



Date: October 09, 2020

The Manager (CRD) <b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400001 <b>Scrip Code : 530117</b>	The Manager – Listing Department <b>National Stock Exchange of India Limited</b> Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051 <b>Symbol: FAIRCHEM</b>
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Dear Sir / Madam,

**Sub: 35<sup>TH</sup> Annual General Meeting (AGM) of the Company to be held through video conferencing (VC) /other Audio-visual means (OAVM) on Monday, November 02, 2020 at 3.00 p.m.**

We wish to inform you that the 35<sup>th</sup> Annual General Meeting of the Company will be held on Monday, November 02, 2020 at 3.00 p.m. through video conferencing (VC) /other Audio-visual means (OAVM).

In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its Circular No. 20 dated May 5, 2020 read with Circular No. 14 dated April 8, 2020 and Circular No. 17 dated April 13, 2020 (hereinafter collectively referred to as “MCA Circulars”) permitted the holding of Annual General Meeting through VC or OAVM without the physical presence of Members at a common venue. In compliance with these MCA Circulars and the relevant provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the AGM of the Members of the Company is being held through VC/OAVM.

In terms of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith a copy of the Notice of 35<sup>th</sup> AGM of the Company, along with the Annual Report and the same is being sent to the Shareholders simultaneously on their registered e-mail address. Notice of AGM and Annual Report is also placed on the website of the Company at [www.privi.com](http://www.privi.com)

In order to enable ease of participation of the Members, we are providing below the key details regarding the AGM Remote e-voting will commence from Friday, October 30, 2020 @ 9.00 a.m. and shall end on Sunday, November 01, 2020 @ 5.00 p.m.



**PRIVI SPECIALITY CHEMICALS LIMITED**

(Formerly known as Fairchem Speciality Limited)

**Knowledge Centre & Regd. Office :** Privi House, A-71, TTC, Thane Belapur Road, Near Kopar Khairane Railway Station, Navi Mumbai - 400 709, India | Tel. : +91 22 68713200 / 33043500 / 33043600 | Fax : +91 22 27783049  
Email : [enquiry@privi.co.in](mailto:enquiry@privi.co.in) | Web : [www.privi.com](http://www.privi.com) | CIN : L15140MH1985PLC286828





Sr. No.	Particulars	Details
1.	Link for live webcast of the Annual General Meeting and for participation through VC / OAVM	<a href="https://instameet.linkintime.co.in/">https://instameet.linkintime.co.in/</a>
2.	Link for remote e-voting	<a href="https://instavote.linkintime.co.in">https://instavote.linkintime.co.in</a>
3.	Helpline Number for VC participation and e-voting	Email: <a href="mailto:instameet@linkintime.co.in">instameet@linkintime.co.in</a> Tel: 022 – 49186175
4.	Cut-off for e-voting	Tuesday, October 27, 2020
5.	Book Closure dates	Tuesday, October 27, 2020
6.	Registrar and Share Transfer Agent Contact details	Link Intime India Private Limited Tel: 022 -49186000, <a href="mailto:enotices@linkintime.co.in">enotices@linkintime.co.in</a>
7.	Company's Contact details	Tel: 022 – 687132000 / 33043500 / 33043600

We request you to take the above on record and oblige.

Thanking you,

Yours sincerely,

**For Privi Speciality Chemicals Limited**

**(Formerly known as Fairchem Speciality Limited)**

  
**Ramesh Kathuria**  
Company Secretary



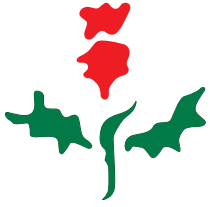
Encl: As above



## PRIVI SPECIALITY CHEMICALS LIMITED

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## PRIVI SPECIALITY CHEMICALS LIMITED

(Formerly known as Fairchem Speciality Limited)

**CIN: L15140MH1985PLC286828**

**Registered Office:** 'Privi House', A-71 TTC – Thane Belapur Road, Near Kopar Khairne Railway Station, Navi Mumbai, Mumbai City – 400 709. Maharashtra

### NOTICE

NOTICE is hereby given that the Thirty fifth Annual General Meeting of the Members of PRIVI SPECIALITY CHEMICALS LIMITED (Formerly known as Fairchem Speciality Limited) will be held through video conferencing (VC) /other Audio visual means (OAVM) on Monday, **November 02, 2020 at 03.00 p.m.** to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements of the Company for Financial year ended March 31, 2020 along with the Directors' Report and Auditors' Report thereon.
2. To declare final Dividend of Rs. 1.50 (15%) per equity share of face value of Rs. 10 each for the financial year ended on March 31, 2020.
3. To appoint a Director in place of Mr. Sumit Maheshwari (DIN 06920646), who retires by rotation and being eligible, offers himself for re-appointment.

#### SPECIAL BUSINESS:

4. Ratification of Cost Auditor's remuneration for the Financial year ending March 31, 2021

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Company hereby ratifies the remuneration of Rs. 5,50,000/- (Rupees Five Lakhs Fifty Thousand Only) plus applicable taxes and out of pocket expenses payable to M/s. Kishore Bhatia & Associates (Firm Registration Number 00294), Cost Accountants, who have been appointed by the Board of Directors on the recommendation of the Audit Committee, as Cost Auditors of the Company, to conduct the audit of cost records maintained by the Company as prescribed under the Companies (Cost Records and Audit) Rules 2014 for the financial year ending March 31, 2021."

5. Ratification of appointment of Statutory Auditors to fill Casual Vacancy

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**

**"RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 as amended from time to time (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force), the Company hereby ratifies the appointment of M/s. B S R & Co, LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022) who were appointed as Statutory Auditors of the Company by the Board of Directors at its meeting held on August 17, 2020, to fill the casual vacancy caused by the resignation of M/s. Price Waterhouse & Co., LLP, Chartered Accountants, and who hold office upto the conclusion of this Annual General Meeting at a remuneration mutually agreed upon between the Board of Directors and the Statutory Auditors."

6. Appointment of M/s. B S R & Co, LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022) as Statutory Auditors of the Company.

**To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**

**"RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 ('Act') as amended from time to time including any statutory modifications or amendment thereto or re-enactment thereof for the time being in force, M/s. B S R & Co, LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), who have given their consent and certificate pursuant to the said provisions of the Act, be and are hereby appointed as Statutory Auditors of the Company for a term of five years from the conclusion of this 35th Annual General Meeting till the conclusion of the 40th Annual General Meeting to be held in the year 2024-25 at such remuneration as may be mutually agreed upon between the Board of Directors and the Statutory Auditors."

**"RESOLVED FURTHER THAT** the Board of Directors (including a Committee thereof) and the Company Secretary of the Company be and is hereby authorized to do all such acts, deeds and take such steps as may be considered necessary and expedient to give effect to the foregoing resolution."

7. Alteration in Memorandum of Association of the Company pertaining to Objects Clause.

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**“RESOLVED THAT** pursuant to the provisions of Section 13 of the Companies Act, 2013 (‘the Act’) read with Companies (Incorporation) Rules, 2014 and any other applicable provisions, including any modification(s) thereto or re-enactment(s) thereof for the time being in force and subject to the approval of the Registrar of Companies, Maharashtra, Mumbai the approval of the shareholders be and is hereby granted for the alteration of the Objects Clause (Clause III) of the Memorandum of Association of the Company in the following manner –

(i) Main Objects Clause [Clause (III)(A)]

1. To manufacture, buy, sell and otherwise deal in Organic Chemicals, Silicas, Inorganic Chemicals and their intermediaries, including manufacture & trade of food additives, food flavouring and food ingredients.
2. To produce, extract, store, buy, sell, import and export organic chemicals, inorganic chemicals, silicas, silicates, phosphates and their intermediaries or obtain from or through any organic or inorganic chemicals.
3. To carry on the business of the chemical manufacturers, analytical chemists, importers, exporters and manufacturers and dealers in heavy chemicals, drugs, essences, cordials, acids, alkali, dyes and dye intermediaries, auxiliaries, colors, dyes, paints, varnishes, biochemicals and Nutraceuticals, medicinal, bleaching, photographic and other preparations and such other related products. mineral and other waters, oil, paints, pigments and varnishes, drugs, paint and colours, grinders, makers of and dealers in proprietary articles.

Sub-clause 3(a)

To carry out (whether as principal or agent) all or any of the businesses of manufacturing, blending, mixing, preparing, supplying, developing, refining, storing, distributing, marketing, importing, exporting, buying, selling, dealing in (whether by wholesale or retail) and research and development in the applications of biotechnological processes to all products (whether of animal, vegetable, mineral or micro-organism origin) including but not limited to materials, flavours, fragrances, essences, oils, preservatives, substances and ingredients for food, cosmetics, pharmaceutical, medicinal or chemical products and to establish, acquire, maintain laboratories, pilot plants, manufacturing facilities and carry on research, development, experiment, production, manufacture, transport, analytical testing and other works relating to the biotechnological and allied products.

(ii) Ancillary Objects Clause [Clause (III)(B)]

(Adoption of fresh Ancillary Objects Clause as per the statement annexed to this notice and forming part of this resolution)”

**“RESOLVED FURTHER THAT** Mr. Mahesh P Babani, Chairman & Managing Director, Mr. Bhaktavatsala Rao Doppalapudi, Executive Director, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or incidental thereto to give effect to the resolution including filing of all the necessary e-forms with the office of the Registrar of Companies, Maharashtra, Mumbai, in connection with the alteration of Memorandum of Association and matters related thereto.”

8. Adoption of new set of Articles of Association of the Company.

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**“RESOLVED THAT** pursuant to the provisions of Section 14 of the Companies Act, 2013, and other applicable provisions read with the rules and regulations made there under including any amendment, re-enactment or statutory modification thereof, the new set of Articles of Association be and are hereby approved and adopted in substitution for, and to the exclusion, of the existing Articles of Association of the Company.”

**“RESOLVED FURTHER THAT** Mr. Mahesh P Babani, Chairman & Managing Director, Mr. Bhaktavatsala Rao Doppalapudi, Executive Director, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or incidental thereto to give effect to the resolution including filing the necessary e-forms with the office of the Registrar of Companies, Maharashtra, Mumbai, in connection with the adoption of Articles of Association and matters related thereto.”

9. Remuneration payable to Mr. Mahesh P Babani, Chairman & Managing Director

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 (‘Act’) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and such other approvals, permissions and sanctions as may be required and in accordance with the Articles of Association of the Company and as per the recommendation of the Nomination and Remuneration Committee, consent of the members be and is hereby accorded for payment of remuneration to Mr. Mahesh P Babani (DIN 00051162) as Chairman and Managing Director of the Company during the tenure of his appointment,

an amount of Rs. 5,00,00,000/- (Rupees Five Crores only) per annum plus perquisites and benefits as specified in the Explanatory Statement annexed to this Notice (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during his tenure), with liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions of the said appointment including remuneration in such manner as may be agreed to between the Board and Mr. Mahesh P Babani as per the Key Employee Agreement and within the overall maximum remuneration payable to Mr. Babani in accordance with the Act."

**"RESOLVED FURTHER THAT** any of the Directors, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or incidental thereto to give effect to the resolution including filing the necessary e-forms with the office of the Registrar of Companies, Maharashtra, Mumbai."

10. Appointment and fixation of remuneration payable to Mr. Bhaktavatsala Rao Doppalapudi as Executive Director.

**To consider and if thought fit, to pass with or without modification (s) the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 ('Act') and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and such other approvals, permissions and sanctions as may be required and in accordance with the Articles of Association of the Company and as per the recommendation of the Nomination and Remuneration Committee, consent of the members be and is hereby accorded for the appointment of Mr. Bhaktavatsala Rao Doppalapudi (DIN 00356218) as the Executive Director of the Company for a period of 3 (three) years with effect from August 13, 2020 and payment of remuneration of Rs. 2,10,00,000/- (Rupees Two Crores and Ten Lakhs only) per annum, upon the terms and conditions set out in the Explanatory Statement annexed to the Notice (including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the aforesaid period), with liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary terms and conditions of the said appointment including remuneration in such manner as may be agreed to between the Board and Mr. Bhaktavatsala Rao Doppalapudi as per the Key Employee Agreement and within the overall maximum remuneration payable to Mr. Bhaktavatsala Rao Doppalapudi in accordance with the Act."

**"RESOLVED FURTHER THAT** any of the Directors, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or incidental thereto to give effect to the resolution including filing of all the necessary e-forms with the office of the Registrar of Companies, Maharashtra, Mumbai."

11. Continuation of Mr. Dwarko Topandas Khilnani (DIN: 01824655) as Independent Director of the Company for the period upto March 31, 2024

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 (together referred as 'the Regulations') and all other applicable provisions, Mr. Dwarko Topandas Khilnani (DIN: 01824655), who was appointed as a Non-executive Independent Director by the Board of Directors of the Company on August 17, 2020 to fill the casual vacancy caused due to resignation of Mr. Viren Ajit Joshi (DIN 01331107), Non-executive Independent Director, and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible to continue as Independent Director of the Company, be and is hereby appointed as a Non-executive Independent Director of the Company not liable to retire by rotation, for the period upto March 31, 2024, notwithstanding that he has attained the age of 77 years as on date of Appointment."

**"RESOLVED FURTHER THAT** any of the Directors, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to take all such actions and do all such things as may be required from time to time in connection with the above resolution and matters related thereto."

12. Continuation of Mrs. Anuradha Eknath Thakur (DIN: 06702919) as Independent Director of the Company for the period upto March 31, 2025

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act and pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Securities and Exchange Board of India (Listing Obligations and

Disclosure Requirements) (Amendment) Regulations, 2018 (together referred as 'the Regulations') and all other applicable provisions, Mr. Anuradha Eknath Thakur (DIN: 06702919), who was appointed as a Non-executive Independent Director of the Company by the Board of Directors of the Company on August 17, 2020 to fill the casual vacancy caused due to the resignation of Mrs. Radhika Carlton Pereira (DIN 00016712), Non-executive Independent Director, and who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and is eligible to continue as Independent Director of the Company, be and is hereby appointed as a Non-executive Independent Woman Director of the Company not liable to retire by rotation, for the period upto March 31, 2025, notwithstanding that she attains the age of 75 years during her tenure."

**"RESOLVED FURTHER THAT** any of the Directors, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to take all such actions and do all such things as may be required from time to time in connection with the above resolution and matters related thereto."

13. Borrowing limits pursuant to Section 180 (1) (c) of the Companies Act, 2013

**To consider and if thought fit, to pass with or without modification (s) the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to Section 180(1)(c) and other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Company, consent of the members be and is hereby accorded to the Board of Directors (hereinafter referred to as the "Board", which expression shall also include a Committee thereof) of the Company to borrow for the purpose of business of the Company, such sum(s) of money (in foreign currency or Indian rupee) from time to time with or without security on such terms and conditions as the Board may think fit, notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by the Company and remaining outstanding at any time, if any, (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set aside for any specific purpose, provided that the total amount so borrowed by the Board and outstanding shall not exceed Rs. 300,00,00,000/- (Rupees Three Hundred Crores only) or the aggregate of paid-up share capital of the Company and its free reserves, for the time being, whichever is higher."

**"RESOLVED FURTHER THAT** the Board of Directors and / or the Company Secretary of the Company be and is hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable to give effect to the resolution."

14. Creation of Charge / Security on the Assets of the Company pursuant to Section 180 (1) (a) of the Companies Act, 2013

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Articles of Association of the Company, consent of the members be and is hereby accorded to the Board of Directors (hereinafter referred to as the "Board", which expression shall also include a Committee thereof) of the Company for mortgaging and/or charging of all the immovable and/or movable properties of the Company, wheresoever situated, both present and future and/or whole or substantially the whole of the undertaking(s) of the Company in favour of any of the public or private financial institutions, investment institutions and their subsidiaries, Public Sector Banks, Private Sector Banks, Mutual Funds, any other companies or bodies corporate and any other lenders (hereinafter referred to as 'lending agencies') and/or Trustees for the holders of debentures/bonds/other instruments which may be issued, on pari-passu basis or otherwise not exceeding Rs. 300,00,00,000/- (Rupees Three Hundred Crores only) or the aggregate of paid-up share capital of the Company and its free reserves for the time being, whichever is higher, to secure the borrowings together with interest thereon on agreed rates, further interest, liquidated damages, premium on repayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the Trustees under the Trust Deeds and/or to the lending agencies under the respective agreements / debenture trust deeds entered into / to be entered into by the Company in respect of the borrowings."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to finalize and execute such agreements, documents for creating mortgages / charges / hypothecations and to accept or make any alterations/changes/variations to or in the terms and conditions and to do all such acts, deeds, matters and things as it may consider necessary, desirable or expedient for the purpose of giving effect to this Resolution including filing the necessary e-forms with the office of the Registrar of Companies, Maharashtra, Mumbai and to resolve any question or doubt arising thereto, or otherwise considered by the Board of Directors to be in the best interest of the Company."

15. Limits for giving Loan(s), Guarantee(s), to provide securities or to make Investment(s) pursuant to Section 186 of the Companies act, 2013

**To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

**"RESOLVED THAT** pursuant to the provisions of Section 186 of the Companies Act, 2013 ("the Act") read with the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable provisions, if any, of the Act (including any modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include, unless the context otherwise requires, any committee of the Board or any officer(s) authorized by the Board to exercise the powers conferred on the Board under this resolution), to (i) give any loan to any person or other body corporate; (ii) give any guarantee or provide any security in connection with a loan to any other body

corporate or person and (iii) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate, as they may in their absolute discretion deem beneficial and in the interest of the Company, subject however that the aggregate of the loans and investments so far made in and the amount for which guarantees or securities have so far been provided to all persons or bodies corporate along with the additional investments, loans, guarantees or securities proposed to be made or given or provided by the Company, from time to time, in future, shall not exceed

- a) An aggregate amount of Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores only); OR
- b) 60% of the paid-up share capital, free reserves and securities premium account of the Company or 100% of free reserves and securities premium account of the Company, whichever is more, as prescribed under Section 186 of the Act.”

“**RESOLVED FURTHER THAT** Mr. Mahesh P Babani, Chairman & Managing Director, Mr. Bhaktavatsala Rao Doppalapudi, Executive Director, Mr. Narayan Iyer, Chief Financial Officer and Mr. Ramesh Kathuria, Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things as may be necessary or incidental thereto to give effect to the resolution including filing of all the necessary e-forms with the office of the Registrar of Companies, Maharashtra, Mumbai.”

**Registered Office:**

‘Privi House’, Plot No. A- 71 TTC, Thane Belapur Road,  
Near Kopar Khairne Railway Station, Navi Mumbai,  
Mumbai City-400709, Maharashtra  
CIN: L15140MH1985PLC286828

**By Order of the Board  
For PRIVI SPECIALITY CHEMICALS LIMITED  
(Formerly known as Fairchem Speciality Limited)**

**Navi Mumbai  
August 17, 2020**

**Ramesh Kathuria  
Company Secretary  
ACS No.: 11214**

**NOTES:**

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs (“MCA”) has vide its Circular No. 20 dated May 5, 2020 read with Circular No. 14 dated April 8, 2020 and Circular No. 17 dated April 13, 2020 (hereinafter collectively referred to as “MCA Circulars”) permitted the holding of Annual General Meeting through VC or OAVM without the physical presence of Members at a common venue. In compliance with these MCA Circulars and the relevant provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Annual General Meeting of the Members of the Company is being held through VC/OAVM.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, October 28, 2020 To Date Monday, November 02, 2020 (both days inclusive) for the purpose of Annual General Meeting and Payment of Dividend.
3. Pursuant to the provisions of the Companies Act, 2013 (‘the Act’), a Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the Annual General Meeting and hence the Proxy Form and Attendance Slip are not annexed to the Notice.
4. Institutional/Corporate Shareholders (i.e. other than individuals/HUF, NRI, etc) are required to send a scanned copy (PDF/JPEG Format) of its Board Resolution or governing body Resolution/Authorisation etc., authorizing its representative to attend the Annual General Meeting through VC/OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Company at [investors@privi.co.in](mailto:investors@privi.co.in).
5. Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
6. An Explanatory statement pursuant to Section 102 (1) of the Act, in respect of item Nos. 3 to 15 of the Notice as set out above is annexed hereto.
7. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.
8. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, and the relevant documents referred to in the Notice will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available electronically for inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM. Members seeking to inspect such documents can send an email to [investors@privi.co.in](mailto:investors@privi.co.in).
9. The draft of Memorandum and Articles of Association, as approved by the Board at its meeting held on August 17, 2020 will also be available on the website of the Company i.e [www.privico.com](http://www.privico.com) for the inspection by the Members.
10. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before Tuesday, October 27, 2020 through email on [investors@privi.co.in](mailto:investors@privi.co.in) The same will be replied by the Company suitably.

