

THE KERALA MINERALS AND METALS LIMITED

**ANNUAL REPORT
2017-18**

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THE KERALA MINERALS AND METALS LIMITED

LIST OF DIRECTORS

Dr. K. Ellangovan IAS	(DIN: 05272476)	-	Chairman (w.e.f 01/09/2018)
Dr. Sharmila Mary Joseph IAS	(DIN: 07974964)	-	Director
Sri. Sanjay M. Kaul IAS	(DIN:01260911)	-	Director
Sri. P. Rajendran	(DIN:07924169)	-	Director
Dr. L. Venkata Muralikrishna Reddy	(DIN:03316871)	-	Director

(Sri. K. Raghavan was assigned full additional charge of Managing Director w.e.f 17.10.2018)

COMPANY SECRETARY

Jaison Thomas

AUDITORS

M/s Abraham & Jose
Chartered Accountants
Thrissur

BANKERS

State Bank of India, ICICI Bank,
HDFC Bank, Axis Bank,
Canara Bank, India Overseas Bank

REGISTERED OFFICE

Sankaramangalam, Chavara
Kollam District, Kerala
India, Pin-691583

CIN : U14109KL1972SGC002399
GSTIN : 32AAACT8118R1ZY
Email : kmml@md3.vsnl.net.in
Web : www.kmml.com
Telephone : 0476-2686722 (12lines)
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FACTORY

1. Mineral Separation Unit, Kovilthottam, Chavara, Kollam
2. Titanium Dioxide Pigment Unit, Sankaramangalam, Chavara, Kollam
3. Titanium Sponge Plant, Sankaramangalam, Chavara, Kollam

TEN YEARS FINANCIAL HIGHLIGHTS

Rs in Lakhs

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Gross Sales (including ED)	46359.35	51903.99	58552.56	61700.50	61092.60	72547.34	60091.20	53079.77	72704.13	74058.36
Net Sales	41908.91	48398.20	54022.58	57302.87	54763.36	65219.73	53801.11	47704.35	65391.71	72266.52
Other Income	1748.02	1654.35	1721.29	2083.52	1565.34	1093.02	934.27	429.36	1083.49	1998.38
Other Operating Income	0.00	0.00	0.00	0.00	0.00	12.78	37.51	17.32	0.00	0.00
Stock: Increase/Decrease	(2,977.67)	(1304.10)	242.21	6999.77	4568.98	(4,499.04)	1561.78	7770.68	(8441.65)	3537.28
Total Income	40679.26	48748.45	55986.08	66386.16	60897.69	61826.49	56334.67	55921.71	58033.55	77802.18
Material Consumed	8015.00	9550.17	11838.74	9948.05	9767.12	9443.75	9244.25	11743.28	10373.12	11270.35
Power	3016.11	2533.08	2686.89	2522.55	3459.67	3693.16	3749.14	3931.68	3528.39	4346.00
Fuel	9456.35	9311.99	11327.22	13170.84	14506.48	16559.27	14092.55	12105.73	12268.68	14855.49
Stores & Spares	3410.68	3497.25	4226.67	5794.95	5885.50	6127.24	5081.53	4664.42	4682.48	4878.47
Royalty	80.44	97.36	87.94	246.39	294.35	227.44	195.67	0.00	155.07	351.15
Repair & Maintenance	463.55	496.55	449.83	340.63	183.43	472.55	1358.94	1216.07	1154.76	1371.86
Employee Cost	9735.98	8937.12	14602.73	13203.72	12977.22	14757.69	15827.46	17514.70	18155.29	19363.32
Selling & Administrative Expenses	912.34	3814.37	3048.16	3686.76	3893.53	5936.72	6211.55	1933.67	404.02	1630.12
Total Expenditure	35090.45	38237.89	48268.18	48913.89	50967.31	57217.82	55761.09	53109.54	50721.81	58066.76
Gross Margin	5588.81	10510.56	7717.90	17472.27	9930.38	4608.67	573.58	2812.17	7311.74	19735.42
Depreciation	884.45	1245.94	1432.02	2021.75	1971.33	1925.81	1455.62	1255.60	1059.71	1209.85
Interest	30.10	19.60	26.71	42.06	364.83	120.29	318.70	396.83	73.37	79.92
Profit & Loss Before Prior period items	4674.26	9245.02	6259.17	15408.46	7594.22	2562.57	(1200.73)	1159.74	6178.73	18445.74
Exceptional items/provisions/others	1638.34	859.96	0.00	0.00	287.05	0.00	(1205.20)	(2404.46)	3296.61	(334.89)
Prior Period Expenses (-)/income	6.98	(13.56)	0.00	0.00	5.23	78.61	(72.41)	0.00	0.00	0.00
Profit & Loss Before Taxation	3042.90	8371.50	6259.17	15408.46	7312.40	2641.18	(2478.34)	(1244.73)	2882.12	18110.85
Current Tax	2000.00	1900.00	3398.87	4048.42	1800.00	1150.00	0.00	(74.29)	2150.00	(7,142.65)
Mat credit Entitlement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	74.29	0.00	0.00
Fringe Benefit Tax	43.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Tax	(543.34)	(416.40)	48.38	(184.96)	1926.61	80.19	(11.28)	(127.13)	(402.82)	777.96
Income Tax Paid(prior period)	6.80	(8.13)	0.00	0.00	2.85	0.00	0.00	0.00	0.00	0.00
Net Profit/Loss	449.76	6063.23	2811.92	11545.00	3588.63	1410.99	(2489.62)	(1371.84)	1134.94	11746.16
Cash Profit/Loss	1334.21	7309.17	4243.94	13566.75	5559.96	3336.80	(1034.00)	(116.24)	2194.65	12956.01
Turnover MS Unit-(Rs.in lakhs)	3618.62	4644.02	4405.36	4965.86	6447.69	3926.41	4055.32	4807.43	7262.53	5835.71
Profit before Tax MS Unit (Rs. In lakhs)	11.13	324.31	(1127.89)	6449.39	3428.60	1412.92	77.07	1135.42	300.04	1939.00
Export Turnover-(Rs.in lakhs)	6706.68	4452.75	7457.44	6421.18	3462.73	6682.52	3778.35	2373.58	4242.32	8338.74
Contribution to Exchequer (Rs. In Lakhs)										
Excise Duty	4450.44	3505.79	4529.98	4397.63	6329.24	7327.61	6290.09	5375.42	7312.00	1791.84
Sales Tax (including C S T)	912.36	984.56	1060.30	1175.52	1238.67	1370.96	1147.25	1165.25	1556.00	403.00
GST										8086.57
Royalty	80.44	97.36	87.94	246.39	294.35	227.44	195.67	181.03	150.00	392.00
Income Tax	2043.00	1900.00	3350.00	3604.26	1800.00	1150.00	0.00	74.29	2273.00	6140.00
Dividend	309.33	1546.64	1546.64	2319.95	773.32	618.65	0.00	0.00	0.00	0.00
Tax on Dividend	52.57	256.88	250.90	376.35	125.45	123.69	0.00	0.00	0.00	0.00
Gross Fixed Assets	32593.71	33707.00	39210.24	42301.28	46390.16	48547.40	50467.18	50523.26	51985.55	29678.05
Net Block	17942.43	17803.97	21883.40	22967.51	25112.78	25428.08	26330.43	25472.67	25998.55	26160.88
Capital work-in-progress	7250.49	12661.25	12786.60	13969.46	4060.74	1113.28	869.30	743.70	371.17	1034.67
Current Asset including long Term Loans and Advances	32429.76	33035.54	39592.55	46025.65	47728.06	55009.58	49842.97	56414.64	54658.47	69060.96
Less Current Liabilities and Provision	12864.53	14066.50	27265.53	27301.86	16624.85	17687.78	15495.49	25412.71	23129.81	28681.25
Working Capital (WC) (CA-CL)	19565.23	18969.04	12327.02	18723.79	31103.21	37321.80	34347.48	31001.93	31528.66	40379.71

Rs in Lakhs

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Investments	17.60	17.60	3517.60	3517.60	3518.10	518.10	518.10	524.36	522.87	520.25
Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Utilisation	44775.75	49451.86	50514.62	59178.36	63794.83	64381.26	62065.31	57742.66	58421.25	68095.51
Share Capital (SC)	3093.27	3093.27	3093.27	3093.27	3093.27	3093.27	3093.27	3093.27	3093.27	3093.27
Reserves & Surplus	40914.41	45174.12	46188.50	55037.20	57727.06	58233.30	55906.07	52707.88	53759.24	64294.37
Deferred Tax Liability	768.07	1184.47	1232.85	1047.89	2974.50	3054.69	3065.97	1941.51	1568.74	707.87
Total Sources	44775.75	49451.86	50514.62	59178.36	63794.83	64381.26	62065.31	57742.66	58421.25	68095.51
Net Worth (SC+reserves-Misce Exp)	44007.68	48267.39	49281.77	58130.47	60820.33	61326.57	58999.34	55801.15	56852.51	67387.64
Capital Employed (Net Block+WC)	37507.66	36773.01	34210.42	41691.30	56215.99	62749.88	60677.91	56474.60	57527.21	66540.59
Finished Goods	1491.56	231.06	569.28	7558.80	11865.76	9112.72	8753.13	16630.09	8597.74	11813.50
Work in Progress	439.80	265.41	169.41	179.60	955.36	746.24	1280.48	948.61	539.31	860.83
Raw Materials	534.50	1701.70	1115.49	1337.52	1684.87	2463.06	4990.88	5125.70	3083.10	1757.11
Stores and Spares including Loose Tools	5225.40	4537.29	4956.27	6128.42	7668.85	7083.63	7228.97	6438.97	6233.90	7031.55
Sundry Debtors	3203.56	4709.92	6421.85	6594.03	8667.02	10434.64	7107.39	8287.97	9951.65	7789.46
Cash and Bank Balances	14076.20	13808.32	12142.02	7740.61	3003.36	4393.87	386.89	66.30	6857.94	19067.00
Loans and Advances	7035.24	7073.93	13655.49	15751.32	13224.33	19842.29	19083.14	17284.82	17237.22	17355.05
Other Current Assets	423.50	707.91	562.74	735.35	658.51	933.13	1012.09	1632.18	2157.60	2815.74
Total	32429.76	33035.54	39592.55	46025.65	47728.06	55009.58	49842.97	56414.64	54658.46	68490.24
Installed Capacity (MTs)										
Titanium Dioxide	40000.00	40000.00	40000.00	40000.00	40000.00	40000.00	40000.00	40000.00	40000.00	40000.00
Ilmenite	51600.00	51600.00	51600.00	51600.00	51600.00	61600.00	61600.00	61600.00	61600.00	61600.00
Rutile	3400.00	3400.00	3400.00	3400.00	3400.00	4400.00	4400.00	4400.00	4400.00	4400.00
Zircon	2500.00	2500.00	2500.00	2500.00	2500.00	6500.00	6500.00	6500.00	6500.00	6500.00
Titanium Sponge							500.00	500.00	500.00	500.00
Capacity Utilisation (%)										
Titanium Dioxide	88.71	89.77	92.20	72.79	67.54	75.01	66.26	84.06	78.14	85.30
Ilmenite	82.38	85.85	75.43	84.11	87.67	102.03	105.60	106.54	3.90	92.14
Rutile	79.12	98.09	70.98	76.47	54.41	52.95	59.95	63.05	54.65	55.77
Zircon	97.80	103.68	113.51	208.52	158.40	55.92	73.35	82.22	73.60	74.52
Titanium Sponge							27.57	28.09	27.43	32.24
Production (MTs)										
Titanium Dioxide	35485.950	35908.200	36879.000	29116.600	27016.400	30004.417	26502.44	33624.80	31256.60	34120.00
Ilmenite	42510.000	44300.000	38920.000	43403.000	45240.000	62850.000	65050.00	65630.00	55404.00	56756.00
Rutile	2690.000	3335.000	2413.300	2600.000	1850.000	2330.000	2638.00	2774.30	2404.80	2454.00
Zircon	2445.000	2592.000	2837.650	5213.000	3960.000	3635.000	4768.00	5344.50	4784.00	4844.00
Silimanate	0.000	0.000	0.000	339.450	1265.000	1270.000	1012.00	471.45	600.00	701.00
Magnesium Chloride					384.000	500.722	540.61	565.77	548.29	661.90
Titanium Sponge					88.296	131.635	137.86	140.45	137.13	161.20
Sales (MTs)										
Titanium Dioxide- (Domestic)	31820.340	32982.090	30759.934	20721.745	22656.200	28733.832	24042.66	25946.63	34569.21	27330.69
Titanium Dioxide- (Export)	7338.000	4284.000	5853.800	4090.680	2225.800	4566.000	2589.05	1768.12	3178.00	4477.00
Titanium Dioxide- Total	39158.340	37266.090	36613.734	24812.425	24882.000	33299.832	26631.71	27714.75	37747.21	31807.69
Rutile	1604.000	3211.050	1544.350	2299.350	1855.000	1722.300	2694.78	1638.20	2921.10	1873.25
Zircon	2532.700	2601.400	2829.300	5114.350	3947.000	3726.680	4541.15	5573.70	3550.80	6100.25
Silimanite	0.000	0.000	0.000	320.150	1087.000	1351.250	987.05	557.00	274.00	1051.55
Titanium Tetra Chloride	909.360	717.500	1822.540	1893.315	2064.000	2129.640	3426.60	5114.43	5205.09	2481.27
Titanium Sponge					4.980	53.010	10.99	54.71	94.58	61.09
Magnesium Chloride					351.000	488.223	536.28	568.05	505.07	713.08
Leached Ilmenite	0.000	0.000	8.900	0.000	0.000	0.000	0.00	0.00	0.00	0.00
Beneficiated Ilmenite	0.000	0.000	8.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00

NOTICE TO MEMBERS

Notice is hereby given that the 46th Annual General Meeting of the Members of THE KERALAMINERALS AND METALS LIMITED (CIN: U14109KL1972SGC002399) will be held at 11 A.M. on Friday, the 28th September 2018, at the Registered Office of the Company to transact the following business;

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2018, the statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To fix the remuneration of the Auditors, appointed by the Comptroller & Auditor General of India for the financial year 2018-19.
3. To declare dividend (if any)

Special Business:

4. To consider and, if thought fit, to pass the following resolution to ratify the remuneration of the Cost Auditors for the financial year 2018-19, as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the remuneration payable to M/s. KA Felix & Co., Cost Accountants, appointed by the Board of Directors as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2019, amounting to Rs. 1,40,000/- plus Rs. 10,000/- as out of the pocket expenses (Tax will be extra), be and is hereby ratified and confirmed.”

By Order of the Board,
For **The Kerala Minerals and Metals Ltd.,**

Sd/-
Jaison Thomas,
Company Secretary

24.08.2018
Chavara

Note:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting. A form of proxy is enclosed.
- 2) An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013**Item No. 4**

The Board of Directors of the Company approved the appointment and remuneration of M/s. KA Felix & Co., Cost Accountants, to conduct the audit of the cost records of the Company for the financial year 2018-19.

In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is required to be ratified by the Members of the Company. Accordingly, consent of the Members is sought to ratify the remuneration payable to the Cost Auditors for the financial year 2018-19.

None of the Directors/Key Managerial Personnel and their relatives are concerned or interested (financially or otherwise) in the resolutions set out at Item No. 4.

The Board recommends the Ordinary Resolution set out at Item No. 4 for the approval of Members.

NOTICE TO MEMBERS

Notice is hereby given that the adjourned 46th Annual General Meeting of the Members of THE KERALAMINERALS AND METALS LIMITED (CIN: U14109KL1972SGC002399) will be held at 11.45 A.M. on Wednesday, the 10th April 2019, at the Registered Office of the Company to transact the following business;

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2018, the statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To fix the remuneration of the Auditors, appointed by the Comptroller & Auditor General of India for the financial year 2018-19.
3. To declare dividend (if any)

Special Business:

4. To consider and, if thought fit, to pass the following resolution to ratify the remuneration of the Cost Auditors for the financial year 2018-19, as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the remuneration payable to M/s. KA Felix & Co., Cost Accountants, appointed by the Board of Directors as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2019, amounting to Rs. 1,40,000/- plus Rs.10,000/- as out of the pocket expenses (Tax will be extra), be and is hereby ratified and confirmed.”

By Order of the Board,
For **The Kerala Minerals and Metals Ltd.**,

Sd/-
Jaison Thomas,
Company Secretary

12.03.2019
Chavara

Note:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting. A form of proxy is enclosed.
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None of the Directors/Key Managerial Personnel and their relatives are concerned or interested (financially or otherwise) in the resolutions set out at Item No. 4.

The Board recommends the Ordinary Resolution set out at Item No. 4 for the approval of Members.

DIRECTORS' REPORT

To

**The Members
The Kerala Minerals And Metals Limited**

Your Directors have great pleasure in presenting the 46th Annual Report of the Company together with the audited accounts for the year ended 31st March 2018.

2 HIGHLIGHTS

The working results of the Company for the financial year 2017-18 in terms of quantity are given below alongwith the figures related to the corresponding previous year;

Sl. No.	Name of Products	Production (MT)	
		2017-18	2016-17
1.	Titanium Dioxide Pigment	34120	31257
2.	Minerals (Ilmenite)	56756	55404
3.	Synthetic Rutile (BI)	42822	42650
4.	Natural Rutile	2454	2405
5.	Zircon	4744	4784
6.	Sillimanite	701	600

Average Sales Realisation of Titanium Dioxide/MT

	2017-18	2016-17
Domestic (INR)	198187	150374
Export (USD)	2910	2005

3 FINANCIAL RESULTS

Financial results of the Company for the year under review and previous year are given under;

Particulars	2017-18 (Rs. in Lakhs)	2016-17 (Rs. in Lakhs)
Gross Turnover	74058.36	72704.13
Gross profit before interest and depreciation	19735.52	7311.81
Profit before exceptional / extra ordinary items and tax	18445.74	6178.73
Profit after prior period, exceptional / extra ordinary items and tax.	11746.16	1134.94
Transfer to General Reserve	0.00	0.00
Capital Employed	63890.09	51463.00
Internal Generation	19655.59	7238.44

Note: Financial Statements are prepared as per Ind AS requirements

4 DIVIDEND

The company is contemplating to meet its entire capital expenditure including major projects expenditure through internal generation and borrowings from banks / financial institutions, without major financial assistance from the Government. Funds available with the company need to be preserved and used for effecting the improvements / up-gradation of old manufacturing facilities and for upcoming projects. It may kindly be noted that the company has paid Rs. 5 Crores to Chief Minister's Distress Relief Fund (CMDRF) on 19.12.2017 for rehabilitation of victims of Cyclone-Okhi disaster. Further, the company has paid Rs. 2 Crores on 16.08.2018 to CMDRF towards Flood relief. Considering the above, no dividend was proposed for the financial year 2017-18.

4 TRANSFER TO RESERVE

No amount was transferred to General Reserve during the year under report.

5 REVIEW OF OPERATIONS AND STATE OF AFFAIRS

Turnover of the company for the financial year 2017-18 was Rs. 740.58 crores as compared to Rs. 727.04 crores during the previous year (net of discount) with an increase of 1.86%. The profit for the year 2017-18 before providing for certain exceptional and extra-ordinary items was Rs. 18445.74 lakhs as against the profit of Rs. 6178.73 lakhs for corresponding previous year. Further, an amount of Rs. 334.89 lakhs (previous year Rs.3296.61 lakhs) was provided during the financial year towards certain exceptional and extra ordinary items so as to show a true and fair view of the state of affairs of the company as on 31.03.2018. After considering the above exceptional and extra-ordinary items, the profit for the year 2017-18 was Rs. 18110.85 lakhs before tax as against Rs. 2882.12 lakhs for corresponding previous year.

6 SALIENT FEATURES OF FINANCIAL STATEMENTS

Salient features of the Balance Sheet, Statement of Profit & Loss and Notes thereof, and cash flow statement for the financial year 2017-18 are set out in the financial statements segment of the Annual Report.

7 MINERAL SEPARATION UNIT

During the financial year 2017-18, Mineral Separation Unit of the company has achieved / completed the following projects;

- I. Obtaining administrative sanction from Government for Capital investment in Mineral Separation Unit (at estimate cost of Rs.881 Lakhs with an escalation allowance of +10%) for the following technological up-gradation proposals mainly for retaining / improving the existing recovery in production of Zircon, Sillimanite and Rutile ;
 - a) Replacement of existing High Tension Roll Separators in the Dry Mill with new generation HT Separators.
 - b) Installation of 2 Nos. additional Induced Roll Magnetic Separators (IRMS) at the Zircon / Sillimanite plant.
 - c) Replacement of existing spirals in the Zircon / Sillimanite plant.
 - d) Replacement of the conventional flotation cell at the Sillimanite plant with a Column Flotation Cell.
 - e) Installing a higher capacity transformer to augment the electrical distribution system.

II. Successful completion of installation of new bagging machine for Zircon bagging.

In the current financial year 2018-19, the company plans to carry out the projects viz. i) Construction of Groins for protecting the coastline, possibility of reclaiming lost land as well as promote accretion of sand in mining area, ii) Replacement of Furnace oil tank / HSD tank due to corrosion / deterioration / ageing of both the tanks as well as to fulfill statutory obligation, iii) Construction of new Foot over bridge near MS Unit to restore the pedestrian traffic across TS Canal, iv) Construction of motorable Over bridge across TS Canal at Kovilthottam for transportation purpose, v) Tube well digging for fresh water to production operation of MS Plant, and vi) Mini desalination plant for MS Plant to utilize saline Canal water for production process.

8 TITANIUM SPONGE PLANT

During the financial year under review, the TSP has achieved / completed i) The Manufacturing, Testing & Marketing of titanium sponge and by products of TSP has been complied with the requirements stipulated as per Aerospace standard AS 9100 D: 2016 and certification documents received from TUV-SUD. With this, the prime product of TSP, Titanium Sponge, has been placed in International Aerospace Quality Group (IAQG) to serve the International customers from aerospace and defence sectors, ii) Technical report has been prepared and submitted to The Regional Center for Military Airworthiness (RCMA), Hyderabad, in conformance to the requirements for certifying the Titanium Sponge for aerospace applications under Ministry of Defence, and iii) A customer base has been developed for sale of Metal Grade TiCl₄. M/s. Reliance Industries is one among them.

In the current financial year 2018-19, the company plans to do i) Magnesium recovery pilot project, utilizing technology from Defence Metallurgical Research Lab (DMRL), Hyderabad, and funding from VSSC / ISRO, KMML and in this regard draft MoU and Contract has been formulated by VSSC and jointly reviewed by VSSC, KMML and DMRL, ii) Quality Control Laboratory has adopted the compliance requirements stipulated by NABL (National Accreditation Board of Testing and Calibration Laboratories) as per the standard ISO/IEC 17025:2005 and certification audit was completed.

9 HIGHLIGHTS OF ONGOING PROJECTS

I. 70 TPD OXYGEN PLANT

The existing Oxygen plant commissioned in the year 1984 has a design capacity to produce 50 TPD. Due to ageing, the plant capacity has now come down to about 35 TPD and specific power consumption is high when compared to modern plants. The new 70 TPD Oxygen plant which is under construction is expected to bring down the specific energy requirement considerably and it also makes company self reliant in a critical input.

Present Status:

- Govt. vide its order no. G.O (Rt.) No. 1451/2017/ID dated 10/10/2017, had accorded approval for the implementation of new 70 TPD Oxygen plant, at an estimated amount of Rs. 41.85 Lakhs plus GST.
- Subsequently, order has been placed on M/s. LINDE, Kolkata, for the supply and erection of the plant & equipments. The ordered value is Rs. 38.85 Crores plus GST.
- Civil works included in the scope of KMML is progressing in good pace and the estimates are Rs. 3.0 Crores plus GST.
- The total project is scheduled to be completed by September, 2019.

II. ENERGY EFFICIENT TICKLE PRE HEATERS

The thermal efficiency of the Tickle pre-heaters (2 Nos.) used in the Oxidation plant (U300) is very low, which was revealed during an energy audit conducted by CPRI. Installation of modern furnaces with high thermal efficiency would reduce the fuel consumption significantly. The estimated cost to install new compact and energy efficient tickle pre heaters was originally Rs. 10 Crores has been increased to Rs 20 Crores, as per current estimates.

Present Status:

- The Board meeting of the company held on 30.01.2018, had accorded sanction to seek Govt. approval for the enhancement of total project cost from Rs. 1000 Lakh to Rs. 2000 Lakh and also to invite retender, in view of the validity expiry of the offer received from LINDE, Vadodara.
- Accordingly, the file is under the consideration of Govt. for revising the project cost. Meanwhile, tender has been invited for the project and is live.

III. INTRODUCTION OF LNG IN LIEU OF LPG

LNG being clean, green, lighter & safer, it was decided to replace existing LPG system with LNG. Implementation of LNG system will be carried out in phases. In phase one, spin flash drier at U-400, Oxygen pre-heaters of U-300 and pilot burners of ARP/IBP will be modified to use LNG. In phase two, Tickle pre-heaters and oxidizers of U300 are included. The facility consist of 65 MT LNG storage tank, vaporizers etc. and the estimated cost of the project is Rs 10.01 Crores.

Present Status:

- Civil works for the LNG storage & evaporation facility has been completed.
- Engineering, Procurement & Construction contract was awarded to M/s. INOX, Vadodara. They have completed their erection works and the facility has been inspected by PESO on 07.12.2018, for final endorsement.
- New dual gas burner has been installed in spin flash dryer unit of U-400, capable to fire LNG as well as LPG fuel.
- The commissioning of LNG facility is planned during February 2019.

IV. DCS FOR PIGMENT PRODUCTION PLANT

The existing instrumentation and control system employed in the Chlorination (U-200) & Oxidation (U-300) plants are obsolete. Considering the conventional operation, lack of availability of spares and advantages of implementing DCS, it was decided to convert the existing system to DCS. The total estimated cost of the project is Rs. 12 Crores.

