



31<sup>st</sup> August, 2020

The Secretary

BSE Limited

Phiroze Jeejeebhoy Towers,

Dalal Street, Fort,

Mumbai – 400 001

Listing Department

National Stock Exchange of India Ltd.

“Exchange Plaza”,

Bandra - Kurla Complex, Bandra (E)

Mumbai – 400 051

**Sub: Interim Condensed Consolidated Financial Statements for the period ended  
30th June, 2020**

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we wish to inform you that the Board has approved today the Interim Condensed Consolidated Financial Statements of the Company for the period ended 30th June, 2020 along with the review report thereon from the Statutory Auditors, for the purposes of disclosure in the Letter of Offer to be filed by the Company in connection with the proposed rights issue of equity shares.

This is for your information and record please.

Thanking you,

Yours truly,

For Deepak Fertilisers and Petrochemicals Corporation Ltd

K. Subharaman

EVP (Legal) & Company Secretary

FCS 4361

# **B S R & Associates LLP**

Chartered Accountants

7th & 8th floor, Business Plaza,  
Westin Hotel Campus,  
36/3-8, Koregaon Park Annex,  
Mundhwa Road, Ghorpadi,  
Pune - 411001, India

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## **Report on Review of Interim Condensed Consolidated Financial Statements**

To the Board of Directors of **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Introduction**

We have reviewed the accompanying Interim Condensed Consolidated Financial Statements of Deepak Fertilisers and Petrochemicals Corporation Limited ("the Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates and its joint operations, which comprise the interim condensed consolidated balance sheet as at 30 June 2020, and the interim condensed consolidated statement of profit and loss (including other comprehensive income) for the three months period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows and selected explanatory notes for the three months period then ended (collectively herein after referred as the "Interim Condensed Consolidated Financial Statements").

Management is responsible for the preparation and presentation of this Interim Condensed Consolidated Financial Statements in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with relevant rules issued thereunder and other accounting principles generally accepted in India and has been approved by the Board of Directors. Our responsibility is to express a conclusion on this Interim Condensed Consolidated Financial Statements based on our review.

### **Scope of review**

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", issued by the Institute of Chartered Accountants of India. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Emphasis of matter**

We draw attention to the Note 37 to the Interim Condensed Consolidated Financial Statements which describes that a Search Operation was carried out by the Income Tax Department on the Holding Company and a subsidiary in November 2018. Pursuant to notice received in the last quarter of the year 2019-20, the Holding Company and a subsidiary has filed revised tax returns for Assessment Years 2013-2014 to 2018-2019. The Holding Company's Management does not expect any additional liability to devolve on the Group and no provision has been recognised as at 30 June 2020. Though the Holding Company and the subsidiary have not received any demand notices till date, the uncertainty in the matter remains till the proceedings are concluded. Our opinion is not modified in respect of this matter.

**B S R & Associates LLP**

**Deepak Fertilisers and Petrochemicals Corporation Limited**

**Report on Review of Interim Condensed Consolidated Financial Statements (*continued*)**

**Other Matters**

- (a) We did not review the financial statements of two subsidiaries, whose interim condensed financial statements reflect total assets (before consolidation adjustments) of Rs. 664,762 Lakhs as at 30 June 2020, total revenues (before consolidation adjustments) of Rs. 88,194 Lakhs for the three months period and net cash flows amounting to Rs. 11,978 Lakhs for the three months period ended on that date, as considered in the Interim Condensed Consolidated Financial Statements. These financial statements have been reviewed by other auditors whose reports have been furnished to us by the Holding Company's Management and our opinion on the Interim Condensed Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the review reports of the other auditors.
- (b) The financial statements of 8 subsidiaries whose interim condensed financial statements reflect total assets (before consolidation adjustments) of Rs. 18,321 Lakhs as at 30 June 2020, total revenues (before consolidation adjustments) of Rs. 9,240 Lakhs for the three months period and net cash inflows amounting to Rs. 980 Lakhs for the three months period ended on that date, as considered in the Interim Condensed Consolidated Financial Statements, have not been reviewed either by us or by other auditors. The Interim Condensed Consolidated Financial Statements also include the Group's share of net loss (and other comprehensive income) of Rs. Nil for the three months period ended 30 June 2020, as considered in the Interim Condensed Consolidated Financial Statements, in respect of two associates whose financial statements have not been reviewed by us or by other auditors. These unreviewed interim condensed financial statements have been furnished to us by the Holding Company's Management and our opinion on the Interim Condensed Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on such unreviewed interim condensed financial statements. In our opinion and according to the information and explanations given to us by the Holding Company's Management, these interim condensed financial statements are not material to the Group.

Our opinion on the Interim Condensed Consolidated Financial Statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the interim condensed financial statements certified by the Holding Company's Management.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements is not prepared, in all material respects in accordance with the recognition and measurement principles laid down in the Ind AS 34, prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India.

**For B S R & Associates LLP**

*Chartered Accountants*

Firm Registration No.: 116231W/W-100024

RAAJNISH  
SHRIKRISHNA DESAI

Digitally signed by RAAJNISH  
SHRIKRISHNA DESAI  
Date: 2020.08.31 17:16:10  
+05'30'

**Raajnish Desai**

*Partner*

Place: Pune

Date: 31 August 2020

Membership No.: 101190

UDIN: 20101190AAAABY7244

Deepak Fertilisers and Petrochemicals Corporation Limited  
Interim Condensed Consolidated Balance Sheet as at 30 June 2020  
(All amounts in ₹ Lakhs unless otherwise stated)

