in equivated annual installments commencing from 25 April 2017. The last instalment would be repaid on 25 November 2020.

'Term loan from Tata Capital Financial Services Limited amounting to Rs. 42,750,000 (previous year Nil) carrying interest rate equal to LTLR less 7.25% (presently 11%) is secured by way of exclusive charge by way of mortgage over the factory land & building of the borrower situated at 296 & 297 (South western Portion) 5th Main, 4th Phase, Peenya Industrial Area, Peenya, Bangalore and exclusive charge by way of hypothecation over the plant & machineries & other movable assets of KHAN II, situated at 408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore 560058 (Karnataka). The loan is also personally guaranteed by Chief Executive Officer (CEO) of the Company. The loan is to be repaid in 19 quarterly intallments of Rs. 22,50,000 as per the repayment schedule in equivated annual installments commencing from 8 April 2017. The last instalment would be repaid on 8 October 2021.

'Term loan from Bajaj Finance Limited amounting to Rs. 40,000,000 (previous year Nil) carrying interest rate of 10.75% is secured by pari passu charge by way of hypothecation of equipment procured out of the term loan, Mortgage of Land & buliding at Bengaluru (Plot No. 55-A, Aerospace Sector) Hitech, Aerospace and Defence Park, Devanahalli, Bengaluru District. The loan is also personally guaranteed by Chief Executive Officer (CEO) of the Company. The loan is to be repaid in 50 monthly intallments of Rs. 833,334 and last instalment of Rs. 6,25,000 as per the repayment schedule in equivated annual installments commencing from 5 October 2017. The last instalment would be repaid on 5 November 2021.

- c.** Vehicle loans from banks carrying interest rate in the range of 9.51% per annum to 12.25% per annum are secured against hypothecation of specific vehicle purchased out of the proceeds of those loans. The loans are to be repaid as per the respective repayment schedule in equivated annual installments.
- d.** Public deposits carrying interest rates in the range of 8.5% per annum to 12.5% per annum are repayable in 6 months to 3 years from the respective dates of deposit.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
7. Deferred tax liabilities (net)		
Timing difference on depreciation and amortisation of tangible and intangible assets	(59,271,522)	(57,728,272)
Deferred tax assets		
Allowance for bad and doubtful debts	304,263	314,440
Provision for warranties	558,497	380,500
Provision for employee benefits	7,779,018	11,493,777
Provision for bonus	4,987,121	5,209,057
Deferred lease rent payable	2,913,936	2,327,666
	<u>42,728,687</u>	<u>38,002,831</u>
Amount recognised in the statement of profit and loss	4,725,856	(3,247,081)
8. Other long-term liabilities		
Security deposits from related parties (refer note 33)	1,630,863	677,235
Deferred lease rent payable [(refer note 29(a) and note 30)]	8,419,833	6,725,804
	<u>10,050,696</u>	<u>7,403,039</u>
9. Long-term provisions		
Provision for employee benefits [(Also refer note 9 (a))]	16,051,108	27,295,133
Provision for warranty [(Also refer note 9 (b) and note 29)]	1,255,331	884,741
	<u>17,306,439</u>	<u>28,179,874</u>
9 (a) Provision for employee benefits		
(i) Defined Contribution Plan: Expenditure on account of Superannuation Scheme taken by the Company with LIC of India in respect of its employee provided in the statement of profit and loss	1,810,690	1,308,516
(ii) Defined benefit plan/ other long term benefit plans		
a. Gratuity		
b. Compensated absences		

The following table set out the status of the plan for gratuity and compensated absences as required under Accounting Standard (AS) - 15 (R) - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017		As at 31 March 2016	
Particulars	Compensated absences	Gratuity	Compensated absences	Gratuity
Actuarial Assumptions				
Discount rate	8%	8%	8%	8%
Rate of increase in compensation levels	5%	5%	5%	5%
Rate of return of plan assets		8%		8%
Demographic assumptions				
Mortality rate	Indian assured lives mortality (1994-96)	Indian assured lives mortality (1994-96) Ultimate	Indian assured lives mortality (1994-96)	Indian assured lives mortality (1994-96)
Retirement age	58	58	58	58
Withdrawal rates				
- upto 30 years	3%	3%	3%	3%
- upto 44 years	2%	2%	2%	2%
- above 44 years	1%	1%	1%	1%
			As at 31 March 2017	As at 31 March 2016
Change in the present value of obligation:				
Present value of obligation as at the beginning of the year		46,177,664		42,077,620
Interest cost		3,689,020		3,358,355
Current service cost		3,384,607		3,278,623
Benefits paid/payable		(4,871,619)		(5,244,869)
Actuarial loss on obligations		460,741		2,707,935
Present value of obligation as at the end of the year		48,840,413		46,177,664
Change in the fair value of plan assets:				
Fair value of plan assets at the beginning of the year		28,383,409		22,726,201
Expected return on plan assets		2,315,009		1,929,748
Contributions		18,163,568		8,972,329
Benefits paid		(4,871,619)		(5,244,869)
Fair value of plan assets at the end of the year		43,990,367		28,383,409

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Reconciliation of present value of defined benefit obligation and the fair value of assets:		
Present value of funded obligation as at the end of the year	48,840,413	46,177,664
Fair value of plan assets as at the end of the period funded status	43,990,367	28,383,409
Unfunded net liability recognized in balance sheet*	4,850,046	17,794,255
* includes short term provision of Rs.3,384,607 (previous year Rs. 3,278,623)		
Expenses recognized in the statement of profit and loss:		
Current service cost	3,384,607	3,278,623
Interest cost	3,689,020	3,358,355
Expected return on plan assets	2,315,009	1,929,748
Net actuarial loss recognized in the year	460,741	2,707,935
Total expenses recognized in the statement of profit and loss	5,219,359	7,415,165

Notes :

- 1) The discount rate is based on the prevailing market yield of Indian Government bonds as at the balance sheet date for the estimated terms of obligations.
- 2) The expected return is based on the expectation of the average long term rate of return on investments of the fund during the estimated terms of obligations.
- 3) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- 4) Plan assets mainly comprise funds managed by the insurer i.e. Life Insurance Corporation of India. ('LIC')
- 5) For Gratuity, the Company makes annual contributions to the LIC of an amount advised by them.

Amounts for the current and previous four years are as follows:

	2016-17	2015-16	2014-15	2013-14	2012-13
Gratuity					
Defined benefit obligation	48,840,413	46,177,664	42,077,620	36,061,859	28,070,433
Plan assets	43,990,367	28,383,409	22,726,201	16,329,813	11,241,153
Net liability	4,850,046	17,794,255	19,351,419	19,732,046	16,829,280
Experience adjustment arising on the gratuity benefits	460,741	2,707,935	1,758,902	5,606,380	3,248,778

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
9 (b) Reconciliation of provision for warranty		
Provision at the beginning of the year	1,099,456	1,106,200
Less: Provision utilised during the year	214,715	533,036
Add: Provision recognised during the year	729,039	526,292
Provision at the end of the year*	1,613,780	1,099,456
* includes short term provision of Rs 358,449 (previous year Rs 214,715)		
10. Short-term borrowings		
Secured (refer note 10 (a) below)		
Working capital borrowings from banks	24,771,909	109,257,143
Working capital borrowings from others	30,000,000	-
Buyers credit from banks	27,381,021	21,320,596
Unsecured		
Public deposits	2,872,000	10,401,000
	85,024,930	140,978,739

a. Details of security of short-term secured loans

- Working capital borrowings from banks carrying interest rate varying from 9.10% p.a. to 13.50% p.a. are secured by hypothecation of stocks of stores and spares, raw materials and components, finished goods and stock-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except packaging unit (KPAC) and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman Emeritus and Chief Executive Officer (CEO) of the Company and is repayable on demand.

- Working capital borrowings from others carrying interest rate of 10.75% p.a. are secured by first pari passu charge on current assets. The loan is also personally guaranteed by the Chief Executive Officer (CEO) of the Company and is repayable on demand.

- Buyers credit from Bank of India amounting to Rs 7,981,221 carrying interest rate 6 month libor plus .75% is secured against hypothecation of inventory and receivables is repayable on demand.

- Buyers credit from IDBI amounting to Rs 19,399,800 carrying interest rate varying from 3 month libor plus .90% to 6 month libor plus 1.00% is secured against hypothecation of inventory and receivables is repayable on demand.

- Public deposits carrying interest rates in the range of 8.5% per annum to 12.5% per annum are repayable in 6 months to 3 years from the respective dates of deposit.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
11. Trade payables		
Dues to micro and small enterprises (Also refer note (a) below)	7,269,656	4,507,070
Dues to others	86,917,486	85,823,746
Dues to related parties (refer note 33)	6,133,886	8,503,804
	<u>100,321,028</u>	<u>98,834,620</u>

a. Dues to micro and small enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

On the basis of confirmation obtained from suppliers who have registered themselves under the Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the following are the details:

Principal amount remaining unpaid	7,200,332	4,430,377
Interest due thereon remaining unpaid	69,324	43,574
Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	76,693	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
Interest accrued and remaining unpaid as at end of the year	69,324	76,693
Further Interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as deductible expenditure under section 23 of the MSMED Act, 2006		

12. Other current liabilities

Current maturities of long-term debts :

Public deposit

- from related parties (refer note 33)	1,000,000	400,000
- from others	33,941,000	36,918,000

Term loan (refer note 6 above)

- from banks	29,458,000	62,112,032
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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
- from others	29,339,740	5,342,491
Vehicle loan from banks	1,012,868	2,019,579
Interest accrued but not due on borrowings*	13,220,225	14,442,224
Unpaid dividend**	1,968,945	2,520,578
Other payables		
Statutory dues	12,120,185	10,451,812
Creditors for capital expenditure	5,212,539	4,842,011
Advances from customers	275,527	5,819,324
Employee related payables	46,757,531	30,501,396
	<u>174,306,560</u>	<u>175,369,447</u>
* due to related parties (refer note 33)	83,166	139,853
** Not due for deposit		

13. Short-term provisions

Provision for employees benefits (Also refer note 9(a))	19,739,140	19,712,267
Provision for income tax [Net of advance tax and taxes deducted at source Rs. Nil (Previous year Rs. 31,873,832)]	-	5,421,201
Provision for warranty (refer note 9(b) and note 29)	358,449	214,715
	<u>20,097,589</u>	<u>25,348,183</u>

KDDL Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017
 (All amounts in rupees, unless stated otherwise)

14. Fixed assets

For the year ended 31 March 2017

	Gross block				Depreciation/amortisation				Net block	
	As at 1 April 2016	Additions	Disposals/ Adjustments	As at 31 March 2017	As at 1 April 2016	Charge for the year	Sale /adjustments during the year	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
Tangibles										
Land	792,659	-	-	792,659	-	-	-	-	792,659	792,659
Leasehold	62,190,236	3,472,904	-	65,663,140	61,187	553,064	-	614,251	65,048,889	62,129,049
Freehold	144,383,266	2,843,468	142,932	147,083,802	64,199,754	4,288,352	81,607	68,406,499	78,677,303	80,183,512
Buildings	2,130,441	6,718,711	-	8,849,152	1,944,099	1,065,200	-	3,009,299	5,839,853	186,342
Leasehold improvements	928,830,278	81,888,208	3,148,115	1,007,560,371	527,769,983	53,898,039	1,410,243	580,167,779	427,392,592	401,050,295
Plant and machinery	59,105,021	3,892,792	-	62,997,813	43,813,408	3,637,276	-	47,450,684	15,547,729	15,292,213
Furniture and fixtures	17,389,959	4,259,646	-	21,771,241	12,400,048	2,469,278	-	14,010,788	6,700,453	4,989,911
Office equipment	33,959,979	465,499	8,317,048	26,108,630	19,018,808	3,437,409	5,635,623	16,820,594	9,287,836	14,941,171
Vehicles	-	-	-	-	-	-	-	-	-	-
Total (A)	1,248,772,440	103,541,228	12,486,459	1,339,827,208	669,207,287	69,258,618	7,986,010	730,479,895	609,347,314	579,565,153
Intangibles										
Know-how	8,839,123	-	-	8,839,123	6,678,109	371,500	-	7,049,609	1,789,514	2,161,014
Software	26,871,177	872,557	-	27,743,734	20,550,777	2,725,030	-	23,275,807	4,467,927	6,320,400
Web portal	7,298,571	-	-	7,298,571	5,995,501	932,682	-	6,928,183	370,388	1,303,070
Total (B)	43,008,871	872,557	-	43,881,428	33,224,387	4,029,211	-	37,253,599	6,627,829	9,784,484
TOTAL (A)+(B)	1,291,781,311	104,413,785	12,486,459	1,383,708,636	702,431,674	73,287,829	7,986,010	767,733,493	615,975,143	589,349,637
Capital work-in-progress										
	-	-	-	-	-	-	-	-	-	-
Total (A)+(B)	1,291,781,311	104,413,785	12,486,459	1,383,708,636	702,431,674	73,287,829	7,986,010	767,733,493	615,975,143	589,349,637
Capital work-in-progress										
	-	-	-	-	-	-	-	-	-	-
Total (A)+(B)	1,291,781,311	104,413,785	12,486,459	1,383,708,636	702,431,674	73,287,829	7,986,010	767,733,493	615,975,143	589,349,637

For the year ended 31 March 2016

	Gross block				Depreciation/amortisation				Net block	
	As at 1 April 2015	Additions	Disposals/ Adjustments	As at 31 March 2016	As at 1 April 2016	Charge for the year	Sale /adjustments during the year	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015
Tangibles										
Land	792,659	-	-	792,659	-	-	-	-	792,659	792,659
Leasehold	8,263,231	55,927,005	-	62,190,236	62,190,236	61,187	-	61,187	62,129,049	8,263,231
Freehold	144,383,266	-	-	144,383,266	59,786,537	4,413,217	-	64,199,754	80,183,512	84,596,729
Buildings	2,130,441	-	-	2,130,441	1,944,099	-	-	1,944,099	186,342	186,342
Leasehold improvements	874,196,482	70,218,450	15,594,653	928,820,278	490,437,553	51,029,541	13,697,111	527,769,983	401,050,296	383,788,929
Plant and machinery	58,514,888	2,940,145	2,358,112	59,105,021	42,784,449	3,302,243	2,273,284	43,813,408	15,292,213	15,730,139
Furniture and fixtures	13,732,708	3,844,170	186,919	17,389,959	10,333,891	2,235,332	169,175	12,400,048	4,989,911	3,998,817
Office equipment	38,858,515	1,014,721	5,913,257	33,959,979	17,213,080	3,641,626	1,835,898	19,018,808	14,941,171	21,645,435
Vehicles	-	-	-	-	-	-	-	-	-	-
Total (A)	1,140,871,890	131,953,491	24,052,941	1,248,772,440	623,499,609	64,683,146	17,975,468	669,207,287	579,565,153	518,372,281
Intangibles										
Know-how	8,839,123	-	-	8,839,123	6,305,591	372,518	-	6,678,109	2,161,014	2,533,532
Software	25,583,646	1,287,531	-	26,871,177	16,985,171	3,565,606	-	20,550,777	6,320,400	8,598,475
Web portal	7,298,571	-	-	7,298,571	4,195,858	1,799,643	-	5,995,501	1,303,070	3,102,713
Total (B)	41,721,340	1,287,531	-	43,008,871	27,486,620	5,737,767	-	33,224,387	9,784,484	14,234,720
TOTAL (A)+(B)	1,182,593,230	133,241,022	24,052,941	1,291,781,311	649,986,229	70,420,913	17,975,468	702,431,674	589,349,637	532,607,001
Capital work-in-progress										
	-	-	-	-	-	-	-	-	-	-
Total (A)+(B)	1,182,593,230	133,241,022	24,052,941	1,291,781,311	649,986,229	70,420,913	17,975,468	702,431,674	589,349,637	532,607,001
Capital work-in-progress										
	-	-	-	-	-	-	-	-	-	-
Total (A)+(B)	1,182,593,230	133,241,022	24,052,941	1,291,781,311	649,986,229	70,420,913	17,975,468	702,431,674	589,349,637	532,607,001

Notes:

1. Depreciation during the year includes Rs 773,136 (Previous year Rs 1,538,166) charged on plant and machinery at EIGHN unit which was utilised for in-house development of tools. Accordingly, such amount has been capitalised under plant and machinery.
2. Based on the Company's experience, the existing models of tools used for manufacture of watch hands (at KHAN unit) become obsolete in 2 to 3 years and the tools manufactured exclusively to these models also become redundant. The Company's policy of 36 months of useful life is consistent with dynamics associated with the industry in which it is operating.
3. The borrowing cost capitalised during the year ended 31 March 2017 was Rs 4,008,426 (previous year Rs 897,304).

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
15. Non current investments		
Trade investments (valued at cost unless stated otherwise, unquoted)		
Subsidiaries		
7,550 (previous year 7,550) equity shares of Swiss Franc (CHF) 100 each fully paid up, of Pylania SA, Switzerland	28,123,935	28,123,935
8,503,736 (previous year 7,665,648) equity shares of Rs. 10 each fully paid up of Ethos Limited	299,040,434	179,040,740
136,363 (previous year Nil) 12% Cumulative Compulsary Convertible preference shares of Rs. 110 each fully paid up of Ethos Limited	14,999,930	14,999,930
300,000 (previous year Nil) 12% Preference Shares of Rs. 100 each fully paid up of Ethos Limited	30,000,000	-
19,230 (previous year 19230) 14% Cumulative Compulsary convertible preference shares of Rs.130 each fully paid up of Ethos Limited	2,499,900	2,499,900
5,700,000 (previous year 5,700,000) equity share of Rs 10 each fully paid up of Mahen Distribution Limited	57,000,000	57,000,000
6,000 (previous year 3,000) equity shares of Swiss Franc (CHF) 100 each fully paid up of Kamla International Holdings SA.*	38,351,064	38,351,064
2,28,700 (previous year 114,350) 12% fully convertible cumulative preference shares of Rs.56 each fully paid of Mahen Distribution Limited	12,807,200	6,403,600
3,000,000 (previous year 1,500,000) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited*	15,000,000	-
Associate		
300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Limited.	3,000,000	3,000,000

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Joint Venture		
3,000,000 (previous year 1,500,000) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited*	-	15,000,000
	500,822,463	344,419,169
Less:		
Provision for diminution in the value of investment, other than temporary in:		
- Kamla Tesio Dials Limited	1,000,000	1,000,000
- Satva Jewellery and Design Limited	15,000,000	15,000,000
- Pylania SA, Switzerland	9,843,377	9,843,377
Aggregate value of trade investments	474,979,086	318,575,792
Non-trade investments (valued at cost unless stated otherwise, unquoted)		
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Private Limited	5,000,000	5,000,000
17,500 (previous year 17,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	175,000	175,000
Aggregate value of non-trade investments	5,175,000	5,175,000
	480,154,086	323,750,792
Aggregate amount of quoted investments	-	-
Aggregate amount of unquoted investments	505,997,463	349,594,169
Aggregate provision for diminution in value of investments	25,843,377	25,843,377
* w.e.f. 23 December 2016, Satva Jewellery and Design Limited ceased to be a joint venture and became subsidiary of the Company (also refer note 33).		

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
16. Long-term loans and advances		
(unsecured, considered good, unless otherwise stated)		
Capital advances	12,625,000	442,650
Security deposits	14,472,090	13,917,295
Prepaid income taxes [net of provision Rs. 122,551,490 (previous year Rs. 119,578,750)]	44,827,051	42,519,772
Prepaid expenses	166,133	367,176
Loans and advances to employees	6,047,984	3,845,179
	<u>78,138,258</u>	<u>61,092,072</u>
17. Inventories		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material [including scrap of Rs Nil (previous year Rs 504,412)]	112,242,289	113,786,295
Raw material (in transit)	1,293,979	1,607,213
Work-in-progress	66,763,577	60,082,523
Finished goods	8,332,594	9,344,113
Stores and spares	21,523,630	26,544,480
	<u>210,156,069</u>	<u>211,364,624</u>
a. Details of work-in-progress		
Watch dials	27,190,252	30,670,246
Watch hands	10,451,918	8,758,836
Blank components	23,735,918	17,288,330
Press tools	5,019,872	2,784,596
Ornamental packaging boxes	365,617	580,515
	<u>66,763,577</u>	<u>60,082,523</u>

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
18. Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered good	1,259,228	2,852,053
Unsecured, Considered doubtful	879,169	908,577
	2,138,397	3,760,630
Less : Allowances for bad and doubtful debts	879,169	908,577
	1,259,228	2,852,053
Other debts		
Other debts (Unsecured, considered good)*	210,719,677	196,363,641
	211,978,905	199,215,694
*due from related parties (refer note 33)	30,791	-

19. Cash and bank balances

Cash and cash equivalents		
- Cash in hand	1,655,704	1,380,132
- Balances with banks in current account	11,869,638	7,551,081
- Unpaid dividend account	1,968,945	2,520,578
Total Cash and cash equivalents	15,494,287	11,451,791
Other bank balances		
- Deposits with maturity more than three months but less than twelve months	83,836,968	40,745,992
	99,331,255	52,197,783

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Notes:

- a) Cash and cash equivalents include Rs 1,968,945 (previous year Rs 2,520,578) held in dividend accounts which is not available for use by the Company.
- b) Rs 63,836,968 (previous year Rs.40,745,992) has been placed as fixed deposits with banks for repayment of deposits as required under section 73 of the Companies Act, 2013 and margin money for working capital and term loans.
- c) Rs. 20,000,000 (previous year Nil) has been placed as fixed deposits with banks as security for term loan facility availed by the subsidiary company Ethos Limited.