Present Status:

- Work order was issued to Mr. Ravikumar, Civil contractor, for the construction of new DCS control room building. The construction of the control room building is now in the final stage.
- Order was placed on M/s. Yokogawa, Bengaluru, for the DCS system and related accessories. They have supplied the items, erection is progressing at site. The total order value is Rs. 585.55 Lakh with GST.
- The project is scheduled to be hooked up/commissioned by April 2019, along with the Annual shutdown maintenance.

V. DEDICATED FIRE HYDRANT SYSTEM

KMML TP unit is a major hazard unit in terms of probability of fire, leakages, explosion etc. A dedicated fire hydrant system is required for such plants. However the present fire hydrant system of KMML is integrated with drinking water network. Hence it was decided to install a dedicated fire hydrant system and the proposal is budgeted at an estimated cost of Rs. 708.32 lakhs.

Present Status:

- The Board meeting of the Company held on 30.01.2018 had accorded its approval to place order for the dedicated fire hydrant system on M/s. Sterling & Wilson, Chennai.
- We have placed supply and work order on M/s. Sterling & Wilson, at an amount of Rs. 539.21 Lakh, without firewater storage tank.
- Zinc- Alum fire water storage tank is tendered separately for a water volume of 1250 m³ and is estimated at Rs. 100 Lakh.
- The total project is scheduled to be completed by November, 2019.

VI. INSTALLATION OF PIPELINES TO TRANSFER FURNACE OIL AND HCL THROUGH BARGES

This is a project developed as part of Government level decision to commission the National water way-III, to convert it as a corridor for material movement as well as for Tourism. It was decided in the Government level to construct a jetty & unloading facility at Chavara, to kick start transportation of furnace oil & Hydrochloric acid to KMML through barges. Government also allotted fund for jetty construction to CSIND (Rs. 150 Lakhs-including Chavara & Udyogamanadal). Piping from the barge unloading facility to the respective storage tanks was included in the scope of KMML.

Present Status:

- The Board meeting of the company held on 24/11/2017, had accorded its approval to place order on M/s. Thermo systems, Hyderabad, for the installation of pipelines from the berth to the storage tanks at TP unit. The total ordered value is Rs. 4.36 Crores. Piping works entrusted with KMML has achieved substantial progress and will be completed by January, 2019.
- Construction of jetty & allied unloading facilities is also under progress by Inland Navigation Division, Kollam, as entrusted by Government.

De-bottlenecking Projects (for addition of 10,000 TPA of TiO₂ Pigment Production)

Schemes are being finalized for augmenting the existing production capacity by debottlenecking the existing plant with advice from experts in the industry and by using minimum resources. Progresses expected from this augmentation program are: -

- Capacity enhancement of TiO₂ pigment production plant.
- Plant reliability improvement, whereby on-stream factor would further improve by around 5-10% from the present level of 80%.
- Improvement in operating efficiencies leading to better specific consumptions for raw materials and utilities.
- Improvement and consistency in product quality, especially with regard to Brightness (97.8 to 98.4) and Dispersion

Some of the major technology updates to be implemented are: -

- Vertical Chlorinator Feed System: - This will reduce inert gas in the system further resulting in longer Chlorinator brick life, reduced blow over, increase through put in Chlorinator.
- Double pass condensing column cooler in U200: - Enhancement in cooling capacity by around 25% bringing about improved TiCl₄ condensation, better recovery, minimizing TiCl₄ loss.
- Installation of 6" Oxidizer: - Enhances pigment production capacity in U300 by 25%.

Above capacity augmentation is expected to be completed within 12 months period

10 LAND ACQUISITION

During the financial year under review, the Company has done negotiated purchase of land at Ponmana and Kovilthottam as shown below;

Area	Extent in Ares	Extent in Acres	Total cost
Ponmana	56.99	1.40	Rs. 40,85,127/-
Kovilthottam	0.81	0.02	Rs. 10,59,241/-

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

The particulars as prescribed under Section 134(3) (m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in **Annexure - A** forming part of this report.

13 HUMAN RESOURCES DEVELOPMENT / TRAINING

As a part of human resources development, the Company has undertaken continuous training programs for the employees, which helped to improve the competency, skill and knowledge of the employees. Details of training imparted during 2017-18 are given under;

Sl. No.	Topics Covered	Category	No. of Batches covered
1	SA 800:2014 & ISO 9001 : 2015, 14001:2015	Officers & Workmen	4
2	Towards organizational excellence through improved work culture	Workmen	36
3	Trade Union Leadership for an excellent work culture	Trade Union	2
4	Organizational Excellence	Officers	2
5	Microsoft Excel & its application in Managerial Decision Making	Officers	4
6	Importance of Malayalam Language in official and corporate matters	Workmen	2
	Total		50

14 SAFETY MEASURES

Titanium Dioxide Pigment Unit of KMML is treated as Major Hazardous Industry as per the provisions of the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989, framed under the Environment Protection Act, 1986 and the Kerala Factories (Major Accident Hazard Control) Rules, 2005, framed under the Factories Act, 1948 and hence the Top Management have given utmost priority and importance to Occupational Health and Safety of its employees. We are committed to protect the health and safety of our employees and everybody associated with our activities. As such, safety is incorporated into the system of machinery and equipments at the design stage itself. Besides, adequate control procedures are established and maintained to operate the plant in a failsafe and foolproof manner. Hazard identification and risk control is part and parcel of the factory's day to day operation and an ongoing process.

Accident analysis for the year 2017-18

As a result of effective safety training, proactive safety measures and introducing Integrated Management System, we were able to maintain the trend of low accident rate in 2017-18 also. Compared to the previous year, the number of 'Lost time' accidents has decreased from 17 Nos. to 10 Nos. in 2017-18 decreasing the frequency rate from 8.82 to 5.65. The man days lost due to the above accidents has also decreased from 140 to 111 reflecting the same in decrease in severity rate from 72.61 to 62.75 and that of frequency severity index from 0.80 to 0.60. The number of 'No lost time' accidents has also decreased from 32 Nos. in 2016-17 to 28 Nos. in 2017-18. The agency wise accident analysis revealed that more accidents had occurred due to Slip & Falls, Chemicals and Machinery.

Other activities of Fire & Safety

To manage and control any unforeseen eventuality, if occurs, the company have prepared an Onsite Emergency Plan. Mock Drills as envisaged in the plan and as specified in our Occupational Health and Safety Management System are being conducted once in every 6 months or more frequently. Accordingly, practice / mock drills were conducted on 26.07.2017 and 15.02.2018 during the year 2017-18 to test and review our emergency preparedness, and response thereof was well appreciated by Statutory Authorities and Experts from other industries present as external observers during the drill. Also, the Offsite mock drill was conducted as a continuation to the onsite mock drill conducted on 15.02.2018. All the concerned government departments like Factories and Boilers, Health Services, Police, Fire & Rescue, Revenue, Water Authority, KSEB, KSPCB, RTO etc. participated in the Offsite drill.

47th National Safety Day was celebrated in the company in a befitting manner. Safety Flag was hoisted on 4th March 2018 and Safety day celebration was conducted on 5th March 2018. A number of safety competitions and various safety awareness programs were conducted for the employees in connection with the National Safety Day campaign. As part of our Occupational Health and Safety Management System, a Safety Award Scheme was introduced during the year under review and awards were distributed to the winners of the competition.

As a result of effective safety training, proactive safety measures and effectiveness of Integrated Management System, we were able to maintain the trend of low accident rate in the company. Occupational Health & Safety Management System is being maintained and continually improved. The integrated quality, occupational health & safety, environment and social accountability policy of the company is given under;

QUALITY, OCCUPATIONAL HEALTH & SAFETY, SOCIAL ACCOUNTABILITY AND ENVIRONMENTAL POLICY

We, The Kerala Minerals and Metals Ltd., strive to become the market leader of Titanium products and an asset to our stakeholders. Delighting customers with world-class products and services at competitive prices, preserving the serenity of the environment, maintaining applicable labour conditions and health & safety of our employees and other persons involved with our activities are our core values.

To enable us to achieve the above core values, we are:

- *Committed to continually improve the effectiveness and efficiency of the Integrated Management System*
- *Committed to comply with all applicable legal & other requirements including international instruments and their interpretation stipulated by social accountability standards.*
- *Committed to prevention of pollution, waste reduction and resource conservation*
- *Committed to create a safe work environment through prevention of occupational illness & incidents by managing risks at workplaces.*
- *Committed towards social development activities & the welfare of our employees & interested parties.*
- *Committed to continual improvement of processes by setting & reviewing integrated objectives, targets and programmes and through voluntary social indicators / initiatives.*
- *Committed to achieve continual improvement in the areas of optimization of processes, minimization of unit costs and maximization of production & market revenue.*
- *Committed to be ethical, fair and transparent in every dealing with all our stakeholders.*

14 POLLUTION CONTROL ACTIVITIES

The company has well equipped and scientifically designed Effluent Treatment Plant and Lime Preparation Plant to treat all the effluents generated from various units, as per statutory norms. The treated effluent is pumped to effluent treatment ponds constructed as per the norms of Central Pollution Control Board. The supernatant of quality as specified by the KSPCB, from the pond alone is pumped to the sea which is the outlet approved by the Kerala State Pollution Control Board. Measurement of quality of the effluent pumped to the sea is continuously monitored through necessary instrumentation system.

The company has two ponds with seven liner systems as per CPCB guidelines for storage of the iron oxide and the sludge generated from the Effluent Treatment Plant. There is a lime as well as caustic neutralization system for neutralizing the iron oxide continuously at source of production as well as in the new iron oxide storage. It has modern equipments like lime scrubber, acid scrubber, cyclones, bag filters etc. at various locations of the plants for scrubbing the effluent gases and thus, maintain the quality of gases as per statutory standards before letting out to the atmosphere through sufficiently tall stacks as specified by the KSPCB.

In connection with de-categorization of iron oxide from non-hazardous category, M/s. National Environmental Engineering Research Institute, has submitted the final report. As per their findings, the iron oxide generated in the company is classified as “Non-Hazardous waste” and this report was placed before KSPCB / CPCB / MoEF, for approval.

The company has four real time Ambient Air Quality Monitoring Stations at various locations in the company and its real time data has been linked with central server of SPCB by provision of G-lens software. It has also installed online stack monitoring systems in the stacks at various plants to continuously monitor and ensure the quality of the gases let out from the various plants. Also, installed about 40 detectors at various locations in the plants for monitoring the presence of gases, if any, in the ambient air.

15 PARTICULARS OF EMPLOYEES

None of the employees in the company is covered under the provisions of Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

16 DIRECTORS

During the financial year 2017-18, Sri. Teeka Ram Meena IAS was appointed as Director of the company in the place of Sri. Kamala Vardhana Rao IAS. Sri. Bishwanath Sinha IAS was appointed as Director of the company in the place of Sri. Teeka Ram Meena IAS. Later, the Government of Kerala appointed Smt. Sharmila Mary Joseph IAS as Director of the company in the place of Sri. Bishwanath Sinha IAS. Sri. P. Rajendran and Dr. L.V. Murali Krishna Reddy were appointed by Govt. of Kerala as Directors of the company. Sri. Sanjay M. Kaul IAS, was also appointed by Govt. of Kerala, as Director of the company.

The Govt. of Kerala vide G.O. (Rt) No.1035/2018/ID, dated 01.09.2018, appointed Dr. K. Ellangovan IAS as Chairman of the company in the place of Dr. M.P. Sukumaran Nair. The Govt. of Kerala vide G.O. (Rt) No.1207/2018/ID, dated 17.10.2018, assigned full additional charge of Managing Director to Sri. K. Raghavan, HOU (TP/MS) / JGM i/c. and also, relieved Sri. Roy Kurian K.K. from the post of Managing Director.

17 AUDITORS

M/s. Abraham & Jose, Chartered Accountants, Thrissur, was appointed by the Comptroller and Auditor General of India as Statutory Auditors of the Company for the financial year 2017-18.

18 BOARD MEETING AND CORPORATE GOVERNANCE

A report on Board Meeting and Corporate Governance is set out in **Annexure - B** forming part of this report.

19 AUDIT COMMITTEE

Details of Audit Committee Members and their Meetings held in the financial year 2017-18 are given in **Annexure - B** forming part of this report.

20 DIRECTORS' RESPONSIBILITY STATEMENT U/S. 134 (5)

Pursuant to the requirements under Section 134 (5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, The Directors to the best of their knowledge and belief and according to the information and explanations obtained by them, state as follows 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 2017-18 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 devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

21 CORPORATE SOCIAL RESPONSIBILITY

The Company has actively supported various initiatives in the area of Health, Education and Environment for past years. As per Section 135 of the Companies Act, 2013 and Rules made there under, the Company has a Corporate Social Responsibility Committee. The CSR Policy adopted by the Board of Directors is available on the Company's website www.kmml.com. Annual report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 was appended as **Annexure – C** to this Report.

22 EXTRACT OF ANNUAL RETURN

The extract of Annual Return in Form MGT 9 as required under Section 92(3) and Rule 12 of the Companies (Management and Administration) Rules, 2014, is appended as **Annexure-D** to this Report.

23 VIGIL MECHANISM

The Company has established a Vigil Mechanism and formulated a Whistle Blower Policy that enables the employees to report to the management and in exceptional cases to Chairman of the Audit Committee about unethical behavior, actual or suspected fraud, or violation of the company's general guidelines on conduct or ethics policy. Details of the Whistle Blower Policy is available at Company's website www.kmml.com.

24 PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

The Company has a system in place for prevention of sexual harassment in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee is in place to redress the complaints regarding sexual harassment. During 2017-18, no complaint was received by the Company related to sexual harassment. However, one sitting was held by Internal Complaints Committee.

25 DEPOSITS

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

26 RIGHT TO INFORMATION

The company being a Public Sector Undertaking of the Government of Kerala, the provisions of the Right to Information Act, 2005 are being complied with. The company has a Public Information Officer and two Assistant Public Information Officers (one for TP Unit and for MS Unit) of the company. Besides, an Appellate Authority is functioning in the company. The applications being

received by the company, are processed expeditiously and provide required information to the applicant within prescribed time limit.

The company published a Suo-Motto disclosure of general information about the company which is available at company's website. During the financial year 2017-18, the company has received 159 applications under RTI Act and there were 7 applications pending for disposal at the beginning of the year. Out of it, 161 applications were processed and disposed at the satisfaction of the applicants and 5 applications were pending at the end of the financial year (which was disposed in the current financial year). This disposition details are available at company's website.

27 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. In order to maintain objectivity and independence of the internal audit, quarterly internal audit reports are being placed before Audit Committee meeting of the company for their review and suggestions for betterment. Based on the suggestions and directions given by Audit Committee/Board Meeting, corrective actions are being taken at respective areas and thereby strengthen the internal controls.

In addition to this, observations and remarks of the statutory Auditors' along with corrective actions thereon are presented before Audit Committee Meeting. Internal Audit Department monitors and evaluates efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all units of the Company.

28 RISK MANAGEMENT

A mechanism for risk management is being devised and implemented in the company. It will provide for constitution of a Risk Committee which will work towards creating a Risk Register, identifying internal and external risks and implementing risk mitigation steps. The Committee shall periodically update the status to the Management / Board of Directors of the Company.

29 RELATED PARTY TRANSACTIONS

There was no related party transaction in the company for the year 2017-18. Thus, the disclosure of Related Party Transactions as required under Section 134 (3)(h) of the Companies Act, 2013, is not applicable.

30 PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Particulars of Loans / Guarantees etc. are stated under Note Nos. 50.A to 50.G of Notes forming part of the financial statement for the financial year 2017-18.

31 RESERVATIONS, QUALIFICATIONS OR REMARKS MADE IN AUDITOR'S REPORT AND COMPANY'S REPLY ON THE SAME

Qualified Opinion No. (i)

During the year the company has identified non-moving items in stores and spares for more than two year to the extent of Rs.2761.88 lakhs. The company has maintained a provision of Rs.416.79 lakhs only against such items. The realizable value of the identified non-moving items has not been ascertained and necessary provision has not been created against the consequent diminution, if any. In our opinion, the provision made is not adequate considering the volume and ageing of such items. However, in the absence of estimated realizable value and extent of possible reuse, we are unable to quantify the extent of short provision.

Reply to Qualified Opinion No. (i)

During the year company has enhanced the scope of work of perpetual inventory team and they have examined the entire stores and spares costing more than Rs. 8000/- as against Rs. 10000/- in 2016-17. On the basis of the report received and recommendations from the concerned user Departments, Company has provided Rs.91.47 lakhs during the year and the total provision against non-moving/obsolete stores and spares comes to Rs.416.79lakhs. The other spares, though they are non-moving for more than two years, they are usable and required in future which are essential for running a chemical plant of this nature. As these spares are usable for the purpose for which it is procured, we have not made any provision towards diminution.

Qualified Opinion No. (ii)

Note No 7, non-current Loans and Advances includes a sum of Rs.6133.79 lakhs being loans to various Government Companies / Societies. Against these loans and advances, the company has made provision for doubtful advances to the extent of Rs 384.00 lakhs. A few companies, to whom advance has been given, have even though confirmed the existence of loan in their books of accounts, have expressed their inability to repay the loan at present. Against these loans and advances, the company has made provision for doubtful recovery to the extent of Rs 384.00 lakhs. We are unable to comment on the recoverability of the above loans given to companies / societies based on the letter of confirmation given by the PSUs / Societies, since these confirmations does not specify the repayment schedule of loans given and therefore we are unable to express an opinion on the adequacy of the provision made. Since the company has not ascertained the doubtful portion of the loan and the recoverability of the same, we are unable to quantify the impact of shortage in provision, if any.

The effect of the qualification given in above items is not quantifiable / ascertainable.

Reply to Qualified Opinion No. (ii)

The Govt. of Kerala has directed all the concerned organizations to repay the loan vide letter No. 17404/ H3/ 2009/ ID dated 13.08.2009. Accordingly company is making rigorous follow up with those companies. Further, a meeting was convened by the Principal Secretary, Industries, Govt. of Kerala on 16.08.2014 to discuss the repayment of the loans granted to various PSU's by KMMML. Accordingly direction was given to certain companies to repay the loan taken by them/taken by other companies.(Please refer point no. 50 (A) of notes to accounts). Accordingly, the company has received Rs. 111.50 lakhs from four PSUs. It may be worthwhile to note that out of Rs. 111.50 lakhs mentioned above, Rs. 87.50 lakhs received during the year 2015-16 from M/s Kerala State Detergent and chemicals which was provided in the books of accounts earlier. This shows that there is scope for receiving the money back in the case of others also. Moreover, confirmation of balances have been collected from all the PSUs to whom the loan was given and shown as outstanding as on 31-03-2018 and majority of them have assured that re-payment will be made as soon as their financial position improves. Constant follow up is also being made to recover these amounts. The company has already provided Rs. 384 lakhs and written off Rs. 86.15 lakhs towards loans given to others PSUs so far based on Government directions from time to time. As per the Accounting policy of the company, further provisions can be made only based on Government directions.

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

- 1. (a)** : The records maintained by the company regarding the quantitative details and situation of fixed assets are not commensurate with the nature and size of the company.

Reply to 1. (a): The company is maintaining fixed asset register indicating the location of each asset and code number is allotted to each asset for easy identification. However, necessary steps will be taken for strengthening the system.

1 (b): The fixed assets have been physically verified by an external agency appointed by the management during the year. There is no regular programme of verification of fixed assets and the land purchased by the company is not subject to annual survey to spot encroachments and erosion, but is surveyed only once in three years as per the policy of the Company. Effect of this on adequacy of physical verification could not be ascertained with reasonable assurance and subject to the same, no material discrepancies were noticed on verification of fixed assets.

Reply to 1.(b): During the year the physical verification of the assets is done by the perpetual inventory team of the company. All the assets are serially numbered and the perpetual inventory team certified the physical existence of all fixed assets.

The fixed assets of the company will be verified on a regular basis. As per the adopted accounting policy loss of land, if any, due to sea erosion will be ascertained once in three years and provided in the accounts in the respective years. Accordingly the next survey will be done in 2018-19. This is disclosed under Note No-3 (d) - Significant accounting policies.

1 (c): In our opinion and according to the information and explanations given to us, the title deeds of immovable properties are held in the name of the Company. However, in respect of the immovable properties, we were informed that the title deeds have been deposited with the bankers for availing loans for which confirmation has been received from Bank.

Reply to 1.(c): The company is having Working Capital arrangement to the tune of Rs. 25 crores with M/s State Bank of India (erstwhile State Bank of Travancore (SBT) (Rs. 15 crores from SBI kollam and Rs.10 crores sub limit from SBI, Chavara) against hypothecation of entire current assets (Receivables and stock) of the company and immovable properties i.e an extent of 71 hectares, 98 Areas and 05 Sq.m.in Re. Sy.No.202/1, Re.Sy.No89/18 in Panmana village of Karunagapally Taluk of Kollam District along with all improvements thereon composed of properties under various Pattas. While renewing the loan, SBT have confirmed that the loan was sanctioned against the above immovable property and confirmation has been received.

2.(a) We are informed that the management has installed a system of perpetual inventory for stores and spares and stock of raw materials and finished goods, except those lying with contractors and in transit are verified on year end only. In our opinion the management has to implement a regular programme for verification of inventories of raw material, in which the frequency of verification shall be determined by an ABC qualification. The system of continuous verification of stores and spares needs further strengthening to ensure that an item is verified at least once in a year.

Reply to 2.(a): During the year company has enhanced the scope of work of the perpetual inventory team and they have examined the entire stores and spares costing more than Rs. 8000/- as against Rs. 10000/-in 2016-17. The Company has around 35000 items of spares in stock. Physical verification of all the items every year is a difficult proposition. However, the company is making efforts for continuous improvement in this area.The company has initiated the activities of Physical verification of raw materials during the year and scope will be enhanced to cover the points noted by auditors.

2(b) : The company is maintaining stock ledger for all items of raw materials and stores and spares. Since the records relating to physical verification of inventories are inadequate we are unable to comment whether the discrepancies between physical stock and stock as per books of account have been properly dealt with in the books of account.

Reply to 2.(b); The company has an inventory management system commensurate with the size and nature of the business. Periodical physical verification of inventory also has been carried out as mentioned under 2 (a) above. Further improvements in the maintenance of records related to physical verification will be made during the year 2018-19.

ANNEXURE 3 TO THE INDEPENDENT AUDITOR'S REPORT

Point (a): *The internal control system in place towards maintenance of records regarding quantitative details and situation of fixed assets and regular program for physical verification of fixed assets including land, does not commensurate with the nature and size of the company.*

Reply to (a) : The company is maintaining fixed asset register indicating the location of each asset and code number is allotted to each asset for easy identification. During the year the physical verification of the assets is done by the perpetual inventory team of the company. All the assets are serially numbered and the physical verification team certified the physical existence of all fixed assets. The fixed assets of the company will be verified on a regular basis. However, as suggested by the Auditors, necessary steps will be taken for strengthening the system.

Point (b): *The company does not have a regular program for verification of inventory of raw materials in which the frequency of verification is determined by an ABC qualification. The system of continuous verification of stores and spares needs further strengthening to ensure that an item is verified at least once in a year.*

Reply to (b): During the year company has enhanced the scope of work of the perpetual inventory team and they have examined the entire stores and spares costing more than Rs. 8000/- as against Rs. 10000/- in 2016-17. The Company has around 35000 items of spares in stock. Physical verification of all the items every year is a difficult proposition. However the company is making efforts for continuous improvement in this area. The company has initiated the activities of Physical verification of raw materials during the year and scope will be enhanced to cover the points noted by auditors.

Point (c): *The records relating to physical verification of inventory is inadequate to evaluate the discrepancies, if any between physical stock and stock as per books and for making appropriate entries in the books of accounts.*

Reply to (c): The company has an inventory management system commensurate with the size and nature of the business. Periodical physical verification of inventory also has been carried out. Further improvements in the maintenance of records related to physical verification will be made during the year 2018-19.

Point (d): *Internal control system regarding fixation of purchase levels of materials stores and spares and identification of slow moving, damaged and obsolete items, does not commensurate with the nature and size of the company.*

Reply to (d): The company have internal system for fixation of purchase levels which are timely reviewed. The slow moving, damaged and obsolete items are identified on the basis of the report given by our perpetual inventory team and provisions are being made for obsolete items as certified by the user departments. However, further improvements in these areas will be made in the coming years.

Point (e): *The internal control regarding review of long pending advances, Trade payables and receivables and review of provisions or write offs' of doubtful/ bad debts needs further strengthening.*

Reply to (e): The company had engaged an external agency to review long pending advances, trade payable and receivables and suitable adjustments will be made in the books of the accounts on the

basis of their report at the time of migrating to new software which is expected to be done during the year 2018-19.

Point (f): *The internal control towards assessment of overtime work required further strengthening*

Reply to (f): Overtime is necessitated mainly due to vacancy of sanctioned posts in skilled category. However, actions are being taken for recruiting people and thereby to control overtime.

32 COST AUDITOR

In pursuance of directions issued by the Central Government under Sec. 148 of Companies Act, 2013, the Board of Directors appointed M/s. N.P. Sukumaran & Co., Cost Accountants to conduct Cost Audit for the financial year 2017-18 and the Central Government has approved this appointment. The cost Audit report for the financial year 2017-18 was filed with the Central Government.

33 INDUSTRIAL RELATIONS

During the financial year 2017-18, Industrial atmosphere in the company was good except the gate meetings held on various occasions by Trade Unions. In general, there were cordial and harmonious industrial relations.

34 APPRECIATIONS

Your Directors wish to express their sincere gratitude for the support and co-operation received from the Government of Kerala, Government of India, Banks, Customers and suppliers during the year under review. Your Directors also place on record their appreciation to the committed services of the Executives, Staff and workers of the Company.