|                                                                                | Notes | 30 June 2020   | 31 March 2020  |
|--------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                                                                  |       |                |                |
| <b>Non-current assets</b>                                                      |       |                |                |
| Property, plant and equipment                                                  | 3     | 241,652        | 242,615        |
| Capital work-in-progress                                                       | 4     | 141,751        | 130,858        |
| Investment property                                                            | 5     | 3,607          | 3,607          |
| Right of use of assets                                                         | 5(a)  | 18,945         | 18,980         |
| Goodwill on consolidation                                                      | 5(b)  | 4,266          | 4,093          |
| Other intangible assets                                                        | 6     | 1,784          | 1,887          |
| Investment in equity accounted investees                                       | 7     | 5              | 5              |
| <b>Financial assets</b>                                                        |       |                |                |
| i. Investments                                                                 | 8     | 3              | 72             |
| iii. Other financial assets                                                    | 15    | 4,838          | 4,730          |
| Deferred tax assets (net)                                                      | 26    | 2,981          | 4,589          |
| Income tax assets (net)                                                        |       | 12,231         | 12,112         |
| Other non-current assets                                                       | 18    | 26,235         | 28,924         |
| <b>Total non-current assets</b>                                                |       | <b>468,298</b> | <b>452,670</b> |
| <b>Current assets</b>                                                          |       |                |                |
| Inventories                                                                    | 17    | 62,063         | 68,369         |
| Investment in equity shares (held-for-sale)                                    | 9     | 149            | 149            |
| <b>Financial assets</b>                                                        |       |                |                |
| i. Investments                                                                 | 10    | 13,523         | 1,011          |
| ii. Trade receivables                                                          | 11    | 104,252        | 127,580        |
| iii. Cash and cash equivalents                                                 | 13    | 33,084         | 15,757         |
| iv. Bank balances other than cash and cash equivalents                         | 14    | 775            | 10,169         |
| v. Loans                                                                       | 12    | 144            | 118            |
| vi. Other financial assets                                                     | 15    | 1,148          | 2,527          |
| Other current assets                                                           | 18    | 13,840         | 14,873         |
| <b>Total current assets</b>                                                    |       | <b>228,078</b> | <b>240,653</b> |
| <b>Total assets</b>                                                            |       | <b>696,376</b> | <b>693,323</b> |
| <b>EQUITY AND LIABILITIES</b>                                                  |       |                |                |
| <b>Equity</b>                                                                  |       |                |                |
| Equity share capital                                                           | 19    | 8,928          | 8,928          |
| Other equity                                                                   | 20    | 221,265        | 209,150        |
| <b>Equity attributable to owners of the Company</b>                            |       | <b>230,193</b> | <b>218,078</b> |
| Non controlling interest                                                       |       | 4,661          | 4,313          |
| <b>Total equity</b>                                                            |       | <b>234,854</b> | <b>222,391</b> |
| <b>Liabilities</b>                                                             |       |                |                |
| <b>Non-current liabilities</b>                                                 |       |                |                |
| <b>Financial Liabilities</b>                                                   |       |                |                |
| i. Borrowings                                                                  | 21    | 209,737        | 208,425        |
| ii. Lease liabilities                                                          | 5(a)  | 6,976          | 6,764          |
| iii. Other financial liabilities                                               | 23    | 170            | 170            |
| Provisions                                                                     | 24    | 6,254          | 5,687          |
| <b>Total non-current liabilities</b>                                           |       | <b>223,137</b> | <b>221,066</b> |
| <b>Current liabilities</b>                                                     |       |                |                |
| <b>Financial liabilities</b>                                                   |       |                |                |
| i. Borrowings                                                                  | 22    | 41,054         | 71,930         |
| ii. Lease liabilities                                                          | 5(a)  | 1,874          | 1,944          |
| iii. Trade payables                                                            |       |                |                |
| (a) total outstanding dues of micro and small enterprises                      | 25    | 511            | 762            |
| (b) total outstanding dues of creditors other than micro and small enterprises |       | 130,126        | 128,687        |
| iv. Other financial liabilities                                                | 23    | 38,989         | 33,722         |
| Other current liabilities                                                      | 27    | 6,526          | 4,478          |
| Provisions                                                                     | 24    | 7,587          | 7,421          |
| Current tax liabilities (net)                                                  |       | 2,688          | 724            |
| <b>Total current liabilities</b>                                               |       | <b>229,355</b> | <b>249,886</b> |
| <b>Total liabilities</b>                                                       |       | <b>452,492</b> | <b>470,942</b> |
| <b>Total equity and liabilities</b>                                            |       | <b>687,346</b> | <b>693,333</b> |

Significant accounting policies  
The accompanying notes form an integral part of the Interim Condensed Consolidated Financial Statements

1 - 2

Initialed for identification purposes

For and on behalf of Board of Directors of Deepak Fertilisers and Petrochemicals Corporation Limited

For BSR & Associates LLP  
Chartered Accountants  
Firm Registration No.: 116231WW/100024

S. C. Mehta  
Chairman and Managing Director  
DIN: 00128204

Amitabh Bhargava  
President & CFO

Rajinlal Desai  
Partner

Sd/-  
Partha Sarathi Bhattacharya  
Director  
DIN: 00329479

K. Subhraman  
EVP-Legal and Company Secretary  
Membership No: FCS 4361

Place: Pune  
Date:

Place: Pune  
Date:

Confirmed by BSR  
mail dated 26/8/20

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**Deepak Fertilisers and Petrochemicals Corporation Limited**  
**Interim Condensed Consolidated Statement of Profit and Loss for the 3 months period ended 30 June 2020**  
 (All amounts in ₹ Lakhs unless otherwise stated)