	As at 31 March 2017	As at 31 March 2016
20. Short-term loans and advances		
(Unsecured, considered good, unless otherwise stated)		
Loans to related parties*		
Subsidiaries (secured)	10,394,200	-
Joint venture (secured)	-	10,394,200
Recoverable from related parties*		
Subsidiaries	7,609,046	7,967,189
Joint venture	-	783,060
Entities in which significant influence is exercised	-	72,000
Director	-	800,000
Employee loans and advances**	12,537,408	21,923,765
Prepaid expenses	4,983,799	7,182,835
Balances with government and statutory authorities	30,610,843	34,459,555
Advance to suppliers	11,767,480	8,980,446
	<u>77,902,776</u>	<u>92,563,050</u>

*Refer note 33

**includes loan to Director amounting to Rs 5,000,000 (previous year Rs 5,175,000)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
21. Other current assets		
Interest accrued on fixed deposits	2,183,973	2,056,624
	<u>2,183,973</u>	<u>2,056,624</u>
22. Revenue from operations		
Sale of products	1,236,486,806	1,172,571,556
Sale of services	19,561,837	15,767,918
Other operating income		
Export incentives	25,409,410	21,274,313
Miscellaneous sales	24,676,524	23,654,525
Liabilities and provisions no longer required written back*	2,156,200	1,142,135
	<u>1,308,290,777</u>	<u>1,234,410,447</u>

* Includes reversal of excess provision of employee stock options amounting to Rs 52,124 (previous year Rs 83,164).

a. Details of products sold**- Manufactured goods**

Watch dials	410,798,518	456,834,710
Watch hands	533,680,294	485,753,253
Blank components	223,509,943	167,827,928
Press tools	24,301,296	17,300,642
Ornamental packaging boxes	44,196,755	44,855,023
	<u>1,236,486,806</u>	<u>1,172,571,556</u>

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
b. Details of services		
Job charges	4,888,380	7,608,648
Tool development charges	14,073,457	7,559,270
E-commerce business	600,000	600,000
	19,561,837	15,767,918
23. Other income		
Interest income from		
- Banks	5,137,330	3,948,870
- Related party (refer note 33)	600,000	600,000
- Others	5,578,294	863,681
Other non-operating income		
Rent	4,535,719	4,985,890
Foreign exchange fluctuation gain (net)	5,975,817	9,886,453
Miscellaneous income	293,376	34,352
Profit on sale of fixed assets (net)	49,648	-
	22,170,184	20,319,246
24. Cost of materials consumed		
Opening inventories	113,281,883	122,154,141
Add: Purchases during the year	291,306,167	257,671,571
Less: Closing inventories	112,242,289	113,281,883
	292,345,761	266,543,829

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
a. Raw material and components consumed		
Brass and Metal	69,075,113	115,926,263
Components	98,731,975	51,181,667
Others	124,538,673	99,435,899
	<u>292,345,761</u>	<u>266,543,829</u>
25. Changes in inventories of finished goods and work in progress		
Opening stock		
Finished goods	9,344,113	13,560,992
Work in process	60,082,523	49,914,003
Scrap	504,412	355,790
Closing stock		
Finished goods	8,332,594	9,344,113
Work in process	66,763,577	60,082,523
Scrap	-	504,412
Impact of excise duty on opening/closing stock	181,043	593,952
	<u>(5,346,166)</u>	<u>(6,694,215)</u>
26. Employee benefit expenses		
Salaries and wages	349,294,653	320,251,302
Contribution to provident and other funds	26,284,264	26,365,836
Staff welfare expenses	19,656,213	19,786,021
	<u>395,235,130</u>	<u>366,403,159</u>

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
27. Finance costs		
Interest expense	46,983,587	54,874,586
Other borrowing cost	8,173,003	7,292,806
	<u>55,156,590</u>	<u>62,167,392</u>
28. Depreciation and amortisation expense		
Depreciation (Also, refer note 14)	68,485,484	63,144,980
Amortisation (Also, refer note 14)	4,029,211	5,737,767
	<u>72,514,695</u>	<u>68,882,747</u>

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
29. Other expenses		
Stores and spares consumed	59,263,767	61,768,294
Power, fuel and water charges	33,490,321	33,798,003
Contractual labour expenses	36,443,150	36,177,378
Insurance	1,920,827	1,097,553
Rent		
- Machinery	1,368,000	1,568,000
- Office and factory premises [Also refer note (a) below]	21,279,591	20,531,742
- Others	62,035	894,129
Rates and taxes	2,214,514	1,898,408
Repair and maintenance		
- Plant and machinery	14,720,622	16,531,461
- Buildings	2,297,604	4,313,884
- Others	11,977,983	11,947,058
Legal and professional [Also refer note (b) below]	36,959,798	30,915,044
Travel and conveyance	36,520,667	33,801,189
Job charges	37,567,986	36,362,750
Printing and stationery	3,557,837	3,495,270
Communication expenses	6,480,457	6,322,530
Commission	19,143,373	23,476,534
Events and exhibitions	6,224,294	8,068,343
Loss on sale of fixed assets (net)	-	1,010,239
Fixed assets written off	385,446	875,631
Provision for bad and doubtful debts	597,300	959,219

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Donation	385,000	450,000
Bad debts and capital advances written off [out of provision for bad and doubtful debts, Rs 191,125 debited to bad debts written off (previous year Rs 9,064,304)]	80,280	-
- Provision for warranty (also refer note 9 and note 13)	514,324	-
- Directors' sitting fees	540,000	725,975
Security service charges	7,384,022	5,696,237
Miscellaneous expenses	16,058,802	12,323,766
	<u>357,438,000</u>	<u>355,008,637</u>

a) Rent - Office and factory premises include Rs 1,694,029 (previous year Rs 2,655,462) recognised on account of straight lining of lease rent over the lease term in accordance with the provision of Accounting Standard 19 'Accounting for leases'.

b) Legal and professional includes payment to the auditors (excluding service tax)

As auditor	1,550,000	2,350,000
Others	205,000	790,000
Reimbursement of expenses	209,882	123,370
	<u>1,964,882</u>	<u>3,263,370</u>

30. Prior period items

Interest income on income tax refund	-	(561,154)
Deferred lease rent	-	1,484,225
	<u>-</u>	<u>923,071</u>

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
31. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	68,493,034	369,850
32. Contingent liability not provided for exists in respect of:		
a) Bank guarantees issued in favour of subsidiary	566,487,987	601,247,750
b) Demand raised for service tax against which appeals have been filed	4,794,535	1,834,596
c) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. Amount paid under protest Rs 372,818 (previous year Rs 372,818)	372,818	372,818
d) Demand raised for Income tax (assessment year 2004-05 to assessment year 2012-13)	36,787,242	90,956,969
e) Claims against the company filed by employees not acknowledged as debt (to the extent ascertainable)	2,341,500	2,137,500
f) Custom duty saved against EPCG Licences, pending redemption	15,371,868	15,371,868
g) Other items	6,417,192	6,417,192

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related party disclosures

A. Relationships

I. Subsidiary companies

Pylania SA
Kamla International Holdings SA
Ethos Limited
Mahen Distribution Limited
Satva Jewellery and Design Limited [refer note (I) below]

II. Associates

Kamla Tesio Dials Limited

III. Entities over which significant influence is exercised by the company /key management personnel (either individually or with others)

Jan Seva Trust
Yashovardhan Saboo (HUF)
Smt. Kamla Devi Saboo Charitable Trust
Vardhan Properties & Investments Limited
Saboo Coatings Limited
VBL Innovations Private Limited
Vardhan International Limited
Shri M.K. Saboo Charitable Trust
Tara Chand Mahendra Kumar (HUF)
Saveeka Family Trust; and
Dream Digital Technology Limited
Connexity Technologies Private Limited
KDDL Ethos Foundation

IV. Key management personnel (KMP)

- a. Mr. R.K. Saboo (Chairman)
(Director till 30 November 2016)

Relatives *

Mrs. Usha Devi Saboo (spouse),
Mr. Yashovardhan Saboo (son),
Mrs. Asha Devi Saboo (Brother spouse)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

- | | | |
|----|---|---|
| b. | Mr. Y. Saboo
(Chief Executive Officer & Vice-Chairman) | Mr. R.K. Saboo (father),
Mrs. Anuradha Saboo (spouse),
Mr. Pranav Shankar Saboo (Son),
Mrs. Malvika Singh (son's spouse) |
| c. | Mr. Sanjeev Kumar Masown
(Chief financial officer and Whole Time Director) | Mrs. Neeraj Masown (wife)
Mr Lal Chand Masown (father) |
| d. | Dinesh Agrawal** | Mrs. Shashi Agrawal (spouse) |

*With respect to the key management personnel, disclosure has been given for those relatives with whom the Company has made transactions during the year

**Resigned as Chief Operating Officer w.e.f 31 March, 2016

- (I) Satva Jewellery and Design Limited ('Satva') has ceased to be joint venture of the Company and has become wholly owned subsidiary of KDDL Limited pursuant to purchase of remaining shares of the other venturer in the joint venture vide agreement dated 23 December 2016. Accordingly, transactions during the year with Satva upto 23 December 2016 has been disclosed as transactions with joint venture and transactions incurred after 23 December 2016 has been disclosed as transaction with subsidiary company.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2017

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1.	Purchase of raw material and components						
	Saboo Coatings Private Limited	-	-	-	2,654,783	-	-
	Pylania SA	3,265,373	-	-	-	-	-
	Ethos Limited	478,511	-	-	-	-	-
2.	Sale of goods and services						
	Pylania SA	5,145,050	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	10,365	-	-
	Ethos Limited	611,681	-	-	-	-	-
3.	Purchase of fixed assets						
	Ethos Limited	550,908	-	-	-	-	-
4.	Sale of fixed assets						
	Pylania SA	1,583,514	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	35,792	-	-
5.	Job work charges paid						
	Pylania SA	735,402	-	-	-	-	-
6.	Rent paid by the Company						
	Saboo Coatings Private Limited	-	-	-	767,528	-	-
	Mr. R.K. Saboo	-	-	-	-	400,000	200,000
	Mr. Y. Saboo	-	-	-	-	2,084,040	-
	Ms. A. Saboo	-	-	-	-	-	300,000
	Ms. U. Saboo	-	-	-	-	-	120,000
	Satva Jewellery & Design Limited	150,000	-	450,000	-	-	-
7.	Salary of employees recovered						
	Ethos Limited	132,600	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	-	-	-
8.	Salary of employees Paid						
	Saboo Coatings Limited	-	-	-	109,900	-	-
9.	Directors remuneration						
	Mr. R.K. Saboo	-	-	-	-	2,988,516	-
	Mr. Y. Saboo	-	-	-	-	7,417,476	-
	Mr Sanjeev Masown	-	-	-	-	4,644,222	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2017

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
10.	Interest received						
	Satva Jewellery & Design Limited	150,000	-	450,000	-	-	-
11.	Interest paid/ accrued						
	Vardhan Properties and Investment Limited	-	-	-	292,691	-	-
	Ms. Asha Devi Saboo	-	-	-	-	-	125,000
	Mr S.K. Masown	-	-	-	-	42,677	-
	Ms Neeraj Masown	-	-	-	-	-	104,826
	Mr Lal Chand Masown	-	-	-	-	-	50,950
12.	Guarantee charges received						
	Pylania SA	205,488					
13.	Public deposits accepted						
	Ms Neeraj Masown						1,500,000
	Mr S K Masown					420,000	
	Mr Lal Chand Masown						200,000
	Vardhan Properties & Investment Ltd.				1,000,000		
14.	Repayment of Public deposits						
	Mr S K Masown					200,000	
15.	Others including rent received						
	Ethos Limited	3,092,347	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	760,000	-	-
	Kamla Tesio Dials Limited		600,000	-	-	-	-
16.	Reimbursement of expenses paid by the Company						
	Pylania SA	80,254	-	-	-	-	-
	Ethos Limited	1,279,796	-	-	-	-	-
	Dream Digital Technology Pvt. Limited	-	-	-	165,161	-	-
	Saboo Coatings Private Limited	-	-	-	228,159	-	-
	Satva Jewellery and Design Limited	38,818	-	132,956	-	-	-
17.	Management consultancy fees paid						
	Dream Digital Technology Pvt. Limited	-	-	-	1,980,000	-	-
	Mr. R.K. Saboo	-	-	-	-	-	1200,000

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2017

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
18.	Expenses recovered						
	Kamla Tesio Dials Limited	-	96,567	-	-	-	-
	Ethos Limited	1,281,910	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	571,619	-	-
	VBL Innovations Private Limited	-	-	-	195,004	-	-
	Dream Digital Technology Pvt. Limited	-	-	-	2,470,000	-	-
19.	Investments made						
	Mahen Boutiques Limited	6,406,600	-	-	-	-	-
	Ethos Limited	149,999,964	-	-	-	-	-
20.	CSR contribution made						
	KDDL Ethos Foundation	-	-	-	1,800,000	-	-
21.	Security deposit received						
	Saboo Coatings Private Limited	-	-	-	953,628	-	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2017

Balance at the end of the year

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Loan and Advance						
	Satva Jewellery & Design Limited	10,394,200	-	-	-	-	-
	Mr Sanjeev Kumar Masown	-	-	-	-	5,000,000	-
	Ethos Limited	6,616,694	-	-	-	-	-
	Satva Jewellery and Design Limited	1,260,834	-	-	-	-	-
	VBL Innovations Pvt. Ltd.	-	-	-	19,110	-	-
2.	Payables						
	Kamla Tesio Dials Limited	-	1,583,876	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	984,193	-	-
	Pylania SA	2,947,462	-	-	-	-	-
	Dream Digital Technology Pvt. Limited	-	-	-	618,354	-	-
	Mr RK Saboo	-	-	-	-	-	2,267,000
3.	Guarantees taken						
	Mr. R.K. Saboo	-	-	-	-	122,678,599	-
	Mr Y. Saboo	-	-	-	-	256,287,999	-
4.	Security deposit taken						
	Ethos Limited	677,235	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	953,628	-	-
5.	Guarantees given						
	Ethos Limited	613,600,000	-	-	-	-	-
	Pylania SA	17,552,500	-	-	-	-	-
6.	Public deposits outstanding						
	Mr S.K. Masown	-	-	-	-	420,000	-
	Mr Lal Chand Masown	-	-	-	-	-	389,000
	Ms Neeraj Masown	-	-	-	-	-	1,500,000
	Vardhan Properties and Investment Ltd.	-	-	-	2,500,000	-	-
7.	Interest accrued but not due on borrowings						
	Mr S.K. Masown	-	-	-	-	27,619	-
	Mr Lal Chand Masown	-	-	-	-	-	52,683
	Ms Neeraj Masown	-	-	-	-	-	148,974

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

* Guarantees taken by the Company includes personal guarantees of Mr. R.K. Saboo and Yashovardhan Saboo for working capital borrowings and term loans. The original sanctioned limits of working capital borrowings and term loans by the continuing banks has been disclosed above. However, at the reporting date, the sanctioned limits of working capital borrowings and the balance amount of term loans in respect of which personal guarantees have been given stands at Rs 80,608,074 of Mr. R.K.Saboo and Rs 244,217,474 of Mr. Yashovardhan Saboo.

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2016

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components						
	Pylania SA	385,539	-	-	-	-	-
	Ethos Limited	29,500	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	2,725,516	-	-
2	Sale of goods and services						
	Pylania SA	3,458,659	-	-	-	-	-
	Ethos Limited	681,839	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	20,282	-	-
3	Rent paid by the Company						
	Kamla Tesio Dials Limited	-	800,000	-	-	-	-
	Satva Jewellery & Design Limited	-	-	600,000	-	-	-
	Saboo Coatings Private Limited	-	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	-	336,626	-
	Mr. Yashovardhan Saboo	-	-	-	-	1,805,085	-
	Mrs. Anuradha Saboo	-	-	-	-	-	168,479
	Mrs. Usha Devi Saboo	-	-	-	-	-	67,393
4	Salary of employees recovered						
	Ethos Limited	493,304	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	144,000	-	-
5	Salary of employees paid						
	Saboo Coatings Private Limited	-	-	-	541,640	-	-
6	Salary paid to relatives of KMP						
	Ms. Malvika Singh	-	-	-	-	-	736,836
7	Director remuneration						
	Mr. R.K. Saboo	-	-	-	-	4,158,064	-
	Mr. Yashovardhan Saboo	-	-	-	-	6,416,836	-
	Mr. Dinesh Agrawal	-	-	-	-	4,432,881	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2016

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
8	Interest received						
	Satva Jewellery & Design Limited	-	-	600,000	-	-	-
9	Interest paid/accrued						
	Vardhan Properties and Investment Limited	-	-	-	704,376	-	-
	VBL Innovations Private Limited	-	-	-	923,178	-	-
	Saveeka Family Trust	-	-	-	45,890	-	-
	Mr. R.K. Saboo	-	-	-	-	340,000	-
	Mr. Yashovardhan Saboo	-	-	-	-	170,000	-
	Mrs. Shashi Agarwal	-	-	-	-	-	62,522
10	Guarantee charges received						
	Pylania SA	349,995	-	-	-	-	-
11	Public deposits accepted						
	Vardhan Properties and Investment Limited	-	-	-	300,000	-	-
	Mr. R.K.Saboo	-	-	-	-	10,000,00	-
	Mr. Yashovardhan Saboo	-	-	-	-	5,000,000	-
12	Repayment of Public deposits						
	Saveeka Family Trust	-	-	-	1,000,000	-	-
	Mr. R.K. Saboo	-	-	-	-	10,000,000	-
	Mr. Yashovardhan Saboo	-	-	-	-	5,000,000	-
13	Repayment of inter-corporate deposits (ICD)						
	Vardhan Properties and Investment Limited	-	-	-	9,300,000	-	-
	VBL Innovations Private Limited	-	-	-	15,000,000	-	-
14	Rent received						
	Ethos Limited	4,201,884	-	-	-	-	-
	Dream Digital Technology Private Limited	-	-	-	12,000	-	-
	Saboo Coatings Private Limited	-	-	-	760,000	-	-
15	Repayment of loans given by the Company						
	Pylania SA	2,028,300	-	-	-	-	-
	Mr. Dinesh Agarwal	-	-	-	-	400,000	-
16	Reimbursement of expenses paid by the Company						
	Pylania SA	16,873,068	-	-	-	-	-
	Ethos Limited	45,200	-	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	53,053	-	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2016

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
17	Dream Digital Technology Private Limited Expenses other than salary recovered by the Company	-	-	-	19,033	-	-
	Ethos Limited	3,829,038	-	-	-	-	-
	Pylania SA	347,995	-	-	-	-	-
	Kamla Tesio Dials Limited	-	37,084	-	-	-	-
	Satva Jewellery & Design Limited	-	-	175,884	-	-	-
	Saboo Coatings Limited	-	-	-	331,232	-	-
	VBL Innovations Private Limited	-	-	-	235,947	-	-
	Dream Digital Technology Private Limited	-	-	-	925,568	-	-
18	Investments made						
	Ethos Limited	109,999,890	-	-	-	-	-
	Kamla International Holdings AG	20,475,000	-	-	-	-	-
	Mahen Distribution Limited	6,403,600	-	-	-	-	-
19	Management consultancy fees paid						
	Dream Digital Technology Private Limited	-	-	-	1,800,000	-	-
20	Dividend paid						
	Shri R.K. Saboo HUF	-	-	-	1,572,865	-	-
	Yashovardhan Saboo HUF	-	-	-	171,258	-	-
	Mr. R.K. Saboo	-	-	-	-	5,354,021	-
	Mr. Yashovardhan Saboo	-	-	-	-	5,104,296	-
	Mrs. Usha Devi Saboo	-	-	-	-	-	1,579,130
	Mrs. Anuradha Saboo	-	-	-	-	-	1,344,095
	Mr. Pranav Shankar Saboo	-	-	-	-	-	752,164