For and on behalf of the Board of Directors,

Dr. K. Ellangovan IAS,
Chairman
(DIN : 05272476)

Date : 12-03-2019
Thiruvananthapuram

ANNEXURE - A

DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

(Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014)

A. CONSERVATION OF ENERGY**Details of Energy Conservation Activities for the year 2017-18**

Sl. No	Activity	Eqpt. tag	Savings (Kw)	Cost Savings P.A (in Rs.)
1	Implemented VFD - Sodium Silicate Transfer Pump	G 551 A	1.1 KW	5,227/-
2	Implemented VFD - Sodium Aluminate Transfer Pump	G 552 B	0.44 KW	13,068/-
3	Implemented VFD- Sulphuric Acid Transfer Pump	G 556 A	0.74 KW	8,791/-
4	Implemented VFD - Roaster ID Fan	V 101 C	5.5 KW	2,35,224/-
5	Introduction of 22 Energy efficient Induction Motors to replace standard induction motors	Induction Motors	7.61 KW	3,25,464/-
6	Introduction of LED street light fittings to replace 125 W HPMV/ HPSV / Street light / Well glass / Flood light / Tube light fittings	LED street light fittings	21.674 KW	3,41,755/-

Energy conservation activities ongoing/ to be implemented:

1. Stage by stage replacement Of SCIM with Energy efficient Induction Motors. Expected cost savings p.a. Rs. 1,85,328 /-
2. Replacement of 90 Nos. of 125 W HPMV / HPSV with 40 W LED suspended Well glass fitting. Expected cost savings p.a. Rs. 1,50,781.50 /-
3. Replacement of 15 Nos. of 125 W HPMV street light with LED street light 45 W. Expected cost savings p.a. Rs. 23,652 /-
4. Replacement of 20 Nos. of 150 W MH lamps with 50 W LED Flood lights. Expected cost savings p.a. Rs. 39,420 /-

Major Energy conservation activities for the year 2018-19 – Ongoing:

SI No.	Project	Cost (Rs. In lakh)	Expected Outcome	Implementation Schedule as per the original plan	
				From	To
1	70 TPD Oxygen Plant	4940	Cost savings of Rs. 10 Cr p.a., modern plant, Specific energy savings etc.	Oct – 17	Sept – 19
2	Installation of Hot Bag Filter System	425	Savings in Energy and Processing p.a. is 168 lakhs	Nov – 18	Jul – 19

Details of Open Power purchase for the year 2017-18

SI No	Month	Year	Power Purchased (Kwh)	Cost of Purchase (in Rs.)	KSEB cost (in Rs.)	Savings (in Rs.)
1	April	2017	3288036.00	13901234.04	17359234.00	3457999.96
2	May	2017	2623433.00	12263288.72	15305154.836	3041866.11
3	June	2017	3152810.00	13494917.28	17926857.00	4431939.72
4	July	2017	3539235.00	15320660.43	19482063.75	4161403.32
5	August	2017	2599361.00	12385993.23	14420832.50	2034839.27
6	September	2017	1193161.00	6057249.05	6937931.63	880682.58
7	October	2017	1141733.00	6100411.43	7194677.10	1094265.67
8	November	2017	1290720.00	6485356.18	8060664.76	1575308.58
9	December	2017	2708055.00	12209772.85	14661613.88	2451841.03
10	January	2018	2296603.00	10661702.38	12685929.98	2024227.60
11	February	2018	1466973.00	7235343.38	8795023.95	1559680.57
12	March	2018	8477610.00	5133182.94	5910619.52	777436.58
	Total		26147730.00	121249111.91	148740602.90	27491490.99

B) TECHNOLOGY ABSORPTION
Research & Development (R&D)
1. Development of Universal Grade TiO₂

The concept is to develop a TiO₂ grade combining the best attributes of Enamel Grade and General Purpose Grade, especially in durability, dispersion & optical properties. This is expected to cater the opportunity arising from weakness of existing products and to grab attractive market space in Industrial coatings market which is technically demanding & under represented by KMMML. Plant trials are underway to translate the laboratory and pilot scale findings to plant operation and to optimize the process in plant scale before commercializing the new grade.

2. Quality Improvement of Existing Pigment Grades
• To Improve the Quality of existing TiO₂ grade, RC822

This project has been undertaken based on the quality feedbacks such as higher rate of yellowing and lower dirt pick-up resistance of RC822 (both measures of durability) against competitor grades. Elaborate lab scale studies were performed to improve the durability and dispersibility characteristics of this pigment grade and to formulate a revised recipe. Plant trials are underway to translate the laboratory and pilot scale findings to plant operation and to optimize the process in plant scale before commercializing the improved grade.

• To improve the quality of existing grade TiO₂, RC800 PG

The concept of this project is to improve the quality of existing grade RC800 PG, targeting mainly in use in 70% master batch applications. Based on lab scale studies, a plant trial was performed and feedback on the trial samples from customers is awaited.

3. Reuse and Reclamation of ETP Solid

Efforts to use unutilized Effluent Treatment Solids from ponds as partial substitution of Synthetic Rutile or feed to chlorinator is studied and found promising. Approximately 20-30 MT of ETP solid is generated per day. A typical ETP feed comprising about 63% TiO₂ along with other impurities such as oxides of silica iron and alumina. The fine nature of ETP solid as well as the silica content restrict it re-use as feed stock in chlorinator. The ETP solid is treated and up-graded by thermal treatment to produce an upgraded product containing about 84-88% TiO₂. Few plant trials on the same had already been conducted.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earned and used during the year under review is given below;

	2017-18	2016-17
Total Foreign Exchange earned	Rs. 8338.71 Lakhs	Rs. 4242.32 Lakhs
Total Foreign Exchange used	Rs. 2334.83Lakhs	Rs. 1845.53 Lakhs

ANNEXURE - B

REPORT ON BOARD MEETING AND CORPORATE GOVERNANCE

BOARD MEETING

The details of presence of Directors in the Board meetings held during the year 2017-18 is given under;

Sl. No.	Name of Director	Number of Board meetings ought to have attended	Number of Board meetings attended
1	Dr. M.P Sukumaran Nair, Ex-Chairman	4	4
2	Sri. Roy Kurian K.K, Ex-Managing Director	4	4
3	Sri. Teeka Ram Meena IAS, Ex-Director	1	-
4	Smt. Sharmila Mary Joseph IAS, Director	3	-
5	Sri. Sanjay M. Kaul IAS, Director	1	-
6	Sri. P. Rajendran, Director	3	3
7	Dr. L. Venkata Muralikrishna Reddy, Director	2	2

During the year under review, 4 Board Meetings were held on 28.07.2017, 24.11.2017, 30.01.2018 and 17.03.2018.

During the financial year 2017-18, Sri. Teeka Ram Meena IAS was appointed as Director of the company in the place of Sri. Kamala Vardhana Rao IAS. Sri. Bishwanath Sinha IAS was appointed

as Director of the company in the place of Sri. Teeka Ram Meena IAS. Later, the Govt. of Kerala appointed Smt. Sharmila Mary Joseph IAS as Director of the company in the place of Sri. Bishwanath Sinha IAS. Sri. P. Rajendran and Dr. L.V. Murali Krishna Reddy were appointed by Govt. of Kerala as Directors of the company. Sri. Sanjay M. Kaul IAS, was also appointed as Director of the company.

The Govt. of Kerala vide G.O. (Rt) No.1035/2018/ID, dated 01.09.2018, appointed Dr. K. Ellangovan IAS as Chairman of the company in the place of Dr. M.P. Sukumaran Nair. The Govt. of Kerala vide G.O. (Rt) No.1207/2018/ID, dated 17.10.2018, assigned full additional charge of Managing Director to Sri. K. Raghavan, HOU (TP/MS) / JGM i/c. and also, relieved Sri. Roy Kurian K.K. from the post of Managing Director.

AUDIT COMMITTEE MEETING

Details of presence of Members in the Audit Committee Meetings held during the year 2017-18 are given under;

Sl. No.	Name of Member	Number of Audit Committee Meetings ought to have attended	Number of Audit Committee Meetings attended
1	Dr. M.P Sukumaran Nair, Ex-Chairman	2	2
2	Sri. Roy Kurian K.K, Ex-Member	2	2
3	Sri. Teeka Ram Meena IAS, Ex-Member	1	-
4	Smt. Sharmila Mary Joseph IAS, Member	1	-
5	Sri. P. Rajendran, Member	1	1

During the year under review, 2 Audit Committee Meetings were held on 28.07.2017 and 24.11.2017.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEETING

Details of presence of Members in the CSR Committee Meetings held during the year 2017-18 are given under;

Sl. No.	Name of Member	Number of CSR Committee Meetings ought to have attended	Number of CSR Committee Meetings attended
1	Dr. M.P Sukumaran Nair, Ex-Chairman	2	2
2	Sri. Roy Kurian K.K, Ex-Member	2	2
3	Sri. Teeka Ram Meena IAS, Ex-Member	1	-
4	Smt. Sharmila Mary Joseph IAS, Member	1	-
5	Sri. P. Rajendran, Member	1	1

During the year under review, 2 CSR Committee Meetings were held on 28.07.2017 and 24.11.2017.

ANNEXURE - C

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY

(Pursuant to the Companies (Corporate Social Responsibility Policy) Rules, 2014)

1) Brief outline of the Company's CSR Policy, including overview of projects/ programmes undertaken

Your Company is committed to operate and grow its business in a socially responsible way. The Company's vision is that through the sustainable measures, it can contribute towards Social, Economic and Environmental Development of the community in which the company operates, ensuring participation from the community and thereby creating value for the nation.

The Corporate Social Responsibility ("CSR") Policy of the Company, as approved by the Board of Directors, is available at Company's website www.kmml.com

During the financial year 2017-18, the company has undertaken the Corporate Social Responsibility projects/programs/activities as given in below mentioned table.

2) Composition of the CSR Committee

During the year under review, The Board of Directors at its meeting held on 24.11.2017, re-constituted the CSR Committee with 3 members viz. i) Sri. P. Rajendran- Chairman, ii) Dr. M.P. Sukumaran Nair-Member, and iii) Smt. Sharmila Mary Joseph IAS-Member.

The role of the CSR Committee is as follows;

- *Formulate and recommend the CSR policy to the Board in compliance with Sec.135 of the Act.*
- *Identify the activities to be undertaken as per Schedule VII of the Act.*
- *Recommend to the Board the amount of expenditure to be incurred on CSR activities.*
- *Recommend to the Board, the modifications to CSR policy as and when required.*
- *Monitor the implementation of the CSR policy from time to time.*

3) **Average Net Profit of the Company for last 3 financial years** : Rs. 243.75 lakhs

4) **Prescribed CSR Expenditure (2% of average Net Profit)** : Rs. 4,87,500/-

5) Details of CSR spent during the financial year 2017-18

a) Total amount budgeted for CSR activities : Rs. 50 lakhs

b) Total amount to be spent for the financial year : Rs. 4,87,500/-

c) Total amount spent during the year : Rs. 74,25,116/-*

(*Excess amount spent above budget, was with concurrence of the Board.)

d) Amount unspent : Nil

e) Manner in which the amount was spent during the financial year 2017-18 is detailed below;

SI No.	CSR Project/ Programs/Activities	Sector of Sch.VII, in which CSR activities covered (Refer Note*)	CSR activities coverage area	Amount Outlay (Budget)	Amount Spent on CSR activities (In Rs.)	Cumulative Exp. upto 31.03.2018	Amount Spent-Direct/ Agency
1	Medical assistance for treatment/ cancer patient	(i)	Local Area (Kollam Dist.,Kerala)	-	19,54,156	45,93,769	Direct
2	Medical assistance to Palliative care	(i)	"	-	1,83,005	5,04,455	"
3	Financial Assistance / Medicines to Chavara Health Centre	(i)	"	-	17,15,760	34,01,759	"
4	Financial assistance to Govt./ Aided Schools	(ii)	"	-	17,35,816	24,81,264	"
5	Welfare activities surrounding area	(iii)	"	-	1,76,329	11,40,211	"
6	Rural and Community development projects	(x)	"	-	-	5,81,914	"
7	Financial assistance-Others	(i),(ii), (iii),(vii)	"	-	16,60,050	24,83,544	"
	Total				74,25,116	1,51,86,916	

* Note:

- (i) *Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;*
- (ii) *promotion of education including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;*
- (iii) *promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;*
- (vii) *training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;*
- (x) *rural development projects*

6. CSR Committee Responsibility Statement

The CSR Committee hereby confirms that the implementation and monitoring of the CSR activities of the Company for the financial year 2017-18 are in compliance with the CSR objectives and CSR Policy of the Company.

Sri. P. Rajendran, Director
(Chairman of the CSR Committee)

Smt. Sharmila Mary Joseph IAS, Director
(Member of the CSR Committee)

ANNEXURE - D
EXTRACT OF ANNUAL RETURN

Form No. MGT-9

(As on the Financial Year ended on 31st March, 2018)
[Pursuant to Section 92(3) of the Companies Act, 2013 and
Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:

i	CIN	U14109KL1972SGC002399
ii	Registration Date	16.02.1972
iii	Name of the Company	THE KERALA MINERALS AND METALS LIMITED
iv	Category/Sub-category of the Company	Company limited by shares / State Government Company
v	Address of the Registered office & Contact details	Sankaramangalam, Chavara P.O., Kollam Dist., Kerala – 691583 Tele : 0476-2686722 to 733 (12 Lines) Fax : 0476-2680101, website:www.kmml.com
vi	Whether listed company	No
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the company are given under)

Sl. No.	Name & Description of main products	NIC Code of the Product	% to total turnover of the company
1	Titanium Dioxide Pigment	07210	85.88%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

The Company has no Holding, Subsidiary and Associate companies

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK-UP AS % TO TOTAL EQUITY)

i) Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	De mat	Physical	Total	% of Total Shares	De mat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Government of Kerala	-	30,93,262	30,93,262	99.99%	-	30,93,262	30,93,262	99.99%	-

b) Individual	-	10	10	0.01%	-	10	10	0.01%	-
(2) Foreign	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter		30,93,272	30,93,272	100%		30,93,272	30,93,272	100%	
B. Public Shareholding	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total	-	30,93,272	30,93,272	100%	-	30,93,272	30,93,272	100%	-

ii) Share Holding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares	% of shares pledged encumbered to total shares	No. of shares	% of total shares	% of shares pledged encumbered to total shares	
1	The Governor of Kerala	30,93,262	99.99%	-	30,93,262	99.99%	-	-
2	Sri. Roy Kurian K.K	10	0.01%	-	10	0.01%	-	-
	Total:	30,93,272	100%	-	30,93,272	100%	-	-

iii) Change in Promoters' Shareholding : No change

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

v) Shareholding of Directors and Key Managerial Personnel :

Sl. No.	Directors	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
1	Sri. Roy Kurian K.K. (At the beginning of the financial year)	10	0.01%	-	-
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease	-	-	-	-
	Sri. Roy Kurian K.K. (At the end of the financial year)	10	0.01%	-	-

V. INDEBTEDNESS

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year:				
i) Principal Amount	Rs. 199.18 Lakhs	-	-	Rs. 199.18 Lakhs
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not	-	-	-	-
Change in Indebtedness during the financial year:				
Addition	-	-	-	-
Reduction	Rs. 108.03 Lakhs	-	-	Rs. 108.03 Lakhs
Indebtedness at the end of the financial year:				
i) Principal Amount	Rs. 91.15 Lakhs	-	-	Rs. 91.15 Lakhs
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not	-	-	-	-
Total (i+ii+iii)	Rs. 91.15 Lakhs	-	-	Rs. 91.15 Lakhs

VI. REMUNERATION OF DIRECTORS AND KEYMANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole Time Director and/or Manager;**

Sl. No.	Particulars of Remuneration	Name of the Managing Director
		Sri. Roy Kurian K.K.
1	Gross Salary:	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	Rs. 13,04,800/-
	(b) Value of perquisites u/s. 17(2) of the Income tax Act, 1961	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-
	(d) PF Contribution and other benefits	Rs. 3,14,178/-
2	Others (Stock Option/Sweat Equity/Commission etc.)	--
	Total :	Rs.16,18,978/-
	Ceiling as per the Act	

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of the Chairman / Directors			Total Amount
		Dr. M.P Sukumaran Nair, (Ex-Chairman)	Sri. P. Rajendran (Director)	Dr. L.V. Murali-Krishna Reddy, (Director)	
1	Independent Directors :				
	(a) Fee for attending Board / Committee meetings				
	(b) Commission				
	(c) Others				
	Total:				
2	Other Non- Executive Directors:				
	(a) Fee for attending Board / Committee Meetings	4800.00	3000.00	1200.00	9000.00
	(b) Commission				
	(c) Others				
	Total:	4800.00	3000.00	1200.00	9000.00

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

As the company was incorporated and classified as Private Company which is a Govt. of Kerala Undertaking, the provisions of Sec. 203(1) of the Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, pertaining to the appointment of Key Managerial Personnel, is not applicable to this company. However, as per Rule 8A of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2014, the company has a whole-time company secretary.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There were no penalties / punishment / compounding of offences for breach of any section of the Companies Act, 2013 against the Company or its Directors or Officers during the year 2017-18.

12-03-2019
 Thiruvananthapuram

For and on behalf of the Board of Directors

Sd/-
Dr. K. Ellangovan IAS,
 Chairman
 (DIN: 05272476)



सत्यमेव जयते

**OFFICE OF THE ACCOUNTANT GENERAL (ECONOMIC AND REVENUE
SECTOR AUDIT) KERALA, THIRUVANANTHAPURAM**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION
143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF THE KERALA
MINERALS AND METALS LIMITED, KOLLAM FOR THE YEAR ENDED 31 MARCH 2018.**

The preparation of financial statements of **The Kerala Minerals and Metals Limited, Kollam** for the year ended **31 March 2018** in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143 (10) of the Act. This is stated to have been done by them vide their Audit Report dated **14 November 2018**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **The Kerala Minerals and Metals Limited, Kollam** for the year ended **31 March 2018** under section 143 (6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

Thiruvananthapuram
Dated : 26.02.2019

For and on behalf of
The Comptroller and Auditor General of India

Sd/-

K.P. ANAND
ACCOUNTANT GENERAL (E & RSA), KERALA

INDEPENDENT AUDITORS' REPORT

To
The Members,
The Kerala Minerals and Metals Ltd.,
Sankaramangalam, Chavara, Kollam.

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **M/s. The Kerala Minerals and Metals Limited, Chavara**, which comprise the Balance Sheet as at 31st March 2018, and the Statement of Profit and Loss (including other comprehensive income) and the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as standalone Ind AS financial statements).

Management Responsibility for the Standalone Ind AS Financial Statements

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 Ind AS financial statements that give a true and fair view of the state of affairs (financial position), financial performance including other comprehensive income and cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our 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 there under.

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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS 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 standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financial statements.

Basis of Qualified Opinion

The opinion expressed by us is qualified to the extent described hereunder:

- (i) During the year the company has identified non-moving items in stores and spares for more than two year to the extent of Rs.2761.88 lakhs. The company has maintained a provision of Rs.416.79 lakhs only against such items. The realizable value of the identified non-moving items has not been ascertained and necessary provision has not been created against the consequent diminution, if any. In our opinion, the provision made is not adequate considering the volume and ageing of such items. However, in the absence of estimated realizable value and extent of possible reuse, we are unable to quantify the extent of short provision.
- (ii) Note No 7, non-current Loans and Advances includes a sum of Rs.6133.79 lakhs being loans to various Government Companies / Societies. Against these loans and advances, the company has made provision for doubtful advances to the extent of Rs 384.00 lakhs. A few companies, to whom advance has been given, have even though confirmed the existence of loan in their books of accounts, have expressed their inability to repay the loan at present. Against these loans and advances, the company has made provision for doubtful recovery to the extent of Rs 384.00 lakhs. We are unable to comment on the recoverability of the above loans given to companies / societies based on the letter of confirmation given by the PSUs / Societies, since these confirmations does not specify the repayment schedule of loans given and therefore we are unable to express an opinion on the adequacy of the provision made. Since the company has not ascertained the doubtful portion of the loan and the recoverability of the same, we are unable to quantify the impact of shortage in provision, if any.

The effect of the qualification given in above items is not quantifiable/ascertainable.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the standalone Ind AS 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 including the Ind AS:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2018;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date;
- d) In the case of Statement of Changes in Equity, of the changes in equity for the year ended on that date.

Emphasis of Matter

We draw attention to the following notes in the notes forming part of accounts

1. Balances under Sundry Creditors, Sundry Debtors, Loans and Advances and Deposits are subject to confirmation, as stated in Note No. 58.
2. The company has advanced loans to various Government Companies/Societies, which remains unpaid to the extent of Rs. 6133.79 lakhs as on 31st March, 2018. As part of requirement under IND AS 109, these loans have to be measured on a fair value basis. Considering that these loans are given at the instance of the Government of Kerala and the terms of repayment/ other terms are not finalised by the Government, it is impracticable to fair value these loans/advances as required by Ind AS 109. Hence, no accounting for unwinding the implicit interest on these interest free loans could be carried out. The interest is also not recognised in the absence of certainty of collection as the decision will be based on the order of the Government as disclosed in Note No.50.
3. An amount of Rs. 3000.00 lakhs is included in Note No. 9 – Other non-current assets, being the advance paid by the company during the year 2010-11 for shares in Kerala State Textile Corporation Limited. As stated in Note No.50 D the shares are yet to be issued in the name of the company and hence classified under Other Non-current assets.
4. As stated in Note No. 46-E the land acquired and held by the company with a view to undertake mining activity has not been tested for impairment and the resultant impairment loss, if any, is not provided.

Our opinion is not modified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(5) of the Act, we give in Annexure 2 a statement on the compliance to the Directions issued by the Comptroller and Auditor General of India.
3. As required by Section 143 (3) of the Act, we report, to the extent applicable, that:
 - a) We have 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 as far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss dealt, Cash Flow Statement and the statement of changes in Equity dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting standards specified under section 133 of the Act read with relevant rule issued thereunder;
 - e) The matters described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the company;
 - f) Disclosure in terms of sub-section (2) of section 164 of the Companies Act, 2013 is not required as per Notification No.GSR-463(E) dated June 5, 2015 issued by the Ministry of Corporate Affairs;

- g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 3'; and
- h) 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, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note No.40 to the standalone Ind AS financial statements;
 - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note No. 48, to the standalone Ind AS financial statements; and
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the company.

For Abraham and Jose
Chartered Accountants
FRN: 000010S

Thiruvananthapuram
Date - 14.11.2018

Jose Francis
Partner(M.No.204975)

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

Annexure 1 referred to in our Independent Auditors' Report to the Members of **THE KERALA MINERALS AND METALS LIMITED, CHAVARA** on the standalone Ind AS financial statements for the year ended 31st March 2018.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that

1. (a) The records maintained by the company regarding the quantitative details and situation of fixed assets are not commensurate with the nature and size of the company.
- (b) The fixed assets have been physically verified by the management during the year. There is no regular programme of verification of fixed assets and the land purchased by the company is not subject to annual survey to spot encroachments and erosion, but is surveyed only once in three years as per the policy of the Company. Effect of this on adequacy of physical verification could not be ascertained with reasonable assurance and subject to the same, no material discrepancies were noticed on verification of fixed assets.
- (c) In our opinion and according to the information and explanations given to us, the title deeds of immovable properties are held in the name of the Company. However, in respect of the immovable properties, we were informed that the title deeds have been deposited with the bankers for availing loans for which confirmation has been received from Bank.
2. (a) We are informed that the management has installed a system of perpetual inventory for stores and spares and stock of raw materials and finished goods, except those lying with contractors and in transit are verified on year end only. In our opinion the management has to implement a regular programme for verification of inventories of raw material, in which the frequency of verification shall be determined by an ABC qualification. The system of continuous verification of stores and spares needs further strengthening to ensure that all items in stock are verified at least once in a year.
- (b) The company is maintaining stock ledger for all items of raw materials and stores and spares. Since the records relating to physical verification of inventories are inadequate we are unable to comment whether the discrepancies between physical stock and stock as per books of account have been properly dealt with in the books of account.
3. The Company has not granted nor taken any loans, secured / unsecured, to/from companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to loans, investments, guarantees, and security;
5. The company has not accepted any deposits from the public to which the provisions of section 73 to 76 of the Companies Act, 2013, and the rules made there under would apply.
6. 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 section 148 of the Companies Act, 2013 and are of the opinion that prima facie the prescribed records have been kept and maintained. However, we have not made a detailed examination of these records;
7. (a) In our opinion and according to the information and explanations given to us, the company has been generally regular in depositing undisputed statutory dues including provident fund, employees

state insurance, income tax, sales tax, customs duty and other material statutory dues, if any, applicable to it with appropriate authorities and there were no arrears of such dues at the year end which have remained outstanding for a period of more than six months from the date they become payable.

- (b) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any dispute, other than those stated hereunder:

Name of statute	Nature of dues	Amount [Rs.in lakhs]	Period to which the amount relates	Forum where dispute is pending
Central Excise Act 1944	Excise duty demand in respect of manufacture of bricks	7.68	April 1999 to January 2011	CESTAT Bangalore & Commissioner (Appeals), Kochi
Customs Act	Recovery of duty drawback allowed in earlier years	12.85	June 2007	Hon'ble High Court of Kerala
Do	Short levy of customs duty due to wrong classification as per customs tariff	1.61	March 2006	CESTAT Bangalore
The Kerala General Sales tax Act 1964	Sales tax dues	3.72	1984-85	} Supreme Court
		2.92	1985-86	
0.67	1986-87			
1.16	1987-88			
0.08	1988-89			
		0.05	1998-99	Assistant Commissioner Special Circle, Kollam.D.C. (Appeals)
Income tax Act 1961	Income tax demand	118.88	AY 2002-03	Hon'ble High Court of Kerala
	Income tax demand	35.91	AY 2010-11	CIT(A),Kochi
	Income tax demand	251.43	AY 2011-12	CIT(A),Kochi
	Income tax demand	626.18	AY 2012-13	CIT(A),Kochi
	Income tax demand	936.34	AY 2013-14	CIT(A),Kochi
	Income tax demand	144.29	AY 2014-15	CIT(A),Kochi
	Income tax demand	29.69	AY 2015-16	ACIT

8. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not defaulted in repayment of dues to Financial Institutions / Banks.