|                                                                                       | Notes | 3 months period ended 30 June 2020 | 3 months period ended 30 June 2019 |
|---------------------------------------------------------------------------------------|-------|------------------------------------|------------------------------------|
| Revenue from operations                                                               | 28    | 138,208                            | 112,220                            |
| Other income                                                                          | 29    | 359                                | 925                                |
| <b>Total Income</b>                                                                   |       | <b>138,567</b>                     | <b>113,145</b>                     |
| <b>Expenses</b>                                                                       |       |                                    |                                    |
| Cost of materials consumed                                                            | 30    | 60,412                             | 53,782                             |
| Purchases of stock-in-trade                                                           | 31    | 18,839                             | 32,896                             |
| Changes in inventories of finished goods and stock-in-trade                           | 32    | 8,786                              | (11,119)                           |
| Employee benefits expense                                                             | 33    | 8,932                              | 7,993                              |
| Finance costs                                                                         | 34    | 5,521                              | 6,117                              |
| Depreciation and amortisation expense                                                 | 35    | 5,335                              | 5,188                              |
| Other expenses (net)                                                                  | 36    | 14,018                             | 16,711                             |
| <b>Total expenses</b>                                                                 |       | <b>121,843</b>                     | <b>111,568</b>                     |
| <b>Profit before share of (loss) of equity accounted investees and Income tax</b>     |       | <b>16,724</b>                      | <b>1,577</b>                       |
| Share of (loss) of equity accounted investees                                         |       | -                                  | (17)                               |
| <b>Profit before tax</b>                                                              |       | <b>16,724</b>                      | <b>1,560</b>                       |
| <b>Tax expense</b>                                                                    |       |                                    |                                    |
| Current tax                                                                           |       | 2,918                              | 375                                |
| Deferred tax                                                                          |       | 1,692                              | 115                                |
| <b>Total tax expense</b>                                                              |       | <b>4,610</b>                       | <b>490</b>                         |
| <b>Profit for the period</b>                                                          |       | <b>12,114</b>                      | <b>1,070</b>                       |
| <b>Other comprehensive Income ('OCI')</b>                                             |       |                                    |                                    |
| (A) Items that will not be reclassified to profit or loss                             |       |                                    |                                    |
| Remeasurement of defined benefit obligations                                          |       | (277)                              | (189)                              |
| Income tax relating to this item                                                      |       | 63                                 | 59                                 |
| <b>Total (A)</b>                                                                      |       | <b>(194)</b>                       | <b>(110)</b>                       |
| (B) Items that will be reclassified subsequently to profit or loss                    |       |                                    |                                    |
| Exchange differences on translation of foreign operations                             |       | 398                                | 142                                |
| <b>Total (B)</b>                                                                      |       | <b>398</b>                         | <b>142</b>                         |
| <b>Other comprehensive Income / (loss) for the period (A+B), net of tax liability</b> |       | <b>204</b>                         | <b>(152)</b>                       |
| <b>Total comprehensive Income for the period</b>                                      |       | <b>12,318</b>                      | <b>918</b>                         |
| <b>Profit for the period attributable to:</b>                                         |       |                                    |                                    |
| -Owners of the Company                                                                |       | 12,014                             | 990                                |
| -Non controlling Interests                                                            |       | 100                                | 80                                 |
| <b>Other comprehensive loss (net of tax) attributable to:</b>                         |       |                                    |                                    |
| -Owners of the Company                                                                |       | 65                                 | (139)                              |
| -Non controlling interests                                                            |       | 139                                | (13)                               |
| <b>Total comprehensive Income for the period attributable to:</b>                     |       |                                    |                                    |
| -Owners of the Company                                                                |       | 12,079                             | 851                                |
| -Non controlling interests                                                            |       | 239                                | 67                                 |

Earnings per equity share of Rs.10 each (not annualised)

i) Basic (in Rs.)

13.46

1.12

ii) Diluted (in Rs.)

13.03

1.12

Weighted average number of equity shares of Rs. 10 each

89,284,425

88,204,943

Significant accounting policies

1 - 2

The accompanying notes form an integral part of the Interim Condensed Consolidated Financial Statements

Initialed for identification purposes

For and on behalf of Board of Directors of Deepak Fertilisers and Petrochemicals Corporation Limited

For B S R & Associates LLP  
 Chartered Accountants  
 Firm Registration No.: 116231WW-100024

S. C. Mehta  
 Chairman and Managing Director  
 DIN:00128204

Amitabh Bhargava  
 President & CFO

Raajnish Desai  
 Partner

Sd/-  
 Partha Sarathi Bhattacharya  
 Director  
 DIN: 00329479

K. Subharaman  
 EVP-Legal and Company Secretary  
 Membership No: FCS.4351

Place: Pune  
 Date:

Place: Pune  
 Date:

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Deepak Fertilisers and Petrochemicals Corporation Limited  
Interim Condensed Consolidated Statement of Changes in Equity for the 3 months period ended 30 June 2020  
(All amounts in ₹ Lakhs unless otherwise stated)

A. Equity Share Capital

|                                                        | 30 June 2020 | 31 March 2020 |
|--------------------------------------------------------|--------------|---------------|
| Balance at the beginning of the period/year            | 8,928        | 8,820         |
| Changes in equity share capital during the period/year | -            | 108           |
| Balance as at the end of the period/year               | 8,928        | 8,928         |

B. Other Equity

|                                                                                                   | Share warrants, reserves and surplus |                            |                |                                                 |                 |                   | Items of Other Comprehensive Income |                                     | Total attributable to Owners of the Company | Non Controlling Interest (NCI) | Total   |
|---------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------|----------------|-------------------------------------------------|-----------------|-------------------|-------------------------------------|-------------------------------------|---------------------------------------------|--------------------------------|---------|
|                                                                                                   | Securities premium                   | Capital redemption reserve | Share warrants | Equity portion of non-current borrowings (FCCB) | General reserve | Retained earnings | Fair value through OCI              | Other Items of Comprehensive Income |                                             |                                |         |
| Balance as at 1 April 2019                                                                        | 10,536                               | 1,950                      | 5,000          | -                                               | 17,922          | 166,693           | (46)                                | (991)                               | 200,985                                     | 4,377                          | 205,362 |
| Profit for the period                                                                             | -                                    | -                          | -              | -                                               | -               | 990               | -                                   | -                                   | 990                                         | 80                             | 1,070   |
| Other comprehensive loss                                                                          | -                                    | -                          | -              | -                                               | -               | -                 | -                                   | (139)                               | (139)                                       | (13)                           | (152)   |
| Total comprehensive income / (loss) for the period                                                | -                                    | -                          | -              | -                                               | -               | 990               | -                                   | (139)                               | 851                                         | 67                             | 918     |
| Adjustment                                                                                        | -                                    | -                          | -              | -                                               | -               | 55                | -                                   | -                                   | 55                                          | -                              | 55      |
| Movement of NCI on account additional share purchase of Composite Mining Services Private Limited | -                                    | -                          | -              | -                                               | -               | (13)              | -                                   | -                                   | (13)                                        | 13                             | -       |
| Balance as at 30 June 2019                                                                        | 10,536                               | 1,950                      | 5,000          | -                                               | 17,922          | 167,626           | (46)                                | (1,130)                             | 201,858                                     | 4,467                          | 206,325 |
| Balance as at 1 April 2020                                                                        | 13,781                               | 1,950                      | 4,187          | 1,288                                           | 17,922          | 172,011           | (46)                                | (1,902)                             | 209,150                                     | 4,313                          | 213,463 |
| Profit for the period                                                                             | -                                    | -                          | -              | -                                               | -               | 12,014            | -                                   | -                                   | 12,014                                      | 100                            | 12,114  |
| Other comprehensive income                                                                        | -                                    | -                          | -              | -                                               | -               | -                 | -                                   | 65                                  | 65                                          | 139                            | 204     |
| Total comprehensive income for the period                                                         | -                                    | -                          | -              | -                                               | -               | 12,014            | -                                   | 65                                  | 12,079                                      | 239                            | 12,318  |
| Exchange difference of minority shareholder                                                       | -                                    | -                          | -              | -                                               | -               | -                 | -                                   | -                                   | -                                           | 131                            | 131     |
| Adjustment                                                                                        | -                                    | -                          | -              | -                                               | -               | 44                | -                                   | -                                   | 44                                          | -                              | 44      |
| Movement of NCI on account additional share purchase of Ishanya Brand Services Limited            | -                                    | -                          | -              | -                                               | -               | (8)               | -                                   | -                                   | (8)                                         | 8                              | -       |
| Balance as at 30 June 2020                                                                        | 13,781                               | 1,950                      | 4,187          | 1,288                                           | 17,922          | 184,061           | (46)                                | (1,837)                             | 221,265                                     | 4,691                          | 225,956 |