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

33. Related Party Disclosure (cont'd)

The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2016

Balance at the end of the year

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities ever which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Loans and advances						
	Satva Jewellery & Design Limited	-	-	10,394,200	-	-	-
	Mr. Dinesh Agarawal	-	-	-	-	800,000	-
2	Other receivables/advances						
	Ethos Limited	7,967,189	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	783,060	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	72,000	-	-
3	Payables						
	Pylania SA	6,210,370	-	-	-	-	-
	Kamla Tesio Dials Limited	-	995,873	-	-	-	-
	Saboo Coatings Private Limited	-	-	-	461,063	-	-
	Dream Digital Technology Private Limited	-	-	-	836,498	-	-
4	Guarantees taken *						
	Mr. R.K.Saboo	-	-	-	-	402,338,170	-
	Mr. Yashovardhan Saboo	-	-	-	-	483,011,854	-
5	Security deposit taken						
	Ethos Limited	677,235	-	-	-	-	-
6	Guarantees given						
	Ethos Limited [refer note 32(c)]	598,587,328	-	-	-	-	-
	Pylania SA	18,870,000	-	-	-	-	-
7	Public deposits outstanding						
	Vardhan Properties and Investment Limited	-	-	-	1,500,000	-	-
	Mrs. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Mrs. Shashi Agrawal	-	-	-	-	-	400,000
8	Interest on outstanding public deposit						
	Mrs. Shashi Agrawal	-	-	-	-	-	139,853

* Guarantees taken by the Company includes personal guarantees of Mr. R.K.Saboo and Yashovardhan Saboo for working capital borrowings and term loans. The original sanctioned limits of working capital borrowings and term loans by the continuing banks has been disclosed above. However, at the reporting date, the sanctioned limits of working capital borrowings and the balance amount of term loans in respect of which personal guarantees have been given stands at Rs 216,716,562 of Mr. R.K.Saboo and Rs 297,390,248 of Mr. Yashovardhan Saboo.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

- 34.** Disclosures pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and section 186 of the Companies Act, 2013:

	As at 31 March 2017	As at 31 March 2016
a) Loans and advances		
Loan to subsidiary: Pylania SA		
Balance as at the year end	-	-
Maximum amount outstanding at any time during the year (Pylania SA has utilised the loan for meeting working capital requirements)	-	2,028,300
Loan to subsidiary (erstwhile joint venture) : Satva Jewellery & Design Limited		
Balance as at the year end	10,394,200	10,394,200
Maximum amount outstanding at any time during the year (Satva Jewellery & Design Limited has utilised the loan for meeting working capital requirements)	10,394,200	10,394,200
b) Investment *		
Investment in subsidiary: Pylania SA		
Balance as at the year end	18,280,558	18,280,558
Maximum amount outstanding at any time during the year	18,280,558	18,280,558
Investment in subsidiary: Ethos Limited		
Balance as at the year end	346,540,264	196,540,570
Maximum amount outstanding at any time during the year	346,540,264	196,540,570
Investment in subsidiary: Mahen Distribution Limited		
Balance as at the year end	69,807,200	63,403,600
Maximum amount outstanding at any time during the year	69,807,200	63,403,600
Investment in subsidiary: Kamla International Holdings SA		
Balance as at the year end	38,351,064	38,351,064
Maximum amount outstanding at any time during the year	38,351,064	38,351,064
Investment in associate: Kamla Tesio Dials Limited		
Balance as at the year end	2,000,000	2,000,000

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

- 34.** Disclosures pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and section 186 of the Companies Act, 2013:

	As at 31 March 2017	As at 31 March 2016
Maximum amount outstanding at any time during the year	2,000,000	2,000,000
Investment in Company: Karolview Developers Private Limited		
Balance as at the year end	5,000,000	5,000,000
Maximum amount outstanding at any time during the year	5,000,000	5,000,000
Investment in Company: Shivalik Waste Management Limited		
Balance as at the year end	175,000	175,000
Maximum amount outstanding at any time during the year	175,000	175,000
c) Guarantees given		
Guarantees given to subsidiary: Ethos Limited		
Balance as at the year end	547,364,168	598,587,328
(Guarantees has been given for the purpose of borrowings taken by subsidiary company)		
Guarantees given to subsidiary: Pylania SA		
Balance as at the year end	175,525,00	18,870,000
(Guarantees has been given for the purpose of borrowings taken by subsidiary company)		

* Investments are net off provision for diminution in the value of investment, other than temporary.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

35. The information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per revised schedule III of Companies Act, 2013

A. Value of imported and indigenous raw materials and components and stores and spares consumed

	For the year ended 31 March 2017		For the year ended 31 March 2016	
Raw material and components				
	Amount	Percentage	Amount	Percentage
Imported	153,179,848	52.40%	145,667,459	54.65%
Indigenous	139,165,913	47.60%	120,876,370	45.35%
	292,345,761	100.00%	266,543,829	100.00%
Stores and spares				
Imported	21,212,399	35.79%	26,525,267	42.94%
Indigenous	38,051,368	64.21%	35,243,027	57.06%
	59,263,767	100.00%	61,768,294	100.00%
B. Value of imports on CIF basis				
a) Capital goods	9,756,720		23,706,114	
b) Raw material and components	150,457,242		121,103,609	
c) Stores and spares	17,677,346		22,121,743	
C Expenditure in foreign currency (on accrual basis)				
a) Travelling	3,226,611		3,768,526	
b) Legal and Professional	18,119,786		6,161,569	
c) Commission on exports	19,143,373		29,473,696	
d) Employee benefit expense	9,567,358		23,070,076	
e) Others	5,028,988		7,974,382	

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
D. Earnings in foreign exchange		
FOB value of exports	679,955,102	730,154,371
Others	8,490,748	6,002,071
E. Net dividend remitted in foreign exchange during the year		
Period to which it relates		2015-16
Number of non-resident shareholders		94
Number of equity shares held on which dividend was due		1,610,034
Amount remitted		2,415,067
36. Earnings per share		
Net profit attributable to equity shareholders		
Profit after tax	71,474,910	65,773,897
Number of weighted average equity shares		
Basic	10,312,319	9,583,425
Diluted	10,321,209	9,597,779
Nominal value of equity share (Rs)	10	10
Earnings per share-after tax		
Basic	6.93	6.86
Diluted	6.93	6.85

The calculation of Earning Per Share (EPS) as disclosed in the statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 on "Earning Per Share" as specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

37. Leases

Operating leases

The Company has leased some of its premises and some of its fixed assets to a third party under a lease agreement that qualifies as an operating lease. Rental income for operating leases for the years ended 31 March 2017 and 31 March 2016 aggregate to Rs 4,535,719 and Rs 4,985,890 respectively. The Company is a lessee under various cancellable and non-cancellable operating leases. Rental expense for operating leases for the years ended 31 March 2017 and 31 March 2016 was Rs 22,709,626 and Rs 22,993,871 respectively. The Company has executed non-cancelable operating leases. Expected future minimum lease payments in respect of such leases are as follows:

	For the year ended 31 March 2017	For the year ended 31 March 2016
Year ending after balance sheet date:		
Upto one year	18,720,757	5,676,707
One to five years	81,105,830	23,089,625
More than five years	18,155,192	443,372

38. Disclosure as per clause 32 of the listing agreement with stock exchanges

Loans and advances given to subsidiaries and associates:

	For the year ended 31 March 2017		For the year ended 31 March 2016	
	Maximum Outstanding during the year	Balance Outstanding during the year	Maximum Outstanding during the year	Balance Outstanding during the year
Satva Jewellery and Design Limited*	10,394,200	10,394,200	10,394,200	10,394,200
Pylania SA	-	-	2,028,300	-

* Loans are re-payable on maturity or demand, whichever is earlier.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

39. Disclosure as per Accounting Standard (AS) 27, 'Financial Reporting of Interests in Joint Ventures'

	For the year ended 31 March 2017	For the year ended 31 March 2016
Total Assets	-	13,335,486
50% share of the Company in Joint Venture	-	6,667,743
Total Liabilities	-	13,335,486
50% share of the Company in Joint Venture	-	6,667,743
Income*	562,425	749,901
50% share of the Company in Joint Venture	281,213	374,951
Expenses*	2,638,855	3,533,466
50% share of the Company in Joint Venture	1,319,428	1,766,733

* Satva Jewellery and Design Limited ('Satva') has ceased to be joint venture of the Company and has become wholly owned subsidiary of KDDL Limited pursuant to purchase of remaining shares of the other venturer in the joint venture vide agreement dated 23 December 2016. Accordingly, transactions upto 23 December 2016 has been disclosed in note above.

40 In accordance with the provisions of section 135 of the Companies Act 2013, the Board of Directors of the Company had constituted a Corporate Social Responsibility(CSR) Committee.

(a) In terms with the provisions of the said Act, the Company had to spend a sum of Rs 1,767,293 towards CSR activities during the year ended 31 March 2017.

(b) The details of amount actually spent by the Company are:

S.No.	Particulars	Amount paid in Cash	Amount yet to paid in Cash	Total
(I)	Contribution to KDDL Ethos Foundation*	1,800,000	-	1,800,000
	Total	1,800,000	-	1,800,000

* Out of contribution made, Rs 945,000 has been spent by the KDDL Ethos Foundation on activities prescribed under section 135 of the Companies Act, 2013.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

41. KDDL Employee Stock Option Plan- 2011 ('ESOP 2011')

- (a) The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') which has been approved by the Board of Directors and the shareholders. A compensation committee comprising promoter executive and independent non-executive members of the Board of Directors administer the ESOP. All options under the ESOP are exercisable for equity shares. The Company planned to grant upto 110,000 options to eligible employees and directors of the Company and subsidiaries of the Company. The outstanding options as on 31 March 2017 are 21,000.
- (b) Fifty percent of the options which have been granted under ESOP 2011 were vested on 1 April 2014 ('first tranche'). These options were exercised by the employees and accordingly 39,750 shares were issued during the previous years to the eligible employees. The balance options shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs 1,500,000,000 ('second tranche'). The exercise period for the options is within six months from the date of vesting of the options. Each option is exercisable for one equity share of Rs 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant.
- (c) **The movement in the scheme is set out as under :**

Particulars	ESOP 2011		ESOP 2011	
	Year Ended March 31, 2017		Year Ended March 31, 2016	
	Options	Weighted Average Excise Price	Options	Weighted Average Excise Price
	Number	Amount	Number	Amount
Outstanding at the beginning of the year	24,750	120	39,750	120
Forfeited during the year	3,750	120	-	-
Expired during the year	-	-	15,000	120
Outstanding at the end of year	21,000	120	24,750	120
Number of equity shares of Rs 10 each fully paid to be issued on exercise of option	21,000	120	24,750	120
Weighted average price remaining contractual life (years)				
- First Tranche	Not Applicable	Not Applicable	Not Applicable	Not Applicable
- Second Tranche*	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* The options under second tranche shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs 1,500,000,000. Accordingly, the weighted average remaining contractual life (years) has been considered to be not applicable.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

(d) Proforma Accounting for Stock option Grants

The company applies the intrinsic value based method of accounting for determining compensation cost for its stock based compensation plans. Had the compensation cost been determined using fair value approach, the company's net income and basic/diluted earnings per share as reported would have reduced to the proforma amounts as indicated :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
1. Profit after tax as reported	71,474,910	65,773,893
2. Add : Stock based employee compensation expense debited to statement of profit and loss	(52,125)	(83,164)
3. Less : Stock based employee compensation expense based on fair value	(291,900)	(280,615)
4. Difference between (2) and (3)	(344,025)	(363,779)
5. Adjusted to proforma profit	71,130,885	65,410,117
6. Difference between (1) and (5)	344,025	363,779
7. Basic earnings per share as reported	6.93	6.86
8. Proforma basic earnings per share	6.90	6.83
9. Diluted earnings per share as per reported	6.93	6.85
10. Proforma diluted earnings per share	6.89	6.82

(e) The fair value of options, calculated by an external valuer for first and second tranche, was estimated on the date of grant using Black and Scholes model using following significant assumptions :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Risk Free interest rate (in %)	8.50%	8.50%
Expected life (in months)*	88	88
Volatility (in %)	66.49%	66.49%
Dividend Yield (in %)	1.58%	1.58%

*The volatility of the options is based on historical volatility of share prices since the company's share are publicly traded, which may be shorter than the terms of the options.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

- (f) Details of the weighted average exercise price and fair value of the stock options granted at price below market price :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Total options granted outstanding	21,000	24,750
Weighted average exercise price (in Rs)	120	120
Weighted average fair value (in Rs)	87.13	87.13

- 42** The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Units of foreign currency	Amount outstanding 31 March 2017		Amount outstanding 31 March 2016	
		Amount (in FC)	Amount (in INR)	Amount (in FC)	Amount (in INR)
Receivables					
	HKD	65,220	538,066	47,440	400,391
	USD	231,340	15,112,025	182,797	12,024,406
	EUR	22,418	1,576,566	21,547	1,597,513
	CHF	1,482,432	96,802,813	1,368,817	92,614,158
	GBP	-	-	528	49,665
Payables					
	HKD	281,204	2,364,922	367,613	3,161,472
	USD	50,288	3,270,877	46,339	3,078,732
	EUR	13,501	942,505	13,269	1,001,540
	CHF	95,121	6,211,369	183,262	12,648,732
	JPY	252,796	858,370	126,715	75,281
Commission payable					
	CHF	152,181	9,937,419	316,382	21,836,657
Buyer's credit					
	USD	420,600	27,381,060	320,900	21,320,596
Advances from customers					
	CHF	1,865	121,225	53,422	3,687,153

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Particulars	Units of foreign currency	Amount outstanding 31 March 2017		Amount outstanding 31 March 2016	
		Amount (in FC)	Amount (in INR)	Amount (in FC)	Amount (in INR)
Advances to suppliers	USD	-	-	27,592	1,839,333
	USD	8,666	577,672	17,730	1,166,310
	SGD	-	-	12,236	591,986
	EURO	15,459	1,100,320	31,116	2,306,919
	JPY	206	12,484	64,950	38,587
	CHF	-	-	4,358	294,895
	SEK	3,679	28,700	-	-
	HKD	289,598	2,455,791	-	-

Following are the forward contracts entered into by the Company, which are outstanding as at the year end, in respect of unrecognised firm commitments:

Units of foreign currency	No. of Contracts	Amount outstanding 31 March 2017		Amount outstanding 31 March 2016	
		(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
CHF	-	-	-	6	600,000
					42,475,000

43. Segment information, as required under AS-17 "Segment Reporting", has been provided in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

44. As per the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, the Company is required to use certain specific methods in computing arm's length prices of transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of appointing independent consultants for conducting a Transfer Pricing Study (the 'Study') to confirm that the transaction with associate enterprises undertaken during the financial year are on "arms length basis".

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Management is of the opinion that the company's transactions are at arm's length and that the results of the proposed study will not have any impact on the financial statements and that they do not expect any transfer pricing adjustments.

- 45.** Disclosure of details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016:

	SBNS	Other denomination notes	Total
Closing cash in hand as on 8 November 2016*	7,734,500	316,371	8,050,871
(+) Permitted receipts [refer note (ii) below]	-	2,012,915	2,012,915
(-) Permitted payments	-	1,699,927	1,699,927
(-) Amount deposited in banks	7,734,500	-	7,734,500
Closing cash in hand as on 30 December 2016	-	629,359	629,359

*Closing balance as on 8 November 2017 includes cash balance held with certain employees of the Company

These are the notes to the financial statements referred to in our report of even date

For and on behalf of the Board of Directors of **KDDL Limited**

For Walker Chandiok & Co LLP
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer
and Vice-Chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Officer
and Whole Time Director
(DIN: 03542390)

Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

Place : Chandigarh
Date : 30 May 2017

KDDL Limited (Consolidated)

Independent Auditor's Report

To the Members of KDDL Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of KDDL Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its associate company, which comprise the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ('the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associate company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors and the respective Board of Directors/management of the subsidiaries included in the Group, and its associate company are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms of the provisions of the Act, the respective Board of Directors/management of the companies included in the Group, and its associate company covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation

KDDL Limited (Consolidated)

of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 9 of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries and its associate company the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate company as at 31 March 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

9. We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets of Rs 2,214,770,176 and net assets of Rs711,823,176 as at 31 March 2017, total revenues of Rs 3,280,387,200 and net cash inflows amounting to Rs42,357,952 for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs91,452 for the year ended 31 March 2017, as considered in the consolidated financial statements, in respect of one associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate, is based solely on the reports of the other auditors.

Further, we did not audit the financial statements of two foreign subsidiaries, whose financial statements total assets of Rs 180,793,518 and net assets of Rs 108,054,865 as at 31 March 2017, and total revenues of Rs 119,176,237 and net cash inflows amounting to Rs6,752,292 for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been examined by other auditors whose examination reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on such examination reports examined by other auditors. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion above on the consolidated financial statements and our report on other legal and regulatory requirements below are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors and the financial statements certified by the management.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on separate financial statements and other financial information of the subsidiaries and associates, we report, to the extent applicable, that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those

KDDL Limited (Consolidated)

- books and the reports of the other auditors;
- c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditors of its subsidiary companies and associate company covered under the Act, none of the directors of the Group companies and its associate company covered under the Act, are disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164(2) of the Act.;
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and its subsidiary companies and associate company covered under the Act and the operating effectiveness of such controls, refer to our separate report in Annexure I; and
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associates:
 - (i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate company as detailed in Note 34 (c) to 34 (e) to the consolidated financial statements;
 - (ii) The Group and its associate company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies and associate company and jointly controlled companies covered under the Act; and
 - (iv) These consolidated financial statements have made requisite disclosures as to holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 by the Holding Company, and its subsidiary companies and its associate company covered under the Act. Based on the audit procedures performed and taking into consideration the information and explanations given to us and on consideration of the reports of the other auditors on separate financial statements and other financial information, in our opinion, these disclosures are in accordance with the books of account maintained by the respective companies.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per Lalit Kumar

Partner

Membership No.: 095256

Place: Chandigarh

Date: 30 May 2017

KDDL Limited (Consolidated)

Annexure I to the Independent Auditor's Report of even date to the members of KDDL Limited, on the consolidated financial statements for the year ended 31 March 2017

Annexure I

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the consolidated financial statements of the KDDL Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group"), and its associate as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Holding Company, its subsidiary companies and its associate company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary companies and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on IFCoFR criteria established by the Group considering the essential components of internal financial controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of the company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate company as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note"), issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company, its subsidiary companies and its associate company as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that

KDDL Limited (Consolidated)

Annexure I to the Independent Auditor's Report of even date to the members of KDDL Limited, on the consolidated financial statements for the year ended 31 March 2017

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company, its subsidiary companies and its associate company, which are companies incorporated in India, have, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on IFCoFR criteria established by the Group considering the essential components of internal financial controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI').

Other Matters

9. We did not audit the IFCoFR insofar as it relates to three subsidiary companies, which are companies incorporated in India, whose financial statements reflect total assets of Rs 2,214,770,176 and net assets of Rs 711,823,176 as at 31 March 2017, total revenues of Rs 3,280,387,200 and net cash inflows amounting to Rs 42,357,952 for the year ended on that date, as considered in the consolidated financial statements.; and one associate company incorporated in India, in respect of which, the Group's share of net profit of Rs 91,452 for the year ended 31 March 2017 has been considered in the consolidated financial statements. Our report on the adequacy and operating effectiveness of the IFCoFR for the Holding Company, its subsidiary companies and its associate company, which are companies incorporated in India, under Section 143(3)(i) of the Act insofar as it relates to the aforesaid subsidiaries, associate and jointly controlled company, which are companies incorporated in India, is solely based on the corresponding reports of the auditors of such companies. Our opinion is not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

per Lalit Kumar

Partner

Membership No.: 095256

Place: Chandigarh

Date: 30 May 2017

KDDL Limited (Consolidated)

Consolidated Balance sheet as at 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Notes	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	109,267,260	101,720,100
Reserves and surplus	3	875,357,922	717,251,532
Money received against share warrants	4	25,078,602	-
		<u>1,009,703,784</u>	<u>818,971,632</u>
Minority interest		361,332,963	337,943,549
Non-current liabilities			
Long-term borrowings	5	363,693,353	330,489,059
Deferred tax liabilities (net)	6	35,243,714	30,604,664
Other long term liabilities	7	31,001,337	28,102,850
Long-term provisions	8	29,324,244	35,949,580
		<u>459,262,648</u>	<u>425,146,153</u>
Current liabilities			
Short-term borrowings	9	591,351,373	681,588,671
Trade payables	10		
- Payable to micro enterprises and small enterprises		7,269,656	4,507,070
- Other payables		708,819,573	773,229,141
Other current liabilities	11	401,126,120	340,094,748
Short-term provisions	12	30,026,584	34,629,971
		<u>1,738,593,306</u>	<u>1,834,049,601</u>
Total		<u><u>3,568,892,701</u></u>	<u><u>3,416,110,935</u></u>
ASSETS			
Non-current assets			
Fixed assets	13		
Tangible assets		779,664,758	775,535,835
Intangible assets		10,733,657	15,223,404
Capital work-in-progress		48,125,459	29,524,034
Non-current investments	14	7,980,747	7,889,295
Long-term loans and advances	15	224,025,940	207,035,863
Other non-current assets	16	481,150	8,172,994
		<u>1,071,011,711</u>	<u>1,043,381,425</u>
Current assets			
Inventories	17	1,879,706,812	1,849,672,274
Trade receivables	18	296,216,363	258,586,869
Cash and bank balances	19	210,501,944	122,818,553
Short-term loans and advances	20	107,418,687	138,276,461
Other current assets	21	4,037,184	3,375,353
		<u>2,497,880,990</u>	<u>2,372,729,510</u>
Total		<u><u>3,568,892,701</u></u>	<u><u>3,416,110,935</u></u>

Notes 1 to 50 form an integral part of these consolidated financial statements

This is the consolidated balance sheet referred to in our report of even date.