11. Brief Particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting is provided at Annexure - A to this Notice as prescribed under Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India (ICSI).
12. Any person, who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. Wednesday, October 07, 2020, may obtain the login ID and password by sending a request at [mt.helpdesk@linkintime.co.in](mailto:mt.helpdesk@linkintime.co.in)
13. The Dividend on Equity shares, if declared at the Annual General Meeting shall be paid to those Members
  - a) whose names shall appear as Member in the Company's Register of Members on October 27, 2020 after giving effect to the valid share transfers on or before October 27, 2020.
  - b) In respect of the shares held in dematerialized form, the dividend will be paid to the Members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on close of business hours of October 27,2020.
14. Pursuant to the provisions of Section 125 of the Companies Act, 2013 the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company, is required to be transferred to the Investor Education and Protection Fund (IEPF), set up by the Government of India. Kindly note that once unclaimed and unpaid dividends are transferred to the IEPF, Members will have to approach IEPF for such dividend.
15. Members holding shares in Electronic form are requested to intimate any changes in their registered address, name, PAN details, etc. to their Depository Participant (DP) with whom they are maintaining their demat account. Members holding shares in physical form are requested to intimate any such change to the Company or its RTA (M/s. Link Intime India Pvt. Ltd.)
16. Registration of email ID and Bank Account details:

In case the shareholder's email ID is already registered with the Company / its Registrar & Share Transfer Agent "RTA"/ Depositories, the log in details for e-voting are being sent on the registered email address.

In case the shareholder has not registered his/her/their email address with the Company/its RTA/Depositories and have not updated the Bank Account mandate for receipt of dividend, the following instructions are to be followed:

**a. In case of Shares held in Physical Mode:**

The Shareholder may send a request quoting its Folio No. to RTA by email at [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

**b. In the case of Shares held in Demat Mode:**

The shareholder may please contact the Depository Participant ("DP") and register the email address and bank account details in the demat account as per the process followed and advised by the DP.

17. Members may note that the Income Tax Act, 1961, ("the IT Act") as amended by the Finance Act, 2020, mandates that dividends paid or distributed by a company after April 01, 2020 shall be taxable in the hands of members. The Company shall therefore be required to deduct tax at source (TDS) at the time of making the payment of final dividend. In order to enable us to determine the appropriate TDS rate as applicable, members are requested to submit the following documents in accordance with the provisions of the IT Act. For resident shareholders, taxes shall be deducted at source under Section 194 of the IT Act as follows
  - Members having valid PAN- 7.5% or as notified by the Government of India
  - Members not having PAN / valid PAN- 20% or as notified by the Government of India

However, no tax shall be deducted on the dividend payable to a resident individual if the total dividend to be received by them during Financial Year 2020-21 does not exceed Rs. 5,000 and also in cases where members provide Form 15G / Form 15H (applicable to individuals aged 60 years or more) subject to conditions specified in the IT Act. Resident shareholders may also submit any other document as prescribed under the IT Act to claim a lower / Nil withholding tax. Registered members may also submit any other document as prescribed under the IT Act to claim a lower / Nil withholding tax. PAN is mandatory for members providing Form 15G / 15H or any other document as mentioned above.

For non-resident shareholders, taxes are required to be withheld in accordance with the provisions of Section 195 and other applicable sections of the IT Act, at the rates in force. The withholding tax shall be at the rate of 20% (plus applicable surcharge and cess) or as notified by the Government of India on the amount of dividend payable. However, as per Section 90 of the IT Act, non-resident shareholders have the option to be governed by the provisions of the Double Tax Avoidance Agreement (DTAA) between India and the country of tax residence of the member, if they are more beneficial to them. For this purpose, i.e. to avail the benefits under the DTAA, non-resident shareholders will have to provide the following : Copy of the PAN card allotted by the Indian Income Tax authorities duly attested by the member Copy of Tax Residency Certificate (TRC) for the FY 2020- 21 obtained from the revenue authorities of the country of tax residence, duly attested by member Self declaration in Form 10F Self-declaration by the shareholder of having no permanent establishment in India in accordance with the applicable tax treaty Self-declaration of beneficial ownership by the non-resident shareholder Any other documents as prescribed under the IT Act for lower withholding of taxes if applicable, duly attested by member.

In case of Foreign Institutional Investors / Foreign Portfolio Investors, tax will be deducted under Section 196D of the IT Act @ 20% (plus applicable surcharge and cess). The aforementioned documents are required to be submitted at [investors@privi.co.in](mailto:investors@privi.co.in) by the shareholders on or before the record date i.e. Monday, October 27, 2020.

18. In compliance with the aforesaid MCA Circulars and SEBI Circular dated 12th May, 2020, Notice of the 35th AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.privi.com](http://www.privi.com), websites of the Stock Exchange and on the website of CDSL at [www.evotingindia.com](http://www.evotingindia.com). Members who have not registered their email address with the Company can register the same by following the procedure as mentioned in point 16 above. Post successful registration of email address, the Member will receive the soft copy of the Notice of AGM and the Annual Report.
19. The Board of Directors have appointed M/s. Rathi & Associates, Company Secretaries, Practicing Company Secretary holding COP No. 3030 to act as Scrutinizer for conducting the voting and remote e-voting process in a fair and transparent manner.
20. The Scrutinizer will submit his report to the Chairman after completion of the scrutiny. The result of the voting on the Resolutions at the meeting shall be announced by the Chairman or any other person authorized by him immediately after the results are declared. The results declared along with the Scrutinizer's report, will be posted on the website of the Company [www.privi.com](http://www.privi.com) and on the website of RTA and will be displayed on the Notice Board of the Company at its Registered Office immediately after the declaration of the results by the Chairman or any other person authorized by him and communicated to the Stock Exchanges
21. Voting through electronic means
  - The business as set out in the Notice may be transacted through electronic voting system. In compliance with the provisions of Section 108 of the Act read with the Companies [Management and Administration] Rules, 2014, Secretarial Standards - 2 issued the Institute of Companies Secretaries of India on General Meetings and in compliance with Regulation 44 of the Listing Regulations, the Company is pleased to offer the facility of voting through electronic means, as an alternate, to all its Members to enable them to cast their votes electronically. The Company has made necessary arrangements with LinkIntime India Private Limited (RTA) to facilitate the members to cast their votes from a place other than the venue of the AGM [remote e-voting].
  - A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date shall be entitled to avail the facility of remote e-voting or voting at the AGM. Persons who are not Members as on the cut-off date should treat this Notice for information purpose only.
  - The Notice will be displayed on the website of the Company [www.privi.com](http://www.privi.com) and on the website of RTA <https://instavote.linkintime.co.in/>
  - The members who have cast their vote by remote e-voting prior to AGM may also attend the AGM but shall not be entitled to cast their vote again.
  - The Members whose names appear in the Register of Members / List of Beneficial Owners prior to commencement of book closure date are entitled to vote on Resolutions set forth in the Notice. Eligible members who have acquired shares after the dispatch of the Annual Report and holding shares as on the cut-off date may approach RTA for issuance of the USER ID and Password for exercising their right to vote by electronic means.
  - The remote e-voting period will commence at 9:00 a.m.(IST) on Friday, October 30, 2020 and will end at 5:00 p.m. (IST) on Sunday, November 01, 2020. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. Tuesday, October 27, 2020 may cast their vote by remote e-voting. The e-voting module shall be disabled by RTA for voting thereafter.

### **REMOTE E-VOTING INSTRUCTIONS FOR SHAREHOLDERS**

1. Open the internet browser and launch the URL: <https://instavote.linkintime.co.in>

**Those who are first time users of LIPL e-voting platform or holding shares in physical mode have to mandatorily generate their own Password, as under:**

Click on "Sign Up" under 'SHARE HOLDER' tab and register with your following details: -

A. **User ID:** Enter your User ID

- Shareholders / Members holding shares in CDSL demat account shall provide 16 Digit Beneficiary ID.
- Shareholders / Members holding shares in NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID.
- Shareholders / members holding shares in physical form shall provide Event No + Folio Number registered with the Company

B. **PAN:** Enter your 10-digit Permanent Account Number (PAN) (Members who have not updated their PAN with the Depository Participant (DP) / Company shall use the sequence number provided to you, if applicable.

C. **DOB/DOI:** Enter the Date of Birth (DOB) / Date of Incorporation (DOI) (As recorded with your DP / Company - in DD/MM/YYYY format)

- D. **Bank Account Number: Enter your Bank Account Number (last four digits), as recorded with your DP/Company.**
- E. **Shareholders / Members holding shares in CDSL demat account shall provide either 'C' or 'D', above**
- F. **Shareholders / Members holding shares in NSDL demat account shall provide 'D', above**
- G. **Shareholders / Members holding shares in physical form but have not recorded 'C' and 'D', shall provide their Folio number in 'D' above**

Set the password of your choice (The password should contain minimum 8 characters, at least one special Character (@!#\$%&\*), at least one numeral, at least one alphabet and at least one capital letter).

Click "confirm" (Your password is now generated).

NOTE: If Shareholders/ members are holding shares in demat form and have registered on to e-Voting system of LIPL: <https://instavote.linkintime.co.in>, and/or voted on an earlier event of any company then they can use their existing password to login.

2. Click on 'Login' under '**SHARE HOLDER**' tab.
3. Enter your User ID, Password and Image Verification (CAPTCHA) Code and click on 'Submit'.
4. After successful login, you will be able to see the notification for e-voting. Select 'View' icon.
5. E-voting page will appear.
6. Refer the Resolution description and cast your vote by selecting your desired option 'Favour / Against' (If you wish to view the entire Resolution details, click on the 'View Resolution' file link).
7. After selecting the desired option i.e. Favour / Against, click on 'Submit'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'Yes', else to change your vote, click on 'No' and accordingly modify your vote.
8. Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on the e-voting system of LIPL at <https://instavote.linkintime.co.in> and register themselves as '**Custodian / Mutual Fund / Corporate Body**'. They are also required to upload a scanned certified true copy of the board resolution /authority letter/power of attorney etc. together with attested specimen signature of the duly authorised representative(s) in PDF format in the '**Custodian / Mutual Fund / Corporate Body**' login for the Scrutinizer to verify the same.

**If you have forgotten the password:**

- Click on '**Login**' under '**SHARE HOLDER**' tab and further Click '**forgot password?**'
- Enter User ID, select Mode and Enter Image Verification (CAPTCHA) Code and Click on 'Submit'.
- In case any Shareholder / Member is having valid email address, a Password will be sent to his / her registered e-mail address.
- Shareholders / Members can set the password of his/her choice by providing the information about the Security Question and Answer, PAN, DOB/DOI, Bank Account Number (last four digits) etc. as mentioned above.
- The password should contain minimum 8 characters, at least one special character (@!#\$%&\*), at least one numeral, at least one alphabet and at least one capital letter.
- It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

For Shareholders / Members holding shares in physical form, the details can be used only for voting on the resolutions contained in this Notice. During the voting period, Shareholders / Members can login any number of time till they have voted on the resolution(s) for a particular "Event."

Shareholders / Members holding multiple folios/demat account shall choose the voting process separately for each of the folios/demat account.

In case Shareholders / Members have any queries regarding e-voting, they may refer the **Frequently Asked Questions ('FAQs')** and **InstaVote e-Voting manual** available at <https://instavote.linkintime.co.in>, under **Help** section or send an email to [enotices@linkintime.co.in](mailto:enotices@linkintime.co.in) or contact on: - Tel: 022 – 4918 6000.

## Process and manner for attending the Annual General Meeting through InstaMeet:

1. Open the internet browser and launch the URL: <https://instameet.linkintime.co.in>

- ▶ Select the “**Company**” and ‘**Event Date**’ and register with your following details: -
  - A. Demat Account No. or Folio No:** Enter your 16 digit Demat Account No. or Folio No
    - Shareholders/ members holding shares in **CDSL demat account shall provide 16 Digit Beneficiary ID**
    - Shareholders/ members holding shares in **NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID**
    - Shareholders/ members holding shares in **physical form shall provide Folio Number** registered with the Company
  - B. PAN:** Enter your 10-digit Permanent Account Number (PAN) (Members who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable.
  - C. Mobile No.:** Enter your mobile number.
  - D. Email ID:** Enter your email id, as recorded with your DP/Company.
- ▶ Click “Go to Meeting” (You are now registered for InstaMeet and your attendance is marked for the meeting).

Please refer the instructions (annexure) for the software requirements and kindly ensure to install the same on the device which would be used to attend the meeting. Please read the instructions carefully and participate in the meeting. You may also call upon the InstaMeet Support Desk for any support on the dedicated number provided to you in the instruction/ InstaMEET website.

### **Instructions for Shareholders/ Members to Speak during the Annual General Meeting through InstaMeet:**

1. Shareholders who would like to speak during the meeting must register their request 3 days in advance with the company on the specific email id created for the general meeting.
2. Shareholders will get confirmation on first cum first basis depending upon the provision made by the client.
3. Shareholders will receive “speaking serial number” once they mark attendance for the meeting.
4. Other shareholder may ask questions to the panellist, via active chat-board during the meeting.
5. Please remember speaking serial number and start your conversation with panellist by switching on video mode and audio of your device.

Shareholders are requested to speak only when moderator of the meeting/ management will announce the name and serial number for speaking.

### **Instructions for Shareholders/ Members to Vote during the Annual General Meeting through InstaMeet:**

Once the electronic voting is activated by the scrutinizer/ moderator during the meeting, shareholders/ members who have not exercised their vote through the remote e-voting can cast the vote as under:

1. On the Shareholders VC page, click on the link for e-Voting “Cast your vote”
2. Enter your 16 digit Demat Account No. / Folio No. and OTP (received on the registered mobile number/ registered email Id) received during registration for InstaMEET and click on ‘Submit’.
3. After successful login, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.
4. Cast your vote by selecting appropriate option i.e. “Favour/Against” as desired. Enter the number of shares (which represents no. of votes) as on the cut-off date under ‘Favour/Against’.
5. After selecting the appropriate option i.e. Favour/Against as desired and you have decided to vote, click on “Save”. A confirmation box will be displayed. If you wish to confirm your vote, click on “Confirm”, else to change your vote, click on “Back” and accordingly modify your vote.
6. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.

**Note:** Shareholders/ Members, who will be present in the Annual General Meeting through InstaMeet facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting facility during the meeting. Shareholders/ Members who have voted through Remote e-Voting prior to the Annual General Meeting will be eligible to attend/ participate in the Annual General Meeting through InstaMeet. However, they will not be eligible to vote again during the meeting.

Shareholders/ Members are encouraged to join the Meeting through Tablets/ Laptops connected through broadband for better experience.

Shareholders/ Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.

Please note that Shareholders/ Members connecting from Mobile Devices or Tablets or through Laptops connecting via Mobile Hotspot may experience Audio/Visual loss due to fluctuation in their network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

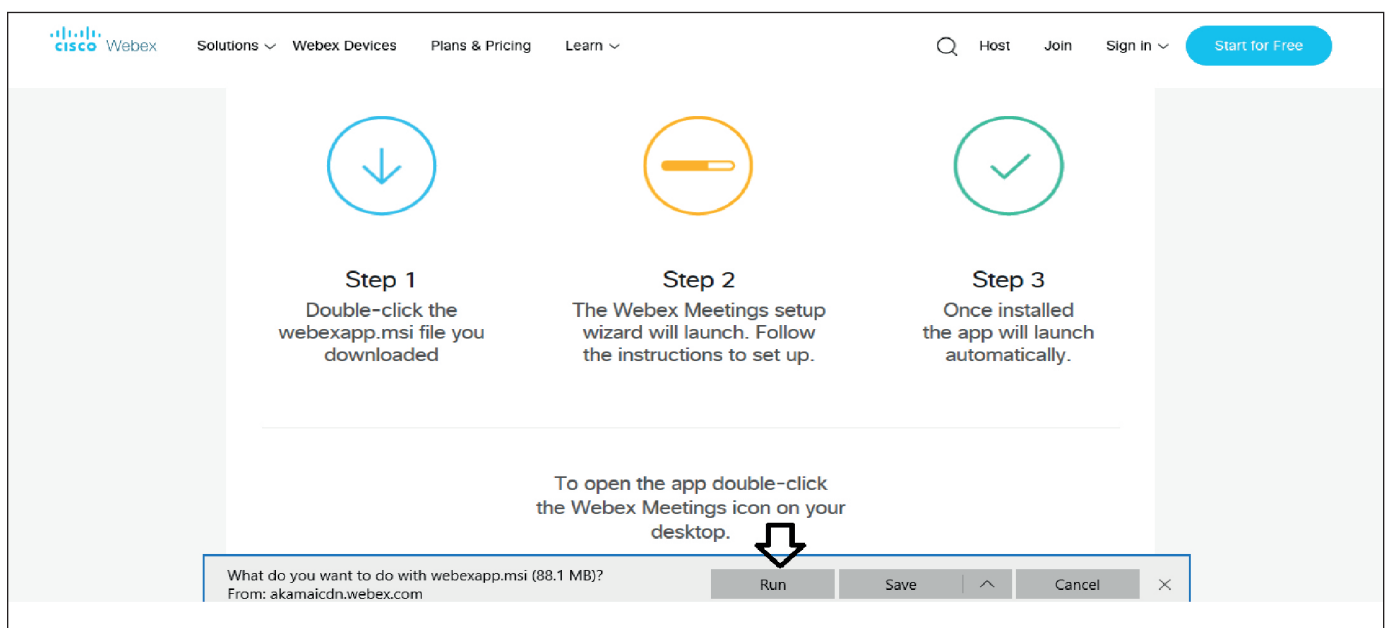
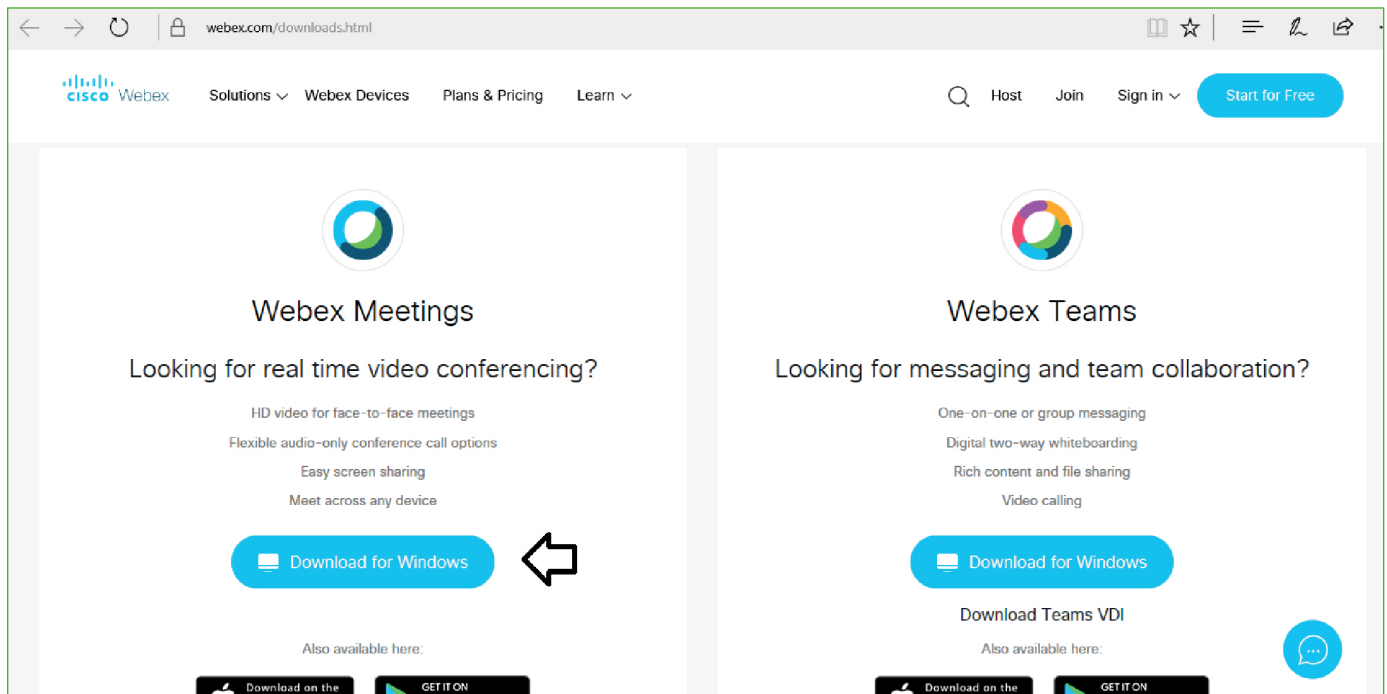
In case shareholders/ members have any queries regarding login/ e-voting, they may send an email to [instameet@linkintime.co.in](mailto:instameet@linkintime.co.in) or contact on: - Tel: 022-49186175.