| Movement in non controlling interest             | 30 June 2020 | 30 June 2019 |
|--------------------------------------------------|--------------|--------------|
| Balance at the beginning of the period           | 4,313        | 4,377        |
| Add: Profit for the period                       | 239          | 80           |
| Add: Exchange difference of minority shareholder | 131          | -            |
| Add: Minority movement                           | 8            | 13           |
| Balance as at the end of the period              | 4,691        | 4,467        |

The accompanying notes form an integral part of the Interim Condensed Consolidated Financial Statement

Initialed for identification purposes

For and on behalf of Board of Directors Deepak Fertilisers and Petrochemicals Corporation Limited.

For BSR & Associates LLP  
Chartered Accountants  
Firm Registration No.: 116231WVW-100024

S. C. Mehta  
Chairman and Managing Director  
DIN: 00128204

Sd/-

Partha Sarathi Bhattacharya  
Director  
DIN : 00329479

Place: Pune  
Date:

Amitabh Bhargava

Amitabh Bhargava  
President & CFO

K. Subharaman

K. Subharaman  
EVP-Legal and Company Secretary  
Membership No: FCS 4361

Rajnish Desai  
Partner

Place: Pune  
Date:

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Deepak Fertilisers and Petrochemicals Corporation Limited  
Interim Condensed Consolidated Statement of Cash Flows for the 3 months period ended 30 June 2020  
(All amounts in ₹ Lakhs unless otherwise stated)

|                                                                                                   | 3 months period ended<br>30 June 2020 | 3 months period ended<br>30 June 2019 |
|---------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b>Cash flow from operating activities</b>                                                        |                                       |                                       |
| Profit before tax as per statement of profit and loss                                             | 16,724                                | 1,560                                 |
| Adjustments for                                                                                   |                                       |                                       |
| Depreciation and amortisation expense                                                             | 5,335                                 | 5,188                                 |
| (Profit)/Loss on sale of property, plant and equipment (net)                                      | -                                     | 23                                    |
| Provision for doubtful trade receivables                                                          | 222                                   | 137                                   |
| Impairment of Investment                                                                          | 69                                    | -                                     |
| Gain on sale of investments                                                                       | (18)                                  | (532)                                 |
| Changes in fair value of financial assets at fair value through profit or loss                    | 10                                    | -                                     |
| Provision for stores and spares                                                                   | 75                                    | -                                     |
| Unrealised loss on embedded derivative contracts                                                  | (30)                                  | -                                     |
| Share of loss of associates                                                                       | -                                     | 17                                    |
| Interest income                                                                                   | (292)                                 | (144)                                 |
| Finance costs                                                                                     | 5,521                                 | 6,117                                 |
| Foreign exchange fluctuations loss (net)                                                          | 223                                   | -                                     |
| <b>Cash generated from operations before working capital changes</b>                              | <b>27,839</b>                         | <b>12,366</b>                         |
| Change in trade receivables                                                                       | 23,331                                | 14,083                                |
| Change in inventories                                                                             | 6,231                                 | (31,025)                              |
| Change in trade payables                                                                          | 965                                   | 16,308                                |
| Change in other financial liabilities                                                             | 1,531                                 | 9,386                                 |
| Change in other financial assets                                                                  | 1,336                                 | (332)                                 |
| Change in other non-current assets                                                                | (70)                                  | 300                                   |
| Change in other current assets                                                                    | 933                                   | (15,749)                              |
| Change in provisions                                                                              | 733                                   | 244                                   |
| Change in other current liabilities                                                               | 2,050                                 | 2,863                                 |
| <b>Cash generated from operations</b>                                                             | <b>64,879</b>                         | <b>8,444</b>                          |
| Income taxes paid (net)                                                                           | (1,157)                               | (274)                                 |
| <b>Net cash generated from operating activities</b>                                               | <b>63,722</b>                         | <b>8,170</b>                          |
| <b>Cash flows from investing activities</b>                                                       |                                       |                                       |
| Purchase of property, plant and equipment, intangible assets (including Capital work-in-progress) | (9,074)                               | (12,552)                              |
| Purchase of investments in mutual funds                                                           | (12,494)                              | 23,814                                |
| Repayment of loans by employees and other loans given                                             | (36)                                  | -                                     |
| Fixed deposits matured                                                                            | 9,394                                 | -                                     |
| Changes in other bank balances                                                                    | -                                     | (5,591)                               |
| Dividends received from Mutual Funds                                                              | -                                     | 80                                    |
| Interest received                                                                                 | 227                                   | 730                                   |
| <b>Net cash (used in) / generated from investing activities</b>                                   | <b>(11,983)</b>                       | <b>6,481</b>                          |
| <b>Cash flows from financing activities</b>                                                       |                                       |                                       |
| Proceeds from borrowings - non current                                                            | 3,710                                 | 294,683                               |
| Repayment of borrowings - non current                                                             | (2,616)                               | (288,543)                             |
| Proceeds from borrowings - current                                                                | 31,610                                | 1,179                                 |
| Repayment of borrowings - current                                                                 | (62,486)                              | (8,046)                               |
| Payment of lease payables                                                                         | (515)                                 | -                                     |
| Interest paid                                                                                     | (4,115)                               | (6,267)                               |
| Dividends paid (including dividend distribution tax)                                              | -                                     | (2)                                   |
| <b>Net cash (used in) financing activities</b>                                                    | <b>(34,412)</b>                       | <b>(6,986)</b>                        |
| <b>Net increase in cash and cash equivalents</b>                                                  | <b>17,327</b>                         | <b>7,655</b>                          |
| <b>Cash and cash equivalents at the beginning of the period</b>                                   | <b>15,757</b>                         | <b>8,874</b>                          |
| <b>Cash and cash equivalents at the end of the period</b>                                         | <b>33,084</b>                         | <b>18,529</b>                         |