For and on behalf of the Board of Directors of KDDL Limited

For **Walker Chandiok & Co LLP**
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer and Vice chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Officer and Whole Time Director
(DIN: 03542390)

Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

Place : Chandigarh
Date : 30 May 2017

KDDL Limited (Consolidated)

Consolidated Statement of Profit and Loss for the year ended on 31 March 2017

(All amounts in rupees, unless stated otherwise)

	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
REVENUE			
Revenue from operations (gross)	22	4,605,719,796	4,542,164,570
Less: Excise duty		52,009,939	44,372,944
Revenue from operations (net)		4,553,709,857	4,497,791,626
Other income	23	32,340,106	46,262,797
Total revenue		4,586,049,963	4,544,054,423
EXPENDITURE			
Cost of materials consumed	24	299,543,500	266,158,290
Purchase of traded goods	25	2,565,532,767	2,680,182,189
Change in inventories of finished goods and work in progress	26	(35,017,125)	(178,269,451)
Employee benefit expenses	27	605,398,228	570,292,165
Finance costs	28	143,728,978	150,150,076
Depreciation and amortisation expense	29	116,668,612	112,270,662
Other expenses	30	849,359,017	863,305,833
Prior period items	31	-	923,071
Total expenses		4,545,213,977	4,465,012,835
Profit before tax		40,835,986	79,041,588
Tax expense:			
Current tax		34,883,715	36,590,335
Current tax - earlier years		515,572	(1,989,603)
Deferred tax		4,639,050	8,004,555
Deferred tax adjustment - earlier years		-	(5,471,790)
Profit after tax before minority interest / share of profit in associate		797,649	41,908,091
Share in profit of associates		91,452	128,872
Adjustment for minority interest		5,634,487	11,017,271
Net profit for the year		6,523,588	53,054,234
Earnings per share(Nominal value of equity share Rs 10 each) 38			
(1) Basic		0.63	5.54
(2) Diluted		0.63	5.53

Notes 1 to 50 form an integral part of these consolidated financial statements

This is the consolidated statement of profit & loss referred to in our report of even date. For and on behalf of the Board of Directors of **KDDL Limited**

For **Walker Chandiook & Co LLP**
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer and Vice chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Officer and Whole Time Director
(DIN: 03542390)

Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

Place : Chandigarh
Date : 30 May 2017

KDDL Limited (Consolidated)

Consolidated Cash flow statement for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
A. Cash flow from operating activities:		
Net profit before tax	40,835,986	79,041,588
Adjustments for:		
Depreciation and amortisation expense	116,668,612	112,270,662
(Profit)/Loss on sale of fixed assets (net)	-	1,010,239
Fixed assets written off	7,136,020	3,946,371
Expense on employee stock option scheme	(52,124)	(83,164)
Finance costs	143,728,978	150,150,076
Interest income	(11,738,615)	(6,245,673)
Provision no longer required, written back	(7,823,851)	(13,831,004)
Bad debts and capital advances written off	226,155	1,838,370
Provision for bad and doubtful debts	597,300	959,219
Foreign exchange translation reserve arising on consolidation	(3,719,782)	(1,303,041)
Operating profit before working capital changes	285,858,679	327,753,643
Adjustments for movement in:		
Inventories	(30,034,538)	(162,709,630)
Trade receivables	(38,452,949)	(13,009,762)
Short-term loans and advances	30,857,777	25,804,855
Long-term loans and advances	7,559,919	(17,563,426)
Other current assets	(69,904)	143,456
Other non-current assets	6,850,980	(6,878,189)
Trade payables	(53,823,131)	(57,284,355)
Other current liabilities	57,519,564	5,362,627
Other long-term liabilities	2,898,487	9,705,965
Short-term provisions	817,814	8,593,285
Long-term provisions	(6,625,336)	2,721,845
Cash flow from operating activities before taxes	263,357,362	122,640,314
Less: Income-tax paid	(46,141,599)	(63,456,324)
Net cash flow from operating activities (A)	217,215,763	59,183,990
B. Cash flow from investing activities:		
Purchase of fixed assets (including capital advances and creditors for capital expenditure)	(161,551,949)	(165,513,125)
Proceeds from sale of fixed assets	4,165,651	4,068,129
Interest received	11,146,688	5,684,186

KDDL Limited (Consolidated)

Consolidated Cash flow statement for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Bank balances not considered as cash and cash equivalents		
-Deposits	(158,836,665)	(147,713,643)
-Matured	125,280,917	132,991,896
Net cash used in investing activities (B)	(179,795,358)	(179,126,218)
C. Cash flow from financing activities:		
Proceeds from issue of share capital (including premium)	199,999,740	299,999,000
Proceeds from issue of share warrants (including premium)	25,078,602	-
Share issue expenses	(1,010,000)	(15,083,603)
Proceeds to/from issue of shares to minority		
- Equity shares	(7,064,204)	33,437,566
- Preference shares	-	-
Proceeds from long-term borrowings (including current maturities)	157,348,690	286,803,841
Repayment of long-term borrowings (including current maturities)	(121,523,282)	(292,583,009)
Proceeds from short-term borrowings	44,287,494	44,057,000
Repayment of short-term borrowings	(134,524,791)	(70,933,549)
Finance costs paid	(146,725,875)	(147,165,400)
Dividend paid	-	(33,280,937)
Tax on dividend	-	(6,796,322)
Net cash flow from financing activities ©	15,866,374	98,454,587
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	53,286,779	(21,487,641)
E. Cash and cash equivalents at the beginning of the year	64,317,667	85,805,308
F. Closing cash and cash equivalents (D+E)	117,604,446	64,317,667

Notes:

a) The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 (AS-3) on "Cash flow statements" as specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

b) Cash and cash equivalents include:

Cash in hand	10,321,042	24,591,744
Cheques and drafts in hand	4,377,331	2,631,078
Credit cards receivable	6,249,003	10,207,511
Balances with banks	94,688,125	24,366,756
Unpaid dividend accounts	1,968,945	2,520,578
	117,604,446	64,317,667

KDDL Limited (Consolidated)

Consolidated Cash flow statement for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	For the year ended 31 March 2017	For the year ended 31 March 2016
Excluding the following:		
- Deposits with maturity more than three months but less than twelve months *	92,897,498	58,500,886
- Deposits with more than twelve months maturity	453,941	1,294,805
	<u>210,955,885</u>	<u>124,113,358</u>
Less : Amounts disclosed as other non-current assets (refer note 15)	(453,941)	(1,294,805)
Cash and bank balances	<u><u>210,501,944</u></u>	<u><u>122,818,553</u></u>

* placed as fixed deposits with banks for repayment of deposits as required under section 73 of the Companies Act, 2013 (corresponding to section 58A of the Companies Act, 1956) and margin money for working capital and term loans.

c) Negative figures have been shown in brackets.

d) Cash and cash equivalents include Rs 1,968,945 (previous year Rs 2,520,578) held in dividend accounts which is not available for use by the Company.

Notes 1 to 50 form an integral part of these consolidated financial statements

This is the consolidated cash flow statement referred to in our report of even date.

For and on behalf of the Board of Directors of **KDDL Limited**

For **Walker Chandiok & Co LLP**
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer and Vice-Chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Officer and Whole Time Director
(DIN: 03542390)

Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

Place : Chandigarh
Date : 30 May 2017

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

1. Significant accounting policies

a) Principles of Consolidation

The consolidated financial statements include the financial statements of KDDL Limited (“KDDL” or the “Parent Company” or the “Company”), its subsidiaries, associate and joint venture (till the date of acquisition of remaining shares from joint venturer) (collectively referred to as “Group”).

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - “Consolidated Financial Statements”

Interest in Joint Ventures (till the date of acquisition of remaining shares from joint venturer) have been accounted by using the proportionate consolidation method as per Accounting Standard (AS) 27 - “Financial Reporting of Interest in Joint Ventures”.

In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing at the balance sheet date. All assets and liabilities are converted at rates prevailing at the balance sheet date. Any exchange difference arising on consolidation is recognised in the Exchange Fluctuation Reserve.

The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be.

The difference between the proceeds from disposal of investment in subsidiaries if any and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated Profit and Loss Statement being the profit or loss on disposal of investment in subsidiary.

Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

Investment in Associate Companies has been accounted under the equity method as per Accounting Standard (AS) 23 - “Accounting for Investments in Associates in Consolidated Financial Statements”.

The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

b) Basis of preparation

These financial statements have been prepared under the historical cost convention on a going concern basis, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). Indian GAAP comprises mandatory accounting standards as specified under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting pronouncements of The Institute of Chartered Accountants of India.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of its assets and liabilities.

c) Use of estimates

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined.

d) Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty, net of trade discounts, sales return and sales tax wherever applicable.
- b) Commission from sale of goods, received on consignment basis, is recognised on accrual basis.
- c) Export entitlements under the Duty Entitlement Pass Book scheme are recognised in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- d) Revenue in respect of tool development and job charges is recognised as per the terms of the contract with the customers.
- e) Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rates applicable.
- f) Dividend income is recognized when the Company's right to receive the same is established.
- e) Fixed assets

Tangible assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and adjusted for impairment losses. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalized.

Borrowing costs directly attributable to acquisition or construction of fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Assets acquired on hire purchase are capitalised at the inception of the hire purchase agreement. Interest cost is charged to statement of profit and loss on accrual basis.

Intangible assets

Intangible assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

f) Depreciation and amortization

Pursuant to the notification in Part II of Schedule II to the Companies Act, 2013, effective from 1 April 2014, the management has reassessed and changed, wherever necessary the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. Depreciation on fixed assets for year ended 31 March 2017 is provided on straight line method based on life prescribed as per Schedule II of the Companies Act, 2013.

Block of asset	Useful life as per Companies Act, 2013 (in years)
Buildings	30-60
Plant and machinery	15
Furniture and fixture	10
Office equipment	5
Computers	3
Vehicles	8 – 10

Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease or useful life of the assets, whichever is lower.

Depreciation on a particular class of dies and tools manufactured by the Parent Company and put to use after 1 April 2003 is provided over a period of 3 years.

The above rates of depreciation are indicative of the useful lives of the assets.

- The cost of leasehold land is not amortised as these are perpetual leases.
- Goodwill is amortised over a period of 5 years.
- Know-how is amortised over a period of four years.

Software is amortised over a period not exceeding six years.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

For Pylania SA (foreign subsidiary) depreciation charge is provided on straight line method based on the estimated economic useful life of the assets using the rates stated below:

Description	Rate
Buildings – factory	1.5% to 8.5%
Plant and machinery	10% to 15%
Office equipment	8.5% to 15%
Motor vehicles	48%

g) Inventories

Inventories are valued as follows:

1. Raw materials and components, stores and spares, finished goods and stock in process: At lower of cost or net realisable value.
2. Cost of inventories is ascertained on the following basis:
 - a) Raw materials and components and stores and spares cost includes material cost, custom duty, freight and related direct expenses incurred in bringing the inventories to present location and condition. Cost is determined on moving weighted average basis.
 - b) Goods purchased for re-sale – moving weighted average basis.
 - c) Work in progress is valued at raw material cost plus conversion costs depending upon the stage of completion.
 - d) Finished goods are stated at the lower of cost or net realizable value. Cost is determined using moving weighted average cost basis and includes the raw material cost plus conversion costs, packing cost and other overheads costs incurred to bring the goods to their present location and condition.

h) Investments

Long-term investments (other than those accounted for using the equity method of accounting) are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investment.

i) Employee Stock Option Scheme (ESOS)

Stock options granted to the employees under the stock options schemes are accounted at intrinsic value as per the accounting treatment prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') and guidance note on Employee share based payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, determined as per the Guidelines and guidance note, of underlying equity shares (market value), over the exercise price of the options is recognised as deferred stock compensation expense and is charged to statement of profit and loss on a straight line basis over the vesting period of the

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

options. The amortised portion of the cost is shown under shareholders' funds

j) Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date. Differences arising on foreign currency translations of transactions settled during the year are recognised in the statement of profit and loss.

The foreign subsidiary has been identified as non-integral operations in accordance with requirement of Accounting Standard 11 ('AS 11') 'Effect of change in Foreign Exchange Rates'. In accordance with AS 11, the Financial statement of non-integral foreign operations are translated to Indian rupees as follows:

- a) All assets and liabilities, both monetary and non-monetary are translated using the closing rate.
- b) Revenue items are translated at the respective monthly average rates.
- c) The resulting net exchange difference is credited or debited to a foreign currency translation reserve.

Indian Rupee is the reporting currency of the Group. However, the local currencies of the overseas associate and a foreign subsidiary (having operations integral to that of the Parent Company) are different from the reporting currency of the Group. The translation of the results of the overseas associate and the foreign subsidiary is performed as if the transactions of such entities had been those of the Parent Company itself.

Forward exchange contracts not covered under AS 11, that are entered to hedge the foreign currency risk of highly probable forecast transactions and unrecognized firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

The premium or discount arising at the inception of the forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

k) Employee benefits

Short term employee benefits

All employee benefits payable/available within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, bonus, etc are recognized in the statement of profit and loss in the period in which the employee renders the related service.

Post-employment benefits

a) Defined contribution plan

The company makes specified contribution towards employee provident fund to Employees Provident Fund administered by the Regional Provident Commissioner. The Company's contribution to provident

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

fund, being a defined contribution plan, is recognized in the statement of profit and loss in the financial year to which it relates.

In respect of superannuation, the Company makes contribution to Life Insurance Corporation of India ("LIC") of an amount payable by the trusts to LIC, which is charged to the statement of profit and loss.

b) Defined benefit plan

Gratuity is a post-employment defined benefit plan. The present value of obligation for gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Gratuity and superannuation funds are administered by trustees of independently constituted trusts.

Other long term liability

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the balance sheet date.

Actuarial gains/losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of profit and loss in the year in which such gains or losses arise.

l) Taxes on income

Tax expense comprises current tax and deferred income tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses can be realized.

Minimum Alternate tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

m) Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

n) Club Echo points

Club echo points accrued to the customer as a part of the loyalty programme, is provided for based on management's past experience.

o) Leases

Lease rentals in respect of assets taken under an operating lease are charged to the statement of profit and loss on accrual basis.

In respect of assets given on operating lease, income is being recognised on a straight line basis over the lease term.

p) Contingent liabilities and provisions

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation at the reporting date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

The Group does not recognize assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognized in the financial statements of the period in which the change occurs.

q) Impairment of assets

The carrying values of assets / cash generating units are reviewed for impairment at each Balance Sheet date in accordance with Accounting Standard– As 28 'Impairment of Assets' to determine whether there is any indication of impairment by the management of the Group. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash and deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

s) Segment reporting policies

The accounting policies adopted for segment reporting are in line with those of the Group with the following additional policies for segment reporting:

- a) Inter segment revenues have been accounted for based on the transaction price agreed to between segments at estimated cost of the transferor segment.
- b) Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
- c) Revenues and expenses, which relate to the group as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses". Unallocated corporate expense also includes taxes and finance charges and other unallocable corporate expenses.
- d) Assets and liabilities, which relate to the group as a whole and are not allocable to segments on a reasonable basis, are shown as unallocated corporate assets and liabilities respectively.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
2. Share capital				
a) Authorised share capital				
Equity shares of Rs. 10 each	<u>12,480,000</u>	<u>124,800,000</u>	<u>12,480,000</u>	<u>124,800,000</u>
b) Issued, subscribed and fully paid up				
(i) Issued	<u>11,013,866</u>	<u>110,138,660</u>	<u>10,259,150</u>	<u>102,591,500</u>
(ii) Subscribed and fully paid up	<u>10,839,586</u>	<u>108,395,860</u>	<u>10,084,870</u>	<u>100,848,700</u>
(iii) Shares forfeited	<u>174,280</u>	<u>871,400</u>	<u>174,280</u>	<u>871,400</u>
Total	<u>11,013,866</u>	<u>109,267,260</u>	<u>10,259,150</u>	<u>101,720,100</u>

- a. The Parent Company has only one class of equity shares having a par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Parent Company, holders of equity shares will be entitled to receive any of the remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b. Reconciliation of equity share capital

	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
Equity shares of Rs. 10 each fully paid up				
Balance at the beginning of the year	<u>10,084,870</u>	<u>100,848,700</u>	<u>9,076,470</u>	<u>90,764,700</u>
Add: Shares issued during the year	<u>754,716</u>	<u>7,547,160</u>	<u>1,008,400</u>	<u>10,084,000</u>
Balance at the end of the year	<u>10,839,586</u>	<u>108,395,860</u>	<u>10,084,870</u>	<u>100,848,700</u>

There is no movement in forfeited equity shares of Rs. 10 each, Rs. 5 paid up during the current and previous year.

c. Shareholders holding more than 5% of equity share capital

	Number	Percentage	Number	Percentage
R. K. Saboo	<u>2,058,460</u>	<u>18.99%</u>	<u>2,058,460</u>	<u>20.41%</u>
Yashovardhan Saboo	<u>1,509,530</u>	<u>13.93%</u>	<u>1,509,530</u>	<u>14.97%</u>
Saif India V FII Holdings Limited	<u>1,008,400</u>	<u>9.30%</u>	<u>1,008,400</u>	<u>10.00%</u>
Saif Partners India V Limited	<u>754,716</u>	<u>6.96%</u>	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

d. Shares reserved for issue under options and other commitments

As on 31 March 2017, 21,000 (previous year : 24,750) equity shares have been reserved for issue under the Employee Stock Plan of the company (Refer note 42).

e. Utilisation of proceeds received pursuant to issue of shares

During the current year, the Company has issued 754,716 equity shares of Rs 10 each on preferential allotment of shares issued at the rate of Rs 265 per share (including security premium of Rs 255 each). The Company has also received Rs. 2,5100,000 (twenty five percent of issue price) of 377,356 equity shares warrants of Rs 10 each issued at the rate of Rs 265 per share warrant (including security premium of Rs 255 each). The amount received has been utilised as follows:

Particulars	Amount(Rs.)
Share issue expenses	1,010,000
Repayment of working capital demand loan	79,000,000
Repayment of term loan	8,349,390
Working capital requirements	115,662,268
Fixed deposit	20,000,000
Current account	1,078,342
Total	225,100,000

f. Shares issued for consideration other than cash and buy-back of shares

The Company has not issued any shares pursuant to a contract without payment being received in cash in the current year and preceding five years. The Company has not issued any bonus shares nor has there been any buy-back of shares in the current year and preceding five years.