## Annexure

### **Guidelines to attend the AGM proceedings of Link Intime India Pvt. Ltd.: InstaMEET**

For a smooth experience of viewing the AGM proceedings of Link Intime India Pvt. Ltd. InstaMEET, shareholders/ members who are registered as speakers for the event are requested to download and install the Webex application in advance by following the instructions as under:

a) Please download and install the Webex application by clicking on the link <https://www.webex.com/downloads.html/>



Step 1  
Double-click the webexapp.msi file downloaded

Step 3  
Once installed, the app will launch automatically.

To open the app double-click the Webex Meetings icon on your

Step 1  
Double-click the webexapp.msi file downloaded

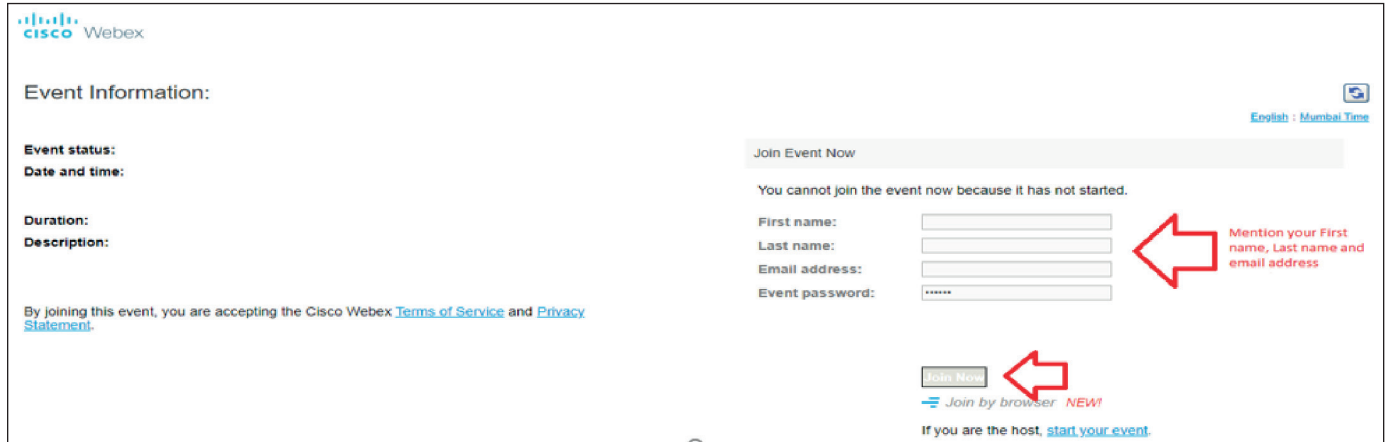
Step 3  
Once installed, the app will launch automatically.

Step 1  
Double-click the webexapp.msi file downloaded

Step 3  
Once installed, the app will launch automatically.

or  
 b) If you do not want to download and install the Webex application, you may join the meeting by following the process mentioned as under:

<b>Step 1</b>	<b>Enter your First Name, Last Name and Email ID and click on Join Now.</b>
<b>1 (A)</b>	If you have already installed the Webex application on your device, join the meeting by clicking on Join Now
<b>1 (B)</b>	If Webex application is not installed, a new page will appear giving you an option to either Add Webex to chrome or <u>Run a temporary application</u> . Click on <u>Run a temporary application</u> , an exe file will be downloaded. Click on this exe file to run the application and join the meeting by clicking on Join Now



**Registered Office:**  
 'Privi House', Plot No. A- 71 TTC, Thane Belapur Road,  
 Near Kopar Khairne Railway Station, Navi Mumbai,  
 Mumbai City-400709, Maharashtra  
 CIN: L15140MH1985PLC286828

**Navi Mumbai  
 August 17, 2020**

**By Order of the Board  
 For PRIVI SPECIALITY CHEMICALS LIMITED  
 (Formerly known as Fairchem Speciality Limited)**

**Ramesh Kathuria  
 Company Secretary  
 ACS No.: 11214**

## Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

### Item No. 4:

The Board of Directors, on the recommendation of the Audit Committee, have approved the appointment of M/s. Kishore Bhatia & Associates, Cost Accountants (Firm Registration No. 00294) as Cost Auditors to conduct the audit of the cost records of the Company for the Financial Year ending March 31, 2021 at a remuneration of Rs. 5,50,000/- (Rupees Five Lakhs Fifty Thousand Only) plus applicable taxes and reimbursement of out of pocket expenses.

The Company is required under Section 148 of the Companies Act, 2013 ("the Act") read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, to have the audit of its cost records conducted by a Cost Accountant. Further, in accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be ratified by the Members of the Company.

Accordingly, consent of the Members is sought by way of an Ordinary Resolution as set out at Item No. 4 of the Notice for ratification of the remuneration payable to the Cost Auditor for the Financial Year ending March 31, 2021.

Your Board recommends the Ordinary Resolution as set out in Item No. 4 for approval of Members.

None of the Directors and /or Key Managerial Personnel of the Company or their relatives is in any way concerned or interested, financially or otherwise, in the resolution at Item No. 4 of the Notice.

### Item No. 5:

M/s. Price Waterhouse & Co., LLP, Chartered Accountants, had resigned from the office of Statutory Auditors of the Company based on intimation by the Company to them that pursuant to Composite Scheme of arrangement and amalgamation ('the Scheme') amongst the Company, Fairchem Organics Limited (FOL) and Privi Organics India Limited (POIL) approved by the Honorable National Company Law Tribunal (NCLT), Special Bench, Mumbai vide its order dated June 30, 2020, the Company's undertaking carrying on speciality oleo chemicals and nutraceuticals business has been demerged and vested into FOL and further POIL has been amalgamated with the Company. Further, BSR & Associates LLP, a member firm of the KPMG network are the Statutory Auditors of POIL and that the continuing business of Company post the above Scheme becoming effective will be essentially that of erstwhile POIL and accordingly the Company wanted to appoint a KPMG network firm as its statutory auditors.

The resignation by M/s. Price Waterhouse & Co., LLP, Chartered Accountants resulted in a casual vacancy in the office of Statutory Auditors of the Company. As per Section 139(8) of the Companies Act, 2013 ('the Act'), any casual vacancy caused by resignation in the office of the Statutory Auditors could be filled up by the Company by its Board of Directors of the Company, as per recommendations made by the Audit Committee. The Audit Committee and the Board of Directors at their respective meeting held on August 17, 2020 have recommended and appointed M/s. B S R & Co, LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), as Statutory Auditors of the Company to fill the casual vacancy caused by the resignation of M/s. Price Waterhouse & Co. LLP, Chartered Accountants and hold office till the conclusion of this Annual General Meeting.

The abovementioned appointment of M/s. B S R & Co, LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022) is also required to be approved by the Company at this Annual General Meeting. Accordingly, the Board commends the Ordinary Resolution as set out at Item No. 5 of the Notice for the consideration and approval of the Members.

None of the Directors, Key Managerial Persons of the Company, or their relatives, is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

### Item No. 6:

The Audit Committee and the Board of Directors at their respective meeting held on August 17, 2020 have recommended appointment of M/s. B S R & Co, LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), as Statutory Auditors of the Company for a period of Five years commencing from the conclusion of 35th Annual General Meeting till the conclusion of 40th Annual General Meeting as per the provisions of Section 139 of the Companies Act, 2013 ('the Act').

M/s. B S R & Co, LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), have conveyed their consent to be appointed as the Statutory Auditor of the Company along with confirmation that, their appointment, if approved by the shareholders, would be within the limits prescribed under the Act. Accordingly, the Board commends the Ordinary Resolution as set out at Item No. 6 of the Notice for the consideration and approval of the Members.

None of the Directors, Key Managerial Persons of the Company, or their relatives, is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

### Item No. 7:

Pursuant to Order dated June 30, 2020 passed by the Honorable National Company Law Tribunal (NCLT), whereby Privi Organics India Limited (POIL) amalgamated with Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited), it is proposed to adopt the Main Objects Clause and Ancillary Objects Clause of the Memorandum of Association (MOA) as specified in the resolution at Item No. 7 of the Notice for this meeting.

The Board of Directors have approved the proposed alteration of the MOA of the Company at its meeting held on August 17, 2020.

As per provisions of Section 14 of Companies Act, 2013, the proposed alteration of the MOA of the Company is subject to the approvals of the Members and the Registrar of Companies, Maharashtra, Mumbai. The resolution for alteration in MOA is proposed for the consideration and approval of Members as a Special Resolution.

A copy of the proposed MOA of the Company shall be hosted on the website of the Company for inspection by the Members. Your Directors commend the resolution set out at item No. 7 of the notice for approval by the Members.

None of the Directors, Key Managerial Persons of the Company, or their relatives, is in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

**Item No. 8:**

Pursuant to Order dated June 30, 2020 passed by the Honorable National Company Law Tribunal (NCLT), whereby Privi Organics India Limited (POIL) amalgamated with Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited), it is proposed to adopt new set of Articles of Association (**AOA**). The Board of Directors at its meeting held on August 17, 2020 have approved adoption of a new set of AOA in place of and to the exclusion of the existing AOA of the Company subject to the approval of the Members.

In terms of Section 14 of the Companies Act, 2013, the consent of the Members by way of special resolution is required for adoption of new set of AOA of the Company. Your Directors recommend passing of the resolution set out at Item No. 8 of the Notice by way of a special resolution.

A copy of the proposed AOA of the Company shall be hosted on the website of the Company for inspection by the Members.

None of the Directors, KMPs, or their relatives are interested or concerned, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

**Item No. 9:**

Mr. Mahesh P Babani (DIN 00051162) was appointed as the Managing Director of the Company for a period of 3 (three) years effective from April 01, 2019 to March 31, 2022 in accordance with the recommendation of the Nomination and Remuneration Committee on May 09, 2019, approval of the Board of Directors on May 09, 2019 and the Members of the Company at the Annual General Meeting held on August 08, 2019. Subsequently, the Board of Directors at its meeting held on August 12, 2020 have re-designated Mr. Mahesh P Babani as Chairman & Managing Director from the close of working hours of August 12, 2020.

As per the recommendation of the Nomination and Remuneration Committee on August 17, 2020 and approval of the Board of Directors on August 17, 2020, the remuneration payable to Mr. Mahesh P Babani as the Chairman and Managing Director of the Company has been determined as Rs. 5,00,00,000/- (Rupees Five Crores only) per annum plus perquisites, benefits and other terms and conditions as follows:

**i. Remuneration**

Salary of Rs. 5,00,00,000/- (Rupees Five Crore only) per annum for the FY 2020-21. The Annual increments which will be effective from April 1, each year will be decided by the Board based on the recommendations of the Nomination and Remuneration Committee and will be merit based and take into account the Company's performance as well subject to the overall ceilings laid down in Section 197 read with 198, Schedule V and other applicable provisions of the Companies Act, 2013 ('the Act').

**ii. Perquisites and benefits**

- a) Travelling and out of pocket expenses in accordance with the Rules of the Company.
- b) Provision for telecommunication facilities.
- c) Re-imbursment of medical expenses incurred for himself and his family as per rules of the Company.
- d) Re-imbursment of entertainment and other expenses actually and properly incurred for the business of the Company as well as other expenses incurred in the performance of duties on behalf of the Company.
- e) The Company shall provide car with driver at the entire cost to the Company for using Company's business and the same will not be considered as perquisites.
- f) Personal accidental and life insurance coverage for Mr. Babani according to Company policy.
- g) Leave as per Company policy.
- h) All Personnel Policies of the Company and the related rules which are applicable to other employees of the Company shall also be applicable to the Managing Director, unless specifically provided otherwise.
- i) The terms and conditions of appointment of the Managing Director also includes adherence with the Company's Code of Conduct.

**iii. Insurance**

The Company will take an appropriate Directors' and Officers' Liability Insurance Policy and pay the premiums for the same. It is intended to maintain such insurance cover for the entire period of appointment, subject to the terms of such policy in force from time to time.

**iv. Duties and Other Terms:**

- a) Mr. Babani will be overall in-charge of all operations of the Company and entrusted with substantial powers of management of the affairs of the Company.
- b) The Managing Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or joint ventures and/or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the boards of such associated companies and/or joint ventures and/or subsidiaries or any other executive body or any committee of such a Company.
- c) Mr. Babani shall faithfully adhere to, execute and fulfill all policies and guidelines established by the Board of Directors of the Company.
- d) Mr. Babani shall faithfully serve the Company and use his best endeavors to promote the interests thereof. He shall not, while an employee thereof or thereafter, directly or indirectly, divulge any information concerning the affairs, or any information of whatever nature which he shall have acquired during his employment, to anyone or to use it for any purpose except performance of his duties.
- e) The terms and conditions may be altered and varied from time to time by the Board as it may in its discretion deem fit, irrespective of the limits stipulated under Schedule V of the Act or any amendments made hereafter in this regard, in such manner as may be agreed to between the Board and the Managing Director, subject to such approvals as may be required.
- f) Mr. Babani shall not be liable to retire by rotation.

**v. Minimum Remuneration**

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Company will pay to the Chairman & Managing Director remuneration by way of Salary, Benefits, Perquisites and Allowances as specified above.

The aggregate remuneration payable to Mr. Mahesh P Babani, shall be subject to the overall ceilings laid down in Section 197 read with 198 and other applicable provisions of the Act.

Mr. Babani satisfies all the conditions set out in Part-I of Schedule V of the Act as also conditions set out under Section 196(3) of the Act.

Having regard to the qualifications, experience, knowledge and the contribution made to the growth of the Company, the Directors are of the view that the remuneration payable to Mr. Mahesh P Babani, Chairman and Managing Director is commensurate with his abilities and experience.

Accordingly, the Board commends the Resolution set out at Item No. 9 of the Notice in relation to the remuneration payable to Mr. Mahesh P Babani as the Chairman and Managing Director for his tenure for the approval of the Members.

The above may be treated as written memorandum setting out the terms of conditions of the remuneration payable to Mr. Mahesh P Babani under Section 190 of the Act.

Except for Mr. Mahesh P Babani, none of the Directors or the Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise in the resolution set out at Item No. 9 of the Notice. Mr. Mahesh P Babani is not related to any other Director or KMP of the Company.

**Item No. 10:**

Mr. Bhaktavatsala Doppalapudi Rao (DIN 00356218) has been a Director of the Company since May 11, 2017. He was redesignated as the Executive Director of the Company in accordance with the recommendation of the Nomination and Remuneration Committee on August 12, 2020 and the Board of Directors at its meeting held on August 12, 2020. His appointment as Executive Director is effective from the close of working hours of August 12, 2020.

As per the recommendation of the Nomination and Remuneration Committee on August 17, 2020 and approval of the Board of Directors on August 17, 2020, the terms of appointment of Mr. Bhaktavatsala Rao Doppalapudi as the Executive Director for a period of 3 (three) years effective from August 13, 2020 to August 12, 2023 and the remuneration payable to him was determined as Rs. 2,10,00,000/- (Rupees Two Crores Ten Lakhs only) per annum plus perquisites, benefits etc. as follows:

**i. Remuneration**

Salary of Rs. 2,10,00,000/- (Rupees Two Crores Ten Lakhs only) per annum for the FY 2020-21. The Annual increments which will be effective from April 1, each year will be decided by the Board based on the recommendations of the Nomination and Remuneration Committee and will be merit based and take into account the Company's performance as well subject to the overall ceilings laid down in Section 197 read with 198 and other applicable provisions of the Companies Act, 2013 ('the Act').

## ii. Perquisites & benefits

- a) Travelling and out of pocket expenses in accordance with the Rules of the Company.
- b) Provision for telecommunication facilities.
- c) Re-imbusement of medical expenses incurred for himself and his family as per Rules of the Company.
- d) Re-imbusement of entertainment and other expenses actually and properly incurred for the business of the Company as well as other expenses incurred in the performance of duties on behalf of the Company.
- e) The Company shall provide car with driver at the entire cost to the Company for using Company's business and the same will not be considered as perquisites.
- f) Personal accidental and life insurance coverage for Mr. Rao according to Company policy.
- g) Leave as per Company policy.
- h) All Personnel Policies of the Company and the related rules which are applicable to other employees of the Company shall also be applicable to the Executive Director, unless specifically provided otherwise.
- i) The terms and conditions of appointment of the Executive Director also includes adherence with the Company's Code of Conduct.

## iii. Insurance

The Company will take an appropriate Directors' and Officers' Liability Insurance Policy and pay the premiums for the same. It is intended to maintain such insurance cover for the entire period of appointment, subject to the terms of such policy in force from time to time.

## iv. Duties and Other Terms:

- a) Mr. Rao agrees to serve the Company in the capacity of Executive Director for the period of 3 (three) years with effect from August 13, 2020 to August 12, 2023 (subject to earlier termination as hereinafter provided) on the terms and conditions herein contained.
- b) The Executive Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by Managing Director and/ or the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/or joint ventures and/or subsidiaries, including performing duties as assigned by the Managing Director and/or the Board from time to time by serving on the boards of such associated companies and/or joint ventures and/or subsidiaries or any other executive body or any committee of such a Company.
- c) The Executive Director shall not exceed the power so delegated by the Managing Director and/or Board pursuant to clause b above.
- d) Mr. Rao shall faithfully adhere to, execute and fulfill all policies and guidelines established by the Board of Directors of the Company.
- e) The terms and conditions may be altered and varied from time to time by the Board as it may in its discretion deem fit, irrespective of the limits stipulated under Schedule V of the Act or any amendments made hereafter in this regard, in such manner as may be agreed to between the Board and the Managing Director, subject to such approvals as may be required.
- f) Mr. Rao undertakes to employ the best of his skills and abilities to make his utmost endeavors to promote the interests and welfare of the Company and to confirm and comply with the directions and regulations of the Company. He shall not, while an employee thereof or thereafter, directly or indirectly, divulge any information concerning the affairs, or any information of whatever nature which he shall have acquired during his employment, to anyone or to use it for any purpose except performance of his duties.
- g) Mr. Rao shall be liable to retire by rotation.