The accompanying notes form an integral part of the Interim Condensed Consolidated Financial Statements

The above statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, "Statement of Cash Flows"

Initiated for identification purposes

For and on behalf of Board of Directors Deepak Fertilisers and Petrochemicals Corporation Limited

For B S R & Associates LLP  
Chartered Accountants  
Firm Registration No.: 116231W/M-100024

S. C. Mehta  
Chairman and Managing Director  
DIN: 00128204

Amitabh Bhargava  
President & CFO

Raajnish Desai  
Partner

Sd/-  
Partha Sarathi Bhattacharya  
Director  
DIN : 00329479

K. Subharaman  
EVP-Legal and Company Secretary  
Membership No: FCS:4361

Place: Pune  
Date:

Place: Pune  
Date:

fb

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **1. Corporate Information**

Deepak Fertilisers and Petrochemicals Corporation Limited (“the Holding Company or the Parent Company”) is a public limited company domiciled in India, with its registered office at Pune, Maharashtra, India. The Holding Company has been registered under the provisions of the Indian Companies Act and its equity shares are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (“BSE”) in India.

The Group is engaged in the business of fertilisers, agri services, bulk chemicals, mining chemicals and value added real estate.

The condensed consolidated financial statements of the Group as at and for the period ended on 30 June 2020 comprise the Holding Company and its subsidiaries (together referred to as “the Group”) were approved for proposed issue of equity shares on rights basis (Rights Issue) by Board of Directors on 31 August 2020.

#### **2. Significant Accounting Policies**

This note provides a list of the significant accounting policies adopted in the preparation of these condensed consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1 Basis of preparation**

The condensed consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (‘Ind AS’) – 34 “Interim Financial Reporting” notified under Section 133 of the Companies Act, 2013 (“the Act”) read with the Companies (Indian Accounting Standards) Rules, 2015 notified, as amended thereafter and other relevant provisions of the Act.

The condensed consolidated financial statements have been prepared on an accrual basis and under the historical cost convention, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments;
- Certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments); and
- Employee defined benefits plans – plan assets are measured at fair value

The condensed consolidated financial statements are presented in Indian Rupees (“INR”), which is also the Group functional currency and all values are rounded off to the nearest Lakhs, except when otherwise indicated. Wherever, an amount is presented as INR ‘0’ (zero) it construes value less than Rs 50,000.

##### **2.2A Significant accounting estimates, assumptions and judgements**

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities effected in future periods.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.2A Significant accounting estimates, assumptions and judgements (continued)**

##### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The Group has based its assumptions and estimates on parameters available when the condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### **Taxes**

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred tax provisions in the period in which the tax determination is made. The assessment of probability involves estimation of a number of factors including future taxable income.

##### **Useful lives of Property, plant and equipment ('PPE')**

The Management reviews the estimated useful lives and residual value of PPE at the end of each reporting period. Factors such as changes in the expected level of usage, number of shifts of production, technological developments and product life-cycle, could significantly impact the economic useful lives and the residual values of PPE, consequently leading to a change in the future depreciation charge.

##### **Defined benefit plans**

Employee benefit obligations are determined using independent actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual results in the future. These include the determination of the discount rate, future salary increases, experience of employee departures and mortality rates. Due to the complexities involved in the valuation and its long-term nature, employee benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

##### **Provisions for Litigations and claims**

From time to time, the Group is subject to legal proceedings, the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the charge/ expense can be reasonably estimated. Significant judgement is made when evaluating, among other factors, the probability of unfavourable outcomes and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions are made for the changes in facts and circumstances. Contingent liabilities are disclosed in the notes forming part of the condensed consolidated financial statements. Contingent assets are not disclosed in the condensed consolidated financial statements unless an inflow of economic benefits is probable.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.2A Significant accounting estimates, assumptions and judgements (continued)**

##### **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash flow (“DCF”) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing their fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

##### **Impairment of financial assets**

The Group assesses impairment based on the expected credit loss (“ECL”) model on trade receivables. The Group uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables.

##### **Impairment of non-financial assets (including PPE, CWIP and intangible assets)**

The Group 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 Group estimates that the assets’ recoverable amount. An assets’ recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cashflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and it is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken in account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded entities or other available fair value indicators.

#### **2.2B Principles of consolidation and equity accounting**

##### **(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group. The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.2B Principles of consolidation and equity accounting (continued)**

##### **(ii) Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

##### **(iii) Joint Arrangements**

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

##### **Joint Ventures**

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

##### **(iv) Equity Method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity accounted investments are tested for impairment.

##### **(v) Changes in ownership interests:**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**Deepak Fertilisers and Petrochemicals Corporation Limited****Notes to the condensed consolidated financial statements for the period ended 30 June 2020****2.2B Principles of consolidation and equity accounting (continued)**

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The details of consolidated entities are as follows:

| Name of the Companies |                                                                                                                               | Country of incorporation | Percentage of ownership interest                 |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------------|
| 1                     | Smartchem Technologies Limited (STL)                                                                                          | India                    | 100.00%                                          |
| 2                     | Deepak Nitrochem Pty Limited                                                                                                  | Australia                | 100.00%                                          |
| 3                     | Deepak Mining Services Private Limited (DMSPL)                                                                                | India                    | 100.00%                                          |
| 4                     | Complete Mining Solution Private Limited (formerly known as Runge PincockMinarco India Private Limited) (Subsidiary of DMSPL) | India                    | 100.00%                                          |
| 5                     | SCM Fertichem Limited                                                                                                         | India                    | 100.00%                                          |
| 6                     | Platinum Blasting Services Pty Limited (PBS)[Subsidiary of STL]                                                               | Australia                | 65.00%                                           |
| 7                     | Australian Mining Explosives Pty Limited (AME)[ Subsidiary of PBS]                                                            | Australia                | 65.00%                                           |
| 8                     | Performance Chemiserve Limited (formerly known as Performance Chemiserve Private Limited) [Subsidiary of STL]                 | India                    | 84.64%                                           |
| 9                     | Ishanya Brand Services Limited (with effect from 23 March 2020)                                                               | India                    | 74.99% (49.99% till 22 <sup>nd</sup> March 2020) |
| 10                    | Mahadhan Farm Technologies Private Limited (with effect from 1 October 2019) (Subsidiary of STL)                              | India                    | 100.00%                                          |

Goodwill on consolidation is measured as the excess of the sum of the consideration transferred, the amount of NCI in the acquiree, and the fair value of the acquiror's previously held equity instruments in the acquiree (if any) over the net of acquisition date fair value of identifiable net assets acquired and liabilities assumed. Profit or loss and each component of Other comprehensive income (OCI) are attributed to the equity holders of the Holding Company and to the NCI, even if this results in the NCI having a deficit balance.