9. According to the information and explanation given to us the company has not obtained any term loans or raised any moneys by way of initial public offer or further public offer (including debt instruments) during the year.
10. According to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees of a material nature has been noticed or reported during the year.
11. As per Notification No GSR 463(E) dated 05th June 2015 issued by Ministry of Corporate Affairs, Government of India, Section 197 of Companies Act, 2013 is not applicable to the Company. Accordingly, paragraph 3 (xi) of the Order is not applicable.
12. According to the information and explanations given to us, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 188 of the Companies Act, 2013 and the details of such transactions have been disclosed in the standalone Ind AS financial statements of the Company as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3 (xiv) of the Order is not applicable.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly paragraph 3 (xv) of the Order is not applicable.
16. According to the information and explanations given to us and based on our examination of the records of the Company, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Abraham and Jose
Chartered Accountants
FRN: 000010S

Thiruvananthapuram
Date - 14.11.2018

Jose Francis
Partner(M.No.204975)

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

Annexure 2 referred to in our Independent Auditors' Report to the Members of **THE KERALA MINERALS AND METALS LIMITED, CHAVARA** on the standalone Ind AS financial statements for the year ended 31st March 2018.

General Directions under Sub-section (5) of section 143 of the Companies Act, 2013 applicable from the year 2015-16 and onwards

	Directions	Our Report	Action taken thereon	Impact on Accounts and Financial Statements of the Company
1	Whether the company has clear title/lease deeds for free hold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/lease deeds are not available .	We are informed that the company has clear title/ lease deeds for freehold and leasehold lands respectively. We were informed that the title deeds have been deposited with the bankers for availing loans for which confirmation has been received from Bank.	N.A.	N.A.
2	Whether there are any cases of waiver/write off of debts/loans/interest etc; if yes, the reasons thereof, and the amount involved.	Loan given to M/S. Quetcos, Rs.4.15 lakhs, written off during the year as per Govt. Direction.	N.A.	Provision already made in 2014-15, hence not affected profit for the year.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Government or other authorities.	To the extent of information and explanation received to us, no assets have been received by the Company as gift from Government or any other authorities	N A	N A

Sector Specific Sub-directions under Section 143(5) of the Companies Act, 2013

Manufacturing Sector

	Directions	Our Report	Action taken thereon	Impact on Accounts and Financial Statements of the Company
1	Whether the Company's pricing policy absorbs all fixed and variable cost of production as well as the allocation of overheads?	Company's pricing policy is market driven and the pricing is fixed by the committee constituted for the purpose. As per the explanation provided to us the pricing policy only ensures that price of the product in all cases is	N A	N A

		above the variable cost and a competitive price is offered to customers.		
2	Whether the Company has utilized the Government Assistance for Technology up gradation/modernization of its manufacturing process and timely submitted the utilization certificates?	No such assistance received during the financial year 2017-18.	N A	N A
3	Whether the Company has fixed norms for normal losses and a system for evaluation of abnormal losses for remedial action is in existence?	The normal loss, if any is absorbed as part of cost of production. As per the information received from management, the Company have a daily system of review of production process and abnormal issues if any, will be addressed and remedial action will be taken immediately.	N A	N A
4	What is the system of valuation of by-products and finished products? List out the cases of deviation from its declared policy.	Finished goods and by-products are valued at cost or net realizable value whichever is lower. Costs for this purpose are arrived at on the basis of FIFO method. Finished goods in transit for export are valued at subsequently realizable price if they are lower than the cost. In our verification there is no case of deviation in valuation from its declared policy.	N A	N A
5	Whether the effect of deteriorated stores and spares of closed units, if any has been properly accounted for in the books?	There is no closed units and hence not applicable.	N A	N.A.
6	Whether the Company has effective system for physical verification, valuation of stock, treatment of non-moving items and accounting the effect of shortage/ excess noticed during physical verification.	Physical verification of closing stock of raw materials, work in progress and finished goods are done by management as on the last day of the financial year. System of perpetual	During the year company has enhanced the coverage of perpetual inventory team. On the basis of the report received and recommendations from the concerned user	Considering the value of non moving stores and spares of more than one year and the provision created in this

		<p>inventory is in force for the stores and spares.</p> <p>Stock of Raw materials, chemicals, Fuel, stores and spares are valued at weighted average cost. Work in progress is valued at cost plus conversion cost, as applicable. Finished goods are valued at cost or net realisable value, whichever is lower on the basis of FIFO method. Finished goods in transit for export are valued at subsequently realizable price, if they are lower than the cost. As per the records provided by the management to us, no shortage or excess were found in the value of closing stock as per books of the company and physical verification done by the management.</p> <p>During the year, the company has identified non-moving items in stores and spares for more than two years to the extent of Rs. 2761.88 lakhs. On the basis of report received and recommendation from the user department, the company has maintained a provision of Rs. 416.78 lakhs (Rs.91.47 lakhs for the current year) only against such items. The realizable value of the identified non-moving items has not been ascertained and necessary provision has not been created against the consequent diminution, if any. In our opinion, the provision made is not adequate considering the volume and ageing of such items and the physical verification process need to be strengthened. It is also suggested that a system of physical verification of finished goods on a quarterly basis may be introduced for better control.</p>	<p>Departments , Company has provided Rs.91.47 lakhs during the year and the total provision against non moving stores and spares comes to Rs. 416.78 lakhs. The other spares, though they are non-moving more than one year, they are required in future and kept as insurance spares, which are essential for running a chemical plant of this nature. Hence, in the opinion of the company, the question of creating provision on the diminution does not arise.</p> <p>Further, it is planned to further enhance the coverage of the perpetual inventory team during the coming year.</p>	<p>r e g a r d , qualification is made in the audit report regarding the adequacy of the provision made. However, in the absence of e s t i m a t e d realizable value and extent of possible reuse, quantification of such short provision is not possible.</p>
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7	<p>State the extent of utilization of plant and machinery during the year vis-a-vis installed capacity.</p>	<p>In KMMML, Chloride route technology is used for the manufacture/production. The TP Unit does further processing of raw Ilmenite obtained from the MS Unit, through various Plants given below,</p> <p>a) Ilmenite Beneficiation Plant (IBP) b) Acid Regeneration Plant (ARP) c) Chlorination Plant (U-200) d) Oxidation Plant (U-300) e) Pigment Finishing Plant (U-400).</p> <p>All the Plants were working throughout the year continuously, except during the shut down period on account of annual maintenance. But most of the final products do not achieve the installed capacity levels of the Plants.</p> <p>Installed Capacity (In MTs)</p> <p>Titanium Dioxide - 40000 Ilmenite - 61600 Rutile - 4400 Zircon - 6500 Titanium Sponge - 500 Tickle - 90000 BI - 55000</p> <p>Capacity Utilisation (%)</p> <p>Titanium Dioxide - 85.30 Ilmenite - 92.22 Rutile - 56.20 Zircon - 74.55 Titanium Sponge - 32.20 Tickle - 90.30 BI - 77.86</p> <p>Production (In MTs)</p> <p>Titanium Dioxide - 34120 Ilmenite - 56805 Rutile - 2473 Zircon - 4846 Titanium Sponge - 161 Tickle - 81270 BI - 42822</p>	N.A	N.A
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8	Report on the cases of discount/ commission in regard to debtors and creditors where the Company has deviated from its laid down policy.	The discount allowed during the year 2017-18 is Rs. 2482.84 lakhs (Rs. 5930.80 lakhs in the previous year). According to the explanation of the management, the discount is due to the competition in the market, especially due to the low priced competitive products from China. The system of giving discounts to promote sales presently followed by the company is reasonably fair so far as the discount structure .is decided in the monthly meeting of Pricing Committee consisting Functional heads and approved by Managing Director. The Marketing department issues notes on a monthly basis to all sales outlets and Finance Department for their information.	N.A	N.A
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For Abraham and Jose
Chartered Accountants
FRN: 000010S

Thiruvananthapuram
Date - 14.11.2018

Jose Francis
Partner(M.No.204975)

ANNEXURE 3 TO THE INDEPENDENT AUDITOR'S REPORT

Report on Verification of Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").

We have audited the internal financial controls over financial reporting of **The Kerala Minerals and Metals Ltd** as at 31st March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting 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 its 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

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 internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 internal financial control over financial reporting includes those policies and procedures that:

- i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- ii) 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
- iii) 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 standalone Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of Internal Financial Controls over financial reporting, 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 Internal Financial Controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion.

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2018:

- a) ***The internal control system in place towards maintenance of records regarding quantitative details and situation of fixed assets and regular program for physical verification of fixed assets including land, does not commensurate with the nature and size of the company.***
- b) ***The company does not have a regular program for verification of inventory of raw materials in which the frequency of verification is determined by an ABC qualification. The system of continuous verification of stores and spares needs further strengthening to ensure that an item is verified at least once in a year.***
- c) ***The records relating to physical verification of inventory is inadequate to evaluate the discrepancies, if any between physical stock and stock as per books and for making appropriate entries in the books of accounts.***
- d) ***Internal control system regarding fixation of purchase levels of materials stores and spares and identification of slow moving, damaged and obsolete items, does not commensurate with the nature and size of the company.***
- e) ***The internal control regarding review of long pending advances, Trade payables and receivables and review of provisions or write offs' of doubtful/ bad debts needs further strengthening.***
- f) ***The internal control towards assessment of overtime work required further strengthening.***

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over

financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone Ind AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind AS financial statements of the Company.

For Abraham and Jose
Chartered Accountants
FRN: 000010S

Thiruvananthapuram
Date - 14.11.2018

Jose Francis
Partner(M.No.204975)

BALANCE SHEET AS AT 31ST MARCH 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Notes	As at 31st March 2018	As at 31st March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	26,156.93	25,994.39
Intangible assets	4	3.95	4.16
Capital work in progress	5	1,034.67	371.17
Financial assets			
Investments	6	520.25	522.87
Loans	7	5,749.79	5,685.95
Other non-current financial assets	8	5,171.79	4,638.20
Other non-current assets	9	6,433.47	6,913.07
Total non-current assets		45,070.85	44,129.81
Current assets			
Inventories	10	21,463.00	18,426.18
Financial assets			
Trade receivables	11	7,789.46	9,951.65
Cash and cash equivalents	12	134.36	95.09
Bank balances other than above	13	18,932.65	6,762.85
Other Current financial assets (Loans)	14	570.70	-
Other current assets	15	2,815.74	2,185.48
Total current assets		51,705.91	37,421.25
Total Assets		96,776.76	81,551.06
EQUITY AND LIABILITIES			
Equity			
Equity share capital	16	3,093.27	3,093.27
Other equity	17	64,294.37	53,759.24
Total equity		67,387.64	56,852.51
Liabilities			
Non-current liabilities			
Financial liabilities			
Provisions	18	13,673.83	10,805.56
Deferred Tax Liabilities (net)	19	707.87	1,568.74
Total non-current liabilities		14,381.70	12,374.30
Current liabilities			
Financial liabilities			
Borrowings	20	91.15	204.13
Trade payables	21	6,258.41	5,399.64
Other financial liabilities	22	1,263.68	1,122.15
Short Term Provisions	23	2,135.34	576.42
Other current liabilities	24	5,258.84	5,021.91
Total current liabilities		15,007.42	12,324.25
Total liabilities		29,389.12	24,698.55
Total Equity and Liabilities		96,776.76	81,551.06

The accompanying notes (note No. 1 to 64) form an integral part of the financial statements

For and on behalf of the Board

As per our report of even date attached
ABRAHAM & JOSE
Chartered Accountants
(FRN. 000010S)

Sd/-
Dr. K Ellangovan IAS
Chairman
DIN 05272476

Sd/-
K Raghavan
Managing Director

Sd/-
P Rajendran
Director
DIN 7924169

Sd/-
G. Shaila Kumar
DGM
(Finance) i/c

Sd/-
Jaison Thomas
Company
Secretary

Sd/-
Jose Francis
Partner
M.No. 204975

Place: Thiruvananthapuram

Date : 14.11.2018

Statement of Profit and Loss for the year ended 31st March 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Continuing Operations		2017-18	2016-17
A Income			
Revenue from operations	25	74,058.36	72,704.13
Other income	26	1,998.38	1,083.49
Total income		76,056.74	73,787.62
B Expenses			
Cost of materials consumed	27	11,270.35	10,373.12
Changes in inventories of work-in-progress, Stock in trade and finished goods	28	(3537.28)	8441.65
Excise duty expenses		1,791.84	7,312.42
Employee Benefits Expense	29	19,363.32	18,155.29
Depreciation and amortisation expense	30	1,209.85	1,059.71
Other expenses	31	27,433.00	22,193.33
Finance costs	32	79.92	73.37
Total expenses		57,611.00	67,608.89
C Profit before exceptional items and tax		18,445.74	6,178.73
Exceptional items	33	(334.89)	(3,296.61)
D Profit/ (Loss) before tax from continuing operations		18,110.85	2882.12
Income tax expense	34	(7,142.65)	(2,150.00)
Current tax		777.96	402.82
Deferred tax credit/ (charge)			
Profit/ (Loss) for the year		11,746.16	1,134.94
E Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligations		(1,853.12)	(127.82)
Income tax relating to these items		642.12	44.24
Other comprehensive income for the year, net of tax		(1,211.00)	(83.58)
Total comprehensive income/ (Loss) for the year		10,535.16	1,051.36
Earnings per share	35		
Basic earnings per share (In Rs.)		379.77	36.69
Diluted earnings per share (in Rs.)		379.77	36.69

The accompanying notes (Note No. 1 to 64) form an integral part of the financial statements

For and on behalf of the Board

 As per our report of even date attached
 ABRAHAM & JOSE
 Chartered Accountants
 (FRN. 000010S)

 Sd/-
 Dr. K Ellangovan IAS
 Chairman
 DIN 05272476

 Sd/-
 K Raghavan
 Managing Director

 Sd/-
 P Rajendran
 Director
 DIN 7924169

 Sd/-
 G. Shaila Kumar
 DGM
 (Finance) i/c

 Sd/-
 Jaison Thomas
 Company
 Secretary

 Sd/-
 Jose Francis
 Partner
 M.No. 204975

Place: Thiruvananthapuram

Date : 14.11.2018

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flow From Operating Activities		
Profit before income tax	18,110.83	2,882.12
Adjustments for	-	-
Depreciation and amortisation expense	1,209.87	1,059.71
(Profit)/ Loss on sale of fixed asset	(3.09)	-
Fair Value changes of investments considered to profit and loss	2.62	1.49
Interest received	(1,431.00)	(498.12)
Finance costs	79.92	73.37
	17,969.15	3,518.57
Change in operating assets and liabilities		
(Increase)/ decrease in loans and advances	(63.85)	40.11
(Increase)/ decrease in Other financial assets	(1,104.29)	514.30
(Increase)/ decrease in inventories	(3,036.82)	10,689.31
(Increase)/ decrease in trade receivables	2,162.17	(1,663.68)
(Increase)/ decrease in Other assets	(401.70)	(526.83)
Increase/ (decrease) in provisions and other liabilities	2,952.54	3,918.11
Increase/ (decrease) in trade payables	858.81	(2,568.84)
Cash generated from operations	19,336.02	13,921.05
Less : Income taxes paid (net of refunds)	(6,232.75)	(2,443.10)
Net cash from/ (used in) operating activities (A)	13,103.26	11,474.95
Cash Flows From Investing Activities		
Purchase of PPE (including changes in CWIP)	(2,381.67)	(1,430.80)
Sale proceeds of PPE (including changes in CWIP)	349.02	217.75
(Investments in)/ Maturity of fixed deposits with banks	(12,169.79)	(6,738.33)
Interest income	1,331.35	360.11
Net cash from/ (used in) investing activities (B)	(12,871.09)	(7,591.27)
Cash Flows From Financing Activities		
Proceeds from issue of equity share capital (net of share application money)		
Proceeds from/ (repayment of) short term borrowings	(112.98)	(3,760.00)
Finance costs	(79.92)	(73.37)
Net cash from/ (used in) financing activities (C)	(192.90)	(3,833.37)
Net increase (decrease) in cash and cash equivalents (A+B+C)	39.27	53.31
Cash and cash equivalents at the beginning of the financial year	95.09	41.78
Cash and cash equivalents at end of the year	134.36	95.09

Notes:

- The above cash flow statement has been prepared under indirect method prescribed in Ind AS 7 "Cash Flow Statements".
- Components of cash and cash equivalents

Balances with banks		
- in current accounts	125.73	87.77
- in Treasury bank savings accounts	5.40	4.22
Cash on hand	3.24	3.10
	134.36	95.09

For and on behalf of the Board

As per our report of even date attached
ABRAHAM & JOSE
Chartered Accountants
(FRN. 000010S)

Sd/- Dr. K Ellangovan IAS Chairman DIN 05272476	Sd/- K Raghavan Managing Director	Sd/- P Rajendran Director DIN 7924169	Sd/- G. Shaila Kumar DGM (Finance) i/c	Sd/- Jaison Thomas Company Secretary	Sd/- Jose Francis Partner M.No. 204975
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Place: Thiruvananthapuram

Date: 14.11.2018

Statement of Changes in Equity for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

(A) Equity Share Capital

Balance at the end of March 31, 2017	3,093.27
Changes in equity share capital during the year	-
Balance at the end of March 31, 2018	3,093.27

(B) Other Equity

Particulars	General Reserve	Capital Reserve	Other comprehensive income	Retained Earnings	Total
Balance as at March 31, 2017	20,750.11	-	(122.30)	33,131.41	53,759.23
Additions/ (deductions) during the year	-	-	(1,211.00)	-	(1,211.00)
Total Comprehensive Income for the year	-	-	-	11,746.16	11,746.16
Balance as at March 31, 2018	20,750.11	-	(1,333.30)	44,877.57	64,294.38

The accompanying notes (Note No. 1 to 64) form an integral part of the financial statements

For and on behalf of the Board

 As per our report of even date attached
 ABRAHAM & JOSE
 Chartered Accountants
 (FRN. 000010S)

 Sd/-
 Dr. K Ellangovan IAS
 Chairman
 DIN 05272476

 Sd/-
 K Raghavan
 Managing Director

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 Sd/-
 G. Shaila Kumar
 DGM
 (Finance) i/c

 Sd/-
 Jaison Thomas
 Company Secretary

 Sd/-
 Jose Francis
 Partner
 M.No. 204975

 Place: Thiruvananthapuram
 Date: 14 .11.2018

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

1 Corporate Information

Kerala Minerals and Metals Limited (KMML) is a wholly owned State Government company. It is the only fully integrated titanium dioxide pigment plant in the world. Presently the company has the following three units-

- a) Mineral Separation unit - engaged in the separation of valuable minerals like ilmenite, rutile, zircon and sillimanite from beach sand;
- b) Titanium pigment unit - manufacture of titanium dioxide pigment; and
- c) Titanium Sponge unit - A unit established with financial/technical assistance of ISRO/DRDO for the manufacture of titanium sponge.

With the commissioning of the plant, India became the 7th country in the world possessing this technology.

2 Basis of preparation of financial statements

The financial statements of the company have been prepared in accordance with Indian Accounting Standard (Ind AS) notified under Companies (Indian Accounting Standard) Rules, 2015 as amended from time to time. The company has prepared the financial statements to comply in all material aspects with Indian Accounting Standards (Ind AS) and the relevant provisions of the Companies Act, 2013 besides the pronouncements/ guidelines of the Institute of Chartered Accountants of India. The financial statements have been prepared on an accrual basis.

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Financial statements for the year ended March 31, 2017 onwards are prepared in accordance with Ind AS with the date of transition as April 1, 2015.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- a) Derivative financial instruments
- b) Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

These financial statements are presented in INR and values are rounded off to nearest lakhs except when otherwise indicated.

Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 Significant Accounting Policies

a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- i) Expected to be realised or intended to be sold or consumed in normal operating cycle
- ii) Held primarily for the purpose of trading
- iii) Expected to be realised within twelve months after the reporting period, or
- iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- i) It is expected to be settled in normal operating cycle
- ii) It is held primarily for the purpose of trading
- iii) It is due to be settled within twelve months after the reporting period, or
- iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified 3 months as its operating cycle.

b) Fair value measurement

The Company has applied the fair value measurement wherever necessitated at each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability;
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non - financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and the best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 : Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company has designated the respective team leads to determine the policies and procedures for both recurring and non - recurring fair value measurement. External valuers are involved, wherever necessary with the approval of Company's board of directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risk of the asset or liability and the level of the fair value hierarchy as explained above. The component wise fair value measurement is disclosed in the relevant notes.

c) **Revenue Recognition**

Sale of goods

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue on sale of goods is recognised when the risk and rewards of ownership is transferred to the buyer, which generally coincides with the despatch of the goods.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government and discount. Export sales are accounted on the basis of date of bill of lading. Benefits from export sales are accounted on due basis on the FOB value of the total export made during the year.

Interest Income

Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Dividend income

Dividend income is recognized when the company's right to receive dividend is established by the reporting date, which is generally when shareholders approve the dividend.

d) Property, plant and equipment and capital work in progress

Under the previous GAAP (Indian GAAP), the property, plant and equipment were carried in the balance sheet at cost less accumulated depreciation. The company has elected to continue to measure the property, plant and equipment at their previous GAAP values. Hence, no fair valuation or retrospective application of Ind AS 16 is required.

Advances paid towards the acquisition of tangible assets outstanding at each balance sheet date, are disclosed as capital advances under long term loans and advances and the cost of the tangible assets not ready for their intended use before such date, are disclosed as capital work in progress.

Property, plant and equipment and capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs of a qualifying asset, if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Revenue expenses and revenue receipts incurred in connection with project implementation in so far as such expense relate to the period prior to the commencement of commercial production are treated as part of project cost and capitalised.

All material/ significant components have been identified for our plant and have been accounted separately. The useful life of such component are analysed independently and wherever components are having different useful life other than plant they are part of, useful life of components are considered for calculation of depreciation.

Machinery spares/ insurance spares that can be issued only in connection with an item of fixed assets and their issue is expected to be irregular are capitalised. Replacement of such spares is charged to revenue. Other spares are charged as revenue expenditure as and when consumed.

Land acquired for mining purposes are accounted as fixed assets at cost. The cost includes cost of land, building, goodwill and all other connected expenses. After the extraction of minerals the land is filled with tailing sand and restored to original position. Hence, there is no depletion in the value of land due to mining. Institute of Chartered Accountants of India concurred with the accounting policy followed by the company. Loss of Land if any due to sea erosion will be ascertained once in three years and provided in the accounts in the respective years on the basis of average cost of purchases which includes cost of land, building, goodwill and all other connected expenses. Land redeemed if any, as per survey, out of the area already provided for will be written back in the accounts in the respective years on the same basis. Provision for land acquired at Kovilthottam under the condition that equivalent area of land and incremental value for buildings will be given back to the land owners after mining within a period of three years shall be made on the basis of average cost of purchase which includes cost of land, building, goodwill and all other connected expenses at Kovilthottam from the year in which the scheme was implemented, i.e. from the year 2011-12 as exact area/ value of land to be given back is not ascertainable. The difference in value, if any, will be suitably adjusted during the year in which the land is returned. Capitalisation of land is done only after the payment is given to the land owners and the registration is affected.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

e) Depreciation on property, plant and equipment

Depreciation is provided on the basis of useful life of the asset as prescribed in schedule II of section 123 of the Companies Act 2013. Depreciation on Plant and Machinery of TP unit is provided on straight line basis as continuous process plant, railway siding and computers of TP unit also on straight line method. Depreciation on plant and machinery of MS unit is provided on written down value method as triple shift operations. Depreciation of all other assets of the company is provided on written down value method. Additions to fixed assets, costing 5000 each or less are fully depreciated retaining its residual value.

Depreciation on additions to fixed assets and sale of fixed assets are provided on pro-rata basis.

The useful lives considered for depreciation of fixed assets are as follows:

Assets Category	Estimated useful life (in years)
Buildings	30
Plant and Machinery	15
Continuous processing plant	25
Furniture and fixtures	10
Office equipment	5
Vehicles	8

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f) Intangible assets

Under the previous GAAP (Indian GAAP), intangible assets were carried in the balance sheet at cost less accumulated depreciation. The Company has elected to consider the previous GAAP carrying amount of the intangible assets as the deemed cost as at the date of transition, viz., 1 April 2015.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

g) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost of raw materials is determined using the weighted average method and includes freight, taxes and duties, net of duty credits wherever applicable. Work in Progress is valued at cost plus conversion cost as applicable. Finished goods are valued at cost or net realisable value whichever is lower. Costs for this purpose are arrived at on the basis of FIFO method. Finished goods in transit for export are valued at subsequently realisable price if they are lower than cost. GST on goods manufactured is accounted for on dispatch of the same.

In respect of finished goods and work in progress cost includes all direct costs and applicable manufacturing overheads incurred in bringing them to their present location and condition.

h) Foreign currency transactions and translations

The Company's financial statements are presented in INR, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date at which the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate, if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

i) Government Grant

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

j) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates

positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Where there is deferred tax assets arising from carry forward of unused tax losses and unused tax created, they are recognised to the extent of deferred tax liability.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

k) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund and super annuation fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

l) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are operating leases.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

m) Impairment of non financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

n) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Necessary provision for doubtful debts, claims, etc., are made if realisation of money is doubtful in the judgement of the management. Provision for abandoned projects are made in the accounts only on conclusion arbitration proceedings/awards. Provision for loan given to other PSUs are made only based on government directions in this regard.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. Contingent liabilities are disclosed separately.

Show cause notices issued by various Government authorities are considered for evaluation of contingent liabilities only when converted into demand.

Contingent assets

Where an inflow of economic benefits is probable, the Company discloses a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

o) Financial Instruments

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

The Company classifies a debt instrument as at amortised cost, if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. For more information on receivables, refer to Note 44.