## v. Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay to the Executive Director remuneration by way of Salary, Benefits, Perquisites and Allowances as specified above.

Mr. Bhaktavatsala Rao Doppalapudi has been on the Board of Privi Organics Limited since its inception. Mr. Rao oversees Operations, Research & Development, Personnel and raw material sourcing. He has worked diligently in converting the vision of the Company to reality and has handled various projects right from their conception to completion. He has been instrumental in putting up the manufacturing facilities in a swift and cost-effective manner and chartering the growth of the Company. His vast experience, in depth knowledge of chemicals and engineering has helped PRIVI to attain the current position. He takes keen interest in R & D activities of the Company, especially in developing green technologies. He is involved in the operations of the company and institutionalizing various processes in the management of the company.

He has contributed significantly in PRIVI's growth and in creation of formidable organization structure of PRIVI. Mr. Rao is a post graduate in Engineering with over 33 years' experience.

Having regard to the qualifications, experience and knowledge, the Directors are of the view that the appointment of Mr. Bhaktavatsala Rao Doppalapudi as Executive Director will be beneficial to the functioning and future growth opportunities of the Company and the remuneration payable to him is commensurate with his abilities and experience.

Schedule-V to the Companies Act, 2013, inter alia, provides that no company shall continue the employment of a person who has attained the age of 70 years, as Managing Director, Whole time Director or Manager unless it is approved by the members by passing a Special Resolution. As Mr. Rao has already attained the age of 70 years, his reappointment requires the approval of the shareholders at the Annual General Meeting by way of Special Resolution.

Accordingly, the Board commends the Resolution set out at Item No. 10 of the Notice in relation to the appointment of Mr. Rao as the Executive Director and the remuneration payable to him for a period of 3 years from August 13, 2020 to August 12, 2023 for the approval of the Members.

The above may be treated as written memorandum setting out the terms of appointment of Mr. Rao under Section 190 of the Act.

Except for Mr. Rao, none of the Directors or the Key Managerial Personnel (KMP) of the Company and their relatives is concerned or interested, financially or otherwise in the resolution set out at Item No. 10 of the Notice. Mr. Rao is not related to any other Director or KMP of the Company.

**Item No. 11**

Mr. Dwarko Topandas Khilnani (DIN: 01824655) was appointed as a Non-executive Independent Director by the Board of Directors at its meeting held on August 12, 2020 (w.e.f. opening hours of August 13, 2020) to fill the casual vacancy caused due to resignation of Mr. Viren Ajit Joshi (DIN: 01331107), Non-executive Independent Director of the Company. Mr. Dwarko Topandas Khilnani shall hold office upto March 31, 2024 being the date upto which Mr. Viren Ajit Joshi, the predecessor of Mr. Khilnani would have held office as Non-executive Independent Director.

Mr. Khilnani is 77 years of age and requires approval of the shareholders of the Company by way of a Special Resolution for continuing in the said office. Mr. Khilnani has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 and is eligible to continue as Independent Director of the Company. Mr. Khilnani is not liable to retire by rotation.

Upon appointment of Mr. Khilnani as Non-executive Independent Director, the Company shall continue to be compliant with the requirements as regards the structure of the Board of Directors as per the requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions.

The required details as per Secretarial Standards ("SS-2") and Regulation 36(3) of the Regulations, are provided at Annexure A of this Notice.

The Company's Board of Directors believes that the Company will benefit from the experience and knowledge of Mr. Khilnani in his areas of expertise and therefore recommends his appointment.

The resolution at Item No. 11 of the Notice is accordingly recommended for the approval by the Members as a Special Resolution.

Except Mr. Khilnani, none of the Promoters, Directors, Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 11 of this Notice.

**Item No. 12**

Mrs. Anuradha Eknath Thakur (DIN: 06702919) was appointed as a Non-executive Independent Woman Director by the Board of Directors at its meeting held on August 12, 2020 (w.e.f. opening hours of August 13, 2020) to fill the casual vacancy caused due to resignation of Mrs. Radhika Carlton Pereira (DIN 00016712), Non-executive Independent Woman Director of the Company. Mrs. Anuradha Eknath Thakur shall hold office upto March 31, 2025 being the date upto which Mrs. Radhika Carlton Pereira, the predecessor of Mrs. Thakur would have held office as Non-executive Independent Director.

Mrs. Thakur is 73 years of age and shall attain the age of 75 years during her tenure and therefore the approval of the shareholders of the Company is required by way of a Special Resolution for her continuation in the said office. Mrs. Thakur has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 and is eligible to continue as Independent Woman Director of the Company. Mrs. Thakur is not liable to retire by rotation.

Upon appointment of Mrs. Thakur as Non-executive Independent Woman Director, the Company shall continue to be compliant with the requirements as regards the structure of the Board of Directors as per the requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions.

The required details as per Secretarial Standards ("SS-2") and Regulation 36(3) of the Regulations, are provided at Annexure A of this Notice.

The Company's Board of Directors believes that the Company will benefit from the experience and knowledge of Mrs. Thakur in his areas of expertise and therefore recommends his appointment.

The resolution at Item No. 12 of the Notice is accordingly recommended for the approval by the Members as a Special Resolution.

Except Mrs. Thakur, none of the Promoters, Directors, Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution as set out at Item No. 12 of this Notice.

**Item No. 13:**

Under the provisions of Section 180(1)(c) of the Companies Act, 2013, the Board of Directors shall not borrow money, where money to be borrowed, together with the money already borrowed by the Company, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, will exceed aggregate of its paid-up share capital and free reserves, except with the consent of the Company accorded by way of Special Resolution.

As such it is necessary to obtain approval of the Members by means of a Special Resolution, to enable the Board of Directors to borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business upto a maximum of Rs. 300,00,00,000/- (Rupees Three Hundred Crores only) or the aggregate of paid-up share capital and free reserves of the Company, whichever is higher.

The resolution at Item No. 13 of the Notice is accordingly recommended for the approval by the Members as a Special Resolution.

None of the Directors or the Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise in the resolution set out at Item No. 13 of the Notice.

**Item No. 14:**

Under the provisions of Section 180(1) (a) of the Companies Act, 2013, the Board of Directors shall not sell and lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings, except with the consent of the Company accorded in the General Meeting. The words 'otherwise dispose off' includes creation of mortgage, charge, hypothecation etc. As such it is necessary to obtain approval of the shareholders by means of a Special Resolution, to enable the Board of Directors to create charge / mortgage the properties of the Company to secure the borrowings upto an amount not exceeding Rs. 300,00,00,000/- (Rupees Three Hundred Crores only) or the aggregate of paid-up share capital and free reserves of the Company, whichever is higher.

The resolution at Item No. 14 of the Notice is accordingly recommended for the approval by the Members as a Special resolution.

None of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP are, in any way, concerned or interested financially or otherwise in the resolution set out at Item No. 14 of the Notice.

**Item No. 15:**

The Company has been making investments in, giving loans and guarantees to and providing securities in connection with loans to various persons and bodies corporate (including its subsidiary) from time to time, in compliance with the applicable provisions of the Companies Act, 2013.

The provisions of Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended to date, provides that no company is permitted to, directly or indirectly, (a) give any loan to any person or other body corporate; (b) give any guarantee or provide security in connection with a loan to any other body corporate or person; and (c) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate, exceeding sixty percent of its paid-up share capital, free reserves and securities premium account or one hundred per cent of its free reserves and securities premium account, whichever is more. Further, the said Section provides that where the giving of any loan or guarantee or providing any security or the acquisition as provided under Section 186(2) of the Act, exceeds the limits specified therein, prior approval of Members by means of a Special Resolution is required to be passed at a general meeting.

Considering the long term business plans of the Company, which requires the Company to make sizeable loans / investments and issue guarantees / securities to persons or bodies corporate, from time to time, prior approval of the Members is being sought for enhancing the said limits. Hence, the Special Resolution at Item No.15 of the Notice, notwithstanding the fact that the same exceeds the limits provided under Section 186 of the Act. The Directors recommend the Special Resolution as set out at Item No. 15 of the accompanying Notice, for Members' approval.

None of the Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out in the Item No. 15 of the Notice.

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE AGM PURSUANT TO REGULATIONS 26(4) AND 36(3) OF LISTING REGULATIONS AND SECRETARIAL STANDARD – 2 ON GENERAL MEETINGS**

Name of Director	Mr. Sumit Maheshwari (DIN: 06920646)	Mr. Bhaktavatsala Doppalapudi Rao (DIN: 00356218)	Mr. Dwarko Topandas Khilnani (DIN: 01824655)	Mrs. Anuradha Eknath Thakur (DIN: 06702919)
Date of Birth	27.11.1982	10.05.1946	11.11.1943	30.12.1947
Age	38 Years	74 Years	77 Years	74 Years
Date of Appointment on the Board	08.02.2016	11.05.2017	17.08.2020	17.08.2020
Expertise In specific functional areas, Qualification and Experience	<p>He is a Chartered Accountant and holds a Masters of Business Administration degree from the Indian School of Business, Hyderabad. He is Managing Director and CEO of Fairbridge Capital Pvt. Limited and has been with Fairbridge since July, 2011. Prior to joining Fairbridge, Mr. Maheshwari worked with KPMG in India for 5 years in their audit and accounting advisory functions. Mr. Maheshwari is a recognized accounting expert, and specializes in Indian GAAP, U.S. GAAP and IFRS accounting standards.</p>	<p>Mr. Bhaktavatsala Rao Doppalapudi has been a Director of Privi Organics Limited since 1982.</p> <p>Mr. Rao overseas Operations, Research &amp; Development, Personnel and raw material sourcing. Mr. Rao has worked diligently in converting the vision of the Company to reality and has handled various projects right from their conception to completion. He has been instrumental in putting up the manufacturing facilities in a swift and cost-effective manner and chartering the growth of the Company. His vast experience, in depth knowledge of chemicals and engineering has helped PRIVI to attain the current position. He takes keen interest in R &amp; D activities of the Company, especially in developing green technologies. He is involved in the operations of the company and institutionalizing various processes in the management of the company.</p> <p>Mr. Rao is the Managing Director of Privi Biotechnologies Pvt. Ltd., the wholly owned Subsidiary of the Company.</p> <p>Mr. Rao is a post-graduate in Engineering with over 33 years experience.</p>	<p>He is an expert on Foreign Exchange Management Act (FEMA) having worked with RBI for 33 years. He has conducted various workshops on 'NRI Investments' and 'FEMA' all over the country including for Officers of the Enforcement Directorate at CBI Academy, Ghaziabad, IPS Training College at Karnal, Haryana and Jawaharlal Nehru University, New Delhi. He is a visiting faculty member of NISM, Bombay Stock Exchange Training Institute, Institute of Company Secretaries and many other training institutes. He is a forex advisor to Exactus.Com Ltd., a leading legal portal having offices in New York and metro cities of India. He is a prominent author of 'Foreign Exchange Management Manual', FEMA Ready Reckoner, both in their 26th Edition and various other books on Foreign Exchange and NRI Investments.</p>	<p>Ms. Anuradha Thakur started her career as a Probationary Officer with State Bank of India (SBI) in 1973 and retired in 2007 as Chief General Manager, Corporate Accounts group. She has over 34 years of experience in loan syndications, international banking, project financing and liquidity management in various sectors such as petrochemicals, engineering goods and equipment, non-conventional energy, textiles and pharmaceuticals. She is currently associated with the National School of Banking.</p>
Terms and conditions of Appointment/Re-appointment	Eligible for re-appointment	Eligible for re-appointment	Eligible for re-appointment	Eligible for re-appointment
Details of Remuneration last drawn	NA	NA	NA	NA

Name of Director	Mr. Sumit Maheshwari (DIN: 06920646)	Mr. Bhaktavatsala Doppalapudi Rao (DIN: 00356218)	Mr. Dwarko Topandas Khilnani (DIN: 01824655)	Mrs. Anuradha Eknath Thakur (DIN: 06702919)
Relationship between Directors and KMP	No relationship as defined under The Companies Act, 2013 and / or Rules made thereunder	No relationship as defined under The Companies Act, 2013 and / or Rules made thereunder	No relationship as defined under The Companies Act, 2013 and / or Rules made thereunder	No relationship as defined under The Companies Act, 2013 and / or Rules made thereunder
Directorship held in other Public Listed Companies as on March 31, 2020.	Thomas Cook (India) Limited CSB Bank Limited	NIL	Nil	Nil
Membership / Chairmanship of Committees in other Public Listed Companies as on March 31, 2020	<b><u>Thomas Cook (India) Limited</u></b> Audit cum Risk Management - Member Corporate Social Responsibility Committee - Member <b><u>CSB Bank Limited</u></b> Risk Management Committee – Chairman Stakeholder's Relationship Committee – Member Corporate Social Responsibility Committee – Member Nomination & Remuneration Committee - Member	NIL	Nil	Nil
No. of Board Meetings attended during Financial Year 2019-2020	5 (Five)	5 (Five)	NA	NA
Relationship with other Directors and KMPs	None	None	None	None
Details of shares held in the Company	Nil	7,23,060 Equity Shares	Nil	Nil

#### **ANNEXURE – STATEMENT OF CHANGES TO THE ANCILLIARY OBJECTS CLAUSE [Clause (III)(B)]**

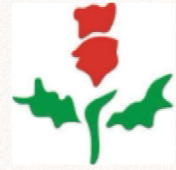
- To carry on the business of and dealers in coal tar, carbon black, petroleum, natural and synthetic coal, gas refiner and organic chemical products
- To carry on the business as manufacturers of chemicals, distillers, oil refiners, dye makers, gas makers and products made thereof
- To carry on the business and trade of manufacturing, producing and making of chemicals pertaining to pharmaceuticals and/or intermediate pertaining to pharmaceuticals
- To carry on the business as manufacturers and dealers of all types of chemicals, raw materials, plant and machinery and other equipment required for chemical and/or aerated water industries
- To supply and distribute and sell salts and its bye products and other allied products, chemicals or pharmaceuticals whether processed, un processed or manufactured of or related to salt; plant and machinery, equipment, tools implements manufactured at its factories, works and works shops, electricity, drills, pumps, pipes, casting pipes and other equipment and machinery and iron, steel, timber and other articles made by or manufactured in the work- shops, factories and technical training and other institutions maintained by the Company
- To carry on the business of salts and chemicals and chemical engineering in all its branches to act as Consulting chemical engineers and to render consultancy services in the matter of establishing factories for manufacture of salts, its products and bye products and other allied products whether on payment or otherwise in India or in any part of the world

7. To construct, erect, maintain and carry on either by the Company or other parties, any works or undertakings of any description whatsoever either upon lands acquired by the company or upon other lands
8. To search for and to purchase or otherwise acquire from any Government, state or authority any licenses, concessions, grants, decrees, rights, powers and privileges whatsoever which may seem to the company capable of being turned to account and to work, develop, carry out, exercise and turn to account the same.
9. To establish, provide, maintain and conduct or otherwise subsidize research and analytical laboratories, meteorological stations, fertilizer units and experimental workshops for scientific and technical research and experiments, to undertake and carry on scientific and technical research experiments and tests of all kinds, to promote studies and researches both scientific and technical investigations and inventions by providing, subsidizing, endowings or assisting laboratories, workshops, libraries, lectures, meetings and conferences or contributing to the remuneration of scientific and technical professors or teachers and by providing or contributing to the award of scholarships, prizes or grants, research studies, investigations, experiments of any kind that may be considered likely to assist any business which the company is authorized to carry on.
10. To take or otherwise acquire or hold shares in any other Company having objects, altogether or in part similar to those of this company and to undertake solely or jointly with other or others shares in any such company.
11. To acquire any other business or trade which may seem to the Company capable of being conveniently carried or in connection with any of the company's objects or calculated directly to enhance value of or render profitable any of the Company's property or rights.
12. To purchase or otherwise acquire and undertake the whole or any part of the business, property including all assets such as machinery, housing, building, workshops and liabilities of any person, corporation, government or company carrying on any other business which the company is authorized to carry on.
13. To let out on hire all or any of the property of the company whether immovable or movable apparatus or appliances, rights and concessions of the Company.
14. To enter into partnership, LLP or any arrangement for sharing or pooling profits, amalgamations, union of interest, co-operation, joint venture, reciprocal concessions or to amalgamate with any person or company carrying on or engaged in or about to carry on or engage in any business, undertaking or transactions which this Company is authorized to carry on or engaged in any business, undertaking or transactions which may seem capable of being carried on or conducted, so as directly or indirectly, to benefit the company.
15. To manage improve develop and turn to account or otherwise with all or any part of the property and rights of the company whether movable or immovable.
16. To pay for any lands, businesses, properties, assets, rights or privileges acquired by the Company, wholly or partially in cash shares, debentures or other securities or obligations of the Company or belonging to the Company and whether fully or partly paid as part of the terms of any such purchase.
17. To subscribe for absolutely or conditionally purchase or otherwise acquire and to hold, dispose of and deal in shares, stocks and securities or obligations of any other Company.
18. To form incorporate or promote any Company or companies for carrying into effect any of the objects of this Company and to take or otherwise acquire and hold shares in any such company and generally in any company the business of which is capable of being considered so as directly or indirectly to benefit this Company and to pay all or any of the costs and expenses incurred in connection with any such promotion or incorporation.
19. To establish, regulate, branches or agencies of the Company at any place in India or elsewhere outside India or to discontinue the same.
20. To promote and undertake the formation of any institution or company for the purpose of acquiring all or any of the property and liabilities of this Company or for any other purposes which seem directly or indirectly calculated to benefit this Company or form any subsidiary Company or companies.
21. To construct, maintain, lay down, carry out work, sell, let out and deal in all kinds of works, machinery, apparatus and things capable of being used in connection to carry out any of the objects of the business
22. To undertake financial and commercial obligations, transactions or operations of all kinds.
23. To construct, maintain, lay down, carry out, work, sell, let on hire and deal in all kinds of works, machinery, apparatus, convenience and things of capable of being used in connection with any of the objects of the Company.
24. To develop generally the lands, properties and rights or privileges acquired by the Company.