	As at 31 March 2017	As at 31 March 2016
3. Reserves and surplus		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Forfeiture of zero coupon convertible warrants	1,025	1,025
Capital reserve		
Capital reserve		
Balance at the beginning of the year	2,656,334	7,073,451
Add: Additions made during the year	-	2,805,030

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Add: Amount transferred from minority interest	2,083	(7,222,147)
Balance at the end of the year	<u>2,658,417</u>	<u>2,656,334</u>
Securities premium reserve		
Balance at the beginning of the year	584,348,245	301,510,261
Add: Additions during the year	192,452,580	320,649,600
Less: Share issue expense	(1,010,000)	(15,083,603)
Less: Amount transferred to minority interest	(16,482,415)	(22,728,013)
Balance at the end of the year	<u>759,308,410</u>	<u>584,348,245</u>
Employee stock options outstanding		
At the commencement of the year	344,238	552,525
Less: Options expired during the year*	(52,124)	(208,287)
Employee stock option at the end of the year (i)	<u>292,114</u>	<u>344,238</u>
Deferred employee stock option expense at the beginning of the year	-	125,123
Less: Amortisation and other movements during the year*	-	(125,123)
At the end of the year (ii)	<u>-</u>	<u>-</u>
Employee stock option reserve (i)-(ii)	<u>292,114</u>	<u>344,238</u>
*Employee stock option recognised in statement of profit and loss during the year (also refer note 22)	(52,124)	(83,164)
Foreign currency translation reserve		
As per last balance sheet	(15,848,898)	(10,321,165)
Add: Adjustment during the year (also refer note 37)	(3,719,782)	(5,527,733)
Balance at the end of the year	<u>(19,568,680)</u>	<u>(15,848,898)</u>
General reserve		
Balance at the beginning of the year	177,619,619	154,952,889
Add: Transferred from statement of profit and loss	20,000,000	20,000,000
Add: Adjustment for earlier years	-	2,666,730
Balance at the end of the year	<u>197,619,619</u>	<u>177,619,619</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Deficit in the statement of profit and loss		
Balance at the beginning of the year	(49,105,681)	(49,172,393)
Add: Transferred from statement of profit and loss	6,523,588	53,054,234
Less: Transfer to minority interest out of reserves	3,863,213	3,863,213
Add: Excess provision for dividend on cumulative preference shares reversed	-	8,262,740
Add: Adjustment for earlier years	-	(2,666,727)
Less: Appropriations		
Dividend on cumulative preference shares (refer note 45)	(23,470,753)	(24,239,185)
Interim dividend on equity shares	-	(15,127,997)
Tax on interim dividend on equity shares	-	(3,079,567)
Transfer to general reserve	(20,000,000)	(20,000,000)
Balance at the end of the year	<u>(82,189,633)</u>	<u>(49,105,681)</u>
Revaluation reserve		
As per last balance sheet	11,727,525	13,705,812
Less: Transferred to minority interest	-	(1,978,287)
Balance at the end of the year	<u>11,727,525</u>	<u>11,727,525</u>
	<u>875,357,922</u>	<u>717,251,532</u>

4. During the year, the Company issued 377,356 share warrants to be converted into 377,356 equity shares of the face value of Rs. 10 each. These warrants were issued at Rs 265 per warrant (including securities premium of Rs 255). Rs 66.25 per warrant has been paid by the allottee. Each share warrant is convertible into one equity share of Rs 10 each on payment of remaining consideration on or before eighteen months from the date of allotment of warrants.

	As at 31 March 2017	As at 31 March 2016
5. Long term borrowings		
Secured		
Term loans		
- from banks	71,990,276	155,506,303
- from others	177,446,946	104,944,032

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Vehicle loan		
- from banks	3,268,086	6,275,341
Unsecured		
Public deposit		
- from related parties (refer Note 41)	4,809,000	2,900,000
- from others	177,137,000	143,178,000
Inter corporate deposits		
- from related party (refer Note 41)	14,999,940	29,999,940
- from others	30,000,000	50,000,000
Loans		
- from related parties (refer Note 41)	28,580,803	7,000,000
- from others	34,396,971	-
	<u>542,629,022</u>	<u>499,803,616</u>
Less: Current maturities of long term borrowings (refer note 11)		
Secured		
Term loans		
- from banks	29,458,000	74,929,013
- from others	32,961,497	10,248,673
Vehicle loan		
- from banks	1,241,458	2,608,871
Unsecured		
Public deposit		
- from related parties (refer Note 41)	1,000,000	400,000
- from others	41,297,000	41,128,000
Inter corporate deposits		
- from related party (refer Note 41)	14,999,940	-
- from others	10,000,000	40,000,000
Loans		
- from related parties (refer Note 41)	13,580,803	-
- from others	34,396,971	-
	<u>178,935,669</u>	<u>169,314,557</u>
	<u>363,693,353</u>	<u>330,489,059</u>

a. Details of security and terms of repayment of term loans from banks

Term loans from banks amounting to Rs 71,990,276 (previous year Rs 155,506,303) are secured as under:

- Term loans from Bank of India taken by parent company amounting to Rs 18,629,248 (previous year Rs 55,231,759) carrying interest rate of 2.95% over the bank MCLR are secured by way of first pari passu charge on all the plant and machinery and furniture and fixtures of the Company excluding the fixed assets

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

installed at packaging division at Chandigarh (KPAC), hands division at Bengaluru (KHAN-2), and the plant and machinery and furniture and fixtures of dials division at Parwanoo (TTPA) acquired before 31 March 2005 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of dials division at Derabassi (KDER). The loan includes construction loan for dials unit at Parwanoo (TTPA) which is secured by first pari passu charge on land and building of TTPA. The term loans are also personally guaranteed by the Chairman Emeritus and Chief Executive Officer (CEO) of the Company.

- Term loans from IDBI Bank Limited taken by parent company amounting to Rs 10,708,000 (previous year Rs 12,110,411) carrying interest rate of 2.5% over the bank base rate and Corporate loan amounting to Rs 19,546,570 (previous year Rs 24,996,000) carrying interest rate of 3% over the bank base rate are secured by way of first pari passu charge on all the plant and machinery and furniture and fixtures of KDER, tool room division at Bengaluru (EIGEN) and hands division at Bengaluru (KHAN-1) and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of KDER. The term loans are also personally guaranteed by the Chairman Emeritus and Chief Executive Officer (CEO) of the Company.

- Term loan from Corporation Bank taken by parent company amounting to Nil (previous year Rs 23,089,207) carrying interest rate of 5.5% over the bank base rate, was secured by way of first exclusive charge on all the plant and machinery and furniture and fixtures of KHAN-2 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The loan is further secured by exclusive mortgage charge on land and building of KHAN-1.

-Term loans from The Jammu & Kashmir Bank Limited taken by subsidiary, Ethos Limited amounting to Nil (previous year Rs 12,816,981), carrying interest rate of 12.25% p.a. was secured by first charge on entire fixed assets, both present and future, of the subsidiary. These limits are also secured by first charge on fixed assets of KPAC unit at Chandigarh of Parent Company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo unit of Parent Company, excluding the assets purchased after 1 April 2005. These loans are also guaranteed by the Parent Company and the director of the subsidiary.

- Term loan taken by subsidiary, Pylania SA include loan taken from Bank of India amounting to Rs 17,882,459 (previous year Rs 18,306,000) is carrying interest rate of 12 months Euribor plus 3.45%. The loan is secured against bank guarantee given by the Parent Company.

-Bank mortgage taken by subsidiary, Pylania SA amounting to Rs 5,224,000 (previous year Rs 8,955,345) carrying interest rate of 5.00% is secured against land and building situated in Pylania.

Repayment terms of term loans from banks (including the current maturities of long-term debt) are given as under:

- Term loan from Bank of India amounting to Rs 18,629,248 is repayable in 9 equal quarterly instalments of Rs 18,75,000 each and last instalment of Rs 17,54,248 commencing from 30 June 2017. The last instalment

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

would be due on 30 September 2019.

- Corporate Loan from IDBI Bank Limited amounting to Rs 10,708,000 is repayable in 2 equal quarterly instalments of Rs 3,572,000 each and last instalment of Rs 35,64,000 commencing from 30 June 2016. The last instalment would be due on 31 December 2017.

- Corporate Loan from IDBI Bank Limited amounting to Rs 19,546,570 is repayable in 6 equal quarterly instalments of Rs 2,812,500 each and last instalment of Rs. 2,671,570 commencing from 31 May 2017. The last instalment would be due on 30 Nov 2018.

- Term Loan taken from Bank of India amounting to Rs 17,882,459 is to be repaid in a bullet repayment after the bank guarantee is withdrawn by the Parent Company.

- Bank mortgage taken by subsidiary, Pylania SA amounting to Rs 5,224,000 is repayable in 4 quarterly instalments of Rs. 1,306,000 each.

b. Details of security and terms of repayment of term loans from others

Term loans from others amounting to Rs 177,446,946 (previous year Rs 104,944,032) are secured as under:

-Term loan of parent company from Intec Capital limited amounting to Rs. 6,473,378 (previous year Rs. 8,423,685) carrying fixed interest rate of 11.75% is secured by way of hypothecation of the specific asset purchased out of proceeds of the loan. The loan is also personally guaranteed of Chairman Emeritus and Chief Executive Officer (CEO) of the parent company. The loan is to be repaid in 32 monthly installments as per the repayment schedule in equated annual installments commencing from 1 April 2016. The last instalment would be repaid on 1 November 2019.

- Term loan of parent company from Tata Capital Financial Services Limited amounting to Rs. 50,859,400 (previous year Rs. 54,250,000) carrying interest rate equal to LTLR less 7% (presently 11.25%) is secured by way of first peri passu charge over the project immovable property and over movable fixed assets of Eigen III, situated at plot no. 55-A (Aerospace sector) Hitech, Devanahalli, Bangalore. The loan is also personally guaranteed by Chief Executive Officer (CEO) of the parent company. The loan is to be repaid in 45 monthly installments of Rs. 1,130,200 and last instalment of Rs. 1,130,600 as per the repayment schedule in equated annual installments commencing from 25 April 2017. The last instalment would be repaid on 25 November 2020.

-Term loan of parent company from Tata Capital Financial Services Limited amounting to Rs. 42,750,000 (previous year Nil) carrying interest rate equal to LTLR less 7.25% (presently 11%) is secured by way of exclusive charge by way of mortgage over the factory Land & building of the borrower situated at 296 & 297 (South western Portion) 5th Main, 4th Phase, Peenya Industrial Area, Peenya, Bangalore and exclusive charge by way of Hypothecation over the plant & machineries & other movable assets of KHAN II, situated at 408, 4th Main, 11th Cross, peenya Industrial Area, Bangalore 560058 (Karnataka). The loan is also personally guaranteed by Chief Executive Officer (CEO) of the parent company. The loan is to be repaid in 19 quarterly installments of Rs. 22,50,000 as per the repayment schedule in equated annual installments commencing from 8 April 2017. The last instalment would be repaid on 8 October 2021.

-Term loan of parent company from Bajaj Finance Limited amounting to Rs. 40,000,000 (previous year Nil) carrying interest rate of 10.75% is secured by pari passu charge by way of hypothecation of equipment

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

procured out of the term loan, Mortgage of Land & buliding at Bengaluru (Plot No. 55-A, Aerospace Sector) Hitech, Aerospace and Defence Park, Devanahalli, Bengaluru District. The loan is also personally guaranteed by Chief Executive Officer (CEO) of the parent company. The loan is to be repaid in 50 monthly installments of Rs. 833,334 and last instalment of Rs. 6,25,000 as per the repayment schedule in equivated annual installments commencing from 5 October 2017. The last instalment would be repaid on 5 November 2021.

- Secured loans from others (Indiabulls Housing Finance Limited) taken by subsidiary, Ethos Limited amounting to Rs 37,364,168 (previous year Rs 42,270,347), carrying interest rate of 12.75% p.a. are secured by exclusive mortgage and charge on personal property of the director and relatives of the director of the subsidiary. These limits are also guaranteed by the Parent Company, director of the subsidiary and relatives of the director. The loan is repayable in 98 monthly installments of Rs 375,000 each, 10 monthly installments of Rs 138,890 each and and last instalment of Rs 450,000 and Rs 211,111 as per the repayment schedule.

c. Details of security and terms of repayment of vehicle loans:

-Vehicle loans of parent from banks carrying interest rate in the range of 9.51% per annum to 12.25% per annum are secured against hypothecation of specific vehicle purchased out of the proceeds of those loans. The loans are to be repaid as per the respective repayment schedule in equated monthly installments.

-Vehicle loans of subsidiary are secured against hypothecation of the specified vehicle purchased from proceeds of the said loan. The rate of interest on vehicle loans varies from 11.5% to 12.7% per annum. The above loans are repayable in monthly installments within a period of next two years (previous year three years) as per repayment schedule.

d. Details of public deposits, ICDs and other unsecured loans:

-Inter corporate deposits taken by subsidiary, Ethos Limited from related parties amounting to Rs 14,999,940 (previous year Rs 14,999,940) carry an interest rate ranging between 14% to 16% per annum and are repayable within 12 months.

-Inter corporate deposits taken by subsidiary, Ethos Limited from others amounting to Rs 30,000,000 (previous year Rs 50,000,000) carry an interest rate ranging between 12% to 14% per annum and the same are repayable as per the repayment schedule within next two years.

-Unsecured loans taken by subsidiary, Ethos Limited from related parties amounting to Rs 7,000,000 (previous year Rs 7,000,000) carry an interest rate of 12.5% per annum and is repayable within 12 months.

- Unsecured loan from others taken by subsidiary Pylania SA, amounting to Rs. 34,396,971 (previous year Nil) is repayable in full not later than 31 May 2017, subject to additional one year renewal after written consent of the parties. This agreement is secured by the movable and immovable assets of the borrower.

- Unsecured loan from related party taken by subsidiary Pylania SA, amounting to Rs. 6,580,803 (previous year Nil) is repayable before or on the expiry of the loan, i.e. 15 Jan 2018 subject to additional one year renewal after written consent of the parties

-Public deposits of parent company carrying interest rates in the range of 8.5% per annum to 12.5% per annum (previous year 8.5% per annum to 12.5% per annum) are repayable in 6 months to 3 years from the respective dates of deposit.

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

-Deposits from Shareholders carry interest rate ranging between 10.5% to 12.5% (previous year 11% to 12.5%) per annum and carries a maturity period from 12 to 36 months from the respective date of deposits

-Loan taken by subsidiary, Mahen Distribution Limited from related parties amounting to Rs 15,000,000 (previous year Nil) carrying interest rate of 16% p.a. is repayable within two years.

	As at 31 March 2017	As at 31 March 2016
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Timing difference on depreciation and amortisation of tangible and intangible assets	(59,271,522)	(57,728,272)
Deferred tax assets*		
Provision for bad and doubtful debts	304,263	314,440
Provision for warranties	558,497	380,500
Provision for employee benefits	7,779,018	11,493,777
Provision for bonus	4,987,121	5,209,057
Deferred lease rent payable	10,398,909	9,725,834
	<u>35,243,714</u>	<u>30,604,664</u>
Amount recognised in the statement of profit and loss	4,639,050	2,532,765
 *In view of brought forward losses and unabsorbed depreciation, deferred tax asset of Rs 53,849,976 (previous year Rs 27,029,367) has not been recognised in the case of subsidiary company, Ethos Limited.		
7. Other long term liabilities		
Security deposits from related parties (refer Note 41)	953,628	-
Deferred lease rent payable [Also refer note 30 (a) and note 31]	30,047,709	28,102,850
	<u>31,001,337</u>	<u>28,102,850</u>
8. Long term provisions		
Provision for employee benefits [Also refer note 8 (a)]	28,068,913	35,064,839
Provision for warranty [Also refer note 8 (b) and note 30]	1,255,331	884,741
	<u>29,324,244</u>	<u>35,949,580</u>

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
8 (a) Provision for employee benefits		
(i) Defined contribution plan: Expenditure on account of Superannuation Scheme with LIC of India in respect of its employee provided in the statement of profit and loss	9,312,373	8,935,100
(ii) Defined benefit plan/ other long term benefit plans		
a. Gratuity		
b. Compensated absences		

The following table set out the status of the plan for gratuity and compensated absences as required under Accounting Standard (AS) - 15 (R) - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Particulars	As at 31 March 2017		As at 31 March 2016	
	Compensated absences	Gratuity	Compensated absences	Gratuity
Actuarial assumptions				
Discount rate	8%	7% - 8%	8%	8%
Rate of increase in compensation levels	5%	5%	5%	5%
Rate of return of plan assets				
-Holding company	-	8%	-	8%
-Subsidiary company	-	7.55%	-	9%
Demographic assumptions				
Mortality rate				
-Holding company	Indian assured lives mortality (1994-96)	Indian assured lives mortality (1994-96) Ultimate	Indian assured lives mortality (1994-96)	Indian assured lives mortality (1994-96) Ultimate
- Subsidiary company	Indian assured lives mortality (2006-08)	Indian assured lives mortality (2006-08)	Indian assured lives mortality (2006-08)	Indian assured lives mortality (2006-08)
Retirement age	58	58	58	58
Withdrawal rates				
- upto 30 years	3%	3%	3%	3%
- upto 44 years	2%	2%	2%	2%
- above 44 years	1%	1%	1%	1%

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
	Gratuity	Gratuity
Change in the present value of obligation :		
Present value of obligation as at the beginning of the year	52,887,209	47,663,632
Interest cost	4,158,688	3,805,236
Current service cost	5,033,587	4,691,387
Benefits paid/ payable	(6,063,715)	(5,691,817)
Actuarial loss/(gain) on obligations	2,663,534	2,418,771
Present value of obligation as at the end of the year	<u>58,679,303</u>	<u>52,887,209</u>
Change in the fair value of plan assets :		
Fair value of plan assets at the beginning of the year	33,744,923	27,107,776
Expected return on plan assets	2,667,108	2,307,818
Contributions	18,681,037	10,121,388
Benefits paid	(6,063,715)	(5,691,817)
Actuarial gain on plan assets	(45,146)	(100,242)
Fair value of plan assets at the end of the year	<u>48,984,207</u>	<u>33,744,923</u>
Reconciliation of present value of defined benefit obligation and the fair value of assets		
Present value of funded obligation as at the end of the year	58,679,303	52,887,209
Fair value of plan assets as at the end of the period funded status	48,984,207	33,744,923
Unfunded net liability recognized in balance sheet*	<u>9,695,096</u>	<u>19,142,286</u>
<p>* includes short term provision of Rs 3,384,607(previous year Rs 3,278,623)</p>		
Expenses recognised in the statement of profit and loss:		
Current service cost	5,033,587	4,691,387
Interest cost	4,158,688	3,805,236
Expected return on plan assets	1,962,910	1,551,678
Net actuarial loss recognized in the year	2,708,680	2,519,013
Total expenses recognized in the statement of profit and loss	<u>9,938,045</u>	<u>9,463,958</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Notes :

- 1) The discount rate is based on the prevailing market yield of Indian Government bonds as at the balance sheet date for the estimated terms of obligations.
- 2) The expected return is based on the expectation of the average long term rate of return on investments of the fund during the estimated terms of obligations.
- 3) The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- 4) Plan assets mainly comprise funds managed by the insurer i.e. Life Insurance Corporation of India ('LIC').
- 5) For Gratuity, the Company makes annual contributions to the Life insurance corporation of India ('LIC') of an amount advised by the LIC.

Amounts for the current and previous years are as follows:

Gratuity	2016-17	2015-16	2014-15	2013-14	2012-13
Defined benefit obligation	58,679,303	52,887,209	47,663,632	40,373,446	31,750,793
Plan assets	48,984,207	33,744,923	27,107,776	19,830,621	13,174,064
Net liability	9,695,096	19,142,286	20,555,856	20,542,825	18,576,729
Experience adjustment arising on the gratuity benefits	2,663,534	2,418,771	1,563,011	4,906,345	3,396,074

	As at 31 March 2017	As at 31 March 2016
8 (b) Reconciliation of provision for warranty		
Provision at the beginning of the year	1,099,456	1,106,200
Less: Provision utilised during the year	214,715	533,036
Add: Provision recognised during the year	729,039	526,292
Provision at the end of the year*	<u>1,613,780</u>	<u>1,099,456</u>

* includes short term provision of Rs 358,449 (previous year Rs 214,715)

8 (c) Movement in provision for points accrued under Club Echo Loyalty Programme is as under:

Provision at the beginning of the year	9,059,868	8,264,277
Add: amount provided during current year	8,800,289	8,170,686
Less: amount utilised/reversed during current year	8,227,800	7,375,095
Closing provision	<u>9,632,357</u>	<u>9,059,868</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
9. Short term borrowings		
Secured [Also refer note 9 (a) below]		
Working capital borrowings from banks	484,366,722	571,362,513
Working capital borrowings from others	30,000,000	-
Buyers credit	74,112,651	59,825,158
Unsecured		
Public deposits	2,872,000	10,401,000
Loan from others	-	40,000,000
	<u>591,351,373</u>	<u>681,588,671</u>

a. Details of security of short term secured loans

Working capital borrowings of Parent Company amounting to Rs 24,771,909 (previous year Rs 109,257,143) carrying interest rate varying from 9.10% p.a. to 13.50% p.a (previous year 11.10% to 14.35% p.a.) are secured by hypothecation of stocks of stores and spares, raw materials and components, finished goods and stock-in-process and book debts and other assets of the Parent Company (both present and future), on pari passu basis except packaging unit (KPAC) and are further secured by a second charge on the entire fixed assets of the Parent Company. These loans are also guaranteed by the Chairman Emeritus and Chief Executive Officer (CEO) of the Parent Company (except Corporation Bank) and are repayable on demand.

- Working capital borrowings of Parent Company amounting to Rs. 30,000,000 (previous year Rs. Nil) from others carrying interest rate of 10.75% per annum are secured by first pari passu charge on current assets. The loan is also personally guaranteed by the Chief Executive Officer (CEO) of the Parent Company and is repayable on demand.

The cash credit overdraft facilities taken by subsidiary company, Ethos Limited amounting to Rs 190,978,951 (previous year Rs 168,095,724) and buyers' credit amounting to Rs 46,731,630 (previous year Rs 38,504,562) from IDBI Bank Limited are repayable on demand and are secured by first parri passu charge on all the current assets of the subsidiary both present and future and second parri passu charge on the fixed assets of the subsidiary both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable fixed assets of the tool room unit (Eigen) at Bangalore of the Parent Company. These limits are guaranteed by the Parent Company and personal guarantees of director of the subsidiary and his relative. The rate of interest as on 31 March 2017 is 11.85% per annum.