Debt instrument at FVTOCI

The Company classifies a debt instrument at FVTOCI, if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the profit and loss statement. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

The Company classifies all debt instruments, which do not meet the criteria for categorization as at amortized cost or as FVTOCI, as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. Where the Company makes an irrevocable election of equity instruments at FVTOCI, it recognises all subsequent changes in the fair value in other comprehensive income, without any recycling of the amounts from OCI to profit and loss, even on sale of such investments.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement~ and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- b) Financial assets that are debt instruments and are measured at FVTOCI
- c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime Expected Credit Loss (ECL) at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 months ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12 months ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, the Company considers all contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument and Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the profit and loss. The balance sheet presentation for various financial instruments is described below:

- **Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables:** ECL is presented as an allowance, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- **Debt instruments measured at FVTOCI:** Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL and as at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to profit and loss. However, the company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The company has not designated any financial liability as at fair value through profit and loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the

change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Sl. No	Original classification	Revised classification	Accounting treatment
1	Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
2	FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
3	Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
4	FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
5	FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
6	FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

p) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

q) Earnings per share

The basic earnings per share are computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

4 Property, plant and equipment

Particulars	Tangible Assets														Total				
	Land	Build- ing	Light Railway	Plant and Machi- nery (TP)	Plant and Machi- nery (MS)	Furni- ture and Fitti- ngs	Electri- cal Fitti- ngs	Office Equip- ment	Vehicles	Library	Labora- tory Equip- ment	Canteen Uten- sils	Hospital Equip- ment	Water Supply		Tele- phone (PABX)	Roads and Bridges	Total	Intangi- ble - Assets Patent
Costs at March 31, 2017	14,195.68	1,865.76	0.05	10,051.28	1,473.97	141.42	143.42	42.29	274.64	0.32	21.45	10.61	0.03	20.63	9.14	50.90	28,301.59	4.25	28,305.84
Additions	126.46	-	-	1,300.21	142.54	14.18	43.12	11.95	69.79	0.13	0.13	9.67	0.11	0.11	-	1,718.16	1,718.16	-	1,718.16
Disposals	-	-	-	-	-	-	-	0.05	6.10	-	-	-	-	-	-	4.89	11.04	-	11.04
Ind AS adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for returnable Land	334.89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	334.89	-	334.89
Costs at March 31, 2018	13,987.25	1,865.76	0.05	11,351.49	1,616.51	155.60	186.54	54.19	338.33	0.32	21.58	20.28	0.03	20.74	9.14	46.01	29,673.82	4.25	29,678.05
Depreciation/Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2017	-	347.78	-	900.39	778.97	65.16	58.25	25.12	99.69	-	9.99	6.11	0.01	1.56	4.72	9.50	2,307.23	0.09	2,307.32
Charge for the year	-	146.53	-	621.61	309.69	21.53	30.56	8.49	54.16	-	3.17	3.90	-	4.95	1.25	3.80	1,209.64	0.21	1,209.85
Ind AS Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at March 31, 2018	-	494.31	-	1,522.00	1,088.66	86.69	88.81	33.61	153.85	-	13.16	10.01	0.01	6.51	5.97	13.30	3,516.87	0.30	3,517.17
Net Block	14,195.68	1,518.00	0.06	9,150.89	695.00	76.26	85.17	17.17	174.95	0.34	11.46	4.50	0.02	19.07	4.42	41.40	25,994.39	4.16	25,998.55
As at March 31, 2018	13,987.25	1,371.45	0.05	9,829.49	527.85	68.91	97.73	20.58	184.48	0.32	8.42	10.27	0.02	14.23	3.17	32.71	26,156.93	3.95	26,160.88

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Property, plant and equipment - TSP Unit

Particulars	Tangible Assets										Total	Amount Received from VSSC	Net
	Building	Plant and Machinery	Furniture and Fittings	Electrical Fittings	Office Equipment	Vehicles	Laboratory Equipment	Water Supply	Telephone (PABX)				
Cost as at March 31, 2017	2,928.18	9,404.85	101.12	55.36	173.62	15.00	232.25	11.04	9.69	12,931.11	12,931.11	-	
Additions	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	
Exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowing cost	-	-	-	-	-	-	-	-	-	-	-	-	
Cost as at March 31, 2018	2,928.18	9,404.85	101.12	55.36	173.62	15.00	232.25	11.04	9.69	12,931.11	12,931.11	-	
Depreciation/Amortisation													
Charge for the year	-	-	-	-	-	-	-	-	-	-	-	-	
Ind AS Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	
Reversal	-	-	-	-	-	-	-	-	-	-	-	-	
As at March 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	
Net Block													
As at March 31, 2017	2,928.18	9,404.85	101.12	55.36	173.62	15.00	232.25	11.04	9.69	12,931.11	12,931.11	-	
As at March 31, 2018	2,928.18	9,404.85	101.12	55.36	173.62	15.00	232.25	11.04	9.69	12,931.11	12,931.11	-	

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
5 Capital Work-in-progress		
Capital work in progress (Projects)	1,050.39	388.54
Less: Allowance for Infructuous Amounts	15.72	17.37
	1,034.67	371.17
6 Non-current investments		
Investment in equity instruments at FVTPL		
Unquoted		
KMML Employees Co-operative Society Ltd [1000 (previous year : 1000) fully paid equity shares of Rs. 10/-]	0.10	0.10
Kerala Enviro Infrastructure Ltd [175,000 (previous year : 175,000) fully paid equity shares of Rs.10/-]	17.29	17.13
Kannur International Air Port Ltd [500,000 (Previous year : 500000) fully paid equity shares of Rs. 100/-]	502.10	505.14
Investment in debt instruments at amortised cost		
National Savings Certificates	0.76	0.50
Total	520.25	522.87
Total non-current investments	-	-
Aggregate amount of quoted investments	-	-
Aggregate market value of quoted investments	-	-
Aggregate cost of unquoted investments	520.25	522.87
Aggregate amount of impairment in value of investments	-	-
7 Non-current Loans (at amortised cost)		
Unsecured, considered good unless otherwise stated		
Loans to government companies/ societies		
Considered good	5,749.79	5,685.95
Doubtful	384.00	388.15
	6,133.79	6,074.10
Less: Allowance for expected credit loss	-384.00	-388.15
Total	5,749.79	5,685.95
8 Other non-current financial assets		
Unsecured, considered good unless otherwise stated		
Deposits with government departments	4,579.15	3,742.58
Security deposits	367.86	353.03
Loans and Advances to employees	224.78	542.58
Total	5,171.79	4,638.20

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
9 Other non-current assets		
Unsecured, considered good unless otherwise stated		
Capital Advances		
Considered good	2,490.14	2,749.39
Doubtful	2,768.50	2,768.50
	<u>5,258.64</u>	<u>5,517.89</u>
Less: Allowance for expected credit losses	2,768.50	2,768.50
	<u>2,490.14</u>	<u>2,749.39</u>
Advance Income tax (Net of Provision)	808.05	1,158.73
Debit balance in cash credit accounts	135.28	4.95
Advance for Shares in Kerala State Textile Corporation Ltd	3,000.00	3,000.00
	<u>6,433.47</u>	<u>6,913.07</u>
Total	6,433.47	6,913.07
10 Inventories		
Raw Materials	1,757.10	3,083.09
Work-in-progress	860.83	539.31
Finished products	11,728.27	8,597.74
Sales in transit	85.24	0.00
Loose tools	9.14	10.32
Stores and spares	7,439.21	6,521.03
Less: Allowance for non-moving stores	-416.79	-325.32
	<u>21,463.00</u>	<u>18,426.18</u>
Total	21,463.00	18,426.18
11 Trade receivables		
Unsecured, considered good unless otherwise stated		
Outstanding for a period exceeding six months from due date of payment		
Unsecured, considered good	3.36	
Unsecured, considered doubtful	21.99	21.99
Total	25.35	21.99
Less provision for doubtful debts	21.99	21.99
Balance	3.36	0.00
Outstanding for a period less than six months from due date of payment		
Unsecured, considered good	7,786.10	9,951.65
	<u>7,789.46</u>	<u>9,951.65</u>
Total	7,789.46	9,951.65
12 Cash and cash equivalents		
Cash on hand	3.24	3.10
Balances with banks		
In current accounts	125.72	87.77
In treasury savings accounts	5.40	4.22
	<u>134.36</u>	<u>95.09</u>
Total	134.36	95.09

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
13 Other Bank Balances		
In fixed deposits (expected to be realised within next 12 months)	18,902.95	6,736.69
In EMD/ SD accounts with banks	2.87	0.76
In margin money deposit with banks	26.83	25.40
Total	18,932.65	6,762.85
14 Loans and Advances (Current)		
Loan to Government Companies (Unsecured, considered good)	570.70	0.00
Total	570.70	0.00
15 Other current assets		
Unsecured, considered good unless otherwise stated		
Advance to suppliers		
Considered good	1,486.40	678.37
Considered doubtful	25.20	25.20
	1,511.60	703.57
Less: Allowance for expected credit loss	25.20	25.20
	1,486.40	678.37
Advances to employees	324.67	137.47
CGST/Cenvat Credit receivable	310.68	274.24
SGST/ Kerala Value Added Tax receivable	220.66	223.46
Other advances	144.60	356.41
Income and claims receivable (From VSSC - related to TSP)	-0.01	241.61
Interest accrued on Loans and Deposits	271.83	172.18
MEIS licences in hand and Receivables	54.51	99.41
Stamps on Hand and others	2.40	2.33
Total	2,815.74	2,185.48
16 Capital		
Authorised Share Capital		
35,00,000 Equity shares of Rs. 100 each	3,500.00	3,500.00
Total	3,500.00	3,500.00
Issued Share Capital		
30,93,272 Equity shares of Rs. 100 each	3,093.27	3,093.27
Total	3,093.27	3,093.27
Subscribed and fully paid up share capital		
30,93,272 Equity shares of Rs. 100 each	3,093.27	3,093.27
Total	3,093.27	3,093.27

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
Notes:		
1. Reconciliation of number of equity shares subscribed		
Balance as at the beginning of the year	30.93	30.93
Add: Issued during the year		
Balance at the end of the year	30.93	30.93
2. Shares issued for consideration other than cash		
There are no shares which have been issued for consideration other than cash during the last 5 years.		
3. Shareholders holding more than 5% of the total share capital		
Name of the share holder		
3093262 equity shares of Rs.100/- held by The Governor of Kerala (100%)	30.93	30.93
4. Rights, preferences and restrictions in respect of equity shares issued by the Company		
The company has only one class of equity shares having a par value of Rs.100 each. The equity shares of the company having par value of Rs.100/- rank pari-passu in all respects including voting rights and entitlement to dividend.		
17 Other Equity		
General reserve	20,750.10	20,750.10
Other comprehensive income	(1,333.28)	(122.30)
Retained earnings	44,877.55	33,131.41
Total	64,294.37	53,759.24
a) General reserve		
Opening balance	20,750.10	20,750.10
Additions during the year		
Deductions/Adjustments during the year		
Closing balance	20,750.10	20,750.10
b) Other comprehensive income		
Opening balance	(122.30)	(38.72)
Additions during the year	(1,211.00)	(83.58)
Deductions/Adjustments during the year	-	
Closing balance	(1,333.30)	(122.30)
c) Retained earnings		
Opening balance	33,131.41	31,996.50
Net profit for the period	11,746.16	1,134.94
Closing balance	44,877.57	33,131.41

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
18 Provisions (Non-current)		
Provision for Employee Benefits		
Compensated absences	877.44	769.69
Pay revision	8,551.60	5,840.32
Arbitration Compensation	3,572.22	3,505.39
Provision for decommissioning liability	672.56	690.16
Total	13,673.82	10,805.56
19 Deferred Tax Liability/ (Asset) - Net		
Deferred Tax Liability		
On Fixed Assets	1,637.76	1,549.41
Cost of demolished buildings on the land acquired for mining	2,264.28	2,230.21
	3,902.04	3,779.62
Deferred Tax Asset		
Carried Forward Losses		
Salary Arrears	2,988.27	2,021.21
Provision for doubtful advances	8.81	8.72
Provision for Interest on Arbitration compensation	3.46	5.10
Interest- MS Land Holders	0.00	25.91
Gratuity and leave encashment	186.61	135.65
Remeasurement of financial assets	7.02	5.49
Others	0.00	8.80
	3,194.17	2,210.88
Net deferred tax liability/ (asset)	707.87	1568.74
MAT credit entitlement		
Total	707.87	1568.74
20 Current liabilities - Financial Liabilities: Borrowings		
Secured		
Loans repayable on demand		
Cash credit and working capital loans from banks		
State Bank of India, Chavara	0.00	204.13
State Bank of India, Kollam	91.15	0.00
Total	91.15	204.13

Also refer note 56 for terms and conditions and security details

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
21 Trade payables		
Trade payables **	6,258.41	5,399.64
Total	6,258.41	5,399.64
**		
Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the management represents the principal amount payable to these enterprises. There are no interest due and outstanding as at the reporting date. Please refer note 39		
22 Other current financial liabilities		
EMD & Security Deposit from contractors and Distributors	1,263.68	1,122.15
Total	1,263.68	1,122.15
23 Provisions (Current)		
Provision for employee benefits towards		
Compensated absence	178.12	191.68
Gratuity	1,957.22	3,84.74
Total	2,135.34	576.42
24 Other current liabilities		
Advance from VSSC for Titanium Sponge Plant	14,509.08	14,509.08
Less : Adjustments as per agreement towards		
Fixed assets	(12,931.11)	(12,931.11)
Pre-operative expenses	(322.87)	(322.87)
	1,255.10	1,255.10
Excise Duty on closing Stock of Finished Goods	0.00	672.69
Employee payable	82.09	103.80
Recovery from employee payable	271.75	148.94
Statutory Dues	1,023.79	419.19
Arrear Salary Payable	6.13	24.63
Other payables	0.56	44.27
Creditors for expenses	0.00	0.00
Advance and deposits from customers etc.,	2,619.42	2,353.29
Total	5,258.84	5,021.91

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
25 Revenue from operations		
Sale of Products		
Titanium Dioxide Pigment	66,716.14	67,960.12
Titanium Tetra Chloride	2,690.02	4,868.20
Raw Ilmenite	0.00	164.12
Titanium Sponge	974.64	1,541.00
Magnesium Chloride	52.84	93.76
Minerals (Rutile, Sillimanite, Zircon)	5,835.71	3,838.35
Others	271.85	169.38
	76,541.20	78,634.92
Less: Discount	2,482.84	5,930.80
Net sales *	74,058.36	72,704.13
* Net sales of 2016-17 includes excise duty Rs. 7312.42 lakhs for the full year as against Rs. 1791.84 lakhs for the year		
2017-18 - (For the period 01-04-17 to 30-06-17 only, as GST was implemented from 01-07-2017)		
26 Other income		
Interest on Loans and Advances	240.18	311.61
Interest on staff advance	19.40	17.92
Interest on Deposit	1,171.42	168.59
Agricultural income	4.25	1.64
Foreign Exchange fluctuation	85.84	70.33
Profit on sale of Fixed Assets	3.09	0.00
Export benefits/ incentives received	246.56	163.51
Remission of liability	3.50	13.69
Sales - Others	33.92	23.34
Miscellaneous income	190.22	312.86
	1,998.38	1,083.49
27 Cost of materials consumed		
Opening inventory of raw materials	3,083.09	5,125.70
Add : Purchases	9,944.37	8,330.51
Less : Closing inventory of raw materials	-1,757.11	-3,083.09
	11,270.35	10,373.12
28 Changes in inventories of work-in-progress, stock in trade and finished goods		
Opening Balance		
Work-in-progress	539.31	948.61
Finished goods	8,597.74	16,630.09
	9,137.05	17,578.70

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
Closing Balance		
Work-in-progress	860.83	539.31
Finished goods	11,813.50	8,597.74
	12,674.33	9,137.05
Total changes inventories of work-in-progress, stock in trade and finished goods	3,537.28	-8,441.65
29 Employee benefits expense		
Salaries, wages and bonus	16,142.47	15,183.62
Contribution to provident and other funds	1,298.86	1,269.14
Staff/ workmen welfare expenses	1,921.99	1,702.53
	19,363.32	18,155.29
30 Depreciation and amortisation expense		
Depreciation of property, plant and equipment	1,209.64	1,059.62
Amortisation of intangible assets	0.21	0.09
	1,209.85	1,059.71
31 Other expenses		
Consumption of stores and spares	4,878.47	4,682.48
Power and fuel	19,201.42	15,797.06
Repairs and Maintenance		
Plant and Machinery	1,285.94	1,079.86
Others	85.92	74.90
Process Expenditure	26.79	24.96
Royalty	351.15	155.07
Excise duty on closing stock of finished goods (net)	-672.69	-706.82
Excise Duty Paid-TSP	8.44	86.25
Rent	17.24	1.72
Rates and taxes	134.73	240.73
Postage, Telegram and Telephone.	18.63	27.02
Legal and professional fees	383.46	39.30
Sitting fees to directors	0.05	0.02
Travel and conveyance	66.34	58.13
Insurance	58.95	61.80
Printing and stationery	20.63	15.01
Advertisement and sales promotion	192.93	100.49
Shipping and Freight	70.39	60.98
Corporate social responsibility expenditure	74.25	18.39
Payment to Auditors	8.00	8.00
Unrealised profit	12.68	0.00
Bank Charges	41.08	31.26
Miscellaneous expenses	1,076.73	334.90
Provision for non moving stock	91.47	1.81
	27,433.00	22,193.33

Notes to Financial Statements for the year ended March 31, 2018
 (All amounts are in lakhs of Indian Rupees, unless otherwise stated)

	2017-18	2016-17
Payment to auditors		
Statutory Audit fees	5.00	5.00
Reimbursement of travelling and Out of pocket expenses	3.00	3.00
	8.00	8.00
32 Finance Cost		
Interest on bank loans	0.07	49.15
interest on others	79.85	24.24
	79.92	73.37
33 Exceptional items		
Provision for land to be returned	334.89	244.45
Arbitration Compensation	0.00	2,678.34
Interest on Arbitration Compensation	0.00	373.81
Total	334.89	3296.61
34 Income tax expense		
(a) Income tax expense		
Current tax		
Current tax on profits for the year	7,130.07	2,150.00
MAT credit entitlement/reversal	0.00	0.00
Adjustments for current tax of prior periods	12.58	0.00
Total current tax expense	7,142.65	2,150.00
Deferred tax		
Deferred tax adjustments	(777.96)	(402.82)
Total deferred tax expense/(benefit)	(777.96)	(402.82)
Income tax expense	6,364.69	1,747.18
b) The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	18,110.85	2,882.12
Income tax expense calculated at 34.608% (2015-16: 34.608%)	6,267.80	997.44
Effect of deferred tax due to change in tax rate from 34.608 to 34.944 %		
Effect of expenses that are not deductible in determining taxable profit	81.66	1152.56
Income tax expense	6,364.69	2,150.00
c) Income tax recognised in other comprehensive income		
<i>Remeasurement of defined benefit obligation</i>		
Current tax	559.21	0.00
Deferred tax	82.91	44.24
Total income tax recognised in other comprehensive income	642.12	44.24

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

d) Movement of deferred tax expense during the year ended March 31, 2018

<i>Deferred tax (liabilities)/assets in relation to:</i>	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Closing balance
Property, plant, and equipment and Intangible Assets	(3,779.62)	(122.42)		(3,902.04)
Expenses allowable on payment basis under the Income Tax Act	175.38	23.49		198.87
Remeasurement of financial instruments under Ind AS	2,035.50	959.80		2,995.30
Other temporary differences	-	-	-	-
Remeasurement of Definite benefit plan		(82.91)	82.91	
MAT Credit entitlement	-	-	-	-
Total	(1,568.74)	777.96	82.91	(707.88)

e) Movement of deferred tax expense during the year ended March 31, 2017

<i>Deferred tax (liabilities)/assets in relation to:</i>	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Closing balance
Property, plant, and equipment and Intangible Assets	(3,752.11)	(27.51)	-	(3,779.62)
Expenses allowable on payment basis under the Income Tax Act	256.47	(81.09)	-	175.38
Remeasurement of financial instruments under Ind AS	1,479.84	555.66	-	2,035.50
Other temporary differences	-	-	-	-
Remeasurement of Definite benefit plan		(44.24)	44.24	
	(2,015.80)	402.82	44.24	(1,568.74)
MAT Credit entitlement	74.29	(74.29)		
Total	(1,941.51)	328.53	44.24	(1,568.74)

35. Earnings per share

Profit for the year attributable to owners of the Company	11,746.14	1,134.92
Weighted average number of ordinary shares outstanding	30.93	30.93
Basic earnings per share (Rs)	379.77	36.69
Diluted earnings per share (Rs)	379.77	36.69

Notes to Financial Statements for the year ended March 31, 2018
(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

36 Earnings in foreign currency		
FOB value of exports	8,338.71	4,242.32
37 Expenditure in foreign currency		
Import of raw materials, chemicals and packing materials	1,292.61	1,171.48
Stores and spares imported	1,042.22	683.05
	2,334.83	1,854.53
38 Value of Imports (on C.I.F basis)		
Raw material, chemicals and packing materials	1,292.61	1,171.48
Stores, spares, components and capital items	1,063.46	700.58
	2,356.07	1,872.06
39 Disclosures required by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as under		
(a) The principal amount remaining unpaid at the end of the year	259.07	98.05
(b) The delayed payments of principal amount paid beyond the appointed date during the year		
(c) Interest actually paid under Section 16 of MSMED Act		
(d) Normal Interest due and payable during the year, for all the delayed payments, as per the agreed terms		
(e) Total interest accrued during the year and remaining unpaid		
* This information has been determined to the extent such parties have been identified on the basis of information available with the Company.		

40. Commitments and contingent liability

Contingent Liability

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
1. Guarantees		
(a) Bank Guarantee	706.43	627.77
(b) Inland bills /Foreign bills with banks	631.37	544.74
2. Claims against the Company not acknowledged as debts		
(c) Abandonment of projects	3,959.98	3,698.98
(d) Other than Abandoned projects		
(e) Pending cases before Honourable Sub Court 5.64 23.93 Kollam/ Karunagappally -(A.S. No.136/2013 in OS No.384/2013 and OS 398/12	5.64	5.64
(f) Income tax Demand under appeal	2,142.73	1,629.51
(g) Sales Tax Demand under appeal /rectification	8.60	8.60
(h) Excise Duty under appeal and penalty	22.14	110.16
3. Other money for which company is contingently liable		
(i) Other contingent liabilities	7.12	7.12

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

In addition, the company is also subject to certain legal proceedings and claims which have arisen in the ordinary course of business. The management expect that these legal actions, when ultimately concluded and determined, will not have a material and adverse effect on the company's results of operation or financial conditions.

Capital Commitments

Particulars	As at March 31, 2018	As at March 31, 2017
Estimated Value of Contracts remaining to be executed on Capital Account and not provided for	4415.29	706.18

Other contingencies

- A)** The Company had acquired lands under the provisions of Land Acquisition Act prior to 2003 for its mining purpose. Around 162 Land Acquisition Reference (LAR) cases have been preferred before the Hon 'ble Sub Court, Kollam claiming enhancement of compensation. Out of this, the court had awarded enhancement of 65/85 % in 117 cases over the amount already allowed by the Land Acquisition Officer. In all these cases, at its execution stage, appeals were preferred before the Hon'ble High court of Kerala challenging the award. Hon'ble High Court has allowed the appeal and remanded most of the cases to Sub Court, Kollam for fresh evidence. Company as well as the claimant was permitted to adduce their evidences. Accordingly, all the cases were remanded to Sub Court, Kollam. 75 % of the court fee remitted by the Company in those appeals was also returned by the Hon'ble High Court. Later, the Division Bench of Hon'ble High Court of Kerala in LAA.532/2011 passed a judgment limiting the value of compensation payable by 61.7%. Accordingly, an amount of Rs.287.97 lakhs was provided in the books up to the year 2013-14 towards the additional amount payable to land owners including interest of Rs.189.63 lakhs .

117 LAR cases which were disposed off by the Hon 'ble High Court by fixing 61. 7% hike, the cases were referred and settled in the Adalath in the presence of District Judges and Land Acquisition Authorities. 135 cases has now been settled and cheques have been already deposited with the District Legal Service Authority (DLSA) Kollam for disbursement. Further Rs. 15.66 lakhs has been paid to 11 claimants by allowing 28 A application. As there may not be any chance to file appeal in these cases either by the party or company the amount outstanding in LAR cases is adjusted against the liability. Balance amount is retained in the provision amount as another 11 cases are pending for disposal.

These cases are pending due to want of claimants/legal counsel raising their claims.

- B)** The company had filed appeal at CESTAT against the order of Commissioner of Central excise, Customs and Service Tax, Trivandrum demanding Rs.1,534.15 lakhs towards Central excise duty along with applicable interest and 50 % penalty in connection with minerals separated at Mineral Separation Unit. The Department has filed an appeal against the order of Commissioner to increase the penalty to 100%. CESTAT vide order 22039/2014 has set aside the order of Commissioner of Central Excise, Trivandrum demanding Rs.1,534.15 lakhs and the matter is remanded for enquiries for fresh adjudication. The matter was heard by Commissioner of Central Excise, Trivandrum and a favourable order was passed sighting the exemption under modification No. 63/95-CE dated 16.03.95 which exempt all goods manufactured in a mine from excise duty. Accordingly all further proceedings imitated against the company is dropped.

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

41 Operating Segments

The Company has identified three segments namely Titanium Dioxide Pigment (TP) unit, Mineral Separation (MS) unit and Titanium Sponge Plant (TSP) for internal financial reporting to the Board of directors.

1. Primary Segment Information

(Rs. In lakhs)

Particulars	2017-18	2016-17
Segment Revenue		
TP Unit	69,619.66	68,219.00
MS Unit	10,466.01	7,201.00
TSP Unit	1,052.33	1,901.00
Less: Intersegment Revenue	(5,081.26)	(3,532.00)
Total	76,056.74	73,788.00
Segment Results- Profit before Tax		
TP Unit	16,211.39	2,105.00
MS Unit	1,939.01	368.00
TSP Unit	(39.55)	409.00
Total	18,110.85	2,882.00
Segment Assets		
TP Unit	76,458.50	59,859.00
MS Unit	15,136.28	17,040.00
TSP Unit	5,181.98	4,652.00
Total	96,776.76	81,551.00
Segment Liabilities		
TP Unit	76,458.50	59,859.00
MS Unit	15,136.28	17,040.00
TSP Unit	5,181.98	4,652.00
Total	96,776.76	81,551.00
Capital Employed		
TP Unit	46,143.89	32,802.00
MS Unit	13,977.84	15,722.00
TSP Unit	3,768.36	2,939.00
Total	63,890.09	51,463.00
2. Secondary Segment Information		
Geographical Location		
Domestic Sales	65,719.65	68,462.00
Export Sales	8,338.71	4,242.00
Total	74,058.36	72,704.00
Cost incurred during the year to acquire the assets		
TP Unit	1,433.08	1,392.00
MS Unit	285.08	288.00
Total	1,718.16	1,680.00

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

42. Operating lease arrangements

The Company does not have any operating lease arrangements

43. Financial Instruments
Capital management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The funding requirements are met through equity and other short-term borrowings.