25. To undertake and execute any trust, the undertaking of which may seem to benefit the Company either gratuitously or otherwise.
26. To subscribe or otherwise to assist or to guarantee money for any charitable, benevolent, religious, scientific, national or other institutions and for any exhibitions the objects of which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation or public and general utility or otherwise.
27. To dedicate, present or otherwise dispose of either voluntarily or for value any property of the Company deemed to be of national, public or local interest to any national trust, public body, museum, corporation or authority or any trustees or for the general public.
28. To establish, continue and support or aid in the establishment of cooperative societies, association and other institutions, funds, trusts, amenities and conveniences calculated to benefit or indemnify or insure employees or ex-employees of the Company or Directors or ex-Directors of the Company or the dependents or connections of such persons and at its discretion to construct, maintain, buildings, houses, dwelling or chawls or to grant bonus, pensions and allowance and to make payments towards insurance and to pay for charitable or benevolent objects, also to remunerate or make donations by cash or other assets or to remunerate by the allotment of shares credited as fully or partly paid for services rendered or to be rendered in placing or assisting to place any shares in the Company's capital or any debentures, debenture-stock or other securities of the company in or about the formation or promotion of the Company or for the conduct of its business
29. To make, draw, accept, endorse, discount, execute, negotiate, assign, and issue cheques, promissory notes, drafts, hundies, bonds, railway receipts, bills of exchange, bills of lading, warrants, debentures, and other negotiable or transferable instruments.
30. To advance deposit with or lend money, securities and property to or receive loans, grants or deposits from the Government.
31. To invest and deal with the surplus moneys of the Company in any securities, shares (other than the shares or stocks of the Company), mutual funds, properties movable or immovable and in such manner as may from time to time be determined and hold, sell, transfer or otherwise deal with the same.
32. To create any depreciation fund, reserve funds, sinking fund, insurance fund or any other special fund whether for depreciation or for repairing, improving, extending or maintaining any of the properties of the Company or for redemption of debentures, redeemable preference shares or gratuity or pension or for any other purpose conducive to the interest of the Company.
33. To borrow or raise money or to receive money or deposit at or otherwise in such a manner as the Company may think fit and in particular by the issue of bonds, bills of exchange, promissory notes or other obligations, debentures, debentures stock, perpetual or otherwise including debenture or debenture stock, convertible into shares of this company or perpetual annuities and in securities of any such money so borrowed, raised or receive to mortgage, pledge or charge the whole or any part of the property assets or revenues of the Company, present or future, including its uncalled capital by assignment or otherwise or to transfer or convey the same absolutely or in trust and to purchase, redeem or pay off any such securities.
34. To remunerate any person, firm or company for services rendered or to be rendered in obtaining subscriptions for placing or assisting to place or to obtain subscriptions for or for guaranteeing the subscription of or the placing of any shares in the capital of the company or any bonds, debenture stock or obligations or securities of the company held or owned by the company or in which the company may have interest or in or about the formation or promotion of the company or the conduct of the business or in or about the promotion or formation of any other company may have any interest
35. To pay all costs, charges and expenses on account of advertisements, underwriting, commissions, brokerage, printing or stationery and such other things incurred by the company in the promotion and establishment of the company or considered as necessary by the company
36. To employ or pay experts, foreign consultants for production of its products and bye products and other allied products, planning, erection and operation of factories and all other business connected with company operations.
37. To undertake, carry out, promote and sponsor rural development programs including any program including any program for promoting the social and economic welfare of or the uplift of the public in any rural area and to incur any expenditure on any program of rural development and to assist the execution and promotion thereof either directly or through an independent agency or in any other manner. Without prejudice to the generality of the foregoing program of rural development shall also include any program any promotion of social and economic welfare of or uplift of the public in any rural area to promote an assist rural development and that the words rural area shall include such areas as may be regarded as rural areas under section 35CC and other applicable provisions of the Income Tax Act 1961 or any other law relation to rural development.
38. To act as principals, agents, contractors, trustees or otherwise and either alone or in conjunction with others
39. To manufacture or otherwise deal in Agricultural Implements, hardware and Furniture making fertilizers
40. To establish the business as land owners, Agriculturist, dairy and Poultry farms and Horticulturists
41. To work as representative, distributors, dealers, stockists or agents of manufacturers, traders, distributors dealers of any item produced/ dealt by them.

42. To acquire, build, construct, improve, develop, give or take in exchange or on lease, rent, hire, occupy, allow, control, maintain, operate, run, sell, dispose of, carry out or alter as may be necessary or convenient any lease-hold or freehold lands, movable or immovable properties, including building, workshops, warehouse, stores, easement or other rights, machineries, plant, work, stock in trade, industrial colonies, conveniences together with all modern amenities and facilities such as housing, schools, hospitals, water supply, sanitation, townships and other facilities or properties which may seem calculated directly or indirectly to advance the company's objects and interest either in consideration of a gross sum of a rent charged in cash or services.
43. To apply for, purchase, acquire, and protect, prolong and renew in any part of the world any patents, patent rights, brevets invention, licenses, protections and concessions which may appear likely to be advantageous or useful to the company and to use and turn to account and or grant licenses or privileges in respect of the same and to spend money in experimenting upon and testing and improving or seeking to improve any patents, inventions or rights which the company may acquire or proposes to acquire.
44. To establish, provide, maintain and conduct or subsidize research laboratories and experimental workshops for scientific and technical researches, experiments and tests of all kinds and devices and/or to sponsor or draw out program for promoting scientific, technical, social, economic and educational research and development and assist in the execution and promotion of such program either directly or through an independent agency or in any other manner, directly or indirectly and to secure such approvals, exemptions and/or recognitions under the Income Tax Act, 1961 and any other law for the time being in force and to promote studies and researches both scientific and technical investigations, endowing or assisting laboratories, workshops, libraries, lectures, meetings and conferences and by providing or contributing to the award of scholarships, prizes, grants to students and generally to encourage, promote inventions of any kind that may be considered useful to the company.
45. To form incorporate, promote, purchase, acquire, undertake or takeover, the whole or any part of the business, profession, goodwill, assets, properties (movable or immovable), contracts, agreements, rights, privileges, effects, obligations and liabilities of any persons, firm or company or companies carrying on all or any of proposing to carry on or ceasing to carry on any business, profession or activities which the company is authorized to carry on or the acquisition of all or any of the properties, rights and assets of any company or subject to the provisions of the Companies Act, 2013, the control and management of the company or the undertaking of the acquisitions of any other object or objects which in the opinion of the Company could or might directly or indirectly be beneficial or advantageous to the Company and to pay all or any of the costs and expenses incurred in connection with any such promotion or incorporation or takeover or acquisition and to remunerate any person, firm or company in any manner, it shall think fit for services rendered or to be rendered for and in respect of such promotion or incorporation or takeover or acquisition or in obtaining subscription of or the placing of any shares, stocks, bonds, debentures, obligations or securities of any such company or companies, subject to the provisions of the Companies Act, 2013.
46. Subject to the provisions of applicable law to procure registration, incorporation or recognition of the Company in any country state or place and to establish and regulate agencies for the purpose of the company's business and to apply or join in applying to any parliament, local government, municipal or other authority or body, Indian or foreign for any rights or privileges that may seem conducive to the Company's objects or any of them and to oppose any bills, proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interest.
47. To acquire or amalgamate, absorb or merge with any other company or companies or to form, promote subsidiaries having objects altogether or in part similar to those of this company
48. To manage, sell, dispose off, let, mortgage, exchange, redeem, underlet, grant leases, licenses, easements or turn to account or otherwise dispose off in any manner the whole of the undertaking or any properties (movable or immovable), assets, rights, and effects of the Company or any part thereof, on such terms and for such purposes and for such consideration as the company may think fit and in particular for shares, debentures, or securities of any other company having objects altogether or in part similar to those of this Company and in the event of winding up of the Company to distribute among the members in specie or kind any properties or assets of the Company or any proceeds of sale or disposal of any properties of the Company, subject to the provisions of the Companies Act, 2013.
49. To use trademarks, trade names or brand names for the business activities products and goods and adopt such means of making known the business and products in which the company is dealing as may seem expedient and in particular by advertising on radio, television, newspapers, magazines, periodicals, by circulars, by opening stalls and exhibition, by publication of books and periodicals, by distributing samples and by ranting prizes, rewards and awards.
50. To undertake the payment of all rent and the performance of all covenants, contracts, conditions and agreements contained in and reserved by any lease that may be granted or assigned to or acquired by the Company.
51. To pay a share in the profit of the company or commission to brokers sub-agents, agents or any other company, firm or person including the employees of the Company as may be thought fit for services rendered to the Company.
52. To employ experts, to investigate and examine into the conditions prospects, value character and circumstances of any business concerns and undertaking and generally of any assets, concessions, properties and/or rights.

53. To open establish, maintain and to discontinue in India or overseas any offices, branch offices, regional offices, trade centers, exhibition centers, liaison offices and to keep local or resident representative in any part of the world for the purpose of promoting the business of the company.
54. To enter into arrangement for technical collaboration and/or other form of agreement including capital participation with a foreign or Indian company for the purpose of manufacture, quality control and product improvements and for marketing of the products which the Company is empowered to manufacture and/or market and to pay or to receive for such technical assistance or collaborations, royalties or other fees in cash or by allotment of shares of the Company credited as paid up or issue of debentures or debentures stock, subject to the provisions of laws for the time being in force.
55. To secure contracts for supply of the products manufactured by the company to military, civil and other departments of the government or semi-government bodies, corporations, public or private contracts, firms or persons and to recruit trained persons including persons retired from defence, police, military and paramilitary forces to employ detectives.
56. To take part in the management, supervision and control of the contracts, rights, turnkey jobs, operations, or business of any company or undertaking entitled to carry on the business which the Company is authorized to carry on.



# **PRIVI SPECIALITY CHEMICALS LIMITED**

**(Formerly known as Fairchem Speciality Limited)**



**ANNUAL REPORT**  
**2019-20**





## 35th Annual Report

<b>Board of Directors:</b>	Mr. Mahesh P. Babani Mr. D.B. Rao Mr. Sumit Maheshwari Mr. Rajesh Budhrani Mr. P. R. Barpande Mr. Anurag Surana Mr. D. T. Khilnani Mrs. Anuradha Thakur Mr. Utkarsh Shah Mr. Nahoosh Jariwala Mr. Hemang Gandhi Mr. Darius Pandole Mr. Viren Joshi Ms. Radhika Pereira	Chairman & Managing Director (Designated as Chairman w.e.f. August 13, 2020) Executive Director (Appointed from August 13, 2020) Nominee Director Non-Executive Independent Director Non-Executive Independent Director Non-Executive Independent Director Non-Executive Independent Director Non-Executive Independent Woman Director Director (up to August 13, 2020) Director (up to August 13, 2020) Director (up to August 13, 2020) Director (up to August 13, 2020) Director (up to August 13, 2020) Director (up to August 13, 2020)
<b>Company Secretary:</b>	Mr. Rajen Jhaveri (up to August 12, 2020) Mr. Ramesh Kathuria (From August 13, 2020)	
<b>Auditors :</b>	M/s. Price Waterhouse & Co Chartered Accountants LLP, Chartered Accountants, AHMEDABAD.	
<b>Bankers :</b>	Kotak Mahindra Bank Limited HDFC BANK Standard Chartered Bank IDFC First Bank Ltd. RBL Bank Limited ICICI Bank Ltd. CITI Bank N.A. Bank of Baroda	
<b>Knowledge Centre: &amp; Regd. Office</b>	Privi House, A-71, TTC, Thane Belapur Road, Near Kopar Khairane Railway Station, Navi Mumbai - 400 709. E-Mail Id : rameshk@privi.co.in • Website : www.privico.com CIN - L15140MH1985PLC286828	
<b>Works :</b>	<b>UNIT - I:</b> A-7, MIDC Mahad, Dist. Raigad - 402 301. <b>UNIT - II (EOU):</b> C- 3,4,5,6,6/1,7,8,9,33; X- 9,10,11, MIDC Mahad, Dist Raigad - 402 301. <b>UNIT - III:</b> A-3 MIDC Mahad, Dist. Raigad - 402 301. <b>UNIT - VI:</b> Plot No. 765, Road No. 2, Near UPL, GIDC, Jhagadia - 393110, Dist-Bharuch, Gujarat.	
<b>CIN :</b>	L15140MH1985PLC286828	
<b>Website :</b>	www.privico.com	



## TABLE OF CONTENTS

Contents	Page No.
Management Discussion and Analysis	01
Directors' Report	10
Secretarial Audit Report	30
Report on Corporate Governance	32
Independent Auditors' Report - Standalone	57
Balance Sheet - Standalone	64
Statement of Profit & Loss - Standalone	65
Statement of Changes in Equity - Standalone	66
Cash Flow Statement - Standalone	67
Notes to the Standalone Financial Statement	69
Independent Auditors' Report - Consolidated	109
Consolidated Balance Sheet	116
Consolidated Statement of Profit & Loss	117
Statement of Changes in Equity - Consolidated	118
Consolidated Cash Flow Statement	119
Notes to the Consolidated Financial Statement	121
Form AOC - 1	175



## MANAGEMENT DISCUSSION AND ANALYSIS

### Global Economic Outlook:

Year 2020 will go down in the history as the watershed year, when the social, political, financial world changed so drastically, leaving behind scars, indeed wounds, which can continue to afflict mankind for a decade or even more.

In April 2019, the Global economy, which had slowed for three consecutive quarters in 2018, had halted the decline and was in a moderate growth phase. Chinese economy, the main driver of global growth was slowing down due to a combination of regulatory tightening to rein the shadow banking, and the enhanced trade tensions with the United States. The Euro area also lost the momentum. Thus, the developed economies were about to turnaround, and the emerging economies, including India, were witnessing some traction on growth. On the overall, while the global economic growth was slowing down to 3.3% in 2019, from 3.6% in 2018, it was expected to return to 3.6% growth in 2020.

However, as the year progressed, by October 2019, the world economic outlook worsened – largely driven by the trade tensions between the US and China, which led to a slowdown in both the countries. The global growth for 2019 was pegged at 3.0%, down from an estimate of 3.3% in April 2019. The recovery in 2020 was in turn expected to be slower at 3.4%, against earlier estimate of 3.6%.

As 2019 came to an end and 2020 began, a black swan event impacted the world with the onset of, what was later confirmed as a pandemic, caused by COVID 19, which originated in the Wuhan province of China. With no cure in sight, the only option left with government across the world was – “lockdown” which brought the commerce and economies almost to a grinding halt.

The IMF in its Global Economic outlook published in April 2020, estimated that the global economies will contract by as much as 3.0% in 2020. Assuming that the pandemic will fade in the second half of 2020, and with the resumption of economic activities, the global growth was expected to 5.8% in 2021. The emerging economies were expected to contract, for time in decades, by 1% in 2020, to recover 6.6% in 2021. Exports for the emerging economies was estimated to contract by 8.2% in 2020. In 2021, the exports from emerging economies are expected to surge to 9.1%.

### Indian Economy:

As per the latest Bi monthly policy statement of the Reserve Bank of India (RBI) in May 2020, the outlook for the Indian economy remains uncertain and is significantly determined by the duration of the pandemic and to what extent will the social distancing norms remain in place. In Q1 for 2020, except agricultural sector, the activities remained subdued and the same was expected to continue in the Q2. By Q3,

the activities are expected to pick up, however RBI opined that “the downside risk to the domestic growth remains significant”. The Report also states that “upside impulse could be unleashed if the pandemic is contained and social distancing measures are phased out faster”.

Thus, the overall outlook for the Indian economy remains uncertain, and will almost entirely be governed by the containment of the pandemic within India and globally.

### Aroma Chemical Business:

Amidst the uncertainty caused by the COVID 19 pandemic, there is also a change in lifestyle necessitating increased hand washing frequencies, better hygiene in general – including cleaning of floors, more frequent washing of cloths, etc. This change in lifestyle will lead to increased demand for sanitizers, soaps, detergents, and floor cleaners.

The increased demand for the above mentioned Fast Moving Consumer Goods (FMCG) products will in turn lead to increased demand for the raw materials for making these products, including the fragrances, and in turn Aroma chemicals.

In the medium term, therefore, your company is expecting a robust growth in the demand for the aroma chemicals – main business of your companies.

In the short term, however, the disruptions caused by the lockdown is resulting in both slackness in demand and more importantly the logistic bottlenecks like movement of goods to and from the port for exports and for domestic use.



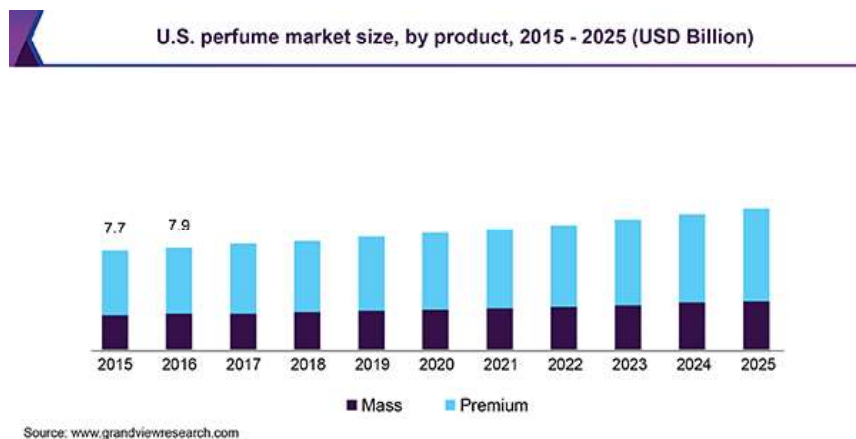
## 1 GLOBAL FLAVOR AND FRAGRANCE INDUSTRY:

### Global Perfume market: (Source: Grand view research)

The global perfume market size was valued at USD 31.4 billion in 2018 and is expected to expand at a CAGR of 3.9% from 2019 to 2025. The market growth is attributed to growing trend of personal grooming, coupled with increasing demand for luxury and exotic fragrances. Moreover, increasing consumer spending on premium and luxury fragrances due to high income level, along with improving living standards, is driving the global market.

In recent years, perfumes have evolved into a significant business in the cosmetics and personal care industry. Perfumes have emerged as an essential product driven by growing trend of personal care, forming a part of pride and confidence.

Product diversification by manufacturers is also expected to expand the customer base. Product innovations based on customer need are further augmenting the sales in the perfume market.



Key players are also focusing on introducing natural fragrances in the premium category, primarily due to rising concerns over allergies and toxins in synthetic ingredients. Approximately 75% of millennial women prefer buying natural products, wherein more than 45% of them prefer natural based healthy perfumes. For instance, LUXE brand has been positioning itself as a natural fragrance brand and is focusing on collaborating with celebrity personalities for product endorsement.

Moreover, innovative promotional activities are driving the market. Manufacturers are investing in advertisements in an effort to influence the purchase decisions. Growing influence and impact of social media and celebrity endorsements is one of the trending advertisement strategies implemented by the players. Companies are heavily investing in their advertisements and promotions to attract consumers on digital platform.

These factors have been aiding the companies to understand their product performance and develop products to meet the customer needs, thereby contributing to the growth of the global market.

### **Product Insights**

Premium perfumes accounted for the largest share of more than 65.0% in 2018. The growth has surpassed that of mass fragrance products in the last few years owing to greater emphasis on quality, personalization, and exclusivity. Premium perfumes are expected to expand at the fastest CAGR of 3.9% from 2019 to 2025 owing to growing preference for unique, hand crafted, and exotic fragrances.

Manufacturers are also focusing on widening their offerings to include the high end products. For instance, Coty has slimmed down its product portfolio of low priced labels after the acquisition of some Procter & Gamble Co.'s beauty brands. Since then, it has been focusing on the luxury lines, which include Gucci Bloom and Tiffany & Co., targeting the millennials.

Decline in the mass perfume products is majorly attributed to increasing preference for premium fragrances among consumers. This has been driving the manufacturers to shift their focus towards premium products, thereby contributing to the growth of the global market.



### **End User Insights**

Women accounted for the largest share of 60.1% in 2018. It is observed that women in

U.S. purchase a new perfume as often as once a month, in comparison to men who buy it on an average of 1 2 times per year, mainly for the purpose of replenishment. As per a survey, around 41% of the females in U.S. use perfumes everyday as compared to men.

In U.K., women pay more for fragrances than men, wherein female perfumes cost an average of about 6p more per ml as compared to male fragrances of the same brands. Perfume sales are expected to rise up among women irrespective of its high price points, as they consider it to be an essential part of personal care.

### **Distribution Channel Insights**



The offline channel accounted for more than 70.0% share in 2018. Consumers prefer this channel to purchase their products due to availability of a wide range of options as well as facility of scanning the product details before any purchase. The offline segment is mainly driven by the sales from specialty stores that offer premium products. The layout of the supermarket and promotional campaigns by leading brands have also increased the sales volume in the supermarket and hypermarket segment. Growth of the organized retail sectors has been driving the market by providing ample space and visibility for the existing brands to offer their products.