The cash credit and overdraft facilities taken by subsidiary company, Ethos Limited amounting to Rs 73,997,087 (previous year Rs 87,614,275) from The Jammu & Kashmir Bank Limited are repayable on

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

demand and are secured by first pari passu charge on the stock and receivables of the subsidiary. These limits are also secured by exclusive first charge on assets of KPAC unit at Chandigarh of the Parent Company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo unit of the Parent Company. These loans are also guaranteed by the Parent Company and personal guarantees of the director of the subsidiary and his relative. The rate of Interest as on 31 March 2017 is 12.20% per annum.

The cash credit and overdraft facilities taken by subsidiary company, Ethos Limited amounting to Rs 194,618,975 (previous year Rs 206,395,371) from Bank of Maharashtra are repayable on demand and are secured by first parri passu charge by way of hypothecation on entire current assets of the subsidiary. These limits are also secured by 360,000 shares of KDDL Limited held in the name of Sh. Yashovardhan Saboo and second parri passu charge on entire fixed assets of the subsidiary. Further, these limits are also guaranteed by the Parent Company and director of the subsidiary and his relative. The rate of interest as on 31 March 2017 is 11.50% per annum.

- Buyers credit taken by parent company from Bank of India amounting to Rs 7,981,222 (previous year Rs. Nil) carrying interest rate 6 month libor plus .75% is secured against hypothecation of inventory and receivables is repayable on demand.

- Buyers credit taken by parent company from IDBI Bank amounting to Rs 19,399,800 (previous year Rs. 7,707,040) carrying interest rate varying from 3 month libor plus .90% to 6 month libor plus 1.00% is secured against hypothecation of inventory and receivables is repayable on demand.

- Buyers credit taken by parent company from Corporation Bank amounting to Rs Nil (previous year Rs. 13,613,556) carrying interest rate varying 6 month libor plus 1.17% to 6 month libor plus 1.59% is secured against hypothecation of inventory and receivables is repayable on demand.

- Public deposits carrying interest rates in the range of 8.5% per annum to 12.5% per annum are repayable in 6 months to 3 years from the respective dates of deposit.

	As at 31 March 2017	As at 31 March 2016
10. Trade payables		
Dues to micro enterprises and small enterprises [Also refer note (a) below]	7,269,656	4,507,070
Due to related parties (refer Note 41)	34,141,163	13,909,585
Dues to others	674,678,410	759,319,556
	<u>716,089,229</u>	<u>777,736,211</u>

a. Dues to micro and small enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

On the basis of confirmation obtained from suppliers who have registered themselves under the Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
available with the Company, the following are the details:		
Principal amount remaining unpaid	7,200,332	4,430,377
Interest due thereon	69,324	43,574
Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	76,693	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
Interest accrued and remaining unpaid as at end of the year	69,324	76,693
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-
11. Other current liabilities		
Current maturities of long-term debts		
Public deposits		
from related party (refer Note 5 and 41)	1,000,000	400,000
- from others	41,297,000	41,128,000
Inter corporate deposits		
- from related party (refer Note 5 and 41)	14,999,940	-
- from others	10,000,000	40,000,000
Term loan (refer note 5)		
- from banks	29,458,000	74,929,013
- from others	32,961,497	10,248,673
Vehicle loan from banks	1,241,458	2,608,871
Loans		
- from related parties (refer Note 5 and 41)	13,580,803	-
- from others (refer note 5)	34,396,971	-
External commercial borrowings* (includes Nil (previous year Rs 926,750) on account of exchange rate fluctuation)	2,950,760	2,401,930

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Interest accrued but not due on borrowings**	13,220,225	16,217,122
Interest accrued and due on borrowings	4,755,469	-
Unpaid dividend		
Unpaid dividend***	1,968,945	2,520,578
Other payables		
Statutory dues	48,555,367	46,059,154
Creditors for capital expenditure	7,420,094	7,486,981
Advances from customers	56,453,260	25,706,602
Forward contract payable	2,821,710	1,656,455
Employee related payables	84,044,621	68,731,369
	<u>401,126,120</u>	<u>340,094,748</u>

*External commercial borrowing taken by subsidiary company Satva Jewellery & Design Limited amounting to Rs 2,950,760 (previous year Rs 2,401,930) is carrying interest rate of 2% above LIBOR.

**due to related parties (Also refer note 41) 206,384 139,853

*** Not due for deposit

12. Short-term provisions

Provision for employees benefits [Also refer note 8(a)]	20,035,778	19,934,187
Provision for income tax [Net of advance tax and taxes deducted at source Rs. Nil (previous year Rs. 31,873,832)]	-	5,421,201
Echo club provision [refer note 8 (c)]	9,632,357	9,059,868
Provision for warranty [Also refer note 8 (b) and note 30]	358,449	214,715
	30,026,584	34,629,971

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
14. Non current investments		
Trade investments (valued at cost unless stated otherwise, unquoted)		
Associates		
300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Limited	3,000,000	3,000,000
Add : Share in opening reserves	(285,705)	(414,577)
Add : Share in current year profit	91,452	128,872
Aggregate value of trade investments (A)	<u>2,805,747</u>	<u>2,714,295</u>
Non trade investments (valued at cost unless stated otherwise, unquoted)		
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Private Limited	5,000,000	5,000,000
17,500 (previous year 17,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	175,000	175,000
Aggregate value of non trade investments (B)	<u>5,175,000</u>	<u>5,175,000</u>
	<u>7,980,747</u>	<u>7,889,295</u>
Aggregate amount of unquoted investments	7,980,747	7,889,295
15. Long term loans and advances (unsecured, considered good, unless otherwise stated)		
Capital advances	22,218,689	2,989,804
Security deposits and other deposit	101,974,680	113,460,828
Prepaid income taxes [net of provision Rs. 122,551,490 (previous year Rs. 119,578,750)]	65,812,997	60,491,886
Other loans and advances		
- Employee loans and advances	6,640,154	4,638,633
- Claim receivable (refer note 35)	17,000,000	17,000,000
Balances with government and statutory authorities	9,920,023	7,705,489
Prepaid expenses	459,397	749,223
	<u>224,025,940</u>	<u>207,035,863</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
16. Other non current assets		
Non-current bank balances (refer note 19)*	453,941	1,294,805
Insurance claim recoverable (refer note 49)	27,209	6,878,189
	<u>481,150</u>	<u>8,172,994</u>
*pledged as security for bank guarantees		
17. Inventories		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material [including scrap of Rs Nil (previous year Rs 504,412)]	112,242,289	114,075,281
Raw material (in transit)	1,293,979	1,607,213
Work-in-progress	66,763,577	60,082,523
Finished goods	1,675,871,934	1,641,496,570
Finished goods (in transit)	-	5,715,924
Stores and spares	23,535,033	26,694,763
	<u>1,879,706,812</u>	<u>1,849,672,274</u>
18. Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured, Considered good	36,285,291	8,672,328
- Unsecured, Considered doubtful	879,169	908,577
	<u>37,164,460</u>	9,580,905
Less: Allowance for bad and doubtful debts	879,169	908,577
	<u>36,285,291</u>	8,672,328
Other debts		
- Unsecured, considered good*	259,931,072	249,914,541
	<u>296,216,363</u>	<u>258,586,869</u>

*includes due from related parties (Also refer note 41)

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
19. Cash and bank balances		
Cash and cash equivalents		
- Cash in hand	10,321,042	24,591,744
- Cheques and drafts in hand	4,377,331	2,631,078
- Credit cards receivable	6,249,003	10,207,511
- Balances with banks in current account [refer note (a) below]	94,688,125	24,366,756
- Unpaid dividend account [refer note (b) below]	1,968,945	2,520,578
Total cash and cash equivalents	<u>117,604,446</u>	<u>64,317,667</u>
Other bank balances		
- Deposits with maturity more than three months but less than twelve months [refer note (c) and (d) below]	92,897,498	58,500,886
- Deposits with more than twelve months maturity [refer note © below]	453,941	1,294,805
	<u>210,955,885</u>	<u>124,113,358</u>
Less : Amounts disclosed as other non-current assets (refer note 16)	453,941	1,294,805
	<u><u>210,501,944</u></u>	<u><u>122,818,553</u></u>

Notes:

- a) includes Rs. 29,999,865 (previous year Rs. Nil) of the subsidiary company, Ethos Limited being the amount unutilised out of equity shares issued on 31 March 2017 for Rs. 29,999,865 and will be utilised in the year ending 31 March 2018.
- b) Cash and cash equivalents of parent company include Rs 1,968,945 (previous year Rs 2,520,578) held in dividend accounts which is not available for use by the Company.
- c) Rs 73,351,439 (previous year Rs 59,795,691) has been placed as fixed deposits by the parent company with banks for repayment of deposits as required under section 73 of the Companies Act, 2013 (corresponding to section 58A of the Companies Act, 1956), margin money for working capital and term loans. Also Rs. 7,912,261 (previous year Rs. 95,11,244) has been pledged as security for bank guarantees by the subsidiary company Ethos Limited.
- d) Rs. 20,000,000 (previous year Nil) has been placed as fixed deposits with banks by the parent company as security for term loan facility availed by the subsidiary company, Ethos Limited.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
20. Short-term loans and advances		
(Unsecured, considered good, unless otherwise stated)		
Loans and advances to related parties		
- Joint venture (secured) (refer note 41)	-	5,197,100
Recoverable from related parties		
- Joint venture (refer note 41)	-	391,530
Entities in which signification influence is exercised (refer note 41)	-	72,000
Director of holding company (refer note 41)	-	800,000
Others		
- Employees loans and advances*	13,227,272	24,419,124
- Security deposits	36,485,685	41,957,973
Advances recoverable	-	2,175,886
Prepaid expenses	10,094,773	12,564,736
Minimum alternate tax credit entitlement	188,846	188,846
Balances with government and statutory authorities	30,479,308	34,459,554
Advances to suppliers	16,942,803	16,049,712
	<u>107,418,687</u>	<u>138,276,461</u>

*includes loan to Director amounting to Rs 5,000,000 (previous year Rs 5,175,000)

21. Other current assets

Interest accrued on deposits	3,170,134	2,578,207
Unamortised premium on forward contracts	867,050	797,146
	<u>4,037,184</u>	<u>3,375,353</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
22. Revenue from operations		
Sale of products	4,493,155,912	4,433,251,888
Sale of services	52,907,008	46,420,519
Other operating income		
- Provisions no longer required, written back*	7,875,975	13,914,168
- Export incentives	25,409,410	21,274,313
- Miscellaneous receipt	26,255,573	26,090,806
- Commission income	115,918	1,212,876
	<u>4,605,719,796</u>	<u>4,542,164,570</u>
<p>* Includes reversal of excess provision of employee stock options amounting to Rs 52,124 (previous year Rs. 83,164).</p>		
23. Other income		
Interest income from		
- Banks	6,137,241	5,058,848
- Related party (refer note 41)	-	300,000
- Others	5,601,374	886,825
Other non operating income		
- Rent	1,646,766	784,006
- Profit on purchase of loan (refer note 37)	-	32,991,656
- Foreign exchange fluctuation gain (net)	16,716,787	6,088,478
- Miscellaneous income	2,219,009	152,984
- Profit on sale of fixed assets (net)	18,929	-
	<u>32,340,106</u>	<u>46,262,797</u>
24. Cost of material consumed		
Opening inventories	114,075,281	123,841,048
Add: Purchases during the year	297,710,508	256,392,523
Less: Closing inventories	112,242,289	114,075,281
	<u>299,543,500</u>	<u>266,158,290</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
25. Purchases of traded goods		
Watches	2,565,532,767	2,680,182,189
	<u>2,565,532,767</u>	<u>2,680,182,189</u>
26. Change in inventories		
Opening stock		
Finished goods		
-own manufactured	9,344,113	13,560,992
-traded	1,637,868,381	1,466,293,145
Work in process	60,082,523	49,914,003
Scrap	504,412	355,790
Closing stock		
Finished goods		
-own manufactured	8,332,594	9,344,113
-traded	1,667,539,340	1,637,868,381
Work in process	66,763,577	60,082,523
Scrap	-	504,412
Impact of excise duty on opening/closing stock	181,043	593,952
	<u>(35,017,125)</u>	<u>(178,269,451)</u>
27. Employment benefit expenses		
Salaries and wages	538,747,816	506,380,764
Contribution to provident and other funds	38,080,633	35,409,087
Staff welfare expenses	28,569,779	28,502,314
	<u>605,398,228</u>	<u>570,292,165</u>
28. Finance costs		
Interest expense	135,555,975	142,828,411
Other borrowing cost	8,173,003	7,321,665
	<u>143,728,978</u>	<u>150,150,076</u>

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
29. Depreciation and amortisation expense		
Depreciation (Also, refer note 13)	111,116,857	104,874,179
Amortisation (Also, refer note 13)	5,551,755	7,396,483
	<u>116,668,612</u>	<u>112,270,662</u>
30. Other expenses		
Stores and spares consumed	59,263,767	61,768,294
Power, fuel and water charges	44,684,814	45,354,373
Contractual labour expenses	36,443,150	36,177,378
Insurance	6,809,800	5,295,858
Rent		
- Office and factory premises [Also refer note (a) below]	284,714,234	301,352,588
- Machinery	768,000	1,268,000
- Others	62,035	894,129
Rates and taxes	4,199,956	3,563,433
Repair and maintenance		
- Plant and machinery	14,720,622	16,531,461
- Buildings	3,260,723	5,207,462
- Others	27,723,289	21,908,852
Legal and professional [Also refer note (b) below]	49,259,775	49,692,861
Travel and conveyance	51,666,827	50,599,649
Job charges	36,832,584	36,362,750
Printing and stationery	4,925,950	4,880,209
Postage, telephone and telex	26,223,858	24,148,610
Subscription and annual fees	-	-
Selling and distribution expenses (Net)		
Commission	19,143,373	23,297,236
Events and exhibitions	5,134,102	7,438,843
Publicity and advertisement	86,161,694	87,397,453
Loss on sale of fixed assets (net)	-	1,010,239
Fixed assets written off	7,136,020	3,946,371
Service tax expenses	-	-
Development charges	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
Provision for bad and doubtful debts	597,300	959,219
Donation	385,000	450,000
Bad debts written off	-	-
Bad debts and advances written off [out of provision for bad and doubtful debts and provision for bad and doubtful capital advances, Rs 191,125 debited to bad debts and advances written off (previous year Rs 9,064,304)]	226,155	1,838,370
Amortisation of premium on forward exchange contracts	5,032,604	5,794,193
Provision for warranty (refer note 7 and note 8)	514,324	-
Bank charges	29,951,812	28,667,187
Directors' sitting fees	2,000,936	2,386,887
Loss on permanent diminution in investments	-	-
Corporate social responsibility expense (refer note 46)	-	-
Net Foreign Exchanges Loss	-	-
Security service charges	7,384,022	5,696,237
Cost of service rendered	4,164,177	4,185,943
Miscellaneous expenses	29,968,114	25,231,748
	<u>849,359,017</u>	<u>863,305,833</u>

Notes:

a) Rent - Office and factory premises include Rs 1,944,859 (previous year Rs 8,221,741) recognised on account of straight lining of lease rent over the lease term in accordance with the provision of Accounting Standard 19 'Accounting for leases'.

b) Legal and professional includes;

Payment to the auditors of Parent Company (excluding service tax)

As auditor	1,550,000	2,350,000
Others	205,000	790,000
Reimbursement of expenses	209,882	123,370
	<u>1,964,882</u>	<u>3,263,370</u>

Payment to auditors of other group companies 2,573,772 | 3,014,871 |

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2017	As at 31 March 2016
31. Prior period expenses		
Interest income on income tax refund	-	(561,154)
Deferred lease rent [Also refer note 7 and note 30 (a)]	-	1,484,225
	<u>-</u>	<u>923,071</u>

32. In compliance with Accounting Standard - 21 "Consolidated Financial Statements", Accounting Standard - 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard - 27 "Financial Reporting of Interests in Joint Ventures" (followed in previous year) referred to in the Companies (Accounting Standard) Rule 2006 read with Rule 7 of the Companies (Accounts) Rules, 2014 in respect of Section 133 of the Companies Act, 2013 (the 'Act'), KDDL Limited ('KDDL') has prepared the accompanying consolidated financial statements, which include the financial statements of KDDL, its subsidiary, joint venture and the results of operations of its associates listed below:

a) Detail of the subsidiaries are as under:

Name of subsidiary	Country of incorporation	Percentage of ownership	
		Current year	Previous year
Ethos Limited *	India	81.77%	80.52%
Mahen Distribution Limited	India	100%	100%
Pylania SA**	Switzerland	85.00%	85.00%
Kamla International Holdings SA	Switzerland	100%	100%
Satva Jewellery and Designs Limited***	India	100%	50%

* Include 18.56%(previous year 18.56%) held through Mahen Distribution Limited

** Include 47.25%(previous year 47.25%) held through Kamla International Holdings SA

*** Satva Jewellery and Design Limited ('Satva') has ceased to be joint venture of the Company and has become wholly owned subsidiary of KDDL Limited pursuant to purchase of remaining shares of the other venturer in the joint venture vide agreement dated 23 December 2016. Accordingly, transactions during the year with Satva upto 23 December 2016 has been disclosed as transactions with joint venture and transactions incurred after 23 December 2016 has been disclosed as transaction with subsidiary company.

b) Details of associates are as under:

Name of associate	Country of incorporation	Percentage of ownership	
		Current year	Previous year
Kamla Tesio Dials Limited	India	30%	30%

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

- | | As at
31 March 2017 | As at
31 March 2016 |
|--|------------------------|------------------------|
| c) The consolidated financial statements of the Group have been based on a line by line consolidation of statement of profit and loss and balance sheet of KDDL and its subsidiaries. The effects of inter-company transactions between consolidated companies are eliminated on consolidation. Unrealised profit on unsold stock, if any, is eliminated while valuing inventories. These eliminations have been considered in the consolidated financial statement on the basis of figures provided and certified by the management and the auditors have relied on the same. | | |
| d) In accordance with the applicable provisions of Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements", equity method of accounting has been followed to incorporate the results of the operations of the associates in the consolidated financial statements. | | |

	As at 31 March 2017	As at 31 March 2016
33. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	74,211,556	2,696,260
34. Contingent liability not provided for exists in respect of :		
a) Bank guarantees outstanding	663,477,528	51,295,028
b) Bonds in favour of central excise and customs authorities	-	1,425,000
c) Demand raised for Service Tax against which appeals have been filed	4,794,535	1,834,596
d) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. Amount paid under protest Rs 372,818 (previous year Rs 372,818)	372,818	372,818
e) Demand raised for Income tax (assessment year 2004-05 to assessment year 2012-13)	41,174,274	94,594,389
g) Surety bonds in favour of sales tax department	-	100,000
h) Custom duty saved against EPCG licences, pending redemption	17,543,672	16,457,770
i) Claims against the Parent Company not acknowledged as debt (to the extent ascertainable)	2,341,500	2,137,500
j) Other items	10,218,771	10,272,471
35. During the year 2011-2012, pursuant to the visit of the officers of Directorate general of Central excise intelligence (DGCEI) in the premises of the Company on 18 August 2011, the company had reversed the input service tax credit of Rs 17,000,000 availed by the Company in previous years. The above amount was reversed as per the opinion of the officials of DGCEI. The Company, on the basis of legal opinion obtained, is		

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

of the view that the Company is entitled to this input service tax credit. Since, the amount was reversed under protest and without prejudice to the legal rights of the Company, the Company has shown the above amount of Rs 17,000,000 reversed as claim receivable under the head "Long term loans and advances". During the financial year 2012-13, the Company had received a notice from DGCEI whereby, the Company had been called upon to show cause as to why service tax amounting to Rs 663,452 which had been short paid and CENVAT credit amounting to Rs 24,276,671 wrongly availed should not be demanded and recovered. The Company had filed the reply to the show cause notice with the Commissioner-Central Excise and Service Tax, Chandigarh. The authority has confirmed the demand except Rs 663,452. Further, the authority has imposed a penalty of Rs 24,276,671. Being aggrieved against the order of Commissioner-Central Excise and Service Tax, the Company has preferred appeal with CESTAT and the matter is sub-judice with CESTAT, New Delhi. Due to the pending adjudication of the appeal, liability on this account has not been provided in the accounts.

36. The Parent Company is a lessee under various cancellable and non-cancellable operating leases. Rental expense for operating leases for the years ended 31 March 2017 and 31 March 2016 was Rs 22,709,626 and Rs 22,993,871 respectively. The Company has executed non-cancelable operating leases. Ethos Limited, a subsidiary company has taken showrooms under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease payments (net of reimbursements) charged during the year to the statement of profit and loss aggregate Rs 254,809,069 (previous year Rs 260,701,564) [including Rs 72,154,926 towards cancellable lease (previous year Rs 65,558,040)].