The capital structure of the Company consists only of equity.

Categories of Financial Instruments	March 31, 2018	March 31, 2017
Financial assets		
a. Measured at amortised cost		
Loans Given (non Current)	5,749.79	5,685.95
Other non-current financial assets	5,171.79	4,638.20
Trade receivables	7,789.46	9,951.63
Cash and cash equivalents	134.36	95.09
Bank balances other than above	18,932.65	6,762.85
Other current financial assets (Loans)	570.70	-
b. Mandatorily measured at fair value through profit or loss (FVTPL)		
Investments	520.25	522.87
Derivative instruments	-	-
Financial liabilities		
a. Measured at amortised cost		
Borrowings (short term)	91.15	204.13
Trade payables	6,258.41	5,399.60
Other financial liabilities	1,263.68	1,122.15
b. Mandatorily measured at fair value through profit or loss (FVTPL)		
Derivative instruments	-	-

Financial risk management objectives

The treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

The Company seeks to minimise the effects of these risks by using natural hedging financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company actively manages its currency and interest rate exposures through its finance division and uses derivative instruments such as forward contracts and currency swaps, wherever required, to mitigate the risks from such exposures. The use of derivative instruments is subject to limits and regular monitoring by appropriate levels of management.

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company actively manages its currency rate exposures through a centralised treasury division and uses natural hedging principles to mitigate the risks from such exposures. The use of derivative instruments, if any, is subject to limits and regular monitoring by appropriate levels of management.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

As on March 31, 2018

Currency	Liabilities			Assets			Net overall exposure on the currency - net assets / (net liabilities)
	Gross exposure	Exposure hedged using derivatives	Net liability exposure on the currency	Gross exposure	Exposure hedged using derivatives	Net asset exposure on the currency	
USD (in lakhs)	2.18	-	2.18	-	-	-	(2.18)
EUR (in lakhs)	0.37	-	0.37	-	-	-	(0.37)
GBP	0.14	-	0.14	-	-	-	(0.14)
YEN	73.28	-	73.28	-	-	-	(73.28)
In INR (in Lakhs)	233.47	-	233.47	-	-	-	(233.47)

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

As on March 31, 2017

Currency	Liabilities			Assets			Net overall exposure on the currency - net assets / (net liabilities)
	Gross exposure	Exposure hedged using derivatives	Net liability exposure on the currency	Gross exposure	Exposure hedged using derivatives	Net asset exposure on the currency	
USD (in lakhs)	5.64	-	5.64	-	-	-	(5.64)
EUR (in lakhs)	2.01	-	2.01	-	-	-	(2.01)
In INR (Lakhs)	504.28	-	504.28	-	-	-	(504.28)

Foreign currency sensitivity analysis

Movement in the functional currencies of the various operations of the Company against major foreign currencies may impact the Company's revenues from its operations. Any weakening of the functional currency may impact the Company's cost of imports and cost of borrowings and consequently may increase the cost of financing the Company's capital expenditures. The foreign exchange rate sensitivity is calculated for each currency by aggregation of the net foreign exchange rate exposure of a currency and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of each currency by 2%, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is not subject to credit risk as the internally generated funds are used to meet their financial requirements.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure is the total of the carrying amount of balances with banks, short term deposits with banks, trade receivables, margin money and other financial assets excluding equity investments

Offsetting related disclosures

Offsetting of cash and cash equivalents to borrowings as per the consortium agreement is available only to the bank in the event of a default. Company does not have the right to offset in case of the counter party's bankruptcy, therefore, these disclosures are not required.

Notes to Financial Statements for the year ended March 31, 2018
 (All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Liquidity risk management

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company invests its surplus funds in bank fixed deposit which carry minimal mark to market risks.

Liquidity tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

March 31, 2018	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
Trade payables	6,258.41	-	-	6,258.41
Other financial liabilities	1,263.68	-	-	1,263.68
	7,522.09	-	-	7,522.09

March 31, 2017	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
Trade payables	5,399.60	-	-	5,399.60
Other financial liabilities	1,122.15	-	-	1,122.15
	6,521.75	-	-	6,521.75

March 31 2018 **March 31, 2017**

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required):

Nil

Nil

44 Related party disclosure
a) List of parties having significant influence
Holding company

The Company does not have any holding company

Fellow Subsidiaries

The Company does not have any subsidiaries, associate and joint ventures

Key management personnel

Dr.Febi Varghese

Managing Director with effect from 14.09.2015 to 07.10.2016 (as per G.O.(Rt) No. 951/2015/ID dated 11.09.2015)

Sri. Roy Kurian K.K

Managing Director with effect from 07.10.2016 to 17-10-2018 (as per G.O.(Rt) No.1058/2016/ID dated 05.10.2016)

Sri. Raghavan K

Full additional charge of Managing Director with effect from 17.10.2018. (as per G.O.(Rt) No.1207/2018/ID dated 17.10.2018)

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

b) Transactions during the year

S.No.	Nature of transactions	Managing director		Other Directors	
		2017-18	2016-17	2017-18	2016-17
1	Salaries and allowances Sri Roy Kurian K.K. Dr Febi Varghese	13.05	5.67 9.08		
2	Other benefits and PF Contribution Sri Roy Kurian K.K. Dr Febi Varghese	3.14	0.49 0.71		
3	Sitting fee / DA	-	-	0.07	0.03
		16.19	15.95	0.07	0.03

45 Retirement benefit plans
Defined contribution plans

In accordance with Indian law, eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions, as specified under the law, are made to the provident fund and pension fund set up as an irrevocable trust by the Company. The Company also has superannuation plan.

The total expense recognised in profit or loss of Rs. 953.55 lakhs (for the year ended March 31, 2017: Rs.1008.25 lakhs) represents contribution payable to these plans by the Company at rates specified in the rules of the plan.

Defined benefit plans

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death, while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in the future based on an actuarial valuation. Company's liability towards gratuity (unfunded), other retirement benefits and compensated absences are actuarially determined at each reporting date using the projected unit credit method.

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and salary risk.

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Company has an independent Gratuity Trust. The liability of each year is valued as per Ind As - 19 "Employee Benefits" by an independent Actuary and the amount as per the actuarial valuation report is provided in the accounts each year and paid to the Trust.

During the year 2013-14 the following activities of Gratuity Trust is entrusted to Life Insurance Corporation of India (LIC):

1. Managing investment part of Gratuity Trust Fund through Life Insurance Corporation of India*
2. To enable the Gratuity Trust Fund to subscribe the master policy with LIC in order to provide death cum retirement gratuity benefits to the regular employees of the company.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Particulars	March 31, 2018	March 31, 2017
Mortality Table	Indian Assured Lives Mortality Ultimate (1994-96)	Indian Assured Lives Mortality Ultimate (1994-96)
Attrition Rate	Modified q(x) values under above Mortality Table	Modified q(x) values under above Mortality Table
Discount Rate	7.65% p.a.	8.00% p.a.
Rate of increase in compensation level	5.00% p.a.	5.00% p.a.
Rate of Return on Plan Assets	7.65% p.a.	8.00% p.a.
Expected Average Remaining Working Lives of Employees (years)	12.95	12.45
Maximum amount of Gratuity per Employee	Rs.20.00 lakhs	Rs.10.00 lakhs

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts recognised in total comprehensive income in respect of these defined benefit plans are as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Current service cost	273.92	224.84
Net interest expense	299.50	302.63
Return on plan assets (excluding amounts included in net interest expense)	(259.59)	(270.19)
Components of defined benefit costs recognised in profit or loss	313.83	257.28
Remeasurement on the net defined benefit liability comprising: Actuarial (gains)/losses recognised during the period	1,644.02	127.45
Components of defined benefit costs recognised in other comprehensive income	1,644.02	127.45
	1,957.85	384.73

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Present value of defined benefit obligation	5,029.66	3,778.15
Fair value of plan assets	(3,072.44)	(3,393.41)
Net liability arising from defined benefit obligation	1,957.22	384.74
Funded	1,957.22	384.74
Unfunded	-	-
	1,957.22	384.74

The above provisions are reflected under 'Provision for employee benefits- gratuity' (short-term provisions) [Refer note 23].

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Movements in the present value of the defined benefit obligation in the current year were as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Opening defined benefit obligation	3,778.15	3,670.50
Current service cost	273.92	224.84
Interest cost	299.50	302.63
Actuarial (gains)/losses	1,615.84	125.56
Benefits paid	(937.75)	(545.38)
	5,029.66	3,778.15

Movements in the fair value of the plan assets in the current year were as follows:

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Opening fair value of plan assets	3,393.41	3,377.33
Interest Income		
Expected return on plan assets (excluding amounts included in net interest expense)	259.59	270.19
Contributions	385.37	293.16
Benefits paid	(937.75)	(545.38)
Actuarial gains/(loss)	(28.18)	(1.89)
Others	-	-
	3,072.44	3,393.41

In view of the fact that the Company for preparing the sensitivity analysis considers the present value of the defined benefit obligation which has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Compensated absences

Company is following the practice of valuing the compensated absence as per Ind AS 19 "Employee Benefits" based on the leave balance outstanding on the employees account on March 31st every year by an independent actuary and has provided the same in the accounts. The payment is done as and when claims are received from the employees or on the date of retirement/ relieving from the service of the company.

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The principal assumptions used for the purposes of the actuarial valuations were as follows:

Particulars	March 31, 2018	March 31, 2017
Mortality Table	Indian Assured Lives Mortality Ultimate (1994-96)	Indian Assured Lives Mortality Ultimate (1994-96)
Attrition Rate	Modified q(x) values under above Mortality Table	Modified q(x) values under above Mortality Table
Discount Rate	7.65% p.a.	8.00% p.a.
Inter Valuation leave accrual	SL at 16 days per annum with a ceiling of 64 days and AL at 26 days per annum with a ceiling of 300 days	SL at 16 days per annum with a ceiling of 64 days and AL at 26 days per annum with a ceiling of 300 days.
Rate of increase in compensation level	5.00% p.a.	5.00% p.a.
Rate of Return on Plan Assets	Not Applicable	Not Applicable
Expected Average Remaining Working Lives of Employees (years)	12.95	12.45

	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Current service cost	782.74	735.21
Net interest expenses	103.48	105.86
Components of defined benefit costs recognised in profit or loss	886.22	841.07
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses recognised during the period		
Actuarial (gains)/losses	237.28	0.37
Components of defined benefit costs recognised in other comprehensive income	237.28	0.37
	1,123.50	841.44

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

Notes to Financial Statements for the year ended March 31, 2018

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	March 31, 2018 Rs. Lakhs	March 31, 2017 Rs. Lakhs
Present value of defined benefit obligation	1,055.57	961.37
Net liability arising from defined benefit obligation	1,055.57	961.37
Funded	-	-
Unfunded	1,055.57	961.37
	1,055.57	961.37

The above provisions are reflected under 'Provision for employee benefits- Compensated absence' (long-term provisions - Rs. 840.41 lakhs and short term provisions - Rs. 115.30 lakhs) [Refer notes 18 and 23].

Movements in the present value of the defined benefit obligation in the current year were as follows:

	March 31, 2018	March 31, 2017
Opening defined benefit obligation	961.37	955.71
Current service cost	782.74	735.21
Interest cost	103.48	105.86
Actuarial (gains)/losses	237.28	0.37
Benefits paid	(1,029.30)	(835.78)
Closing defined benefit obligation	1,055.57	961.37

46. Property, Plant and Equipment

- A.** The Company has been granted mining rights in Block Nos. I, III, V & VII of Panmana, Chavara and Karunagappally Village. The Fee for valuation of building for the land acquisition at MS Unit amounting to Rs.13.19 Lakhs (previous year Rs. 18.62 lakhs) has been included under short term loans and advances.

In the above case, the title deeds are not yet to be transferred in favour of the Company. The cost of the buildings acquired by the Company in the mining area is capitalized as part of land, since buildings are normally demolished after acquisition. Hence, no depreciation is provided for.

- B.** Rehabilitation compensation of Rs.3.00 lakhs paid during the year, which is capitalized as part of land, has been included in the cost of land (Previous year Rs. 3.00 lakhs).
- C.** Since 2011-12, the Company is acquiring certain lands at Kovilthottam under a condition that equivalent area of land at adjacent locality along with incremental value of buildings will be given back to the land owners after mining, with in a period of three years. This was also referred to the Expert Advisory Committee of the Institute of Chartered Accounts of India

Notes to Financial Statements for the year ended March 31, 2018

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(ICAI) for their opinion on the accounting treatment. The EAC of ICAI opined that the liability in respect of the same should be recognized as provision at the best estimate of the expenditure required to settle the obligation. Accordingly, a provision of Rs.334.89 lakhs (Previous year: Rs.244.45lakhs) is made towards the cost of land to be given back, which was acquired under the above scheme upto the year 2014-15 based on the average cost of total acquisition at Kovalthottam for the period 2011-12 to 2017-18.

- D.** Loss of land due to sea erosion has been ascertained during 2009-10, 2012-13 and 2015-16 by an independent Surveyor. As per the Survey Report, the total area lost is 15.44 hectares (38.13 acres) in 2009-10 and 6.32 hectares (15.61 acres) in 2012-13. The cost (which is the average cost covering cost of land, building and other connected expenditures) amounts to Rs. 680.70 lakhs and Rs. 287.05 lakhs respectively and the same has been provided in the respective years. As per the final survey report dated 22.09.2016, it is found that out of 53.74 acres of land lost due to sea erosion in earlier years, 21.74 acres have been redeemed. However, it is reported that the redeemed land is between high tide and low tide line and it is not possible to do in – situ mining with the present facility and only beach wash may be possible. Therefore, the Company took a prudent and conservative approach of not bringing the area reported to be redeemed in the books of account. The next survey of land to ascertain the loss due to sea erosion would be conducted in the year 2018-19.
- E.** The company restores the mining land to its original condition after the mining activity and the fair value of the land is expected to exceed the carrying cost. Hence no impairment/diminition in the value of land is anticipated and provided for

47 Current Assets

- A.** Stock of Stores, Spares and Fuel includes Rs. 3.90 lakhs (Previous year Rs. 3.90 Lakhs) being value of stores items misappropriated which was noticed by the company on 26-12-1998 and 03-09-2004. The amount of Rs.0.30 lakhs paid to the court as deposit to release the goods taken possession by police has been shown under short term loans and advances. Police cases registered in this regard are still pending.

48 Status of Projects

- A.** Based on corporate plan approved by the board of directors, the Government of Kerala accorded sanction for implementing capacity expansion project at a cost of Rs. 760 crores vide GO (MS) No.46/2004/ID dt.23.04.2004. Later on, due to escalation in project cost, etc., and based on the recommendation of the board of directors, the Government approved for abandoning four projects viz., Mineral Separation Plant, Synthetic Rutile Plant, Desalination Plant and Oxygen Plant vide GO (MS) No.15/2008/ID dt.25.01.2008. The Company spent an amount of Rs. 3,458.39 lakhs (Previous year: Rs. 3,458.39 lakhs) including Rs. 149.63 lakhs towards entry tax for these projects. As entry tax is unconstitutional as per High Court verdict, the Company has lodged claim with KVAT authorities for getting the refund. As the matter is pending with the Government, no provision is considered in the financial statements.

The board of directors in their meeting held on 07.03.2008 recommended to abandon certain other projects in which the Company has invested an amount of Rs. 2,327.27 lakhs (Previous year: Rs. 2,327.27 lakhs). Based on the above Government Order, the Company has provided Rs.1,638.34 lakhs during the year 2008-09 being the proportionate consultancy fees paid to M/s Mecon. The total amount of consultancy paid to M/s Mecon was Rs.1,817.60 lakhs. The

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

Company received another Government Order No.GO (MS) No.168/2010/ID dt 03.08.2010 sanctioning the abandoning of the remaining 8 inter-linked projects. Hence, the balance amount of Rs.179.26 lakhs being consultancy fee paid to M/s Mecon was also provided in the books during the year 2009-10. An amount of Rs. 52.78 lakhs is accounted during the year 2010-11 towards the materials/ equipments utilized for the existing plant. The contractors on whom we have placed the orders for supply/ erection of various equipments for capacity expansion have initiated legal proceedings against the company and it is pending before the Hon'ble High Court and Arbitrators.

Certain materials which were procured in connection with the abandoned project amounting to Rs. 99.87 lakhs has been brought to the stock of stores and spares which were laying under Capital Work In Progress-Abandoned Project during the year 2012-13 as these materials are capable of being used in the existing plant and to avoid further procurement of same items.

The company had provided Rs.950.89 lakhs during the year 2014-15, being the expenses incurred in connection with abandoned projects for which no arbitration proceedings are pending (Rs.110.91 lakhs)/ arbitration proceedings kept in abeyance (Rs.839.98 lakhs of M/s Konsortium Process Minerals Pty Ltd).

- B.** Company has incurred an amount of Rs. 117.76 lakhs (Previous year: Rs.117.76 lakhs) in connection with the civil work done by M/s Paulose George and Co. which was grouped under CAPWIP Abandoned Projects. Since the civil structure done by M/s Paulose George can be used in connection with future expansion projects, this has been reclassified under CAPWIP. Balance amount of Rs.16.71 lakhs was not paid by the company for want of clearance certificate from the party.

Sri.Paulose George and Company approached Honourable High Court for directing KMML to pay the balance amount of Rs.16.71 lakhs. The court directed the petitioner to produce the clearance certificate for getting the balance amount. The court also directed KMML to verify the clearance certificate produced by M/s Paulose George & Co. and disburse the final bill after withholding the amount, if any, due from the contractor. Accordingly, the amount towards final bill of Rs.16.71 lakhs was provided in the accounts during the year 2015-16 and was paid on 13-12-2016 as full and final settlement.

C. Arbitration Proceedings

- C.1** On conclusion of the arbitration proceedings of M/s Simplex Infrastructure Ltd., Chennai, a majority award was issued by the Arbitral Tribunal on 31-07-2010 for Rs. 91.78 lakhs which includes award, cost and the interest up to the date of the award. The Company has provided Rs. 5.54 lakhs (Previous year: Rs. 5.54 lakhs) during the year towards interest. The total provision towards arbitration award, cost and interest up to 31.03.2018 is Rs. 134.30 lakhs (Previous year: Rs. 128.76 lakhs). M/s Simplex Infrastructure Ltd has filed a petition before the Hon'ble District Court, Kollam as OP(Arb) No.264/2010 challenging the majority award. The Company has also filed an Arb OP.79/2012 challenging the award passed by the sole arbitrator as per the decision of the Board. The case was dismissed on 18.03.2015. The company has filed an Arb.Appeal No.40/2016 before the Hon'ble High Court on 18.08.2016. The respondents have filed an execution petition No.983/2016 before Sub Court , Kollam which is posted for hearing on 14.11.2018

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- C.2** On conclusion of the Arbitration proceedings of M/s COEN Bharath Limited, an award was issued by the sole arbitrator against KMML on 25-05-2011 for Rs.12.02 lakhs which includes award, cost and interest up to the date of the award. The total provision towards arbitration award, cost and interest up to 31.03.2015 is Rs. 15.08 lakhs . Company has filed Arb.OP.78/2012 challenging the award passed by the sole arbitrator and the petition was dismissed by the Dist. Court Kollam due to the reason that it is barred by law of limitation. M/s COEN Bharath has filed an Execution Petition No.424/2013 before the Dist. Court, Kollam to attach bank account of KMML which was allowed by the Court on 07.01.2015. On 10.09.2015, the bank was directed by Wakf Tribunal to deposit Rs.14.57 lakhs within ten days towards the attachment order dated 11.02.2015. Bank authorities complied with the court direction and deposited the amount to Tribunal accordingly. Subsequent to this, M/s COEN Bharath has again filed a petition to attach balance amount of Rs. 1.03 lakhs . Accordingly, the amount was attached by the bank on 31.05.2016. Decree of satisfaction is not obtained from the court.
- C.3** On conclusion of the arbitration proceedings of M/s Frick India Limited, an award was issued by the sole arbitrator on 15-09-2011 allowing Rs. 1.15 lakhs to M/s Frick India Limited after adjusting the advance amount of Rs. 24.43 lakhs paid by KMML to them. Company has provided Rs. 0.09 lakhs (previous year Rs. 0.09 lakhs,) during the year towards interest. The total provision towards arbitration award including appropriation of advance paid and interest up to 31.03.2018 is Rs. 26.18 lakhs (Previous year: Rs. 26.09 lakhs). Company has filed Arb.OP.18/2012 challenging the award passed by the sole arbitrator. M/s Frick India Limited, the respondent has filed their objections and the Company has filed the counter to the objections raised by the respondent. After completion of hearing, the case was posted for final orders on 18.11.2017. After completion of hearing the appeal petition filed by KMML stands dismissed on 29.11.2017. We have already filed an appeal petition before the Hon ' High Court challenging the above dismissal order
- C.4** Company had executed an agreement with M/s GMM Pfaulder Limited (GMM), Gujarat for setting up of pigment separator. An amount of Rs. 91.94 lakhs had been paid towards advance. On conclusion of the arbitration proceedings of GMM, the sole arbitrator passed an award on 23-05-2012 allowing the claimant to realize a sum of Rs. 18.44 lakhs, in addition to the advance of Rs. 91.94 lakhs along with interest @ 10% per annum from 01-04-2010 from KMML. The Company has provided Rs. 1.84 lakhs (Previous year: Rs.1.84 lakhs) during the year towards interest. The total provision towards arbitration award including appropriation of advance payment and interest up to 31.03.2018 is Rs. 125.57 lakhs (Previous year: Rs. 123.73 lakhs). As decided by the board, the Company has filed Arb.OP.194/12 challenging the award passed by the sole arbitrator and Arb.OP.205/12 was filed by GMM challenging the award. The Arb.OP 205/12 filed by GMM challenging the award was dismissed by the Sub. Court on 29.07.2015. GMM then filed an appeal petition before the High Court of Kerala challenging the order of Sub.Court which was allowed by the Hon'ble High Court and the case restored. After hearing the case, again got dismissed. The certificate copy of the order is not yet received.
- C.5** KMML had executed agreement with M/s Shriram EPC Ltd, Chennai for the supply and erection of Induced Draft RCC Cooling Tower which was abandoned later. KMML has not paid any advance to the party. The claim of M/s Shriram EPC Ltd is for Rs. 3.27 crores and KMML has no counter claim. On conclusion of the Arbitration proceedings, the Arbitrator has passed an award allowing the claimant to realize a sum of Rs. 13.87 lakhs with interest @ 12

% p.a. from 24-10-2009 till realization of the award. Shriram EPC Ltd had filed execution petition along with petition for attachment of awarded amount. During 2014-15, Company has paid award amount of Rs. 13.87 lakhs and Rs. 8.38 lakhs towards cost of execution and interest @12% from 24.10.2009 to 31.08.2014 as approved by the Board and also provided Rs.0.72 lakhs towards interest up to the date of payment. The case stands closed on 19.03.2015.

- C.6** Work was awarded to M/s. Goyal Gases for setting up of 200 TPD Oxygen Plant on BOO basis. KMML has paid Rs. 5 Crores towards advance. The Arbitral Tribunal consists of two Arbitrators and one Presiding Arbitrator. The Claim Statement of M/s Goyal Gases was for Rs. 109 Crores. Counter Claim of KMML is for Rs. 5 Crores and its interest. After taking evidences from both sides and while the matter was posted for final hearing, the Presiding Arbitrator Justice. K.K. Narendran has expired. An Arbitration Request No.14 of 2013 was filed by M/s. Goyal Gases before the Hon'ble High Court of Kerala requesting to appoint a retired High Court Judge from Delhi as the Presiding Arbitrator which we have strongly objected. On 05-10-2013 the Hon'ble Court appointed Justice P.Krishna Moorthy, Retd. Judge, High Court of Karnataka as Presiding Arbitrator. The company has filed application for amendment of defence statement and which is allowed. As directed by the Hon'ble Arbitrator on 30-08-2014, KMML held a discussion with M/s.Goyal Gases regarding the setting up of 100 TPD Oxygen Plant based on their interest to do the above work. The matter was placed before the Board and it was rejected by the Board. Company has informed the matter to Arbitral tribunal and proceedings were resumed on 23rd May 2015. After detailed hearing an award was issued by Presiding Arbitrator Justice P Krishnan Murthy and one of the Co. Arbitrators (Justice R.C. Chopra) on 23-09-2015 against KMML by allowing Goyal Gases an amount of Rs.29 crores with litigation costs of Rs. 25 lakhs along with interest @ 9% p.a from the date of Award till the date of payment. This is in addition to Rs.5 crores already paid by KMML. However the other Co.Arbitrator Justice (Retd) R. Rajendra Babu has not signed the award and delivered a dissenting award in which KMML is entitled to realize an amount of Rs.376.40 lakhs with 12 % interest from the date of award till realization. This award forms part of the award issued by the presiding arbitrator and one of the Co- arbitrators. The company has filed a petition before District Court Kollam on 21/12/2015 under section 34 of the Arbitration and Conciliation Act which is numbered as OP (Arb) No. 666/2015 . The company has collected opinion from the standing counsel and they stated that liability under the above said award does not arise at this point of time since a petition u/s 34 of the Arbitration and Conciliation Act 1956 has been filed with District Court Kollam and the final liability will arise only when the petition filed u/s 34 of the Act is finally disposed off by District Court Kollam. The petition is filed within the time provided under section 34 and is in compliance with sub section 2 and 3 of section 34 of the Act. M/s Varma &Varma, Chartered Accountants, who are the Internal Auditors of the company also opined that the company could be guided by the legal opinion furnished by the legal advocates that the liability is only contingent in nature at this point of time until disposal of the petition filed u/s 34 of the Arbitration and Conciliation Act by District Court, Kollam and the company has to make adequate disclosure based on the strength of legal opinion furnished by the advocates as above in the notes on accounts. It is understood that M/s Goyal Gases also filed an appeal petition before District Court ,Kollam challenging the award. The matter referred for mediation by the Court.