The online platform is expected to witness the fastest growth during the next few years. Evolution of online retail channels such as Flaconi, Amazon, and Parfumdreams has turned out to be a new and convenient way of distributing perfumes, despite consumers not being able to test the fragrance before purchase. Various modes of advertisements and promotions in the market are very prominent, thereby driving the consumers to prefer online channels.

### **Regional Insights**

Europe, followed by North America, accounted for the largest share in 2018. The U.S. and Europe market remain the industry trendsetters. Major countries contributing to the growth of the Europe market include Germany, France, and U.K., wherein Germany accounted for 16.3% in 2018. In 2017, Coty was positioned as the leading player in the fragrance market in Germany. The market growth was attributed to the strong sales of the premium products through brands such as Jil Sander and Calvin Klein, along with new product launches from other brands such as Hugo Boss.

France accounted for 25.9% share in the regional market in 2018. France serves as the home of numerous leading perfumes brands such as Christian Dior, Chanel, and Guerlain. The country has been driving the Europe market with the highest production and export values. In 2017, France had exported about USD 4.8 billion worth fragrance products to the global market, thereby representing more than 25.0% of the world's total perfume exports in the same year.

## **2 Market scenarios in India (source – Research and markets)**

Fragrances are the unique combinations of natural and synthetic substances that are added in different products to give them distinctive scents. Perfumers keep on working on new fragrances using various fragrance ingredients and combine them in a unique way to produce fragrance products which can be used for different purposes.



Fragrances industry majorly includes two categories viz. deodorant and perfumes which are then categorized into several sub forms. Deodorants in India are available in aerosol/spray form as well as in roll ons and sticks whereas perfumes are available in the form of eau de toilette, eau de cologne, eau fraiche and eau de parfum. The fragrance industry is set to witness an increase in the demand for high end sophisticated fragrances as consumers are altering their lifestyle and adapting the luxurious fragrances in their daily personal grooming regime.

India fragrance market is dominated by deodorants whereas perfumes are also picking up pace with the onset of lifestyle changes. Deodorants kill the bacteria that causes odour when there is perspiration. As it is a more natural process to allow bodies to sweat, it makes more sense for consumers to use deodorants. Aluminium free underarm deodorants play a vital role in keeping the body clean and fresh. For the present generation, it is impossible to imagine life without deodorants. Different types of deodorants are available in the Indian market today with a number of brands and this has given a plethora of choices to consumers. India deodorant market is expected to grow with a CAGR of more than 15% over next five years out of which the aerosol/spray form of deodorant is expected to continue its dominance over 2017-2022.

According to "India Fragrance Market Outlook, 2022", the demand for fragrance products has been driven by rising disposable income, the importance of personal grooming, emergence of working women in India and the hot, humid and tropical climate conditions of India. Rising demand for perfumes from working professionals is one of the major growth drivers for perfume industry as professionals want to smell good every day from the moment they enter into the office till their exit. The mindset that men and women feel confident by using fragrance products has been one of the key points for the companies to look into this segment and tap the market as much as possible.

### 3 Aroma Chemicals:

Selbyville, Delaware, March 27, 2020 (GLOBE NEWSWIRE) As per the report published by Global Market Insights Inc., the overall aroma chemicals market was estimated at \$5.10 billion in 2019 and is expected to hit **\$7.5 billion** by 2026, registering a **CAGR of 6%** from 2020 to 2026.

As per industry analysis, aroma chemicals are natural as well as synthetic aromas that have been used for manufacturing various products which includes household, fine fragrances, soaps & detergents, food & beverages, and cosmetics & toiletries. Among these, the cosmetics & toiletries segment accounted for nearly 21.0% of the market share back in 2019. Factors like emerging personal grooming trends are expected to further lead the demand for cosmetics and impel the aroma chemicals market.

Aroma chemicals are also used for imparting attractive aromas to several consumer products, which includes perfumes, detergents, and toiletries. The increasing number of working women across the world has led to a growing demand for personal care products. Furthermore, rising preference for natural fragrances owing to negative effects of synthetic chemicals will positively contribute on aroma chemicals industry expansion as well.

#### **Key reasons for aroma chemicals market growth:**

1. Growing demand for soaps and detergents owing to rapidly rising personal hygiene trends throughout the globe. The COVID 19 pandemic is resulting in increased frequency and higher standards of hygiene – in turn leading to higher demand for aroma chemicals.
2. Rising adoption of synthetic aroma chemicals across the cosmetics industry.

#### **2026 forecasts anticipate the 'soaps and detergents' application segment showing appreciative growth:**

The soaps and detergents segment will witness substantial gains of over 6% through 2026. The product is extensively used for manufacturing soaps and detergents due to its fine aroma. The market of liquid soaps was valued at over \$15 billion back in 2018. Rising personal hygiene trends and the subsequent growth in demand for good smelling soaps will positively impact aroma chemicals market share.

#### **North America aroma chemicals industry to witness appreciative growth:**

North America is anticipated to foresee gains of over 5.5% through 2026. The United States FDA has designated these compounds as safe prior to its use by people. This recognition allows aroma chemicals to be utilized for manufacturing snacks, carbonated drinks, and candies, providing prominent revenue streams to the aroma chemicals market. Moreover, an increasing number of restaurants across the region have further impelled the consumption of junk food, which is further stimulating product demand.

**Leading market players:**

The key market players analysed in the aroma chemicals market report include Solvay and Takasago International Corporation, International Flavours & Fragrances Inc., Kao Corporation, MANE, Symrise, Robertet, BASF SE, S H Kelkar and Company, and your Company.

**Regulations**

Regulations are forcing companies to follow compliance, which could affect the market's growth trajectory.

For instance, wastewater discharge during the production of various synthetic aroma chemicals consists of many effluents, which need to meet applicable regulations for such discharge. As regulations are getting stringent and are imposing various restrictions on the emissions, like wastewater, air emissions, etc. producers are required to comply with the norms.

**Growth drivers**

As per market information, use of aroma chemicals so far was limited to the personal and household care sector. Market expansion and penetration of new generation lifestyle products like body deodorants has provided new market opportunities.

Demand for aroma chemicals is expected to rise especially in emerging economies such as India, China, Brazil and Africa. Rising income expected to drive increasing willingness among young consumers to spend on personal care products.

Shifting consumer preferences would create lucrative prospects for aroma chemicals market. Increasing market penetration and investment towards product development will help the aroma chemicals market to register strong growth in the forthcoming years.

With companies focusing on product diversification, consumers will have wider options to choose from. Spurred by these factors, the global aroma chemicals market will continue trading along a positive trajectory.

**Building barriers to entry:**

Aroma chemicals are used based on their olfactive properties, apart from the chemical assay and physical properties. Your Company has been in the business of supplying Aroma chemicals to global companies for about two decades and therefore has

considerable in house expertise and knowledge of the olfactive requirements of various customers.

Further, as your Company has a backward integrated to use waste generated from pulp mills CST, it has significant visibility of pricing of raw materials.

These factors provide distinct competitive advantages to your Company, against a new entrant or existing aroma chemical manufacturers.

**Business Risks and mitigation of risks:**

- Volatility in foreign exchange:

With the global trade uncertainties caused by protectionist policies of the developed world, accentuated further by the economic crises emanating from the COVID 19 pandemic, exchange rates have been very volatile, including the exchange rate between the Indian Rupee and the U S Dollar.

While your Company depending on over 70% of the raw materials by imports, it also exports over 70% of the finished goods. Thus, your Company has a natural hedge against the depreciation of Indian Rupee against the US dollar, after accounting for some of the borrowings which are denominated in dollars.

- Pricing and availability of raw materials:

The rate of key raw materials also varies considerably during the year, and the recent uncertainties add to further risks.

Your Company as a strategy enters into a half yearly or annual contracts for raw materials and finished products to mitigate the risks.



- Apart from the above, there is the systemic Socio geographic and resultant economic risks.

Further, your Company has increased capacities of key products as well as installed new capacities for certain niche specialty aroma chemicals to stay ahead of competition.

Your Company continues to be a leading producer globally in three flagship products – Dihydromyrcenol, Amber Fleur, and Pine Oil. All these products are made in the fully integrated manufacturing facilities of the Company – starting from the CST to the finished products. Above mentioned chemicals are important ingredients in the manufacture of Fragrances.

Your company continues to be the largest single CST processing site in Asia, which is invariably the reason for survival and growth under the current volatile situation in respect of raw materials. CST also allows us to be self sufficient on Key Raw Materials.

In addition to the above large volume flagship products, your Company also makes a number of specialty aroma chemicals – some of which are made from the side streams generated during manufacturing.

Thus, apart from consolidating the market share in the large volume products, your Company is also working on increasing Customer share by supplying other Aroma chemicals.

#### **Technology initiatives:**

Your company has been investing and will continue to invest in forward looking technologies (like biotechnology) for future from the point of view of expanding into other industry segments.

Your Company continues to be engaged in research and development in respect of technology & process improvement.

#### **REACH Status of Your Company :**

##### **Registration, Evaluation, Authorization and Restriction of Chemicals (REACH):**

##### **EU/EEA REACH:**

**Requirements:** To place any product in European Economic Area in qty e” 1 MTPA, the product is required to be registered within REACH Regulation (EC Regulation 1907/2006).

**Our Status:** So far, we have registered total 23 products of ours under EU REACH Regulation, through our Sweden based Only Representative

**Key Post Registration Obligations:** After European Chemical Agency (ECHA) evaluates Registration dossier, additional animal or product test data to be provided or corrections to made if ECHA finds any information missing or incorrect. For Example: ECHA requires us to submit Extended One Generation Reproductive Toxicity study for our already registered Dihydromyrcenol and Pine Oil

##### **Korea REACH:**

**Requirements:** To place any product in Korea in qty e” 1 MTPA, the product is required to be pre registered within Korean REACH Regulation (ARECs). The product needs to be registered by Dec 2021, Dec 2024, Dec 2027 or Dec 2030 depending on the annual Tonnages or Hazard properties.

**Our Status:** So far, we have pre registered total 9 products under Korea REACH, through our Korean based Only Representative

##### **Turkey REACH:**

**Requirements:** To place any product in Turkey in qty e” 1 MTPA after Calendar Year 2020, the product is required to be pre registered under Turkey REACH Regulation (KKDIK regulation) by Dec 2020. The product is required to be registered by Dec 2023.

**Our Status:** So far, we have shortlisted total 19 products for Pre registration. We are planning to pre register the products by Oct 2020.



## Outlook & Highlights

Your Company has achieved a growth of 21.3% value over the previous year.

With existence of our 100% Subsidiary in US, our market share continues to keep growing year on year. Your Company is working on the legalities of establishing an office in Brazil to begin with in Latin America. Thus, utilizing on the base created so far by our subsidiary.

Your Company already has global presence by way of an own office in Netherlands, which is a valuable step forward from strategic point of view for future growth.

Your Company continues to see its growth coming from key accounts in emerging and developing countries and its ability to provide a range of products.

Your Company continuously is making further inroads into the developing markets (Nigeria, Egypt, UAE, Pakistan, South Africa) by seeking more and more customers.

Your Company continues to sell value added products from backward integrated feedstocks, thus contributing to enhance the revenues.

Your company continues to establish strategic long term business relations with global leading companies in F&F industry, like Givaudan, Firmenich, IFF, Symrise, MANE, Robertet, Takasago e.t.c and with well known global leading FMCG producers, like P&G, Henkel, RB.

## OLEO CHEMICALS AND NUTRACEUTICALS:

### The Industry Structure And Developments:

#### OLEO CHEMICALS:

Oleo Chemicals are preferred since they are produced from biological fats or oils i.e. natural sources. The demand for biodegradable chemicals is supporting oleo chemicals market. Fatty Acids, methyl esters and fatty alcohols are major oleo chemicals manufactured in India. The Company is mainly in the business of Fatty Acids which is one of the largest segments in Oleo Chemicals. Dimer Acid, Linoleic Acid / Soya Fatty Acid, other Distilled Fatty Acids are the main products of the Company in Oleo Chemical segment.

#### Dimer Acid:

The Company was able to maintain the volume of sales of this product during F.Y. 2019-20 indicating the acceptance of the quality of Company's Dimer Acid in India and fair price policy of the Company vis-à-vis competition from China. Dimer Acid is a value added product of the Company which is derived as one of the streams by further processing Linoleic Acid. During most part of F.Y. 2019-20, there was a demand pull for Linoleic Acid which absorbed substantial quantity of available Linoleic Acid. In view of lean availability of raw material during monsoon of 2019, the Company decided to meet the requirement of Dimer Acid of its old customers rather than exploring the new and big ones in an aggressive manner. In the meantime, Company worked on two things, one augmenting its raw material throughput capacity by de-bottlenecking and adding peripheral production and utility equipments and secondly by working on and taking trial of alternative raw materials, both of which were in place by December, 2019.

Dimer Acid is used for making two kinds of polyamides i.e. Non-reactive and reactive. Non-reactive polyamides are used by manufacturers of printing inks, adhesives, paper coatings etc. Rising demand from industries such as printing inks, adhesives and paper coatings may drive global dimer acid market size for non-reactive polyamide resins. The demand for Reactive polyamide resins application will be driven by increasing surface coatings & adhesives demand in marine and construction.

#### Linoleic Acid / Soya Fatty Acid:

During F.Y. 2018-19, the Company had worked on improvement in quality of this product and was in dialogue with a large paint company for a sizable volume on regular basis. It finally materialized during F.Y. 2019-20 and since then, Company has been supplying this product regularly every month.



Soya Fatty Acid and a result was able to push the sales of said product. The end use of both - Linoleic Acid and Soya Fatty Acid - is same i.e. for making Alkyd Resins which in turn is used in making paints. There is some qualitative difference. Linoleic Acid is a better product compared to Soya Fatty Acid and is preferred when premium / decorative grade paint is needed.

#### **INTERMEDIATE NUTRACEUTICALS:**

The word Nutraceutical is derived from two words viz. 'Nutrition' and 'Pharmaceutical'. When used in food, it provides health and nutrition benefits in addition to basic nutrition value present in food items. The consumers are now more health conscious and better informed about such nutritional products. The Company is mainly in the business of (natural) Tocopherols and Sterols – intermediate nutraceuticals and they are exclusively exported. Tocopherols have anti-oxidant properties. Tocopherols, after they are further concentrated by customers, are then used in (a) Pet Food, (b) food as it prevents rancidity. Tocopherols when converted into Natural Vitamin E finds the application in Pharmaceutical, cosmetic etc. Sterols after they are further concentrated, finds its use in making of Cortico Steroids and as food additive.

Due to unremunerative prices of the product exported by the Company, being intermediate in nature vis-à-vis price expectation of Indian suppliers of its specific raw material, the Company did limited business of this stream during the F.Y. 2019-20. The Company hopes to bounce back in this business from F.Y. 2021-22 onwards once its ongoing project of achieving higher concentration of tocopherols and as a result thereof obtain separate stream of sterols which can further be processed for getting highly concentrated sterols gets going by end of F.Y. 2020-21.

#### **Strengths, Opportunities and Threat:**

The major strength in Oleo Chemical business is Company's ability to process by-products having no technical specifications and make higher grade fatty acids and nutraceuticals intermediate finished products meeting stringent quality standards. The Company enjoys leadership position in its area of business. Another advantage in favour of the Company is its strong customer and supplier relationship of more than 20 years.

Ideally, there is a place for one company in this business of Oleo Chemicals and Nutraceuticals in India due to limited availability of the main raw material within India. The import of the said raw material with applicable basic import duty is not a very viable proposition at current prices of raw material as well as prime finished product obtained therefrom.

#### **HUMAN RESOURCE MANAGEMENT:**

Out of all the resources, human capital is of immense importance which may decide overall growth of Oleo Chemicals business. Human capital has the inherent capacity of delivering more than 100 % unlike other resources. During the year, the Company went for additional welfare measures to secure the employees of the Company. During the year, the industrial relations very cordial. As at March 31, 2020, the Company had 191 employees on the payroll of the Company.

#### **OUTLOOK:**

The outlook of Oleo Chemicals business appears to be promising. The Company is continuously working on process optimization and strives to explore the ways to beat the inflation and thereby maintain / reduce per unit processing cost. This is one area where the Company benefits without any corresponding loss to either its customer or supplier of raw material and so this benefit is permanent.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

There are adequate internal control systems for financial reporting. Internal audit has been done by a firm of Chartered Accountants. The Company is continuously exploring to strengthen its internal control either based on feedback of statutory / internal auditors or based on the need felt from day to day operations. With effect from December, 2018, entire finance dept. is shifted to the office at works and so now all the employees of the Company are at single location. This has its own advantages.

**Performance review:**

No.	Ratios	F.Y. 2019-20	F.Y. 2018-19
		<b>(Standalone)</b>	
1	Debtors Turnover Ratio	9.48	8.98
2	Inventory Turnover Ratio	5.43	4.86
3	Interest Coverage Ratio	7.82	6.10
4	Current Ratio	1.23	1.09
5	Debt Equity Ratio	0.47	0.48
6	Operating Profit Margin ( % )	18.74%	16.17%
7	Net Profit Margin ( % )	11.93%	8.61%
8	Return on Net Worth ( % )	31.62%	22.66%



## DIRECTORS' REPORT

Your Directors are indeed pleased to present the Thirty Fifth Annual Report along with Audited financial statements – both Standalone and Consolidated - of the Company for the financial year ended March 31, 2020. These financial statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) as required under The Companies Act, 2013.

### FINANCIAL RESULTS:

(Rupees in Lakhs)

	Standalone for the Year ended on		Consolidated for the year ended on	
	31-03-2020	31-03-2019	31-03-2020	31-03-2019
(1) Total Income	31,308.12	25,422.25	1,65,730.32	134,674.21
(2) Profit before Exceptional Item Interest, Depreciation & Taxation	5,742.23	4,040.09	29,468.48	21,838.06
Less : Interest	657.90	573.49	4,068.81	2,901.46
(3) Profit before Exceptional Item, Depreciation and Taxation	5,084.33	3,466.60	25,399.67	18,936.60
Less : Depreciation	595.95	544.59	6,273.11	4,685.40
(4) Profit before Exceptional Item and Taxation	4488.38	-	19,126.56	14,251.20
Add : Exceptional Item			4,000.00	904.78
(5) <b>Profit before Tax for the year</b>	4488.38	2,922.01	23,126.56	15,155.98
Less : Provision for Taxation :				
(a) Current Tax	878.89	586.93	5,831.16	5,029.49
(b) Deferred Tax	(49.59)	183.32	(327.36)	685.99
(c) Tax adjustment of earlier years (Net)	4.11	-	(10.04)	16.13
<b>Sub-total</b>	833.41	770.25	5,493.76	5,731.61
(6) <b>Profit after Tax for the year</b>	3,654.97	2,151.76	17,632.80	9,424.37
Add: Other Compressive Income - OCI	(9.65)	(20.92)	53.42	(16.02)
(7) <b>Net profit after Tax for the year</b>	3,645.32	2,130.84	17,686.22	9,408.35
(8) Earning per share (EPS) of Rs. 10/- each	9.36	5.51	45.14	24.13

### OPERATIONS AND THE STATE OF COMPANY'S AFFAIRS (CONSOLIDATED):

During the year under review, the consolidated revenue from operations and other income crossed Rs.1,650 crores and were Rs.1,657.30 crores. The Company achieved consolidated profit before tax of Rs. 191.26 crores and profit after tax & OCI of Rs. 176.33 Crores. The EPS on Consolidated financial statements for the year ended March 31, 2020 was Rs.45.14 on diluted basis, reflecting an increase of 87%.