The future minimum lease payments under non-cancellable operating leases are as follows:

Future minimum lease payments due	As at 31 March 2017	As at 31 March 2016
Within one year	149,331,547	160,991,298
Later than one year and not later than five years	304,161,125	393,186,116
More than five years	26,520,010	30,718,114
	<u>480,012,682</u>	<u>584,895,528</u>

37. During the year ended 31 March 2017, the equity share capital of Rs.15,000,000 of the co-venturer Pascal Vincent Vaucher SA in the Joint venture arrangement Satva Jewellery and Design Limited has been acquired by the parent company at Nil value. On consolidation, such arrangement, led to generation of capital reserve of Rs. 15,000,000 which have been disclosed under note 3.

During the year ended 31 March 2016, Heinz Kohler, one of the shareholders of Pylania SA ("Pylania"), a subsidiary, who held 655 equity shares of the face value of CHF 100 each and had advanced loans of CHF

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

70,131.25 to Pylania, entered into an agreement with KDDL Limited ("KDDL") to transfer entire shareholding and loans so advanced to Pylania, at a total consideration of CHF 25,000. In terms with such agreement, KDDL Limited, through its another subsidiary, Kamla International Holding SA ("KIH") acquired such shares and loans from Heinz Kohler. On consolidation, such arrangement, led to generation of capital reserve of Rs. 2,805,030, foreign currency translation reserve of Rs. 1,597,466 and gain on remission of liability towards borrowings of Rs. 4,857,290 which have been disclosed under note 3 and note 22 respectively.

During the year ended 31 March 2016, RC Tritec, one of the shareholders of Pylania SA ("Pylania"), a subsidiary, who held 1,475 equity shares of the face value of CHF 100 each and had advanced loans of CHF 489,785.55 to Pylania, entered into an agreement with KDDL Limited ("KDDL") to transfer entire shareholding and loans so advanced to Pylania, at a total consideration of CHF 225,000. In terms with such agreement, KDDL Limited, through its another subsidiary, Kamla International Holding SA ("KIH") acquired such shares and loans from RC Tritec. On consolidation, such arrangement, led to generation of foreign currency translation reserve of Rs. 279,178 and gain on remission of liability towards borrowings of Rs. 28,134,366 which have been disclosed under note 3 and note 22 respectively.

	As at 31 March 2017	As at 31 March 2016
--	------------------------	------------------------

38. Earnings per share

Net profit attributable to equity shareholders

Profit after tax and minority interests (Rs.)	6,523,588	53,054,234
Number of equity shares at the beginning of the year	10,084,870	9,076,470
Shares issued during the year	754,716	1,008,400
Total equity shares outstanding at the end of the year	10,839,586	10,084,870
No. of weighted average equity shares		
Basic	10,312,319	9,583,425
Diluted	10,321,209	9,597,779
Nominal value of equity share (Rs.)	10	10
Earnings per share-after exceptional items and tax		
Basic (Rs.)	0.63	5.54
Diluted (Rs.)	0.63	5.53

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

39. During the year, following shares were issued outside the group:

- Ethos Limited issued Nil (previous year 200) equity shares of Rs. 10 each at a price of Rs Nil (previous year Rs. 143).
- Ethos Limited issued Nil (previous year 56,000) equity shares of Rs. 10 each at a price of Rs Nil (previous year Rs. 100) and subsequently bought back by wholly owned subsidiary Mahen Distribution Limited at a price of Rs Nil (previous year Rs. 229).
- Pylania S.A., issued Nil (previous year 3,000) shares of Swiss Franc (CHF) 100 each at a price of Rs Nil (previous year Swiss Franc (CHF) 250).

Accordingly adjustments have been carried out to take the effect of minority interest in the consolidated financial statements.

40. Segment information

Identification of segments:

The Group has disclosed business segment as primary segment. The Group's operations predominantly relate to manufacture of precision watch components and trading of watches and accessories. Other business segments primarily comprising of ornament packaging are very small and are reported under 'others' category. The segments have been identified taking into account:

- the nature and use of the products,
- the differing risks and returns,
- the organisation structure, and
- the internal financing reporting systems.

The secondary segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Note- 40 (cont'd)

Segment information - Primary segment (Business segment)

(Figures in parentheses are for the previous year)

Particulars	Precision and watch components	Watch and accessories	Others	Total
Revenue				
Gross operating and other income*	1,300,744,163	3,274,860,159	46,200,938	4,621,805,260
	(1,211,629,289)	(3,286,341,037)	(46,703,685)	(4,544,674,011)
Results				
Segment result	208,481,611	41,184,532	(2,153,355)	247,512,789
	(269,467,540)	(34,453,421)	(5,552,561)	(298,368,401)
Unallocated corporate expenses (net)				(74,686,442)
				(74,499,339)
Operating profit				172,826,347
				(223,869,062)
Interest income				11,738,615
				(6,245,673)
Interest expenses				143,728,978
				(150,150,076)
Prior period expenses				-
				(923,071)
Current income tax				34,883,715
				(36,590,335)
Current tax - earlier years				515,572
				(1,989,603)
Deferred tax				4,639,050
				(2,532,765)
Net profit				797,646
				(41,908,091)
Other information				
Segment assets	744,077,182	2,116,713,838	23,571,021	2,884,362,041
	(813,459,559)	(2,087,051,525)	(31,571,780)	(2,932,082,864)
Unallocated corporate assets				684,530,661
				(484,028,071)
Total assets				3,568,892,702
				(3,416,110,935)

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Note- 40 (cont'd)

Segment information - Primary segment (Business segment)

(Figures in parentheses are for the previous year)

Particulars	Precision and watch components	Watch and accessories	Others	Total
Segment liabilities	234,629,513	1,461,110,715	6,880,410	1,702,620,639
	(195,126,175)	(1,533,490,164)	(13,480,918)	1,742,097,257
Unallocated corporate liabilities and loans				498,280,835
				(517,098,497)
Total liabilities**				2,200,901,474
				(2,259,195,754)
Capital expenditure	110,731,601	18,879,369	-	129,610,969
	(135,590,477)	(35,229,786)	(246,853)	(171,067,116)
Unallocated capital expenditure				13,385,624
				(2,752,918)
Depreciation and amortisation	71,134,654	37,904,319	1,209,098	110,248,071
	(66,349,778)	(37,187,066)	(1,355,611)	(105,522,455)
Unallocated depreciation and amortisation				6,420,541
				(6,748,207)
Other non cash expenses	754,383	6,896,449	597,300	8,248,132
	(914,121)	(4,725,073)	(959,219)	(6,598,412)
Unallocated non cash expenses				451,822
				(1,155,786)

*Excluding unallocated corporate income Rs 4,516,027 (previous year Rs 37,507,683) and interest income Rs 11,738,615 (previous year Rs 6,245,673). Segment revenues are gross of excise duty.

** Total liabilities do not include minority interest.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Segment Information - Secondary Segment (Geographical)

The following tables present revenue and profit information regarding industry segments for the year ended 31 March 2017 and asset and liability information regarding industry segments at 31 March 2017.

(Figures in parentheses are for the previous year)

Secondary Segment information :

Particulars	India	Outside India	Total
Segment revenue	3,885,586,620	736,218,640	4,621,805,260
	(3,791,417,224)	(753,256,787)	(4,544,674,011)
Segment assets	2,778,695,678	105,666,363	2,884,362,041
	(2,843,698,479)	(88,384,385)	(2,932,082,864)
Capital expenditure	127,790,530	1,820,439	129,610,969
	(171,067,116)	-	(171,067,116)

The segment revenue is net of discount, sales returns and price variations, gross of excise duty

41. Related party disclosures

A Relationships

I. Associates	Kamla Tesio Dials Limited
II. Joint venture	Satva Jewellery and Design Limited (till 23 December 2017)**
III. Entities over which significant influence is exercised by the company /key management personnel (either individually or with others)	Saboo Coatings Private Limited Vardhan International Limited Vardhan Properties & Investments Limited Smt. Kamla Devi Saboo Charitability Trust with others)
Tarachand Mahendra Kumar (HUF)	Saveeka Family Trust Dream Digital Technology Private Limited VBL Innovations Private Limited Shri M.K. Saboo Charitable Trust Yashovardhan Saboo (HUF) Jan Seva Trust Connexity Technologies Private Limited Swades Capital LLC KDDL Ethos Foundation

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

IV. Key Management Personnel

a. Mr. R.K. Saboo (Chairman)

Relatives *

Mrs. Usha Devi Saboo (spouse),

Mr. Yashovardhan Saboo (son),

b. Mr. Y. Saboo

Mr. R.K. Saboo (father),

(Chief Executive Officer)

Mrs. Anuradha Saboo (spouse),

Mr. Pranav Shankar Saboo (son),

Mrs. Malvika Singh (son's spouse)

c. Dinesh Agrawal

Mrs. Shashi Agrawal (spouse)

(Chief Operating Officer)

d. Mr. Sanjeev Kumar Masown

Mrs. Neeraj Masown (spouse)

(Chief financial officer and Director)

Mr Lal Chand Masown (father)

* With respect to the key management personnel, disclosure has been given for those relatives with whom the Company has made transactions during the year

** Satva Jewellery and Design Limited ('Satva') has ceased to be joint venture of the Company and has become wholly owned subsidiary of KDDL Limited pursuant to purchase of remaining shares of the other venturer in the joint venture vide agreement dated 23 December 2016. Accordingly, transactions during the year with Satva upto 23 December 2016 has been disclosed as transactions with joint venture and transactions incurred after 23 December 2016 has been disclosed as transaction with Subsidiary Company.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

41. Related Party Transactions (Continued)

The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2017

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components					
	Saboo Coatings Private Limited	-	-	2,654,783	-	-
2	Sale of goods and services					
	Vardhan International Limited	-	-	13,715	-	-
	Saboo Coatings Private Limited	-	-	600,620	-	-
	Dream Digital Technology Private Limited	-	-	47,550	-	-
3	Rent paid by the Company					
	Kamla Tesio Dials Limited	600,000	-	-	-	-
	Satva Jewellery & Design Limited	-	225,000	-	-	-
	Saboo Coatings Private Limited	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	600,000	-
	Mr. Yashovardhan Saboo	-	-	-	2,054,040	-
	Mrs. Anuradha Saboo	-	-	-	-	300,000
	Mrs. Usha Devi Saboo	-	-	-	-	120,000
4	Salary of employees paid					
	Saboo Coatings Private Limited	-	-	105,700	-	-
5	Salary paid to relatives of KMP					
	Ms. Anuradha Saboo	-	-	-	-	605,054
6	Director remuneration					
	Mr. R.K. Saboo	-	-	-	2,988,516	-
	Mr. Yashovardhan Saboo	-	-	-	7,417,476	-
	Mr. Sanjeev Masown	-	-	-	4,644,222	-
7	Interest received					
	Satva Jewellery & Design Limited	-	225,000	-	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
8	Interest paid/accrued					
	Vardhan Properties and Investment Limited	-	-	1,692,688	-	-
	VBL Innovations Private Limited	-	-	2,399,999	-	-
	Saveeka Family Trust	-	-	-	-	-
	Dream Digital Technology Private Limited	-	-	799,989	-	-
	Mr. R.K. Saboo	-	-	-	875,000	-
	Ms Neeraj Masown	-	-	-	-	105,127
	Mr S.K. Masown	-	-	-	42,677	-
	Mrs. Asha Devi Saboo	-	-	-	-	125,000
9	Public deposits accepted					
	Ms Neeraj Masown	-	-	-	-	120,000
	Mr S.K. Masown	-	-	-	220,000	-
10	Rent received					
	Saboo Coatings Private Limited	-	-	1,477,536	-	-
11	Reimbursement of expenses paid by the Company					
	Satva Jewellery & Design Limited	-	66,478	-	-	-
12	Expenses other than salary recovered by the Company					
	Kamla Tesio Dials Limited	96,567	-	-	-	-
	Saboo Coatings Private Limited	-	-	343,469	-	-
	VBL Innovations Private Limited	-	-	192,038	-	-
	Dream Digital Technology Private Limited	-	-	845,494	-	-
13	Guarantee given					
	Mr. R.K. Saboo	-	-	-	20,000,000	-
	Mr. Yashovardhan Saboo	-	-	-	20,000,000	-
14	Loans taken					
	Swades Capital LLC	-	-	34,396,971	-	-
	Mr. Yashovardhan Saboo	-	-	6,580,803	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

41. Related Party Disclosure (Continued)

The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2017

S.No. Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
15 Management consultancy fees paid					
Dream Digital Technology Private Limited*		-	1,980,000	-	-
16 CSR contribution made					
KDDL Ethos Foundation	-	-	1,800,000	-	-

* This figure includes an amount of Rs. 27,970,327 which has been reimbursed by brands.

S.No. Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
Balances at the end of the year					
1 Loans taken					
Dream Digital Technology Private Limited		-	4,999,940	-	-
Vardhan Properties and Investment Limited	-	-	10,000,000	-	-
VBL Innovations Private Limited	-	-	15,000,000	-	-
Mr. Yashovardhan Saboo	-	-	-	6,580,803	-
Mr. R.K. Saboo	-	-	-	7,000,000	-
2 Other receivables/advances					
Saboo Coatings Private Limited	-	-	96,462	-	-
VBL Innovations Private Limited	-	-	19,110	-	-
3 Payables					
Kamla Tesio Dials Limited	1,583,876	-	-	-	-
Saboo Coatings Private Limited	-	-	984,193	-	-
Dream Digital Technology Private Limited	-	-	30,496,055	-	-
VBL Innovations Private Limited	-	-	1,077,039	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
4	Security deposit taken					
	Saboo Coatings Private Limited	-	-	953,628	-	-
5	Guarantees taken					
	Mr. R.K. Saboo	-	-	- 695,347,467	-	-
	Mr. Yashovardhan Saboo	-	-	- 790,347,467	-	-
	Mrs. U. Saboo	-	-	-	-	37,364,168
6	Public deposits outstanding					
	Vardhan Properties and Investment Limited	-	-	- 2,500,000	-	-
	Mr. S.K. Masown	-	-	- 420,000	-	-
	Mr. Lal Chand Masown	-	-	-	-	389,000
	Mrs. Neeraj Masown	-	-	-	-	1,500,000
7	Interest on outstanding public deposit					
	Mr Sanjeev Kumar Masown	-	-	- 24,857	-	-
	Mr Lal Chand Masown	-	-	-	-	47,415
	Mrs. Neeraj Masown	-	-	-	-	134,076
8	12% Cumulative Compulsory Convertible Preference Shares					
	Mr. R.K.Saboo	-	-	- 10,000,100	-	-
	Mr. Yashovardhan Saboo	-	-	- 9,999,000	-	-
	Mrs. A.Saboo	-	-	-	-	2,500,080
9	14% Cumulative Compulsory Convertible Preference Shares					
	VBL Innovations Private Limited	-	-	2,600,000	-	-
	Dream Digital Technology Private Limited	-	-	5,000,060	-	-
	Mr. R.K.Saboo	-	-	- 6,000,150	-	-
	Mr. Yashovardhan Saboo	-	-	- 2,500,030	-	-
	Mrs. A.Saboo	-	-	-	-	1,500,070

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

41. Related Party Transactions (Continued)

The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2016

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components					
	Saboo Coatings Private Limited	-	-	2,725,516	-	-
2	Sale of goods and services					
	VBL Innovations Private Limited	-	-	3,150,000	-	-
	Saboo Coatings Private Limited	-	-	101,727	-	-
3	Rent paid by the Company					
	Kamla Tesio Dials Limited	800,000	-	-	-	-
	Satva Jewellery & Design Limited	-	300,000	-	-	-
	Saboo Coatings Private Limited	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	336,626	-
	Mr. Yashovardhan Saboo	-	-	-	1,805,085	-
	Mrs. Anuradha Saboo	-	-	-	-	168,479
	Mrs. Usha Devi Saboo	-	-	-	-	67,393
4	Salary of employees recovered					
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
5	Salary of employees paid					
	Saboo Coatings Private Limited	-	-	541,640	-	-
6	Salary paid to relatives of KMP					
	Ms. Malvika Singh	-	-	-	-	736,836
	Ms. Anuradha Saboo	-	-	-	-	290,327
7	Director remuneration					
	Mr. R.K. Saboo	-	-	-	4,158,064	-
	Mr. Yashovardhan Saboo	-	-	-	6,416,836	-
	Mr. Dinesh Agrawal	-	-	-	4,432,881	-
8	Interest received					
	Satva Jewellery & Design Limited	-	300,000	-	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
9	Interest paid/accrued					
	Vardhan Properties and Investment Limited	-	-	1,483,005	-	-
	VBL Innovations Private Limited	-	-	2,231,673	-	-
	Saveeka Family Trust	-	-	45,890	-	-
	Dream Digital Technology Private Limited	-	-	802,181	-	-
	Mr. R.K. Saboo	-	-	-	1,172,398	-
	Mr. Yashovardhan Saboo	-	-	-	170,000	-
	Mrs. Shashi Agarwal	-	-	-	-	62,522
	Mrs. Asha Devi Saboo	-	-	-	-	125,000
10	Public deposits accepted					
	Vardhan Properties and Investment Ltd.	-	-	300,000	-	-
	Mr. R.K.Saboo	-	-	-	10,000,000	-
	Mr. Yashovardhan Saboo	-	-	-	5,000,000	-
11	Repayment of Public deposits					
	Saveeka family Trust	-	-	1,000,000	-	-
	Mr. R.K. Saboo	-	-	-	10,000,000	-
	Mr. Yashovardhan Saboo	-	-	-	5,000,000	-
12	Repayment of inter-corporate deposits (ICD)					
	Vardhan Properties and Investment Limited	-	-	9,300,000	-	-
	VBL Innovations Private Limited	-	-	15,000,000	-	-
13	Rent received					
	Dream Digital Technology Private Limited	-	-	12,000	-	-
	Saboo Coatings Private Limited	-	-	760,000	-	-
14	Repayment of loans given by the Company					
	Mr. Dinesh Agarwal	-	-	-	400,000	-
15	Reimbursement of expenses paid by the Company					
	Saboo Coatings Private Limited	-	-	53,053	-	-
	Dream Digital Technology Private Limited	-	-	19,033	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
16	Expenses other than salary recovered by the Company					
	Kamla Tesio Dials Limited	37,084	-	-	-	-
	Satva Jewellery & Design Limited	-	87,942	-	-	-
	Saboo Coatings Private Limited	-	-	331,232	-	-
	VBL Innovations Private Limited	-	-	235,947	-	-
	Dream Digital Technology Private Limited	-	-	925,568	-	-
17	Guarantee given					
	Mr. R.K. Saboo	-	-	-	27,500,000	-
	Mr. Yashovardhan Saboo	-	-	-	67,500,000	-
18	Loans taken					
	Vardhan Properties and Investment Limited	-	-	10,000,000	-	-
	VBL Innovations Private Limited	-	-	15,000,000	-	-
	Mr. R.K.Saboo	-	-	-	7,000,000	-
19	Management consultancy fees paid					
	Dream Digital Technology Private Limited*	-	-	30,070,364	-	-
20	CSR contribution made					
	KDDL Ethos Foundation	-	-	945,000	-	-
21	Dividend paid					
	Shri R.K. Saboo HUF	-	-	1,572,865	-	-
	Yashovardhan Saboo HUF	-	-	171,258	-	-
	Mr. R.K. Saboo	-	-	-	5,354,021	-
	Mr. Yashovardhan Saboo	-	-	-	5,104,296	-
	Mrs. Usha Devi Saboo	-	-	-	-	1,579,130
	Mrs. Anuradha Saboo	-	-	-	-	1,344,095
	Mr. Pranav Shankar Saboo	-	-	-	-	752,164

* This figure includes an amount of Rs. 24,489,434 which has been reimbursed by brands

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Balance at the end of the year

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Loans and advances given					
	Satva Jewellery and Design Limited	-	5,197,100	-	-	-
	Mr. Dinesh Agarwal	-	-	-	800,000	-
2	Loans taken					
	Dream Digital Technology Private Limited	-	-	4,999,940	-	-
	Vardhan Properties and Investment Limited	-	-	10,000,000	-	-
	VBL Innovations Private Limited	-	-	15,000,000	-	-
	Mr. R.K. Saboo	-	-	-	7,000,000	-
3	Other receivables/advances					
	Satva Jewellery and Design Limited	-	391,530	-	-	-
	Vardhan Properties and Investment Limited	-	-	72,000	-	-
	VBL Innovations Private Limited	-	-	2,757,694	-	-
4	Payables					
	Kamla Tesio Dials Limited	995,873	-	-	-	-
	Saboo Coatings Private Limited	-	-	461,063	-	-
	Dream Digital Technology Private Limited	-	-	11,599,811	-	-
	Vardhan Properties and Investment Limited	-	-	314,316	-	-
	VBL Innovations Private Limited	-	-	538,521	-	-
5	Guarantees taken					
	Mr. R.K. Saboo	-	-	- 893,108,516	-	-
	Mr. Yashovardhan Saboo	-	-	-1,121,599,182	-	-
	Mrs. U. Saboo	-	-	-	-	42,270,347
6	Public deposits outstanding					
	Vardhan Properties and Investment Limited	-	-	1,500,000	-	-
	Mrs. Asha Devi Saboo	-	-	1,000,000	-	-
	Mrs. Shashi Agrawal	-	-	-	-	400,000
7	Interest on outstanding public deposit					
	Mrs. Shashi Agrawal	-	-	-	-	139,853

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Balance at the end of the year

S.No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
8	12% Cumulative Compulsory Convertible Preference Shares					
	Mr. R.K.Saboo	-	-	-	10,000,100	-
	Mr. Yashovardhan Saboo	-	-	-	9,999,000	-
	Mrs. A.Saboo	-	-	-	-	2,500,080
9	14% Cumulative Compulsory Convertible Preference Shares					
	VBL Innovations Private Limited	-	-	2,600,000	-	-
	Dream Digital Technology Private Limited	-	-	5,000,060	-	-
	Mr. R.K.Saboo	-	-	-	6,000,150	-
	Mr. Yashovardhan Saboo	-	-	-	2,500,030	-
	Mrs. A.Saboo	-	-	-	-	1,500,070

42. Employee Stock Option Plans

I. KDDL Employee Stock Option Plan- 2011 ('ESOP 2011')

- (a) The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') which has been approved by the Board of Directors and the shareholders. A compensation committee comprising promoter executive and independent non-executive members of the Board of Directors administer the ESOP. All options under the ESOP are exercisable for equity shares. The Company planned to grant upto 110,000 options to eligible employees and directors of the Company and subsidiaries of the Company. The outstanding options as on 31 March 2017 are 21,000.
- (b) Fifty percent of the options which have been granted under ESOP 2011 were vested on 1 April 2014 ('first tranche'). These options were exercised by the employees and accordingly 39,750 shares were issued during the previous year to the eligible employees. The balance options shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs 1,500,000,000 ('second tranche'). The exercise period for the options is within six months from the date of vesting of the options. Each option is exercisable for one equity share of Rs 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant.
- (c) The movement in the scheme is set out as under :

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Particulars	ESOP 2011		ESOP 2011	
	Year Ended March 31, 2017		Year Ended March 31, 2016	
	Options	Weight Average excise price	Options	Weight Average excise price
	Number	Amount	Number	Amount
Outstanding at the beginning of the year	24,750	120	39,750	120
Exercise during the year	-	-	-	120
Forfeited during the year	3,750	-	-	-
Expired during the year	-	-	15,000	120
Outstanding at the end of year	21,000	120	24,750	120
Number of equity shares of Rs 10 each fully paid to be issued on exercise of option	21,000	120	24,750	120
Weighted average price remaining contractual life (years)				
- First Tranche	Not Applicable	Not Applicable	Not Applicable	Not Applicable
- Second Tranche*	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* The options under second tranche shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs. 1,500,000,000. Accordingly, the weighted average remaining contractual life (years) has been considered to be not applicable.