The results of subsidiaries acquired or disposed off during the year are included in the condensed consolidated financial statements from the effective date of acquisition and upto the effective date of disposal, as appropriate.

Non-controlling interests (NCI) in the net assets of the subsidiaries that are consolidated consist of the amount of equity attributable to non-controlling shareholders at the date of acquisition.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies**

##### **(a) Current versus non-current classification**

The Group presents assets and liabilities in the Balance Sheet based on current/ non-current classification.

An asset is treated as current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is a cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

##### **(a) Current versus non-current classification (continued)**

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

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified twelve months as its operating cycle for the purpose of current and non-current classification of assets and liabilities.

##### **(b) Revenue recognition**

Sale of Goods:

Revenue is recognised upon transfer of control of promised goods to customers for an amount that reflects the consideration which the Group expects to receive in exchange for those goods. Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch/ delivery of goods, based on contracts with the customers. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers. Due to the short nature of credit period given to customers, there is no financing component in the contract.

Sale of Services:

Sale of services are recognised on satisfaction of performance obligation towards rendering of such services.

Interest Income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments in shares is recognised when the owner's right to receive the payment is established.

## Deepak Fertilisers and Petrochemicals Corporation Limited

### Notes to the condensed consolidated financial statements for the period ended 30 June 2020

#### 2.3 Summary of significant accounting policies (continued)

##### (c) Property, plant and equipment

An item of property, plant and equipment ('PPE') is recognised as an asset if it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. These recognition principles are applied to the costs incurred initially to acquire an item of PPE, to the pre-operative and trial run costs incurred (net of sales), if any and also to the costs incurred subsequently to add to, replace part of, or service it and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of PPE includes interest on borrowings directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to be made ready for its intended use or sale. Borrowing costs and other directly attributable cost are added to the cost of those assets until such time as the assets are substantially ready for their intended use, which generally coincides with the commissioning date of those assets.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met. Machinery spares that meet the definition of PPE are capitalised and depreciated over the useful life of the principal item of an asset. All other repair and maintenance costs, including regular servicing, are recognised in the consolidated Statement of Profit and Loss as incurred. When a replacement occurs, the carrying value of the replaced part is de-recognised. Where an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items.

PPE acquired and put to use for projects are capitalised and depreciation thereon is included in the project cost till the project is ready for commissioning. Depreciation on PPE (except leasehold improvements) is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. However, leasehold improvements are depreciated on a straight-line method over the shorter of their respective useful lives or the tenure of the lease arrangement. Freehold land is not depreciated. Schedule II to the Act prescribes the useful lives for various class of assets. For certain class of assets, based on technical evaluation and assessment, Management believes that the useful lives adopted by it reflect the periods over which these assets are expected to be used. Accordingly, for those assets, the useful lives estimated by the management are different from those prescribed in the Schedule. Management's estimates of the useful lives for various class of PPE are as given below:

| <b>Name of assets</b>                                             | <b>Estimated useful life (in years)</b>                                                         |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Computers – Servers and Networks                                  | 3 – 6                                                                                           |
| End User Devices such as desktops and laptops                     | 3 – 6                                                                                           |
| Vehicles                                                          | 4 – 7                                                                                           |
| Buildings (other than factory buildings) with RCC frame structure | 61                                                                                              |
| Plant and equipment                                               | Various estimated lives upto 25 years. WNA III plant is depreciated at 25.88% on the WDV method |
| Windmill                                                          | 19                                                                                              |
| Plant & machinery used for generation of power through gas        | 40                                                                                              |

**Deepak Fertilisers and Petrochemicals Corporation Limited**  
**Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

**2.3 Summary of significant accounting policies (continued)**

**Capital work in progress (CWIP)**

Projects under commissioning and other CWIP are carried at cost, comprising direct cost, related incidental expenses and attributable borrowing cost. Subsequent expenditures relating to property, plant and equipment are capitalised only when it is probable that future economic benefit associated with these will flow to the Group and the cost of the item can be measured reliably. Advances given to acquire property, plant and equipment are recorded as non-current assets and subsequently transferred to CWIP on acquisition of related assets.

**(d) Intangible assets**

Intangible assets are initially recognized at cost. Following initial recognition, intangible assets with finite useful life are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated Statement of Profit and Loss in the period in which the expenditure is incurred.

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated Statement of Profit and Loss when the asset is derecognized.

**Goodwill**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

| <b>Name of intangible assets</b>    | <b>Estimated useful life (in years)</b> |
|-------------------------------------|-----------------------------------------|
| Computer software                   | 3 to 7                                  |
| License fees                        | 3 to 7                                  |
| Technical knowhow/ engineering fees | 3 to 7                                  |

**(e) Bearer plant**

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Bearer plants mainly include mature and immature pomegranate plantations. Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, fertilising and maintenance, and an allocation of other indirect costs based on planted hectares.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(e) Bearer plant (continued)**

Mature plantations are stated at acquisition cost less accumulated depreciation and impairment. Mature plantations are depreciated on a straight-line basis and over its estimated useful life of 6 years, upon commencement of commercial production.

The carrying values of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits. A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the income statement in the year the bearer plant is derecognized.

##### **(f) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use, are capitalised as a part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Investment income earned on the temporary investment of specific borrowings is deducted from the borrowing costs eligible for capitalisation.