There is no change in the nature of business of the Company.

### DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs. 1.50 (i.e. 15 %) per equity share [Previous Year Rs. 2.50 (i.e. 25 %) per equity share] for the financial year ended March 31, 2020, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company. Dividend will be paid to those shareholders whose names appear in the Register of Members as on Book Closure Date.

**SUBSIDIARY COMPANIES :**

The Company has two wholly owned subsidiary Companies namely Privi Organics India Limited and Fairchem Organics Limited. Further Privi Organics India Limited has two wholly owned subsidiary Companies namely Privi Biotechnologies Private Limited and Privi Organics USA Inc.

Further, as provided in section 136 of the Act, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available free of cost the Audited Financial Statements of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The Financial Statements of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

As provided in Section 129[3] of the Companies Act and Rules made thereunder a statement containing the salient features of the financial statements of its subsidiaries in the format AOC 1 is attached to the financial statements in Annexure - 1.

**RESERVE :**

Your Directors have decided not to transfer any amount to the Reserve for the year under review.

**MATERIAL CHANGES AND COMMITMENTS :**

There have been no material changes and commitments which have occurred between the end of the financial year to which the financial statements relate and the date of this Report, affecting the financial position of the company.

**CAPITAL STRUCTURE :**

During the year, there was no change in the Capital structure i.e. Authorised, Issued and paid up Equity Share Capital of the Company. The Company is having only one class of shares.

**Impact of COVID-19 Pandemic**

COVID-19 Pandemic has created health scare and resulted in economic disruption in India. The manufacturing operations at the Oleo Chemicals plant of the Company at Chekhala were stopped to comply with the directions of Central Govt. vide notification dated March 24, 2020. The Company continued to monitor the business situation and decided to defer re-starting of the said plant to May 21, 2020. Since the beginning of June, 2020, the business visibility has improved. The Company, however, remains cautious considering the fact that covid-19 cases continue to rise and partial lockdown is continuing in Maharashtra State which is commercially quite important. To ensure adequate liquidity and timely availability of funds, the Company has availed the benefit of moratorium of 3 EMLs on term loans.

**MEETINGS OF THE BOARD:**

During the Financial Year 2019-20, 5 (five) meetings of the Board of Directors took place. For further details, please refer Report on Corporate Governance.

**PARTICULARS OF LOANS GUARANTEES AND INVESTMENTS:**

The Company has not given any loan, made investment, given any guarantee or provided any security – covered u/s. 186 of The Companies Act, 2013 – to anyone.

**CORPORATE GOVERNANCE/MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

A Report on the Corporate Governance Code along with a certificate from a practicing Company Secretary regarding the compliance of conditions of Corporate Governance as stipulated in Regulation 34 of SEBI (LODR) Regulations, 2015 as also the Management Discussion and Analysis Report are annexed to this Report.

**FIXED DEPOSITS:**

During the year, Company has not accepted any Fixed Deposits.

**CREDIT RATING:**

CARE Ratings Limited carried out annual review of credit facilities of HDFC Bank and vide its letter dated June 27, 2019, has revised its rating as under:

1. For Long-term Bank facilities: From CARE A; Stable to CARE A; (Single A; Outlook: Credit Watch)



2. For Long-term/ Short – term Bank facilities: From CARE A; Stable/ CARE A1 (Single A; Outlook: stable/ A one to CARE A; / CARE A1 (Single A; Outlook: Credit watch, A one; Outlook : Credit watch).

#### **INVESTOR EDUCATION AND PROTECTION FUND (IEPF)**

In accordance with the applicable provisions of Companies Act, 2013 read with Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 (“IEPF Rules”), all unclaimed dividends are required to be transferred by the Company to the IEPF, after completion of seven (7) years. Further, according to IEPF Rules, the shares on which dividend has not been claimed by the shareholders for seven (7) consecutive years or more shall be transferred to the demat account of the IEPF Authority. The details relating to amount of dividend transferred to the IEPF and corresponding shares on which dividends were unclaimed for seven (7) consecutive years, are provided in the General Shareholders Information section of this Annual Report. Accordingly, during the year, an amount of Rs. 1,30,679/-, being unclaimed dividend for F.Y. 2011-12 was transferred to IEPF.

#### **TECHNICAL ACHIEVEMENT:**

The Company keeps on exploring the possibility of technical improvement and process optimization for better yields / product mix / energy efficiency.

#### **DIRECTORS:**

Shri Sumit Maheshwari (DIN 06920646) will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer himself for re-appointment.

#### **STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS:**

The Company has received declarations from all the Independent Directors of the Company, inter alia, confirming that they meet the criteria of Independence as prescribed under Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (LODR) Regulations, 2015 as amended from Independent Directors confirming that they are not disqualified for continuing as an Independent Director.

#### **COMPANY’S POLICY ON DIRECTORS’ APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF A DIRECTOR ETC.:**

Pursuant to the provisions of Section 178 and other applicable provisions, if any, of the Companies Act, 2013 read with the Rules made thereunder and Clause 49 of the Listing Agreement, now regulation 19 of SEBI (LODR) Regulation, 2015 the Board of Directors at their Meeting held on August 11, 2014 approved the Remuneration and Nomination Policy as recommended by the Nomination and Remuneration Committee. The salient features of the said policy covering the policy on appointment and remuneration and other matters have been explained in the Corporate Governance Report.

#### **BOARD EVALUATION:**

The Evaluation of Board, its Committees, Individual Directors (Independent and Non Independent Directors) and Chairperson was carried out as per the process and criteria laid down by the Board of Directors based on the recommendation of the NRC:

- The obtaining and consolidation of feedback from all directors for the evaluation of the Board and its Committees and Individual Directors (i.e. Independent and Non Independent Directors) were co-ordinated by the Chairman of the Board.
- The feedback on evaluation of the Board and its Committees was discussed in their respective meetings and the feedback on the evaluation of Individual Directors was discussed individually with them.
- The evaluation of Chairperson was coordinated by the Chairman of the Independent Directors meeting.
- The Independent Directors met on February 10, 2020 with respect to the above process.

#### **DIRECTORS’ RESPONSIBILITY STATEMENT:**

Pursuant to the requirement of Section 134(3)(c) of the Companies Act, 2013 and to the best of their knowledge and belief, and according to the information and explanations provided to them, your Directors hereby make the following statements:

- (i) that in the preparation of the financial statements for the year ended March 31, 2020, the applicable accounting standards read with requirements set out under Schedule III of the Companies Act have been followed and there are no material departures from the same;



- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year viz. March 31, 2020 and of the profit of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a 'Going Concern' basis;
- (v) that the Directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively and
- (vi) that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

#### **PARTICULARS OF EMPLOYEES:**

Details of Employees as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

#### **A. Names of the employees employed throughout the year and were in receipt of remuneration of not less than Rs. 102.00 Lakhs during the year**

Details of Employees as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2020

Details of Employees as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2020							
Sr. No.	Name & Age	Designation/ nature of Duties	Remuneration (In Rs.)	Qualification & experience	Date of Commencement of employment	Last employment, Name of employer, post held and period (years)	% of equity shares held with spouse & dependent children
1	Shri Nahoosh Jariwala (58 Years)	Managing Director	1,44,39,600	B.Com (38 years)	May 15, 2010	M/s. H.K. Finechem Limited (Executive Director) (16 years)	Nil

#### **B. Names of employee's employed for part of the year and were in receipt of remuneration of not less than Rs. 8.50 Lakhs per month**

Details of Employees as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Directors' Report for the year ended March 31, 2020							
Sr. No.	Name & Age	Designation/ nature of Duties	Remuneration (In Rs.)	Qualification & experience	Date of Commencement of employment	Last employment, Name of employer, post held and period (years)	% of equity shares held with spouse & dependent children
Nil							

#### **LISTING:**

The Company's securities are listed with BSE Limited and National Stock Exchanges of India Limited. The Company has paid the listing fees for F.Y. 2020-21 on the paid up equity share capital.

**BUSINESS RESPONSIBILITY REPORT:**

The Business Responsibility Reporting, as prescribed under Regulation 34 of SEBI (LODR) Regulations, 2015 is annexed to this Report.

**CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES:**

All contracts / arrangements / transactions with related parties entered into by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with related party transactions.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

**INTERNAL CONTROL AND ITS ADEQUACY :**

The Company has, commensurate with its size, single operational location and resultant requirement, Internal Control system. A well-known firm of Chartered Accountants carried out internal audit of the said system. Based on the recommendation / report of the said Internal Auditors which are presented to the Audit Committee, required corrective actions were initiated / taken by the Company.

**Internal Financial Controls**

The Directors have laid down policies and procedures which are adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

**FRAUD :**

During the year, no fraud was reported by the statutory auditors under section 143(12) of the Act.

**CORPORATE SOCIAL RESPONSIBILITY:**

The Corporate Social Responsibility Committee had formulated and recommended to the Board a Corporate Social Responsibility Policy which has been approved by the Board. The other details of the CSR activities as required U/s. 135 of The Companies Act, 2013 are given in the CSR Report as Annexure to Directors' Report.

**RISK MANAGEMENT POLICY:**

The Company has put in place Risk Management Plan. The Company has identified following elements of risk which in the opinion of the Board may threaten the existence of the Company:

- (1) Severe simultaneous drought in those Soya producing countries of the world on which Indian Crude Soya Oil refining is partly dependent.
- (2) Development of new and substantially cheaper manufacturing technologies using altogether new inputs for making various kinds of resins which are required for making paints, printing ink, hardeners.

The Company has identified other hard vegetable oils such as Palm to which it can switch over to in the extreme event of non-availability of soya based raw materials throughout or major part of the year.

**STATUTORY AUDITORS AND THEIR REPORT:**

The auditors M/s. Price Waterhouse & Co Chartered Accountants LLP were appointed as Statutory Auditors at the 31st Annual General Meeting held on September 9, 2016 for a term of five years, from the conclusion of 31st AGM till the conclusion of 36th AGM to be held in the year 2021. They have furnished a declaration confirming their independence as well as their arm's length relationship with the Company and that they have not taken up any prohibited non-audit assignments for the Company.



The Board has duly reviewed the Statutory Auditor's Report for the Financial Year ended on March 31, 2020 and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board in their Report as provided under section 134 of the Act.

#### **SECRETARIAL AUDITORS AND SECRETARIAL AUDIT REPORT:**

As required by Section 204 of The Companies Act, 2013 read with The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed M/s. Parikh Dave & Associates, Company Secretaries, Ahmedabad, a firm of Company Secretaries in Practice to conduct Secretarial Audit for the Financial Year 2019-20. The Report of the Secretarial Audit for the financial year ended on March 31, 2020 is annexed as Annexure to this Report.

The Board has reviewed the Secretarial Auditor's Report and is of the opinion that the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board in its Report as provided under section 134 of the Act.

#### **CONFIRMATION OF COMPLIANCE OF SECRETARIAL STANDARDS:**

During the year under review, the Company has complied with the applicable Secretarial Standards i.e. SS-1 and SS-2, relating to "Meetings of the Board of Directors" and "General Meetings", respectively, issued by The Institute of Company Secretaries of India (ICSI)

#### **COST AUDITOR:**

As per the Companies (Cost Records and Audit) Rules, 2014 as amended by Companies (Cost Records and Audit) Amendment Rules, 2014, issued by the Central Government, the Company is required to get its cost records maintained by it for the products covered under Chapters 2917 and 3823 of Sr. No. 18 of table mentioned under Rule 3 (B) – Non-regulated Sectors audited by a Cost Auditor.

#### **VIGIL MECHANISM :**

As required under Companies Act and SEBI (LODR) Regulations, the Company has put in place Vigil Mechanism /Whistle Blower Policy for Directors and Employees so that the Directors can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct Policy and SEBI Insider Trading Regulations. Whistle Blower Policy is disclosed on the website: <http://fairchem.in/investor-relations/Policies/Whistle-Blower-Policy.pdf>

#### **Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder and has complied with the provision relating to the constitution of Internal Complaints Committee. During the year, no complaint of sexual harassment was received by the Company.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

##### **A. Conservation of Energy**

- (a) Steps taken or impact on conservation of energy : None per se for conservation of energy.
- (b) Steps taken by the Company for utilizing alternate source of energy : None.
- (c) Capital Investment on energy conservation equipments : NIL

**B. Technology Absorption**

- (i) the efforts made towards technology absorption; None
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the year under reference) –
  - a) details of the technology imported; NIL
  - b) the year of import; Not Applicable
  - c) whether the technology has been fully absorbed – Not Applicable and if not, areas where absorption has not taken place, and the reasons thereof; Not Applicable
- (iv) the expenditure incurred on Research and Development. – Rs. NIL

**C. Foreign exchange earnings and Outgo –**

Foreign Exchange Earnings : Rs. 979.53 Lakhs

Foreign Exchange Outgo : Rs. 1,354.39 Lakhs

**Extract of Annual Return:**

The details forming part of the extract of Annual Return in Form MGT-9 is annexed herewith as Annexure to this Report.

**ACKNOWLEDGMENTS:**

Your Board of Directors wishes to place on record its appreciation to the contribution made by the employees of the company. The company has achieved impressive growth through the competence, hard work, solidarity, cooperation and support of employees at all levels. The Directors also wish to thank the Company's vendors, vendors, Stock Exchanges, Government authorities, bank and shareholders for their cooperation and assistance extended to the company

**For and on behalf of the Board of Directors,**

Place : Ahmedabad  
Date : June 23, 2020

**Utkarsh Shah**  
Chairman  
DIN – 00101663



## ADDENDUM TO THE DIRECTORS' REPORT FOR F.Y. 2019-20

To

The Members,

This 'Addendum to the Directors' Report' is being attached to the Directors' Report for financial year ended March 31, 2020 to share with the members following important developments post adoption by the Board of Directors of main Directors' Report on June 23, 2020 while approving Audited Financial Statements for the financial year ended on March 31, 2020 and is being issued pursuant to the approval granted by the Board at its meeting held on August 17, 2020.

### Composite Scheme of Arrangement and Amalgamation:

On August 12, 2020, the Board of Directors adopted and took on record the certified true copy of the Order No. CP/(CAA) 925/MB.V/2020 dated June 30, 2020 issued by the National Company Law Tribunal (NCLT), Mumbai Bench on August 03, 2020, sanctioning the Composite Scheme of Arrangement and Amalgamation amongst Fairchem Speciality Limited ("Company" or "Demerged Company" or "Transferee Company"), Fairchem Organics Limited ("Resulting Company") and Privi Organics India Limited ("Transferor Company") and their respective shareholders ("Scheme").

As per the NCLT Order approving the Scheme -

- (I) The speciality oleo chemicals (natural source) and nutraceuticals (natural source) business of the Company (more particularly set out as 'Demerged Undertaking' in the Scheme) demerges and vests into the Resulting Company (a wholly owned subsidiary of the Company), in consideration thereof, the Resulting Company will issue 1 fully paid up equity share of Rs. 10 each of the Resulting Company for every 3 equity shares of Rs. 10 of the Demerged Company; and
- (II) The Transferor Company, a wholly owned subsidiary of the Company amalgamates into and with the Company. Apart from the adoption of the NCLT Order and as a consequence thereof, the following decisions were taken –

#### A. At the meeting of the Board of Directors held on August 12, 2020,

- a) Change of Name of the Company from Fairchem Speciality Limited to Privi Speciality Chemicals Limited
- b) Accepting resignations of 4 (Four) Independent Directors, effective from close of business hours of August 12, 2020, thereby creating four Casual Vacancies:
  - i. Mr. Darius Pandole (DIN: 00727320)
  - ii. Mr. Hemang Gandhi (DIN: 00008770)
  - iii. Mr. Viren Joshi (DIN: 01331107)
  - iv. Ms. Radhika Pareira (DIN: 00016712)
- c) Acceptance of resignation of Mr. Nahoosh Jariwala (DIN: 00012412), as the Managing Director of the Company effective from close of business hours of August 12, 2020.
- d) Acceptance of resignation of Mr. Utkarsh Shah (DIN: 00101663), as the Chairman & Director of the Company effective from close of business hours of August 12, 2020.
- e) Acceptance of resignation of Mr. Rajen Jhaveri, from the KMP post of Chief Financial Officer and Company Secretary of the Company effective from close of business hours of August 12, 2020.
- f) Appointment of Mr. Anurag Surana (DIN: 00006665), as an Independent Director to fill casual vacancy arising from the resignation of Mr. Darius Pandole (DIN: 00727320).
- g) Appointment of Mr. Dwarko Topan Khilnani (DIN:01824655), as an Independent Director to fill casual vacancy arising from the resignation of Mr. Viren Joshi (DIN: 01331107). Since Mr. Khilnani has attained the age of 77 years necessary Special Resolution pursuant to the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment)



Regulations, 2018 (together referred as 'the Regulations') is being placed for the approval of Members at the ensuing Annual General Meeting.

- h) Appointment of Ms. Anuradha Thakur (DIN: 06702919), as an Independent Woman Director to fill casual vacancy arising from the resignation of Ms. Radhika Pareira (DIN:00016712). Since Mrs. Thakur aged 73 years and who shall attain the age of 75 years during her tenure, necessary Special Resolution pursuant to the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 (together referred as 'the Regulations') is being placed for the approval of Members at the ensuing Annual General Meeting.
- i) Appointment of Mr. Mahesh Babani (DIN: 00051162), Managing Director as Chairman of the Board effective from close of business hours of August 12, 2020, thereby making him Chairman & Managing Director of the Company.
- j) Appointment of Mr. Bhaktvatsala Rao Doppalapudi (DIN: 00356218), Director as Executive Director, subject to approval of Shareholders at ensuing Annual General Meeting.
- k) Appointment of Mr. Narayan S Iyer as Chief Financial Officer (KMP) of the Company w.e.f. opening hours of August 13, 2020
- l) Appointment of Mr. Ramesh Kathuria as Company Secretary and Compliance Officer (KMP) of the Company w.e.f. opening hours of August 13, 2020
- m) Resignation of M/s Price Waterhouse & Co, Chartered Accountants LLP, as statutory Auditors of the Company one year before their scheduled tenure.
- n) Reconstitution of various Committees of the Board.

**B. at the meeting of the Board of Directors held on August 17, 2020,**

- a) Appointment of M/s B S R & Co., LLP, Chartered Accountants as Statutory Auditors of the Company, subject to approval at the ensuing Annual General Meeting.
- b) Adoption of Memorandum of Association along with the change in Object Clause, subject to approval at the ensuing Annual General Meeting.
- c) Adoption of new set of Articles of Association, subject to approval at the ensuing Annual General Meeting.
- d) Fixation of Remuneration payable to Mr. Mahesh P Babani, Chairman & Managing Director and Mr. Bhaktavatsala Rao Doppalapudi, Executive Director of the Company, subject to approval at the ensuing Annual General Meeting.

**For and on behalf of the Board of Directors,**

Place : Mumbai  
Date : August 17, 2020

**Mahesh P Babani**  
Chairman & Managing Director  
(DIN: 00051162)



## ANNEXURE TO DIRECTORS' REPORT – DISCLOSURES ON MANAGERIAL REMUNERATION

Details of remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided below:

- (A) No of permanent employees on the rolls of the Company: 191.  
 (B) The percentage increase in the median remuneration of employees in FY 2020 stood at 11.12%.  
 (C) Relationship between the average increase in remuneration and the Company's performance:

Given below are the key financial parameters reflecting Company's performance.