- (d) The fair value of options, calculated by an external valuer for first and second tranche, was estimated on the date of grant using Black and Scholes model using following significant assumptions :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Risk Free interest rate (in %)	8.50%	8.50%
Expected life (in months)	88	88
Volatility (in %) *	66.49%	66.49%
Dividend Yield (in %)	1.58%	1.58%

* The volatility of the options is based on historical volatility of share prices since the company's share are publicly traded, which may be shorter than the terms of the options.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

- (e) Details of the weighted average exercise price and fair value of the stock options granted at price below market price :

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Total options granted outstanding	21,000	24,750
Weighted average exercise price (in Rs)	120	120
Weighted average fair value (in Rs)	87.13	87.13

II. KRL employees Stock Option Plan- 2011 ('KRL ESOP')

- (a) In the annual general meeting held on 15 September 2011, the shareholders of the subsidiary company Ethos Limited approved the issues of options not exceeding 84,000 options under the scheme titled "KRL Employee Stock Option Plan-2011" ('KRL ESOP').

The ESOP allows the issue of the options to eligible employees of the subsidiary. Each option comprises one underlying equity share.

As per the scheme, the Compensation Committee grants the options to the employees deemed eligible. The exercise price of each option shall be equal to the "Market Price" as defined in the Scheme. The options granted vest as follows. Options may be exercised within two years of vesting.

1. 50 % of the options granted to the selected employee shall vest on 1 April 2014 in case there is continuation of his service till the date of vesting
2. 50 % on the first day of the financial year subsequent to the achievement of billing of Rs. 300 crores in any financial year by the subsidiary, subject to the continuation of service till the date of vesting. However there shall remain a gap of minimum one year between the date of grant and the date of vesting under this clause. The compensation committee shall declare such date as and when it is triggered.

The subsidiary company has in its Compensation Committee meeting on 4 January 2013 granted outstanding 2,500 options to employee of the subsidiary company. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "KRL Employee Stock Option Plan-2011" (ESOP).

In the Extraordinary General Meeting held on 10 March 2014 of the subsidiary company, the shareholders approved the issue of options not exceeding 3,50,000 options under the Scheme titled "Ethos Employee Stock Option Plan – 2013"

The ESOP allows the issue of options to eligible employees of the subsidiary company. Each option comprises one underlying equity share.

As per the Scheme, the Compensation Committee grants the options to the employees deemed eligible. The exercise price of each option shall be equal to the "Market Price" as defined in the Scheme. The options granted vest as follows. Options may be exercised within 3 years of vesting.

1. 50% of the options granted to the selected employee shall vest on 1st October, 2017 in case there is continuation of his service till the date of vesting.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

2. 50% on the first day of the financial year subsequent to the achievement of billing of Rs. 500 crores in any financial year by the Company, subject to the continuation of service till the date of vesting. However there shall remain a gap of minimum one year between the date of grant and the date of vesting under this clause. The compensation committee shall declare such date as and when it is triggered.

The subsidiary company has in its Compensation Committee meeting on 4 August 2014 granted outstanding 3,500 options to employee of the Parent Company. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "Ethos Employee Stock Option Plan – 2013"

(b) The movement in the scheme is set out as under:

Particulars	KRL ESOP 2011		KRL ESOP 2011	
	Year Ended March 31, 2017		Year Ended March 31, 2016	
	Options	Weight Average excise price	Options	Weight Average excise price
	Number	Number	Number	Number
Outstanding at the beginning of year	-	-	54,750	100
Granted during the year	-	-	-	-
Vested during the year	-	-	54,750	100
Exercised during the year	-	-	54,750	100
Lapsed during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-

Particulars	KRL ESOP 2011		KRL ESOP 2011	
	Year Ended March 31, 2017		Year Ended March 31, 2016	
	Options	Weight Average excise price	Options	Weight Average excise price
	Number	Number	Number	Number
Outstanding at the beginning of year	-	-	1,250	110
Vested during the year	-	-	1,250	110
Exercised during the year	-	-	1,250	110
Forfeited during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Particulars	KRL ESOP 2013		KRL ESOP 2013	
	Year Ended March 31, 2017		Year Ended March 31, 2016	
	Options	Weight Average excise price	Options	Weight Average excise price
	Number	Number	Number	Number
Outstanding at the beginning of year	231,500	120	261,500	120
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Lapsed during the year	-	-	30,000	120
Outstanding at the end of the year	231,500	120	231,500	120

(c) The fair value of the option has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Risk free interest rates (in %)	8.50%/8.00%/7.60%/7.60%	8.50%/8.00%/7.60%/7.60%
Expected life (in years)	3.55/2.24/4.56/4.16	3.55/2.24/4.56/4.16
Volatility (in %)	-	-
Dividend yield (in %)	-	-

III. Proforma accounting for Stock Option Grants

The Parent company and the subsidiary applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using fair value approach, the subsidiary's net income and basic/diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
1. Net Profit as reported	6,523,588	53,054,234
2. Add: Stock based employee compensation expense (credited)/debited to statement of profit and loss	(52,124)	(83,164)
3. Less : Stock based employee compensation expense based on fair value	(291,900)	280,615
4. Difference between (2) and (3)	(344,024)	(363,779)
5. Adjusted to proforma profit	6,179,564	52,690,455
6. Difference between (1) and (5)	344,024	363,779
7. Basic earnings per share as reported	0.63	5.54
8. Proforma basic earnings per share	0.60	5.50
9. Diluted earnings per share as per reported	0.63	5.53
10. Proforma diluted earnings per share	0.60	5.49

*The effect of cumulative optionally convertible preference shares being anti dilutive in nature, dilutive EPS has not been computed.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

43. Additional information, as required under Schedule-III to the Companies Act, 2013 of entities consolidated as Subsidiaries, Joint venture and Associate

S.No.	Name of the entity	Net Assets		Share in profit/loss	
		As a percentage of consolidated net assets	Amount (Rs.)	As a percentage of consolidated profit or (loss)	Amount (Rs.)
Parent Company					
1.	KDDL Limited	112%	1,128,043,841	1096%	71,474,908
Indian subsidiaries:					
2.	Ethos Limited	64%	646,561,622	-1147%	(74,835,963)
3.	Mahen Distributions Limited	7%	70,740,371	-35%	(2,287,692)
4.	Satva Jewellery and Design Limited	-1%	(5,478,817)	9%	612,225
Foreign subsidiaries					
5.	Kamla International Holdings SA	4%	41,568,362	12%	773,026
6.	Pylania SA	7%	66,486,504	818%	53,385,090
7.	Minority interest in all subsidiaries	36%	361,332,963	86%	5,634,487
Associate (as per equity method)					
8.	Kamla Tesio Dials Limited	0.08%	805,746	1%	91,452
Subtotal		229%	2,310,060,591	841%	54,847,533
Less: Effects of intercompany eliminations/adjustments		129%	1,300,356,808	741%	48,323,945
Total		100%	1,009,703,784	100%	6,523,588

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

44. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Units of foreign currency	Amount outstanding as at 31 march 2017		Amount outstanding as at 31 march 2016	
		Amount (in FC)	Amount (in INR)	Amount (in FC)	Amount (in INR)
Receivables					
	HKD	65,220	538,066	47,440	400,391
	USD	231,340	15,112,025	182,797	12,024,406
	EUR	22,418	1,576,566	21,547	1,597,513
	CHF	1,482,432	96,802,813	1,368,817	92,614,158
	GBP	-	-	528	49,665
Payables					
	HKD	281,204	2,364,922	367,613	3,161,472
	USD	50,288	3,270,877	73,419	4,870,903
	EUR	13,501	942,505	13,412	1,012,289
	CHF	2,514,042	163,102,607	1,146,936	79,219,347
	JPY	252,796	858,370	126,715	75,281
	SGD	43,962	2,041,164	70,959	3,487,641
Commission payable					
	CHF	152,181	9,937,419	316,382	21,836,657
Buyer's credit					
	USD	420,600	27,381,060	320,900	21,320,596
Advances from customers					
	CHF	1,865	121,225	53,422	3,687,153
	USD	-	-	27,592	1,839,333
Advance to suppliers					
	USD	8,666	577,672	17,730	1,166,310
	SGD	-	-	12,236	591,986
	EURO	15,459	100,320	31,116	2,306,919
	JPY	206	12,484	64,950	38,587
	CHF	-	-	4,358	294,895
	SEK	3,679	28,700	-	-
	HKD	289,598	2,455,791	-	-

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Following are the forward contracts entered into by the Company, which are outstanding as at the year end, in respect of unrecognised firm commitments:

Units of foreign currency	Amount outstanding as at 31 march 2017		Amount outstanding as at 31 march 2016	
	(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
CHF	-	-	600,000	42,475,000
USD	726,927	49,970,198	584,688	40,351,086

45. In terms with the provisions of Accounting Standard – 21 “ Consolidated Financial Statements ”, the Parent Company has computed its share of losses after adjusting for the cumulative dividends on preference share capital issued by the subsidiary companies, though, dividends have not been declared by such subsidiaries. The details of the dividend adjusted during the year is as follows :

Particulars	Year Ended 31 March 2017		Year Ended 31 March 2016	
	Amount of dividend	Divided per share	Amount of dividend	Divided per share
12% cumulative compulsory convertible preference shares	12,720,140	13.20	13,488,572	12.51
12% cumulative optionally convertible preference shares	600,600	7.80	600,600	7.80
14% cumulative compulsory convertible preference shares	10,150,013	18.20	10,150,013	18.20
	23,470,753		24,239,185	

- Arrears of fixed cumulative preference shareholders amounts to Rs 54,686,369 (previous year Rs 67,580,754) has been included in minority interest.

46. In accordance with the provisions of section 135 of the Companies Act 2013, the Board of Directors of the Parent Company had constituted a Corporate Social Responsibility (CSR) Committee.

(a) In terms with the provisions of the said Act, the Parent Company had to spend a sum of Rs 1,767,293 towards CSR activities during the year ended 31 March 2017.

(b) The details of amount actually spent by the Parent Company are:

S.No.	Particulars	Amount paid in Cash	Amount yet to be paid in Cash	Total
(i)	Contribution to KDDL Ethos Foundation (refer note 41)*	1,800,000	-	1,800,000
	Total	1,800,000	-	1,800,000

* Out of contribution made, Rs 945,000 has been spent by the KDDL Ethos Foundation on activities prescribed under section 135 of the Companies Act, 2013.

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

47. Disclosures pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and section 186 of the Companies Act, 2013:

Particulars	As at 31 March 2017	As at 31 March 2016
a) Loans and advances		
Loan to joint venture: Satva Jewellery & Design Limited		
Balance as at the year end	-	5,197,100
Maximum amount outstanding at any time during the year	-	5,197,100
(Satva Jewellery & Design Limited has utilised the loan for meeting working capital requirements)		
b) Investment *		
Investment in associate: Kamla Tesio Dials Limited		
Balance as at the year end	2,805,747	2,714,295
Maximum amount outstanding at any time during the year	2,805,747	2,714,295
Investment in Company: Karolview Developers Private Limited		
Balance as at the year end	5,000,000	5,000,000
Maximum amount outstanding at any time during the year	5,000,000	5,000,000
Investment in Company: Shivalik Waste Management Limited		
Balance as at the year end	175,000	175,000
Maximum amount outstanding at any time during the year	175,000	175,000

* Investments are net off provision for diminution in the value of investment, other than temporary.

48. The consolidated financial statements have been prepared in compliance with clause 32 of the listing agreement with stock exchange.

49. During the year ended 31 March 2016, a fire broke out in one of the stores of the subsidiary company (Ethos Limited) located at Ambience Mall, Gurgaon, thereby resulting in a loss of Rs 2,781,525 on account of damage to fixed assets (furniture and leasehold improvements) and Rs 4,096,664 on account of damage to inventory. Consequently, the subsidiary company has filed an insurance claim with the insurance company. Pending final acceptance of the amount by the insurance Company as at 31 March 2016, the subsidiary company has recognised an amount of Rs 6,878,189 as receivable in the financials appearing under "Non-current assets", thereby having no impact on profit and loss for the year. Any further changes to the insurance claim amount will be accounted for once the amount gets finalized with the insurance company.

50. As per the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, the parent company is required to use certain specific methods in computing arm's length prices of transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

information and documentation to be contemporaneous in nature, the Company is in the process of appointing independent consultants for conducting a Transfer Pricing Study (the 'Study') to confirm that the transactions with associate enterprises undertaken during the financial year are on an "arms length basis". Management is of the opinion that the Company's transactions are at arm's length and that the results of the proposed study will not have any impact on the financial statements and that they do not expect any transfer pricing adjustments.

There are the notes to the financial statements referred to in our report of even date

For and on behalf of the Board of Directors of **KDDL Limited**

For Walker Chandiok & Co LLP
Chartered Accountants

Yashovardhan Saboo
Chief Executive Officer and Vice-Chairman
(DIN: 00012158)

Sanjeev Masown
Chief Financial Officer and Whole Time Director
(DIN: 03542390)

Per **Lalit Kumar**
Partner

Raman Sood
Company Secretary
(Membership No. F3722)

Place : Chandigarh
Date : 30 May 2017

KDDL Limited (Consolidated)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2017

(All amounts in rupees, unless stated otherwise)

Sr.No.	Name of the Subsidiary Company	Ethos Ltd.	Mahen Distribution Ltd.	Plyania S.A.	Kamla International Holding SA	Satva Jewellery & Design Ltd.
1.	Financial/Accounting year of the subsidiary companies	31.03.2017	31.03.2017	31.03.2017	31.03.2017	31.03.2017
2.	Country of incorporation	India	India	Switzerland	Switzerland	India
3.	Reporting currency	INR	INR	CHF	CHF	INR
4.	Exchange rate to INR:					
	-Balance sheet			CHF=Rs 65.30	CHF=Rs 65.30	
	-Profit and loss			CHF=Rs 67.19	CHF=Rs 67.16	
5.	Share Capital(Incl. Advances towards capital where applicable)	358,040,00	74,812,200	105,064,333	38,351,064	30,000,000
6.	Reserves and surplus	288,521,582	(4,071,829)	(38,577,830)	3,217,298	(35,478,817)
7.	Total assets	2,113,957,312	87,900,295	139,225,156	41,568,361	12,912,569
8.	Total liabilities	1,467,395,692	17,159,924	72,738,655	-	18,391,386
9.	Investments(other than subsidiaries)	-	-	-	-	-
10.	Turnover	3,275,676,174	1,688,468	117,981,957	1,194,279	3,022,558
11.	Profit/(loss) before tax	(74,835,963)	(2,287,692)	53,804,383	846,773	612,225
12.	Tax Expenses/(Credited)	-	-	419,293	73,748	-
13.	Profit/(loss) after tax	(74,835,963)	(2,287,692)	53,385,090	773,025	612,225
14.	Proposed dividend and tax therein	-	-	-	-	-

Yashovardhan Saboo
Chief Executive Officer
and Vice-Chairman

Sanjeev Masown
Chief Financial Officer
and Whole Time Director

Raman Sood
Company Secretary

PROXY FORM

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration Rules, 2014)

KDDL Limited

(CIN: L33302HP1981PLC008123)

Regd. Office: Plot No. 3, Sector-III, Parwanoo, Distt. Solan (H.P.)

Tel. : +91 172 2548223/24, Fax : +91 172 2548302

Website : www.kddl.com, E-mail : investor.complaints@kddl.com

Name of the member(s) : _____
Registered Address : _____
E-mail id : _____
Folio No./Client Id : _____
DP ID : _____

I/We being the member(s) of _____ shares of the above named company, hereby appoint

1. Name : _____
Address : _____
E-mail Id : _____
Signature : _____, or failing him

1. Name : _____
Address : _____
E-mail Id : _____
Signature : _____, or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 37th Annual General Meeting of the Company, to be held on Friday, the 11th day of August, 2017 at 12:30 p.m. at Hotel Timber Trail Resorts, Parwanoo-173220 (Himachal Pradesh) and at any adjournment thereof in respect of such resolutions as indicated below :-

Ordinary Business :

1. Adoption of the Audited Accounts of the Company for the financial year ended 31st March, 2017 and the Reports of the Board of Director's and Auditors' thereon.
2. Declaration of dividend on equity shares.
3. Appointment of a director in place of Mr. Vishal Satinder Sood, who is liable to retire by rotation.
4. Appointment of M/s B S R & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company.

Special Business

5. Appointment of Jai Vardhan Saboo as Non Executive Director liable to retire by rotation of the Company.
6. Appointment of Mr. Sanjiv Sachal as an Independent Director of the Company.
7. Authorize amendment in article no 114 of association of the Company.
8. Authorize inserting new article no 114-A in article of association of the Company.
9. Re-appointment and remuneration of Mr. Yashovardhan Saboo with Designation of Chairman and Managing Director.
10. Authorize investment in subsidiary company
11. Approval of acceptance of deposits from shareholders under section 73 of the Companies Act, 2013

Signed this _____ day of _____ 2017

Signature of shareholder

Signature of shareholder

Affix
Revenue
Stamp

Note:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

ATTENDANCE SLIP

(To be presented at the entrance)

KDDL Limited

(CIN: L33302HP1981PLC008123)

Regd. Office: Plot No. 3, Sector-III, Parwanoo, Distt. Solan (H.P.)

Tel. : +91 172 2548223/24, Fax : +91 172 2548302 Website : www.kddl.com, E-mail : investor.complaints@kddl.com

Folio No: _____ DP ID No. : _____ Client ID No. _____

Name of the Member _____ Signature _____

Name of the Proxy holder _____ Signature _____

I, hereby record my presence at the 37th Annual General Meeting at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P) on Friday, the 11th day of August, 2017 at 12:30 p.m.

(Signature of Member/Proxy)

If undelivered please return to
KDDL Limited
SCO 88-89, Sector 8-C,
Madhya Marg, Chandigarh - 160 009