As per the Accounting policy of the company, provision for abandoned projects is made only on conclusion of arbitration proceedings/awards. As per the opinion of our standing counsel/internal auditors, since both the awards are contrary and one award is in favour of KMML, the

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above awards are not valid and binding. However, as the company has filed an appeal before the District Court Kollam requesting to set aside the award of Justice P Krishnan Murthy and Justice R.C. Chopra and to substitute the same with the award of Justice R. Rajendran Babu, an amount of Rs. 123.60 lakhs (Rs. 500 lakhs – Rs. 376.40 lakhs) has been provided in the books of account during the year 2015-16.

Further, Rs.3959.98 lakhs (Rs.3400 lakhs towards award including Rs.500 lakhs already paid as advance by KMML after adjusting Rs. 123.60 lakhs already provided, Rs.25 lakhs as litigation cost and Rs. 658.58 lakhs towards interest from 23.09.2015 to 31.03.2018) has been shown under contingent liability (Previous year 3698.98 lakhs).

- C.7** M/s Oriental Manufactures Pvt. Ltd (M/s OMPL) have entered into an agreement with KMML for the supply of Chlorinators. KMML paid an amount of Rs. 57.37 lakhs towards advance. M/s OMPL has failed to perform their part and hence they have to return the advance. KMML has taken legal steps and initiated Arbitration Proceedings against M/s OMPL. KMML had filed its Claim Statement for '57.37 lakhs together with its interest. M/s OMPL has furnished written Statement and rejoinder. Evidences and hearing were completed and the Sole Arbitrator has passed an Award on 28.05.2014 allowing the claimant (KMML) to realize a sum of Rs.30.09 lakhs with interest at 9% p.a. on the above amount from the date of the award till realization. By appropriating the actual loss sustained by the Respondent(OMPL) ie.Rs. 27. 28 lakhs from the advance amount of Rs. 57.37 lakhs , M/s OMPL is bound to return the balance amount of Rs. 30.09 lakhs. As such company has provided Rs.27.28 lakhs during the year 2014-15 being the loss incurred by the company. M/s OMPL has filed Arb.OP.189/ 14 before the Dist. Court , Kollam , by challenging the award passed by the Arbitrator. Company can file Execution petition only after disposing Arbitration OP. Company has already filed advance petition in this matter. Case posted for hearing on 23.11.2018.
- C.8** M/s GMM Pfaulder Limited (GMM) has entered in to an agreement with M/s KMML for the supply of Glass Lined Vessel. KMML has paid Rs. 14.45 lakhs towards advance against Bank Guarantee. Subsequent to cancellation of projects, M/s GMM by invoking Arbitration clause requested KMML to appoint Sole Arbitrator. As such Sole Arbitrator was appointed. M/s GMM has submitted their claim statement and KMML has filed Counter Claim for Rs.14.45 lakhs with interest and written statement. Evidences and hearing were completed and the sole Arbitrator has passed an award on 31.05.2014 by dismissing the entire claims raised by the claimant (GMM). As per the award, the Hon'ble Arbitrator allowed company's counter claim of Rs.14.45 lakhs in full with interest at 12% p.a. on Rs.14.45 lakhs from the date of counter claim.ie.31.05.2012 and also the cost of the Arbitration proceedings. GMM has filed OP (Arb) No.130/2014 against the award before Dist. Court, Kollam. Accordingly company had recognised Rs.9.61 lakhs towards cost of arbitration and interest receivable from M/s GMM up to 31.03.2016. The petition was dismissed on 19/10/2017 and we have given direction to the concerned bank to invoke Bank Guarantee. Meanwhile M/s GMM Pfaulder has filed an appeal petition (Arb No. 12/2018) before the Hon' High court challenging the order of the Hon' District Court, Kollam.Since the matter is not yet settled the Company, as a matter of prudence reversed the income recognised upto 31.03.2016 during the year 2016-17.
- C.9** KMML has executed an agreement with M/s Doshion Exchange Limited for setting up of a desalination plant. The Company paid total amount of Rs. 19.26 crores towards bills and advance payments. While disposing the arbitration request No.18/2009, the Hon'ble High

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court has appointed Justice K.T. Thomas, Retd.Judge of Hon'ble Supreme Court as sole arbitrator. The claim raised by M/s Doshion is for Rs. 36.40 Crores and KMML has filed its counter claim for Rs. 19.26 crores together with its interest. M/s Doshion has submitted an additional claim for Rs.21.76 crores and KMML has filed objection to the above petition. The cross examination and re-examination of witnesses was completed on 06.04.2013. The claimant filed their rejoinder and additional documents and they have completed arguments. On 09.02.2014 KMML addressed reply arguments.

On 29-06-2017 the Hon'ble arbitrator has issued an award by allowing Rs 1,395.55 lakhs in favour of M/s Doshion which includes interest of Rs 384.69 lakhs for the period 01-09-2008 till 29-06-2017 @6% p a, Rs 25.78 lakhs being the cost of proceedings and Rs. 259.25 lakhs being the amount collected by KMML by invoking the bank guarantees submitted by M/s Doshion. The award also says that KMML has to pay future interest @6.65% on Rs. 725.83 lakhs (i.e. the amount after excluding interest portion upto the date of award) from the date of award till the date of payment, which was subsequently corrected as 8.65% p a vide Order dt 17-08-2017.

The company has filed an appeal before the Hon'ble District Court, Kollam on 27.09.2017 as OP Arb.No 158/2017 challenging the award of Arbitral Tribunal Justice K.T. Thomas. The Hon'ble Dist.Court allowed the stay petition on condition that KMML shall deposit 60% of the award amount within seven days. Being aggrieved by the above order the company filed a petition before the Hon' Court challenging the conditions setforth by the Dist.Court, Kollam, in which Hon' High Court was pleased to stay the conditions imposed by the Dist.Judge, Kollam and directed the company to furnish security in the form of Bank Guarantee for 60% of the award amount in favour of Dist.Court Kollam. Accordingly the Company furnished Bank Guarantee for Rs. 837.50 lakhs in favour of Additional District Court VI, Kollam, being 60% of the award amount.

The above original petition came up for final hearing before Hon'ble Justice Alexander Thomas on 19.01.2018. After hearing, Hon' Court was pleased to dispose off the original petition directing that both the appeal petitions ie OP(Arb)158/7 filed by KMML and OP(Arb)186/17 filed by M/S Doshion, shall be heard together and dispose off within six months. The condition stated in the order of Dist.Court Kollam has been modified stating that if KMML will deposit 60% of the awarded amount within two months and the respondent is at liberty to withdraw the said amount on furnishing security in the form of Bank Guarantee to the satisfaction of the court. Arrangement of security by Bank Guarantee ordered by the court earlier will be continued till the amount is deposited before the court.

Accordingly the Company deposited the said amount of Rs.837.50 lakhs by way of Demand Draft in favour of VIth Additional District Judge, Kollam on 17.03.2018 and received back the Bank Guarantee submitted earlier in this regard

The appeal petition OP(Arb)186/17 filed by M/S Doshion challenging the award was pending before the Sub-Court, Kollam in which we have filed our objection. On 12.07.2018 the court referred the matter for mediation. the matter was placed before the Board and the Board authorised the Mangement to participate in the mediation and to negotiate with M/s Doshion to reduce 50 % of the awarded amount of 1395.55 lakhs (i.e 697.77 lakhs) along with waiver of future interest @ 8.65 % per annum on Rs. 725.83 lakhs from the date of award till date of payment and to settle the dispute accordingly subject to the approval of Board and Government

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of Kerala. Accordingly, in the mediation sitting held on 26.07.2018, as directed by the board, a proposal was placed by KMML to settle the matter by giving 50% of the award amount. The said proposal was strongly objected by M/S Doshion and demanded to suggest a reasonable amount as they incurred a huge loss in the above contract. They offered a reduction of approximately Rs.1 Crore only which was not accepted by KMML.

In the mean time, the Board in its meeting held on 14.08.2018 has taken a decision to settle the matter by disbursing 70% of the awarded amount. In the next mediation sitting held on 03-09-2018, our proposal to settle by giving 70 % of the awarded amount was not accepted by M/s Doshion and they proposed to settle at 85% of award amount, ie, reduction of around Rs.2.10 crores as against the initial reduction of Rs. 1 crore offered by them. As the matter was not settled, the next sitting was held on 12/10/2018 in which they agreed to settle the matter at 70 % of the awarded amount which is recorded by the mediation authorities. Accordingly, the matter is being placed in the next meeting of the Board.

The total amount paid by KMML to M/s Doshion was Rs 1,926.73 lakhs towards bills and advance payment out of which Rs 259.25 lakhs was collected by KMML by invoking the bank guarantee as M/s Doshion did not extend the bank Guarantee as requested by us. Hence the net amount paid is only Rs.1,667.48 lakhs. The company has provided Rs.3,052.15 lakhs during the year 2016-17 (i.e. the award amount of Rs 1,395.55 lakhs less interest for the period 01.04.2017 to 29.06.2017 amounting to Rs 10.88 lakhs included plus the net amount already paid Rs 1,667.48 lakhs) towards arbitration award/ interest in respect of the above case. As the proposal to settle at 70% of the awarded amount at decided in the mediation meeting is yet to be approved by the Board/Government, as a matter of prudence and conservatism, the company has not reversed the excess provision already made in this regard. Further, interest for the year 2017-18 amounting to Rs.57.99 lakhs is also provided during the year 2017-18. Total provision towards award, cost and interest upto 31.03.2018 is Rs.3110.14 lakhs (Previous year 3052.15 lakhs). If the proposal of settling 70 % of the awarded amount and waiver of interest from the date of award is approved by the Board/ Government, the provision to be reversed is Rs. 465.79 lakhs, i.e. 30 % of the award amount of Rs. 1395.55 lakhs (418.66 lakhs) and interest for the period 01-07-2017 to 31-03-2018 Rs. 47.13 lakhs)

- C.10** KMML has entered into 3 separate agreements with M/s. Konsortium Process Minerale Pty Ltd (KPM,) dated. 29-12-2005 as executed under package- 85 A/B/C for the expansion of Mineral Separation Plant of the Company. On submission of engineering drawings KMML has paid a sum of Rs. 808.65 lakhs. Even after receipt of advance amount of Rs.808.65 lakhs, no work has been executed by KPM. Subsequently, as recommended by the board, The Government had vide its Order dated 25-01-2008, cancelled the project. Based on the above, the Company had issued termination letter to M/s. KPM on 27-03-2008. In this matter, by invoking the arbitration clause of the agreement, KMML has appointed Shri. P.L Norbert, Former District and Sessions Judge, residing at Kochi as the sole arbitrator to resolve the dispute. Notice of arbitration proceedings was issued to M/s. KPM, Singapore but it was returned as unserved. KMML has lodged a complaint before the Postal Superintendent, Kollam. They have enquired the matter and informed the Company that the addressee has gone away. The 1st sitting of the arbitration was held on 25-01-2014 and there was no representation from the respondent side. In the sitting held on 10-10-2014, the Hon'ble Arbitrator has decided to keep the arbitration proceedings in abeyance until the claimant furnishes the correct address of the respondent. The Company had already sent a Complaint to Indian Embassy in

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Singapore, Government Authorities of Singapore and Ministry of External Affairs to trace out the addressee and there is no positive response. As per our Accounting Policy, provisions for abandoned projects are made only on conclusion of arbitration proceedings/ award. However as a matter of prudence and conservatism it was decided to provide the amount in our books of account as the arbitration proceedings are kept in abeyance and the addressee could not be traced out. Accordingly an amount of Rs.839.98 lakhs including bank charges/ LC charges was provided in the books of accounts during the 2014-15 and decided to review the provision on resumption of arbitration proceedings.

The Company sent a letter on 15.07.2015 to "Accounting and Corporate Regulatory Authority" Singapore seeking help to trace out their correct address . In the above case ,the company has also sought a detailed legal opinion from M/s Menon and Pai, Advocates, Ernakulam regarding initiating of legal proceedings against them. As per the opinion received from the advocates, as there was an element of negligence from the part of consultant M/s MECON which resulted in loss and damage to KMML, the company can proceed against the consultant for their lack of due diligence. As the claim against the consultants at this point of time may be barred by the law of limitation, they advised us to implead the consultant in the arbitration proceedings against the contractor. While allowing the impleading petition, if it is made clear by the Arbitral Tribunal that the impleadment shall be with effect from the commencement of the arbitration, the issue of limitation may not affect the proceedings. They further opined that as the arbitrator has been appointed by KMML, even though the contract does not confer the power of appointment of an arbitrator, this may ultimately have a bearing on the award if the same is challenged by any aggrieved party. They advised the company to commence both civil and criminal proceedings for the recovery of the amount misappropriated under the terminated contract. They recommended to initiate civil proceedings before the arbitrator against the consultant i.e. M/s MECON for the damages caused and criminal proceedings against the contractor for the fraud and misappropriation. Subsequent to the above, company received a letter from the sole arbitrator Shri. P L Norbert , Dist. Judge (Retd) to appear before him on 16.03.2016 in the matter of arbitration proceedings between KMML and M/s KPM. On that day also M/s KPM did not appear as they received the notice only on 16-03-2016 and they requested the arbitrator to communicate the next sitting. Accordingly, the arbitrator sent another notice intimating the next sitting on 23-04-2016. Meanwhile, the Company has appraised the matter before the board in their meeting held on 29-03-2016 seeking advice on further course of action and the Board decided to defer the matter for the time being. On 23-04-2016 M/s.KPM have appeared before the arbitration tribunal through their Counsel and sought time to file Vakkalath. Vakkalath was filed on 02-07-2016. Company has already filed our claim statement on 13.08.2016.

As the arbitration has resumed, the company has collected legal opinion from the standing counsel regarding the legal validity of arbitration proceeding since the contract does not confer the power of appointment of arbitration by KMML. Since M/s KPM has appeared before the arbitrator through their counsel on 23-04-2016 and the vakkalath was filed on 02-07-2016, it is to be presumed that they are either consenting or ratifying the appointment of arbitrator. The legal validity of the appointment of arbitral tribunal was also confirmed by M/s Menon & Pai by stating that the Arbitrator Tribunal can continue to adjudicate the dispute in accordance with law and appointment of arbitrator can be deemed to have been accepted by the respondents without any reservation. They also opined that since the respondent having appeared before the arbitrator and not having filed any objection u/s 13 of the Act, it can be

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presumed that they are not challenging the proceedings of the arbitration. The provision which was created during 2014-15 could have been reversed based on the above. However, during the 12th sitting held on 24.09.2016 respondent filed an interim application questioning the jurisdiction of the Arbitrator to adjudicate the dispute. However, they also contested that the procedure of appointing an arbitrator was overlooked and bypassed and hence illegal and void. Moreover, the legal opinion received from Menon & Pai states that if the appointment of arbitrator by KMML is challenged by any aggrieved party, it may ultimately have a bearing on the award. The Company has filed a Counter Statement against the interim application filed by KPM. Hon'ble arbitrator dismissed the interim application filed by M/s KPM on the ground that it is unsustainable and untenable.

On 19-06-2017, the arbitral tribunal has issued an award allowing KMML to realize an amount of Rs 808.65 lakhs with interest at 10% p a on the above sum from the date of presentation of claim statement (i.e. 13-08-2016) till date of award and thereafter at 12% p a on the above sum from the date of award till payment and cost of proceedings being Rs 13.48 lakhs. The respondent has filed an appeal petition OP (Arb) No:1222/2017 before District court, Ernakulam for setting aside the ex parte award and posted for hearing on 16.01.2019

In view of the above uncertainties, it was decided to maintain status quo with regard to provision made in 2014-15 as a matter of prudence and conservatism.

D Other than abandoned projects

In the Arbitration proceedings with M/s Lee Builders, the contractor for the civil and structural work of Synthetic Rutile Plant in TP unit of KMML, the arbitrators were passed an award on 22.08.2015 by allowing the claimant (i.e. Lee Builders) an amount of Rs.15.92 lakhs and interest thereon @ 8.5% per annum from the date of passing the final bill till the date of realization of awarded amount including cost of arbitration proceedings. As such during the year 2015-16 company has provided Rs.15.92 lakhs towards award and Rs.5.79 lakhs towards its interest from the date of final payment to 31.03.2016. Interest for the year 2017-18 amounting to Rs 1.35 lakhs also provided (Previous year 1.35 lakhs). The total provision towards arbitration award and interest upto 31.03.2018 is Rs.24.42 lakhs (Previous Year 23.07 lakhs). We have filed an appeal petition No.OP(Arb) No.600/2015 before the Dist. Court, Kollam on 20.11.2015 challenging the award and the case posted for hearing on 20.10.2018. M/s Lee Builders also filed an appeal against the award before sub-court, Kollam which is numbered as OP Arb 10/2016 and posted for hearing on 20.10.2018.

- E** KMML had issued a purchase order to M/s V.V. Minerals for supply of 40000 MT of raw ilmenite on 06-08-2010. The total value of the contract was Rs. 2672 lakhs. As per the terms of the purchase order, the party has to submit 5 % of the order value towards security deposit. The security deposit may be given in the form of Demand draft or bank guarantee. The security deposit shall be for the due and faithfully performance of the contract in all respects. Since the party has not submitted the security deposit, equivalent amount is deducted from the bills and kept in security deposit account. After supply of around 12000 MT, M/s V.V. Minerals stopped supply of the material and asked for price revision. KMML did not agree for this and asked the party to supply the material as per the terms and conditions of the purchase order. On our request the party has supplied another 578 MT and the total supply against the order was only 12578 MT. KMML had released all payment for the above supply excluding Rs. 133.60 lakhs towards security deposit and Rs. 1.50 lakhs towards weighbridge

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difference/short claim (Total Rs. 135.10 lakhs). M/s V.V. Minerals filed appeal before Hon'ble Sub Court, Karunagappally for getting the balance amount of Rs. 135.10 lakhs along with interest @ 18 %. After having heard both the sides, the Hon'ble Sub Court, Karunagappally issued judgement dated 30-01-2015 along with decree allowing the plaintiff to release only Rs. 135.10 lakhs along with interest @ 6% from 09-07-2012. The company collected legal opinion from the Standing Counsel and then filed appeal at Hon'ble High Court against the order of Hon'ble Sub Court, Karunagappally. The court admitted the appeal and directed the company to remit the court fee. Accordingly we paid the court fee of Rs. 8.74 lakhs. On the same day the court has passed an order staying the decree passed by the Sub Court Karunagappally on condition that company should deposit the amount covered by the decree as on date of the decree in fixed deposit with State Bank of India which would generate maximum possible interest and produce that fixed deposit receipt before the court with lien marked in favour of court. Accordingly we have deposited Rs. 135.10 lakhs (principal amount) and Rs. 20.76 lakhs (interest @ 6 % upto 30-01-2015) with State bank of India and lien is marked in favour of court. The said fixed deposit is shown under short term loans and advances as on 31-03-2018. Interest for the year 2017-18 of Rs 8 .11 lakhs is provided in the accounts and recognized as interest payable which is grouped under other current liabilities (previous year 8.11 lakhs). Total interest provided from 01.02.2015 to 31.03.2018 is Rs.25.65 lakhs. Interest accrued on the above two fixed deposits for Rs.5.22 lakhs is grouped under other current assets (previous year 6.00 lakhs).

- 49** VIII Long term Agreement (LTA) of TP Unit and XII LTA of MS Unit for wage revision of workmen are due from 01.01.2013. Salary revision of officers is also due from 01.01.2015. Govt.vide Order No.GO(MS)47/2016/Ind dated.02.03.2016 sanctioned an interim relief of 10% of Basic plus DA to workmen and officers w.e.f 01.02.2016. Accordingly, the company was paying Interim relief @10% of Basic plus DA as on 31.12.2012 to employees and 10% of Basic plus DA as on 31.12.2014 to officers from 01.02.2016 onwards. During the year 2016-17 the management had proposed to settle the revision by offering an increase of 15% against the long term agreement with the workmen. Since, the above is a constructive obligation under Ind AS 19 "Employee Benefits" which was required to be recognised on the basis of managements' best estimate, the accounting has been considered as an Ind AS adjustment on a retrospective basis during the year 2016-17 based on the proposal by the management after adjusting the ad-hoc amount already accounted (Rs.2,502.30 Lakhs for period before the date of transition which is adjusted in the retained earnings, Rs.1,711.03 Lakhs for 2015-16 which was adjusted in the comparative period items and Rs.1,627 Lakhs for the year 2016-17).

The final proposals of the management for the salary revision of both workmen and officers,duly approved by the Board, were sent to Govt for approval and issue of Govt. orders.

Govt, vide Letter No: IND-H3/139/2018-ind and letter No : IND-H3/140/2018-IND both dated 15.05.2018, allowed the proposed wages and allowances as recoverable advance to workmen and officers respectively. Accordingly the proposed revised salary/wages and allowances was implemented as recoverable advance from May 2018 onwards and consequently payment of interim relief was withdrawn. Salary/wage arrears upto to 31.03.2018 amounting to Rs.2711.27 lakhs after adjusting the interim relief already accounted and provisions already made in the previous years as mentioned above, has been provided in the accounts during the year. The total provision made towards salary arrears upto 31.03.2018 is Rs. 8551.60 lakhs including the amount adjusted in the retained earnings.

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Final approval/order from Govt. is awaited. The revised salary has been considered for actuarial valuation of Leave encashment and Gratuity.

The wages and salaries of workmen and officers are revised once in four years and once in five years respectively. Accordingly, in the case of workmen, the next pay revision is also due from 01.01.2017. However, no provision has been made for this revision due to the uncertainty in the amount to be provided as even the preliminary discussions with the trade unions are yet to be initiated and also considering the fact that the revision due from 01.01.2013 itself is not yet formally approved by the Government.

- 50 A.** The Company has advanced loans to other PSUs/ Co-operative societies in earlier years amounting to Rs. 2,401.50 lakh (Previous year: Rs.2,401.50 lakh) based on orders of Government of Kerala. As the schedule of repayment of such loans has not been adhered to by these organizations, the company has requested the Government to initiate suitable action. All these loans have been declared interest free by the Government vide GO (Rt) No.641/2004/ID dt. 05.07.2004 and GO (Rt) No.601/2007/ID dt.09.05.2007. Out of these loans a sum of Rs. 384.50 lakh (Previous years Rs. 384.50 lakh) has been provided for in the accounts, as allowance for bad and doubtful advances as these companies are closed/ inactive. Further an amount of Rs.82 lakhs (Previous year: Rs. 82 lakhs) has been written off from the books of account as per Government directions. M/s Travancore Sugars and Chemicals Limited who had availed Rs. 9 lakh loan had refunded the full amount in two instalments (September 2009 and April 2010). Another PSU, M/s Sitaram Textiles who had availed Rs. 10 lakh fully refunded Rs.10 lakh by 10 instalments. Some of the other companies have also promised to repay the dues in instalments as soon as their financial position improves.

A meeting was convened by the Principal Secretary, Industries, Govt. of Kerala on 16.08.2014 to discuss the repayment of the loans granted to various PSU's by KMMML. As per the minutes of meeting KINFRA will repay the loan amount of Rs.87.50 lakhs granted to Kerala State Detergents and Chemicals Ltd,(KSDCL) Rs.80 lakhs granted to M/s Travancore Rayons and Rs. 18 lakhs granted to M/s Travancore Ply Wood Industries. During 2014-15 an amount of Rs.5 lakhs granted to Kerala Construction components Ltd was refunded by KSIDC as decided in the above meeting. M/s KSDCL refunded Rs.87.50 lakhs during the current year as per Govt Order G.O(Ms)No.12/2016/ID dt 19.01.2016. The above amount of Rs.87.50 lakhs already provided in the books of accounts based on the operating status published in Review of Public enterprises was reversed during the year 2015-16.

It was also decided to write off the loan amount of Rs. 8 lakhs granted to Keltron Crystals Ltd, Rs.6 lakhs to Keltron Rectifiers, Rs.28 lakhs to Keltron counters Ltd and Rs.6 lakhs to Scooters Kerala Ltd totalling to Rs.48 lakhs . Out of the above company had already provided the amount granted to M/s Keltron Rectifiers and Keltron Counters Limited in previous years. Now the entire amount of Rs.48 lakhs has been written off from the books of accounts during 2014-15 based on Govt. Direction.

It was also decided that KSIE will pay the loan amount of Rs. 16 lakhs paid to The Metropolitan Industries Ltd which is yet to be received. However company had provided these amounts in previous years based on the operating status published in Review of Public Enterprises in Kerala which is included in Rs.384 lakhs (previous year Rs. 384 lakhs).

As per the decision of the meeting held on 16.08.2014 , the Excise Department will pay the loan amount of Rs.45 lakhs granted to Co. Operative Sugars and M/s Kerala State Cooperative

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Textile Federation (TEXTFED) will pay the loan amount of Rs. 20 lakh granted to M/s Quilon Cooperative Spinning Mills. These amounts are also pending in spite of continuous follow up.

In the above meeting, it was also decided that the loan amount of Rs.325 lakhs granted to Kerala State Bamboo Corporation Ltd be treated as CSR expenses. After getting expert opinion from the consultant, company informed the Government its inability to treat the same as CSR expenses as per the provisions of the new Companies Act 2013 and reply from the Government is awaited. However this amount has been provided during the year 2014-15 as M/s Kerala State Bamboo Corporation refused to give confirmation of balance.

After considering the amount received Rs. 111.50 lakhs (all previous years) amount written off Rs. 82 lakhs (all previous years) and the amount provided Rs. 384 lakhs (all previous years), the amount outstanding on this account is Rs. 1824 lakhs (previous year Rs. 1824 lakhs). Company has received confirmation of balance from the concerned PSU's/Co-operative Societies for Rs. 1779 lakhs (previous year Rs. 1824 lakhs)as per the details given below. In the case of Cooperative Sugars, Chittoor, the liquidator confirmed that the amount of loan of Rs.45 lakhs due to KMML is included in the total liability of Rs.20 crores undertaken by Govt. of Kerala.