##### **(g) Investment property**

Investment properties are land and buildings that are held for long term lease rental yields and/ or for capital appreciation. Investment properties are initially recognised at cost including transaction costs. Subsequently investment properties comprising buildings are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on buildings is provided over the estimated useful lives as specified in note (c) above. The residual values estimated useful lives and depreciation method of investment properties are reviewed, and adjusted on prospective basis as appropriate, at each reporting date. The effects of any revision are included in the consolidated Statement of Profit and Loss when the changes arise.

An investment property is de-recognised when either the investment property has been disposed of or do not meet the criteria of investment property i.e. when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated Statement of Profit and Loss in the period of de-recognition.

##### **(h) Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less cost to sell. Non-current assets classified as held for sale are not depreciated or amortised from the date when they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets and liabilities in the consolidated balance sheet.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(i) Foreign currency transactions and balances**

The functional currency of the Group (i.e. the currency of the primary economic environment in which the Group operates) is the Indian Rupee (Rs.). On initial recognition, all foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Monetary assets and liabilities, denominated in a foreign currency, are translated at the exchange rate prevailing on the Balance Sheet date and the resultant exchange gains or losses are recognised in the consolidated Statement of Profit and Loss.

##### **Foreign operations**

Assets and liabilities of entities with functional currencies other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the Balance Sheet date. The Statement of Profit and Loss has been translated using the average exchange rates. The net impact of such translation are recognised in OCI and held in foreign currency translation reserve ('FCTR'), a component of Equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control, over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to the consolidated Statement of Profit and Loss as part of the gain or loss on disposal.

In case of a partial disposal of interests in a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to NCI and are not recognised in the consolidated Statement of Profit and Loss. For all other partial disposal (i.e. partial disposals of joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated Statement of Profit and Loss.

##### **(j) Financial instruments**

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### *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 Group 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 (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

## **2.3 Summary of significant accounting policies (continued)**

### **(j) Financial instruments (continued)**

#### *Debt instruments at amortised cost*

A 'debt instrument' is measured at the 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. After initial measurement, 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 other income in the consolidated Statement of Profit and Loss. The losses arising from impairment are recognised in the consolidated Statement of Profit and Loss. This category generally applies to trade and other receivables.

#### *Debt instrument at FVOCI*

A 'debt instrument' is classified as at the FVOCI 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 FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified to the consolidated Statement of Profit and Loss. Interest earned whilst holding FVOCI debt instrument is reported as interest income using the EIR method.

#### *Debt instrument at FVPL*

FVPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVOCI, is classified as at FVPL. In addition, the Group may elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVPL category are measured at fair value with all changes recognised in the consolidated Statement of 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 and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable. If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the consolidated Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity. Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the consolidated Statement of Profit and Loss.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(j) Financial instruments (continued)**

###### *Impairment of financial assets*

The Group recognizes loss allowance using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all financial assets with contractual cash flows other than trade receivable, ECLs are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of ECLs (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as an impairment gain or loss in the consolidated Statement of Profit and Loss.

###### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group 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 Group continues to recognise the transferred asset to the extent of the Group continuing involvement. In that case, the Group 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 Group has retained.

###### *Financial liabilities*

Financial liabilities are classified and measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in consolidated Statement of Profit and Loss. Any gain or loss on derecognition is also recognized in consolidated Statement of Profit and Loss.

###### *Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

**Deepak Fertilisers and Petrochemicals Corporation Limited**  
**Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

**2.3 Summary of significant accounting policies (continued)**

**(j) Financial instruments (continued)**

*Derecognition*

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 consolidated Statement of Profit and Loss.

*Derivative financial instruments*

The Group uses various types of derivative financial instruments to hedge its currency and interest risk etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

*Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the consolidated Balance Sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*Financial guarantee contracts*

Financial guarantee contracts are recognised as a financial liability at the time of issuance of guarantee. The liability is initially measured at fair value and is subsequently measured at the higher of the amount of loss allowance determined, or the amount initially recognised less, the cumulative amount of income recognised.

*Fair value of financial instruments*

In determining the fair value of its financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value.

**(k) Leases**

The Group has adopted Ind AS 116 effective from 1 April 2019 using the modified retrospective approach. For the purpose of preparation of condensed consolidated financial statements, management has evaluated the impact of change in accounting policies required due to adoption of Ind AS 116 for year ended 31 March 2020. Accordingly, the Group has not restated comparative information and there is no adjustment to opening retained earnings as at 1 April 2019, except overseas subsidiary wherein cumulative impact of applying Ind AS 116 has been recognized in equity as an adjustment to the opening balance of retained earnings for the current period.

The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a define period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Group assesses whether: (i) the contact involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(k) Leases (continued)**

As a lessee, the Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments and lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group has applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.

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.

##### **(l) Inventories**

- Raw materials, packing materials and stores and spares are valued at the lower of cost and net realisable value. Cost is determined on the basis of moving weighted average method. The aforesaid items are valued below cost if the finished products in which they are to be incorporated are expected to be sold at a loss.
- Finished goods and by-products including those held for captive consumption are valued at the lower of cost and net realisable value. Cost is determined on actual cost basis. Cost of finished goods includes taxes and duties, as applicable. Variances, exclusive of abnormally low volume and operating performance, are adjusted to inventory. Stock-in-trade is valued at lower of cost and net realisable value.
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(m) Impairment of non-financial assets**

The Group 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 Group estimates the assets' recoverable amount. An assets' recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cashflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and it is written down to its recoverable amount. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken in account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded entities or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment loss no longer exist or has decreased. If such indication exists, the Group estimates the assets' or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets' recoverable amount, since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated Statement of Profit and Loss.

##### **(n) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, 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.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated Statement of Profit and Loss, net of any reimbursements.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(o) Employee benefits**

Employee benefits consist of provident fund, superannuation fund, gratuity fund, compensated absences, long service awards, post-retirement medical benefits, directors' retirement obligations and family benefit scheme.

##### **Post-employment benefit plans**

###### **Defined contribution plans**

Payments to a defined contribution retirement benefit scheme for eligible employees in the form of provident fund and superannuation fund are charged as an expense as they fall due. Such benefits are classified as Defined Contribution Schemes as the Group does not carry any further obligations, apart from the contributions made.