SI No.	Name of the Party	Amounts Confirmed
1	Kerala State Cashew Development Corpn. Ltd	978.00
2	Kerala State Cashew Workers Apex Indl.Co.op. Society Ltd (CAPEX)	236.00
3	Travancore Rayons Ltd., (KINFRA to pay)	80.00
4	KELTRON	450.00
5	Quilon Co-operative Spg. Mills Ltd (TEXTFED to pay)	20.00
6	Autokast Ltd, Cherthala	15.00
7	The Co-operative Sugars, Chittoor (EXCISE Dept. to pay) - Confirmed by Liquidator	45.00
Total		1,824.00

Details of Provision made in this regard as on 31.03.2018 are as follows:

SI No.	Name of the PSU	Amounts Provided
1	Kerala State Bamboo Corporation Limited	325.00
2	Metropolitan Industries Limited (KSIE to pay)	16.00
3	Travancore Plywood Industries(KINFRA to pay)	18.00
4	Trivandrum Spinning Mills Ltd	20.00
5	Keltron Projectors	5.00
Total		384.00

The Company is making regular follow up to recover these loans. Details of amounts written off so far as per Govt. directions are as follows:-

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SI No.	Particulars	Amounts Written off
1	Steel Complex Limited	15.00
2	Kerala Saliciates	5.00
3	Kerala Soaps and Oils	14.00
4	Keltron Crystals Ltd	8.00
5	Scooters Kerala Limited	6.00
6	Keltron Counters	28.00
7	Keltron Rectifiers	6.00
Total		82.00

Details of amount received so far

SI No.	Particulars	Amount Received
1	Travancore Sugars And Chemicals Limited	9.00
2	Sitaram Textiles	10.00
3	Kerala Construction Components Limited (Refunded by KSIDC)	5.00
4	Kerala Detergents And Chemicals Limited	87.50
Total		111.50

Considering that these loans are given at the instance of the Government of Kerala and the terms of repayment/ other terms are not finalised by the Government, it is impracticable to fair value these loans/advances as required by Ind AS 109. Hence, no accounting for unwinding the implicit interest on these interest free loans could be carried out. The interest is also not recognised in the absence of certainty of collection as the decision will be based on the order of the Government.

- B.** Company has paid Rs. 1000 lakh to M/s Travancore Titanium Products Ltd (TTPL) on 15.01.2010 as directed vide GO (Rt) No.8/2010/ID dt 02.01.2010 for the implementation of Pollution Abatement Projects of TTPL. The loan carries interest @ 7.5 % per annum. The principal has to be repaid in eight equal half yearly instalments (four years) commencing from January 2011. However TTPL has not repaid the Principal as per schedule. Interest on the above loan is being adjusted against the supply of Sulphuric Acid by TTPL to KMML. During the current year company has adjusted Rs. 69.49 lakhs (previous year Rs. 40.11 lakhs) from the principal amount after fully adjusting the interest receivable up to 31.03.2018 against the supply of Sulphuric Acid. As such, the amount due from M/s TTPL as on 31.03.2018 is Rs. 789.46 lakhs (previous year Rs. 858.95 lakhs).
- C.** Company has also paid Rs.300 lakh to M/S United Electrical Industries Limited on 02.07.2010 as bridge loan as directed by the Government vide Letter No 4581/HI/2010/ID dt 17.06.2010 subject to condition that Government of Kerala will refund the amount by 31.03.2011. The company has received Rs.296 lakh from Govt. of Kerala and Rs. 1 lakh from United Electricals Industries during the year 2010-11 and the balance Rs. 3 lakh is still pending.
- D.** Government of Kerala has approved the implementation of certain Greenfield Projects at various places and also the expansion of certain existing PSU's Vide GO(MS) No.103/2010/ID dated 30.04.2010 for a total amount of Rs. 15000 lakh. As per the Government order, KMML has to

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invest Rs.6000 lakh for mobilizing funds for the implementation of the above projects which will be treated either as Share Capital or Loan carrying interest @ 7 %. Further, Government vide Order Nos GO (Rt) 935/2010/ID, 936/2010/ID,937/2010/ID and 938/2010/ID all dated 01.07.2010, specified the amount to be given by KMML as follows:

	Name of the Project	Equity	Loan
1	Komalapuram High Tech Spinning and Weaving Mills	1200	1200
2	High Tech Weaving Factory at Kannur	666.67	666.67
3	Open End Spinning Project, Uduma *	533.33	533.33
4	Malabar Spinning and Weaving Mills, Kozhikode (Expansion)	750	750
		3,150.00	3,150.00

* This was revised as 'Ring Spinning Project' vide Govt.Order G.O. (Rt) No.1426/10/ID dated 06.10.2010.

The matter was placed before the Board in the meeting held on 19.07.2010. The Board decided to limit the total amount to Rs. 6000 lakh as outlined in the original GO and release the payment to M/s Kerala State Textile Corporation Limited (KSTCL). Accordingly company has paid Rs. 3000 lakh as 7% interest bearing loan and Rs. 3000 lakh as advance towards Share Capital during the year 2010-11. The necessary documentations on the part of M/s KSTCL in respect of the above loan and Equity are still pending. They have also informed that necessary charges will be created with the Registrar of Companies immediately on execution of loan agreement. In the meantime, the Board of Directors discussed the issue of KSTCL loan in its meeting held on 14.03.2012 and decided to request Govt. to settle this loan. Accordingly, the matter has been taken up with Govt. as well. One more letter sent to Government requesting to refund the dividend paid for the year 2011-12 towards settlement of loan given to KSTCL as per the decision of the Board Meeting held on 03-04-2013.

Regarding issue of Equity Shares, KSTCL has informed that they have requested Govt. for providing financial assistance of Rs. 40 lakh for meeting the expenses of filing fee for enhancing their Authorized Capital from Rs. 20 crore to Rs. 100 crore and immediately on receipt of the same authorized capital will be increased. As share certificates are not yet received, company has reclassified the equity investments of Rs.30 crores under Other Non-Current Assets - Note no. 9 (which was previously grouped under "Investment") to comply with the provisions of Ind AS 109.

The execution of the loan agreement with KSTCL was in the advanced stage. In the meanwhile KSTCL has forwarded two Government Orders G.O.(Rt)No.1448/12/ID dated 27.09.12 and 1531/12/ID dated 11.10.12 delinking Komalapuram Spinning and Weaving Mills Limited, Alappuzha, Uduma Textile Mills, Uduma and Hi-Tech Weaving Factory, Pinarayi, Kannur from KSTCL along with its assets and liabilities and register it as three separate companies.

KSTCL has informed that since the assets and liabilities are transferred to separate companies, the share capital contribution and loan from KMML and interest accrued are also been transferred to new companies. As per the letter forwarded by KSTCL, the entire equity contribution of two companies would be from KMML and companies would deem to be the subsidiaries of KMML u/s 4 of the Companies Act. The matter has been duly represented to the Government. The

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Government after careful examination issued two Government orders (556/13/10 & 557/13/10 both dated 18-04-2013) cancelling the earlier two orders (1448/12/10 dated 27-09-2012 & 1531/12/10 dated 11-10-2012) delinking the units from KSTCL.

The company has requested the Government to convert the entire amount of Rs. 60 crores (Rs. 30 crores –advance towards share capital and Rs. 30 crore –Soft Loan at 7%) advanced to M/s KSTCL as interest free loan. Govt. vide G.O.(Rt) No.337/2016/ID dated 31.03.2016 has sanctioned to convert the soft loan of Rs.30 crores carrying 7 % interest as interest free loan with effect from 26.08.2010. Accordingly an amount of Rs.954.02 lakhs being the interest receivable for the period 2010-11 to 2014-15 has been reversed in the books of account during 2015-16. The company has also requested the Government to settle the loan amount by way of budgetary support from Government of Kerala. Since the matter is pending with the Govt., the loan agreement is not executed and the status quo is maintained.

- E.** Company has paid Rs. 5.15 lakhs to M/s Quetcos Ltd on 07-09-2011 against post dated cheque to meet their expenditure in connection with the salary and other allowances as per the directions from Public Sector Restructuring And Internal Audit Board (RIAB) . This was ratified by Government vide order No.G.O.(Rt) No.1298/2011/ID dated 19.10.2011. The cheque was presented to the bank in time but the same was returned by the bank with a remark “fund insufficient”. As no further communication was received from M/s Quetcos Ltd; company has filed a petition before the Hon’ble Judicial First Class Magistrate Court, Kollam under Section 138 and 142 of the Negotiable Instruments Act as C.C. No.2127/2012 is pending. However Company has received Rs. 1 lakh from M/s Quetcos Ltd on 17.03.2012 towards part payment of the loan and the balance outstanding is only Rs. 4.15 lakhs. Managing Director of Quetcos has agreed to pay the balance outstanding amount of Rs. 4.15 lakhs either in lumpsum as soon as the grant from Government is sanctioned, or by two or three instalments from their sale proceeds vide their letter No. QEO/92/2014 dated 10.03.2014 and company agreed for their proposal. However , as per the meeting convened by Principal Secretary, Industries Department, Govt. of Kerala it was decided that the above sum of Rs.4.15 lakhs is to be written off . However the company has only provided the amount during the year 2014-15 as the case was pending.

In the meantime, Govt vide letter dated 10.01.2018 asked the company to give report on the request of M / s Quetcos dated 24.07.2017 to Government for taking appropriate action for getting this amount written off as per the decision taken in the meeting convened by the Principal Secretary (Industries). The matter was placed in the Board in its meeting held on 04.04.2018. Considering that M / s Quetcos is a co operative institution registered with Industries Department and the Govt has already given direction to write off the amount and also the amount involved is not substantial, the Board accorded its approval to write off the loan of Rs.4.15 lakhs and to withdraw the legal case filed against them. The decision of the Board was informed to the Govt and the amount of Rs.4.15 lakhs has been written off during the year.

Considering that the aforesaid amounts (as stated in A to E above) are given at the instance of the Government of Kerala and the terms of repayment/ other terms are not finalised by the Government, it is impracticable to fair value these loans/advances as required by Ind AS 109. Hence, no accounting for unwinding the implicit interest on these interest free loans could be carried out. The interest is also not recognised in the absence of certainty of collection as the decision will be based on the order of the Government.

- F.** During the year, the company has granted loan to the tune of Rs.500 lakhs to M / s BHEL - Electrical Machine Limited (BHEL - EML) Kasaragod, a Govt of India Enterprise (a Subsidiary of

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

- M / s BHEL) on 26.02.2018 based on Govt Order GO (Rt) No. 204/2018/ID dated 24.02.2018. The tenure of loan is 12 months and the rate of interest is 8.40% p.a. The moratorium for repayment of loan shall be for the first nine months and repayment of loan will be started from 10th month (ie, December 2018) and will be completed in three equal monthly instalments by February 2019. Repayment of interest shall be from 7th month (ie, September 2018) and will be completed in 6 equal monthly instalments by February 2019. Loan agreement between the company and M / s BHEL - EML along with repayment schedule has also been executed.
- G.** During the year , the company has granted a Bridge Loan to the tune of Rs.200 lakhs to M / s Kerala Automobiles Ltd, Thiruvananthapuram on 20.03.2018 based on Govt Letter No. H3/57/2018 IND dated 5th March 2018 and subsequent approval by the Board of Directors on 17.03.2018. This was subsequently approved by the Government of Kerala vide GO No. 580/2018/IND dated 18.05.2018. In the said Govt Order it is also mentioned that there will be Government guarantee for the loan. The tenure of the loan is 24 months and the rate of interest agreed is 8.40% p.a. The moratorium for repayment of loan shall be for the first 6 months and repayment of loan along with interest will be started from 7th month (ie, October 2018) and will be completed by March 2020. Loan agreement between the Company and M / s Kerala Automobiles Ltd along with repayment schedule has also been executed.
- 51 A.** Contract has been entered into between Vikram Sarabhai Space Centre, ISRO Thiruvananthapuram and the Company for the “Establishment of Titanium Sponge Plant at KMMML” on 31-10-2012. As per the Contract, VSSC has deposited Rs. 14,311 lakhs (previous year Rs.14,311 lakhs) in an escrow account to fund the project. The entire amount of Rs.14,311 lakhs has been received as on 31-03-2014. The project has been formally commissioned on 31-10-2012, the commercial production and operation has started in financial year 2012-13. The cost of fixed asset financed by M/S VSSC is reduced by the amount spent for VSSC and shown as zero in the financial statements, as the ownership of the facilities/ Equipments shall be rest with VSSC vide Clause 7.0 of the Contract.
- B.** As per Clause 10 of the Contract, the selling price of the sponge will be production cost plus 10 % profit margin for the first two years or till the stabilization of production. The sales value fixed at present Rs.15.02 Lakh/ MT for Grade –I is based on the assumption of having a sales value of Rs. 9 Lakhs for Grade-2, Rs. 6 Lakhs for Grade- III and Rs. 2.5 Lakhs for fines and for off grades and handling loss the value is taken as zero. Even though the cost of Production of different grades of sponge are same, the realizable price is varying from 0 to Rs. 15.02 Lakhs/MT. Accordingly, the closing stock of other grades of finished goods are valued at realizable value fixed by VSSC as the cost of production is higher than the price fixed by VSSC and Closing stock of Grade –I is valued at cost of production.
- C.** As per Clause 10.6 of the agreement with VSSC, a claim of Rs. 4000 lakhs (Previous year: Rs. 3,500 lakhs) has been made pertaining to period up to 31/03/2018, which is yet to be approved by VSSC. Hence the same is not recognized. Further as per the agreement with VSSC, certain expenditure are eligible for reimbursement from VSSC. The amount receivable from VSSC (Rs.63.06 lakhs) is not provided for and accounted on receipt basis
- 52** On the basis of recommendation from the user department an amount of Rs. 91.47 lakhs is provided during the year towards non/slow moving items (Previous year: Rs. 1.81 lakhs).

Notes to Financial Statements for the year ended March 31, 2018

 (All amounts are in lakhs of Indian Rupees, unless otherwise stated)

- A.** As per the provisions of the erstwhile AS 10 – Accounting for fixed assets, machinery spares of the nature of capital spares/insurance spares should be capitalized separately at the time of their purchase whether procured at the time of purchase of the fixed asset concerned or subsequently. The total cost of such capital spares/insurance spares should be allocated on a systematic basis over a period not exceeding the useful life of the principal item, i.e., the fixed asset to which they relate. The depreciation on insurance spares provided during the year is Rs. 46.5 Lakhs (previous year 27.86 lakhs). Similarly, depreciation on standby equipments provided during the year is Rs. 78.58 lakhs (Previous year 33.94 lakhs). During the year the company has capitalised high value stores and spares having useful life of more than one year and depreciation amounting to Rs.72.96 lakhs has been provided on the same. (Previous year : NIL). Accordingly, the provisions of the Ind AS 16 “Property, Plant and Equipment” is also complied with.
- 53 A.** Income Tax Appeal for the Assessment year 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 are pending before various Appellate Authorities. Income tax assessment for the Assessment year 2016-17 and 2017-18 are pending. For the Assessment Year 2015-16 income tax returns were processed under section 143 (1). Further, Department has filed appeal before the Hon’ble High Court for the Assessment Year 2002-03 against the order of ITAT.
- B.** Interest on loans advanced to other PSUs/Co-operative societies amounting to Rs. 2401.50 lakhs was taxed by the Income Tax Department at notional interest for Assessment year 1998-99, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 despite the G O (Rt) No.641/2004/ID dated 05.07.2004 and GO (Rt) No.601/2007/ID dated 09.05.2007 treating the loans as interest free. Subsequently, Government directed to treat these loans as interest free from the date of disbursement vide GO (MS) No.1363/2008/ID dated 01.12.2007. Favourable orders from CIT(A) /ITAT deleting this addition. The income tax department’s appeal before honourable high court of Kerala against the above orders of ITAT for AY 1998-99, 2000-01, 2001-02 and 2003-04 were dismissed and appeal for the AY 2002-03 is pending. Further, other appeal in the similar matter for AY 2004-05 is also allowed and refund is received.
- 54** The Board of Directors have approved to merge the Employees Provident Fund Trust of Mineral Separation Unit with that of Titanium Dioxide Pigment Unit. The PF Commissioner has conveyed that since the PF Trust of Mineral Separation Unit was not approved under the EPF Act, merger of the same with approved Trust of TP unit with retrospective effect is likely to attract penal clauses under EPF Act. Final orders of PF Commissioner are still awaited.
- 55 A.** Central Sales Tax assessments up to 2012-13 is completed and orders were received from the department. The assessment for the financial year, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 (1st quarter) are pending. Advance with Govt. Department regarding the excess input tax claimed includes Rs.382.78 lakhs which was disallowed by Assistant Commissioner, Commercial Taxes, Kollam during the assessment under Section 11(6) of the KVAT Act for FY 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12. Company has filed appeal against these orders with Deputy Commissioner (Appeals), Commercial Taxes, Kollam and the Appellate authority redirected the Assessing authority for fresh disposal of the issues except in the years 2009-10, 2010-11 and 2011-12. The matter is pending before the assessing authority. Appeal for the years 2009-10, 2010-11 and 2011-12 is pending before Deputy Commissioner (Appeals).

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

- Pending assessment, the company has received Rs 300 lakhs during the year (out of Rs 331.12 lakhs receivable as refund for the year 2015-16 as per Form No 21CC-Revised) against submission of Bank Guarantee for equal amount.
- B.** The company has implemented Goods and Service Tax (GST) from 01.07.2018. GST assessment for 2017-18 is pending.
- 56 A.** The company was having Working Capital arrangement to the tune of Rs. 90 crores with M/s State Bank of India (SBI) (Rs. 55 crores from SBI Kollam and Rs.35 crores sub limit from SBI Chavara) at 10.20% p.a. against hypothecation of entire current assets (Receivables and stock) of the company and immovable properties i.e. an extent of 71 hectares, 98 Areas and 05 Sq.m.in Re. Sy.No.202/1, Re.Sy.No89/18 in Panmana village of Karunagapally Taluk of Kollam District along with all improvements thereon composed of properties under various Pattas. The Company has created a charge with Registrar of Companies for the above said facility. The present rate of interest is 9.25% p.a.. As the company is not utilizing the working capital loan now, the limit was reduced to Rs 25 crores during the year 2016-17 with the approval of the board.
- B.** The Company was having a credit rating of "BBB/Stable" obtained from Credit Rating Information Services of India Limited (CRISIL) which was valid up to 31.03.2018 . As the company is going for capacity expansion with a project outlay of around Rs. 1000 Crores, out of which two third is proposed to be met through external borrowings, we had applied for a credit rating for getting a total loan facility of Rs.700 Crores including Cash Credit facility. Accordingly CRISIL has upgraded the rating of the Company from "BBB/Stable" to BBB(+)/Stable for a total Bank loan facility of Rs.700 Crores (Rs.675 Crores for long term bank loan and Rs.25 Crores for Cash Credit) which is valid upto 31.03.2019.
- 57** In the Audit Report of C & AG for the year ended 31-03-2011, there was a para (para 4.6) regarding irregular payment of service tax to a Contractor M/s Bhavani Erectors P. Ltd. to the tune of Rs. 51.87 lakhs in respect of annual maintenance contract for structural replacement and painting jobs at IBP and PPP area. Government initially entrusted RIAB to conduct an enquiry into the case vide Govt. letter no. 12365/H3/12/ID dated 07-06-2013 and RIAB in their report directed to fix responsibility and report to Govt. In view of the complexities involved in the case, the matter was referred to an external firm of Chartered Accountants for their expert opinion in the matter and they have submitted the report. The matter was placed in the Board meeting held on 20-01-2015 and the Board directed to place the matter in the next meeting with clear recommendation for taking appropriate decision. In the meantime and the company received a letter from the Government directing to take disciplinary action. Considering the complexity of the matter, the company forwarded the matter to the Government requesting to take a suitable decision. However, Government vide letter dated 30/06/2016 requested to finalize disciplinary action against the employees who are responsible for irregular payment of service tax and are continuing in service. In the meantime, Vigilance and Anti-Corruption Bureau has ordered Quick Verification of certain transactions of KMML in which payment of service tax was also included. The detailed enquiry is in progress. The Board is informed accordingly.
- 58 Confirmations**
- Sundry Creditors, Sundry Debtors, Loans and Advances, Deposit with Government departments are shown as per books of accounts and are subject to confirmation. However, company has done the reconciliation of major accounts and confirmation letters were sent to parties.

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

59 Details of Imported and indigenous Raw materials & chemicals, stores and spares consumed

Sl. No	Particulars	2017-18		2016-17	
		Value	Percentage	Value	Percentage
	Raw Materials and Chemicals*				
a)	Indigenous	15,581.46	95.29	13,030.86	93.71
b)	Imported	770.13	4.71	874.26	6.29
		16,351.59	100.00	13,905.12	100.00

* includes captive consumption of Rs. 5081.24 lakhs (previous year Rs. 3532 lakhs)

Sl. No	Particulars	2017-18		2016-17	
		Value	Percentage	Value	Percentage
	Stores and Spares including Packing Materials				
a)	Indigenous	2,840.16	58.22	3,518.98	75.12
b)	Imported	2,038.30	41.78	1,165.62	24.88
		4,878.46	100.00	4,684.60	100.00

60 Details of major raw materials purchased

Sl. No	Particulars	2017-18		2016-17	
		Quantity (in MT)	Value	Quantity (in MT)	Value
a)	Chlorine	11,394.73	852.46	12,482.53	912.86
b)	Synthetic Rutile	1,809.99	903.53	-	-
c)	Hydrochloric Acid	33,734.15	1,125.10	44,473.93	1,432.29
d)	Caustic Soda Lye	4,874.52	714.75	5,628.18	767.77
e)	Trimet	201.00	596.56	140.00	445.93
f)	Aluminium Chloride	670.50	345.47	749.50	410.46
g)	Hydrated Lime	14,931.68	1,279.62	17,279.86	1,498.38
h)	Sodium Silicate	2,690.52	293.24	2,243.36	244.25
i)	Liquid Oxygen (M3)	48,88,208.09	888.29	38,96,569.60	690.31
j)	Aluminium Trihydrate	1,383.07	275.14	1,170.66	228.47
k)	Zirconium Orthosulphate	51.52	48.18	19.20	17.06
l)	Silica Sand	1,475.27	114.42	1,191.61	92.13
m)	Magnesium	110.73	212.15	209.35	524.38

Notes to Financial Statements for the year ended March 31, 2018
 (All amounts are in lakhs of Indian Rupees, unless otherwise stated)

61 Details of major raw materials consumed

SI. No	Particulars	2017-18		2016-17	
		Quantity (in MT)	Value	Quantity (in MT)	Value
a)	Raw Ilmenite*				
b)	Chlorine	11,396.88	852.55	12,489.60	913.29
c)	Natural Rutile*	-	-	-	-
d)	Synthetic Rutile	1,803.00	900.04	-	-
e)	Hydrochloric Acid	33,467.12	1,115.71	45,469.50	1,462.80
f)	Caustic Soda Lye	4,885.54	715.13	5,706.86	779.98
g)	Trimet	175.00	527.83	165.00	524.17
h)	Aluminium Chloride	691.00	359.46	764.00	419.70
i)	Raw Sand	2,35,991.00	1,390.12	3,91,698.15	1,591.73
j)	Hydrated Lime	15,191.93	1,302.42	17,201.31	1,494.01
k)	Sodium Silicate	2,576.27	280.78	2,278.23	248.41
l)	Liquid Oxygen (M3)	49,20,569.50	893.96	39,00,974.00	691.00
m)	Aluminium Trihydrate	1,364.06	271.26	1,164.15	226.94
n)	Zirconium Orthosulphate	61.22	56.52	24.23	20.68
o)	Silicate Sand	1,381.87	107.47	1,231.07	95.41
p)	Magnesium	179.23	390.76	136.92	343.98
q)	Other Items		2,106.33	-	1,561.02
			11,270.35		10,373.12

Captive Consumption of Oxygen and Nitrogen for the year 2017-18 is 87,43,010 M3 and 1,48,49,370 M3 respectively (previous year 81,35,607 M3 and 1,43,76,540 M3 respectively)

* Excludes :

- 1) Captive Consumption of Rs.4604.50 Lakhs of Ilmenite and Rutile produced (Previous year Rs. 4424.08 Lakhs). Quantity of Ilmenite and Rutile transferred from M S unit and consumed during 2017-18 in TP unit is 57269.975 MTs and NIL respectively. (Previous year 54118MTs and NIL respectively).
- 2) 753.356 MT of Pure Tickle transferred to TSP Unit for Rs. 476.73 lakhs (Previous year 544.969 MT for Rs. 344.41 lakhs).

62. Government of India have approved M/s Sukumaran & Co as the Cost Auditor of the Company for the Financial Year ended 31-03-2018. The audit is in progress.

Notes to Financial Statements for the year ended March 31, 2018

(All amounts are in lakhs of Indian Rupees, unless otherwise stated)

63. Expenditure on Research and Development

Capital Expenditure

Particulars	Upto March 31, 2018	Upto March 31, 2017
R & D Equipment	314.84	273.48

Revenue expenditure

Particulars	2017-18	2016-17
Stores & Spares	10.09	0.21
Salaries & Allowances	63.28	60.03
Annual Maintenance	3.27	3.44
Travelling expenses	0	1.01
Bank charges	0	0.11
Other expense	21.95	15.86
Total	98.59	80.66

64. Previous year figures have been regrouped/reclassified wherever necessary to correspond to the current years classification/disclosures.

For and on behalf of the Board

As per our report of even date attached
ABRAHAM & JOSE
Chartered Accountants
(FRN. 000010S)

Sd/-
Dr. K Ellangovan IAS
Chairman
DIN 05272476

Sd/-
K Raghavan
Managing Director

Sd/-
P Rajendran
Director
DIN 7924169

Sd/-
G. Shaila Kumar
DGM
(Finance) i/c

Sd/-
Jaison Thomas
Company
Secretary

Sd/-
Jose Francis
Partner
M.No. 204975

Place: Thiruvananthapuram

Date: 14.11.2018