###### **Defined benefit plans**

For defined benefit schemes in the form of gratuity fund, the cost of providing benefits is actuarially determined using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date. The retirement benefit obligation recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. The present value of the said obligation is determined by discounting the estimated future cash outflows, using market yields of government bonds of equivalent term and currency to the liability. The interest income / (expense) are calculated by applying the discount rate to the net defined benefit liability or asset. The net interest income / (expense) on the net defined benefit liability is recognised in the consolidated Statement of Profit and Loss. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling (if any), are recognised immediately in the consolidated Balance Sheet with a corresponding charge or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to the consolidated Statement of Profit and Loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated Statement of Profit and Loss as past service cost.

###### **Short-term employee benefits**

The short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave and performance incentives which are expected to occur within twelve months after the end of the period in which the employee renders the related services.

The cost of compensated absences is accounted as under:

- (a) In case of accumulating compensated absences, when employees render service that increase their entitlement of future compensated absences; and
- (b) In case of non - accumulating compensated absence, when the absences occur.

## **2.3 Summary of significant accounting policies (continued)**

### **(o) Employee benefits (continued)**

#### **Other long-term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability. The cost of providing benefits is actuarially determined using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date. Long Service Awards are recognised as a liability at the present value of the obligation at the Balance Sheet date. All gains/losses due to actuarial valuations are immediately recognised in the consolidated Statement of Profit and Loss.

### **(p) Derivative financial instruments**

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship which is designated.

Cash flow hedges that qualify for hedge accounting: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in 'other comprehensive income' in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated Statement of Profit and Loss. Amounts accumulated in equity are reclassified to the consolidated Statement of Profit and Loss in the periods in which the hedged item affects the profit or loss.

Derivatives that are not designated as hedges: The Group enters into certain derivative contracts to hedge foreign exchange risks which are not designated as hedges. Such derivative contracts are accounted for at each reporting date at fair value through the consolidated Statement of Profit and Loss.

### **(q) Cash and cash equivalents**

Cash and cash equivalents 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### **(r) Cash dividend**

The Group recognizes a liability to make cash distributions to equity shareholders when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders of the Group.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(s) Income taxes**

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities in accordance with the Income Tax Act, 1961. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized outside profit and loss is recognized outside profit and loss (either in other comprehensive income or in equity). Current tax items are recognized 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 income 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 recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets on deductible temporary differences, the carry forward of unused tax credits and any unused tax losses are recognized to the extent that there is reasonably certainty that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become reasonably certain 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 or 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 recognized outside profit and loss is recognized outside profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Minimum Alternate Tax (MAT).

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(s) Income taxes (continued)**

Minimum Alternate Tax paid as per Indian Income Tax Act, 1961 is in the nature of unused tax credits which can be carried forward and utilized when the Group will pay normal income tax during the specified period. Deferred tax asset on such tax credit is recognized to the extent that it is probable that the unused tax credit can be utilized in the specified future period. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

##### **(t) Earnings per share**

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

##### **(u) Segment reporting**

Based on the "Management approach" as defined in Ind AS 108: Operating Segments, the Chief Operating Decision Maker evaluates the Group performance and allocates resources based on an analysis of various performance indicators by business segments. Inter-segment sales and transfers are reflected at market prices.

##### *Segment policies*

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the condensed consolidated financial statements as a whole. Common allocable costs are allocated to each segment on an appropriate basis. Revenues, expenses, assets and liabilities, which are common to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been treated as "unallocated revenues/expenses/ assets/ liabilities", as the case may be.

##### **(v) Business combinations**

The Group accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in the consolidated statement of profit and loss, as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date except deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements, which are recognised and measured in accordance with Ind AS 12 Income taxes and Ind AS 19 Employee benefits.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of NCI in the acquiree and the fair value of acquirer's previously held equity instrument in the acquire (if any) over the net of acquisition date fair value of identifiable net assets acquired and liabilities assumed. Where the fair values of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(v) Business combinations (continued)**

The interest of non-controlling shareholders is initially measured either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting in a contingent consideration arrangement, such contingent consideration, on the acquisition date is measured at fair value and included as a part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments, are adjusted retrospectively, with corresponding adjustments against goodwill or capital reserve as the case may be. Measurement period adjustments are adjustments that arise from additional information during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as the measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates with the corresponding gain or loss being recognised in consolidated statement of profit and loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in consolidated Statement of Profit and Loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated Statement of Profit and Loss where such treatment would be appropriate if that interest were disposed off.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amount for the items for which the accounting is incomplete. Those provisional amount are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amount recognised at that date.

Changes in the proportion of the equity held by NCI are accounted for as equity transactions. The carrying amount of the controlling interests and NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

The Group accounts for the common control transactions in accordance with the 'pooling of interests' method prescribed under Ind AS 103 – Business Combinations for common control transactions where all the assets and liabilities of transferor companies would be recorded at the book value as at the Appointed date.

## **Deepak Fertilisers and Petrochemicals Corporation Limited**

### **Notes to the condensed consolidated financial statements for the period ended 30 June 2020**

#### **2.3 Summary of significant accounting policies (continued)**

##### **(w) Contingent Liability and Contingent Assets**

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 not wholly within the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of economic 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. The Group does not recognize a contingent liability but discloses its existence in the condensed consolidated financial statements.

A contingent asset is not recognized unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the condensed consolidated financial statements.

Contingent liabilities and contingent assets are reviewed at each balance sheet date.

##### **(x) Changes in significant accounting policies**

There have been no changes in accounting policies during the Financial year 2019-20, except for implementation of Ind AS 116 as described in point 2.3 (k) of accounting policies.

##### **(y) Recent Indian Accounting Standard (Ind AS) and note on COVID-19**

###### **i) Recent accounting pronouncements which are not yet effective**

The Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There are no such notifications which would be applicable from 1 July 2020.

###### **ii) Note on COVID-19**

In view of the lockdown across the country due to the outbreak of COVID pandemic, operations in many of the Group's locations (manufacturing, warehouses, offices, etc.) are scaled down or shut down in compliance with the directives/ orders issued by the local Panchayat/Municipal Corporation/State/Central Government authorities. International businesses are operating under local guidelines for social distancing and high hygiene standards.

As per management's current assessment, no significant impact on carrying amounts of inventories, intangible assets, trade receivables, investments and other financial assets is expected, and management will continue to monitor changes in future economic conditions. The eventual outcome of the impact of the global health pandemic may be different from those estimated as on the date of approval of these condensed consolidated financial statements.