		March 31, 2020	March 31, 2019	Growth
		Rs. in Crores		( In% )
1	Total Revenue	313.08	249.87	25.30
2	Profit before Depreciation, Finance Costs and Tax expense	57.42	40.40	42.13
3	Profit before Tax	44.88	29.22	53.59
4	Profit after Tax	36.55	21.52	69.84
5	Earnings per share Basic (As per annual reports for respective years) (Rs.)	9.36	5.51	69.87
6	Market Capitalisation	1,876.58	1810.17	3.67
7	Return on Capital Employed	32.64	28.20	15.74

- (D) Average percentile increase already made in salaries of employees other than managerial personnel in last financial year and its comparison with the percentile increase in managerial remuneration.

The average increase in the remuneration of all employees was 6.80% for the F.Y. 2019-20. There was no increase in the remuneration of Managing Director. The increase in the remuneration of CFO and Company Secretary was 6%

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Company. Further, the criteria for remuneration of non-managerial personnel is based on an internal evaluation of key performance areas (KPA's), while the remuneration of the managerial personnel is based on the remuneration policy as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors.

There were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

- (E) Percentage increase in the remuneration of each director and key managerial personnel in FY 2020 is given below. Further details are given in MGT-9

Name	Designation / Category	Increase / (Decrease) in Remuneration (%)
Shri Utkarsh B. Shah	Chairman / Non-Executive	No remuneration
Shri Nahoosh J. Jariwala	Managing Director / Executive	No Change
Shri Mahesh Babani	Managing Director / Non-Executive	No remuneration
Shri Sumit Maheshwari	Director / Non-Executive	No remuneration
Shri D. B. Rao	Director / Non-Executive	No remuneration
Shri P. R. Barpande	Director / Non-Executive	(20.00%)
Shri Rajesh Budhrani	Director / Non-Executive	No Change
Shri Hemang Gandhi	Director / Non-Executive	No Change
Ms. Radhika Pereira	Director / Non-Executive	No Change
Shri Darius Pandole	Director / Non-Executive	(36.00%)
Shri Viren Joshi	Director / Non-Executive	(20.00%)
Mr. Rajen N. Jhaveri	C.F.O. and Company Secretary	6%



## (F) Remuneration of each director to the median employees' remuneration (times) for FY 2020:

Names	Designation / Category	Remuneration of Directors to median Employee's remuneration (times)
Shri Utkarsh B. Shah	Chairman / Non-Executive	Not Applicable
Shri Nahoosh J. Jariwala	Managing Director / Executive	37.75
Shri Mahesh Babani	Managing Director / Non-Executive	Not Applicable
Shri Sumit Maheshwari	Director / Non-Executive	Not Applicable
Shri D. B. Rao	Director / Non-Executive	Not Applicable
Shri P. R. Barpande	Director / Non-Executive	0.52
Shri Rajesh Budhrani	Director / Non-Executive	0.52
Shri Hemang Gandhi	Director / Non-Executive	0.52
Ms. Radhika Pereira	Director / Non-Executive	0.52
Shri Darius Pandole	Director / Non-Executive	0.42
Shri Viren Joshi	Director / Non-Executive	0.31

## (G) Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year

The market capitalisation of the Company increased by 3.67%, from Rs. 1,810.17 crores as at March 31, 2019 to Rs. 1,876.58 crores as at March 31, 2020. The price to earnings ratio on consolidated EPS decreased by 44.58%, from 19.20 times as at March 31, 2019 to 10.64 times as at March 31, 2020.

Year 1995, the Company (then known as H. K. Agrochem Limited) came out with an issue of 20,00,000 fully paid equity shares of Rs. 10/- each at par for cash for an aggregate amount of Rs. 2.00 crores. The Company had three back to back bonus issue of equity shares as follows:

- Year 2012 – Two bonus equity shares of Rs. 10/- each fully paid up for every 10/- equity shares of Rs. 10/- each fully paid up.
- Year 2013 – One bonus equity share of Rs. 10/- each fully paid up for every 10/- equity shares of Rs. 10/- each fully paid up.
- Year 2014 – One bonus equity share of Rs. 10/- each fully paid up for every 10/- equity shares of Rs. 10/- each fully paid up.

The equity shares of the Company closed at Rs. 480.40 on Bombay Stock Exchange of India Limited on March 31, 2020, representing an increase of 6872% since the date of Public Issue (after adjustment for 3 bonus issues).

- Year 2017 - 12,634,353 equity shares of Rs. 10/- each fully paid up issued to the eligible shareholders of Privi Organics Limited pursuant to Scheme of Arrangement approved by Hon'ble NCLT.
- Year 2017 - 11,81,404 equity shares of Rs. 10/- each fully paid up issued on conversion of equal number of compulsorily convertible preference shares of Rs.10/- each on exercise of option by the holders of said CCPS.
- Year 2018 – 14,52,949 equity shares of Rs. 10/- each fully paid up issued on remaining conversion of equal number of compulsorily convertible preference shares of Rs.10/- each as per the term of issue of said CCPS.

## (H) Key Parameters for Variable Component of remuneration availed by the Directors

There was no variable component in form of Commission payment to any Director-whether Executive or Non-Executive Directors during F.Y. 2019-20.

## (I) There were no employees (who are not directors) who received remuneration in excess of the highest paid Director of the Company during the year.



## ANNEXURE TO DIRECTORS' REPORT

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES:

- (1) Brief outline of the Company's CSR policy, including overview of the projects or programs proposed to be undertaken and a reference to web-link to the CSR policy and projects or programs:

The CSR policy framed pursuant to the provisions of section 135 of The Companies Act, 2013 is available on the Company's website. The web-link of the same is – <http://fairchem.in/investor-relations/Policies/CSR-Policy.pdf>

The Company proposes to focus on the following areas of the CSR Policy:

- (a) Organising / sponsoring need based programs for Health
  - (b) Providing financial support to non-profit making entities involved in preventive health care.
  - (c) Providing direct financial assistance for medical treatment in hospitals / nursing homes.
  - (d) Providing financial support to campaigns meant for creating public awareness in the area of eradication of diseases.
  - (e) Initiatives relating to better hygiene and sanitation.
- (2) Composition of the CSR Committee (w.e.f. May 21, 2017):

Sr. No.	Name of the Director
1.	Shri Nahoosh Jariwala (Chairman)
2.	Shri Utkarsh Shah
3.	Shri D. B. Rao
4.	Shri Hemang Gandhi, Independent Director
5.	Ms. Radhika Pereira, Independent Director

- (3) Average Net Profit of the Company for last three financial years (i.e. F.Y. 2016-17, 2017-18 and 2018-19) was Rs. 2,352.93 lakhs.
- (4) Prescribed CSR Expenditure (2% of the amount as in item No.3 above.) Rs. 47.06 lakhs.
- (5) Details of CSR spent during the Financial Year
- (a) Total amount spent for the financial year : Rs. 4.85 lakhs.
  - (b) Amount unspent : Rs. 42.21 lakhs.
  - (c) Manner in which the amount is spent during the financial year detailed below:

Amount in Rs.

Sr. No.	CSR Project/ Activities	Sector	Location of the Project	Amount outlay (Budget) Project or Program wise	Amount spent on the Project or Program Sub heads: (1) Direct Expenditure on Projects (2) Overheads	Cumulative Expenditure up to Reporting Period	Amount Spent Direct or Through implementing Agency
1.	Civil construction work for improvement / addition / up gradation of school infrastructure	Education	Cekhala Village falling under Chekhala Gram Panchayat Ta. Sanand	Rs. 70.80 lakhs	Rs. 64,900/-	Rs. 68.34 lakhs	Direct
2.	Support to Local areas	Distribution of woolen sweaters for school students, distribution on biscuits and sports items for school children's	Cekhala Village falling under Chekhala Gram Panchayat Ta. Sanand	-	Rs. 4,19,897/-	Rs. 4,19,897/-	Direct

Place : Ahmedabad  
Date : June 23, 2020

**Nahoosh Jariwala**  
Chairman, CSR Committee and Managing Director



## FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company  
(Management & Administration ) Rules, 2014.

### I REGISTRATION & OTHER DETAILS:

i	CIN	L15140MH1985PLC286828
ii	Registration Date	25.05.1985
iii	Name of the Company	FAIRCHEM SPECIALITY LIMITED
iv	Category/Sub-category of the Company	Public Company/Limited by Shares
v	Address of the Registered office	Plot No. A-71, TTC Thane Belapur Road, Near Kopar Khairane Railway Station, Navi Mumbai Thane - 400709. Maharashtra.
	Contact details	<b>Works and Office :</b> 253/P and 312, Village Chekhala, Sanand – Kadi Highway, Taluka SANAND, Dist. AHMEDABAD – 382 115. Phone (Board Nos.) : + 91 90163 24095 / 94099 58550
vi	Whether listed company	Yes
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Pvt. Ltd. C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400083. Phone Nos. : (022) 4918 6000/ 4918 6270

### II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name & Description of main products/services	NIC Code of the Product / service	% to total turnover of the company
1	Dimer Acid	3009	30%
2	Linoleic Acid/Soya Fatty Acid	3004	42%

### III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No.	Name & Address Of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Privi Organics India Limited Privi House, A-71, TTC Thane Belapur Road, Near Kopar khairane Railway Station, Navi Mumbai Thane - 400709.	U24220MH2016PLC283393	Subsidiary	100%	2(87)(ii)
2	Fairchem Organics Limited Plot A-71, TTC Industrial Estate, Near Thane Belapur Road, Kopar Khairane, Mumbai - 400709.	U24200MH2019PLC323176	Subsidiary	100%	2(87)(ii)
3	Privi Biotechnologies Private Limited "Privi House" A-71 TTC, Thane Belapur Road, Near Kopar Khairane Railway Station, Navi Mumbai – 400709.	U74220MH1985PTC037534	Subsidiary	100% subsidiary of POIL	2(87)(ii)
4	Privi Organics USA Inc	-	Subsidiary	100% subsidiary of POIL	2(87)(ii)



#### IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters &amp; Promoter Group</b>									
(1) Indian									
a) Individual/HUF	84,06,385	-	84,06,385	21.52%	84,06,385	-	84,06,385	21.52%	0.00%
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	14,76,388	-	14,76,388	3.78%	14,76,388	-	14,76,388	3.78%	0.00%
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub Total (A)(1)</b>	<b>98,82,773</b>	<b>-</b>	<b>98,82,773</b>	<b>25.30%</b>	<b>98,82,773</b>	<b>-</b>	<b>98,82,773</b>	<b>25.30%</b>	<b>0.00%</b>
(2) Foreign									
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	1,90,46,078	-	1,90,46,078	48.76%	1,90,46,078	-	1,90,46,078	48.76%	0.00%
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub Total (A)(2)</b>	<b>1,90,46,078</b>	<b>-</b>	<b>1,90,46,078</b>	<b>48.76%</b>	<b>1,90,46,078</b>	<b>-</b>	<b>1,90,46,078</b>	<b>48.76%</b>	<b>0.00%</b>
<b>Total Shareholding of Promoter &amp; Promoter Group (s)</b>									
<b>A= A(1)+A(2)</b>	<b>2,89,28,851</b>	<b>-</b>	<b>2,89,28,851</b>	<b>74.06%</b>	<b>2,89,28,851</b>	<b>-</b>	<b>2,89,28,851</b>	<b>74.06%</b>	<b>0.00%</b>
<b>B. Public Shareholding</b>									
(1) Institutions									
a) Mutual Funds	4,70,000	-	4,70,000	1.20%	5,21,632	-	5,21,632	1.34%	0.13%
b) Banks/FI	3,242	-	3,242	0.01%	3,663	-	3,663	0.01%	0.00%
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify Foreign Portfolio Investor (Corporate))	4,45,446	-	4,45,446	1.14%	1,85,725	-	1,85,725	0.48%	-0.66%
<b>Sub Total (B)(1):</b>	<b>9,18,688</b>	<b>-</b>	<b>9,18,688</b>	<b>2.35%</b>	<b>7,11,020</b>	<b>-</b>	<b>7,11,020</b>	<b>1.82%</b>	<b>-0.53%</b>



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Non Institutions</b>									
a) Bodies corporates	7,18,290	-	7,18,290	1.84%	30,25,229	-	30,25,229	7.74%	5.91%
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.2 lakhs	25,23,362	1,72,650	26,96,012	6.90%	27,71,591	1,65,570	29,37,161	7.52%	0.62%
ii) Individuals shareholders holding nominal share capital in excess of Rs. 2 lakhs	22,65,145	-	22,65,145	5.80%	21,35,017	-	21,35,017	5.47%	-0.33%
c) NBFCs registered with RBI	2,642	-	2,642	0.01%	1,000	-	1,000	0.00%	0.01%
d) Others (Non Residents)	10,15,215	24,61,914	34,77,129	8.90%	12,58,192	-	12,58,192	3.22%	-5.68%
e) Other (Clearing Members)	14,199	-	14,199	0.04%	24,486	-	24,486	0.06%	0.02%
f) Investor Education and Protection Fund (IEPF) Authority	41,750	-	41,750	0.11%	41,750	-	41,750	0.11%	0.11%
<b>Sub Total (B)(2):</b>	<b>65,80,603</b>	<b>26,34,564</b>	<b>92,15,167</b>	<b>23.59%</b>	<b>92,57,265</b>	<b>1,65,570</b>	<b>94,22,835</b>	<b>24.12%</b>	<b>-0.38%</b>
<b>Total Public Shareholding B= B(1)+B(2)</b>	<b>74,99,291</b>	<b>26,34,564</b>	<b>1,01,33,855</b>	<b>25.94%</b>	<b>99,68,285</b>	<b>1,65,570</b>	<b>1,01,33,855</b>	<b>25.94%</b>	<b>-1.00%</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	<b>3,64,28,142</b>	<b>26,34,564</b>	<b>3,90,62,706</b>	<b>100.00%</b>	<b>3,88,97,136</b>	<b>1,65,570</b>	<b>3,90,62,706</b>	<b>100.00%</b>	<b>0.00%</b>



## (ii) Shareholding of Promoters/Promoters Group

Sl. No.	Shareholders' Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	FIH Mauritius Investments Limited	1,90,42,828	48.75%	-	1,90,42,828	48.75%	-	0.00%
2	Utkarsh Bhikhoobhai Shah	25,000	0.06%	-	25,000	0.06%	-	0.00%
3	Mahesh P Babani	32,24,718	8.26%	-	25,86,348	6.62%	-	-1.63%
4	Mahesh Purshottam Babani HUF	17,91,720	4.59%	-	17,91,720	4.59%	-	0.00%
5	Seema Babani	92,880	0.24%	-	3,90,000	1.00%	-	0.76%
6	Snehal M Babani	3,03,750	0.78%	-	3,90,000	1.00%	-	0.22%
7	Jyoti Mahesh Babani	1,35,000	0.35%	-	3,90,000	1.00%	-	0.65%
8	Doppalapudi Bhaktavatsala Rao	7,23,060	1.85%	-	7,23,060	1.85%	-	0.00%
9	Vinaykumar Doppalapudi Rao	4,78,278	1.22%	-	4,78,278	1.22%	-	0.00%
10	Vijaykumar Doppalapudi	4,55,004	1.16%	-	4,55,004	1.16%	-	0.00%
11	Grace Vinaykumar	1,49,850	0.38%	-	1,49,850	0.38%	-	0.00%
12	Sharon Doppalapudi	1,58,544	0.41%	-	1,58,544	0.41%	-	0.00%
13	Premaleela Doppalapudi	1,77,174	0.45%	-	1,77,174	0.45%	-	0.00%
14	Rajkumar Doppalapudi	4,45,824	1.14%	-	4,45,824	1.14%	-	0.00%
15	Prasanna Raj	1,85,274	0.47%	-	1,85,274	0.47%	-	0.00%
16	Rameshbabu Gokarneswararao Guduru	60,309	0.15%	-	60,309	0.15%	-	0.00%
17	Nahoosh Tradelink LLP	6,63,019	1.70%	-	6,63,019	1.70%	-	0.00%
18	Jariwala Tradelink LLP	3,36,981	0.86%	-	3,36,981	0.86%	-	0.00%
19	Moneymart Securities Private Limited	2,06,712	0.53%	-	2,06,712	0.53%	-	0.00%
20	Vivira Investment and Trading Private Limited	1,89,918	0.49%	-	1,89,918	0.49%	-	0.00%
21	Vivira Chemicals Private Limited	79,758	0.20%	-	79,758	0.20%	-	0.00%
22	FIH Private Investments Limited	3,250	0.01%	-	3,250	0.01%	-	0.00%
	<b>Total</b>	<b>2,89,28,851</b>	<b>74.06%</b>	<b>-</b>	<b>2,89,28,851</b>	<b>74.06%</b>	<b>-</b>	<b>0.00%</b>

## (iii) Change in Promoters' Shareholding (Specify if there is No Change)

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
At the beginning of the year	2,89,28,851	74.06%	2,89,28,851	74.06%
Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
At the end of the year	2,89,28,851	74.06%	2,89,28,851	74.06%



Sl. No.	Name of Shareholder(s)	Shareholding at the beginning of the year		Date	Increase / (Decrease) in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Mahesh Babani	32,24,718	8.26	27.07.2019	-2,55,000	Interse Transfer as Gift	29,69,718	7.60
				25.07.2019	-2,97,120	Interse Transfer as Gift	26,72,598	6.84
				25.07.2019	-86,250	Interse Transfer as Gift	25,86,348	6.62

(iv) **Shareholding Pattern of top ten Shareholders  
(Other than Directors, Promoters & Holders of GDRs & ADRs)**

Sl. No.	Name of Shareholder	Shareholding at the beginning of the year		Change in Shareholding (No. of shares)		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	Increase	Decrease	No. of Shares	% of total shares of the Company
1	Banbridge Limited	24,61,914	6.30		-	24,61,914	6.30
2	Hemant Navinchandra Shah	5,28,886	1.35		1,23,886	4,05,000	1.04
3	SBI Small and Midcap Fund	4,70,000	1.20	-	-	4,70,000	1.20
4	Malabar India Fund Limited	3,73,558	0.96	-	2,48,558	1,25,000	0.32
5	Bimalbhai D. Parikh	3,58,536	0.92	-	-	3,58,536	0.92
6	Dhirendra B. Shah	1,22,501	0.31	-	3,231	1,19,270	0.31
7	Abhijit Yashawant Gore	1,10,800	0.28		5,490	1,05,310	0.27
8	Manohar Manohar Makhija	-	0.00	2,05,000		2,05,000	0.52
9	Anjali Aniruddha Malpani	-	0.00	90,554		90,554	0.23
10	Zelus Advisors LLP	-	0.00	76,000		76,000	0.19

Note: Top ten shareholders of the Company as on March 31, 2020 has been considered for the above disclosure.

**(v) Shareholding of Directors & KMP**

Sl. No.	Name of Shareholder(s)	Shareholding at the beginning of the year		Date	Increase / (Decrease) in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Shri Utkarsh B. Shah	25,000	0.06				25,000	0.06
2	Shri Mahesh Babani	32,24,718	8.26		-6,38,370	Interse transfer	25,86,348	6.62
3	Shri Mahesh Babani - HUF	17,91,720	4.59				17,91,720	4.59
4	Shri Doppalapudi Bhaktavatsala Rao	7,23,060	1.85				7,23,060	1.85
5	Shri Rajesh Budhrani	7,06,480	1.81		6,000		7,12,480	1.82
6	Hemang Gandhi	-	0.00%		3,500		3,500	0.01
<b>Key Managerial Personnel (KMP)</b>								
1	Mr. Rajen Jhaveri	5,808	0.01				5,808	0.01

**V Indebtedness**

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

(Amount in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtness at the beginning of the financial year</b>				
i) Principal Amount	56,89,29,405	-	-	56,89,29,405
ii) Interest due but not paid	12,46,921	-	-	12,46,921
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>57,01,76,326</b>	<b>-</b>	<b>-</b>	<b>57,01,76,326</b>
<b>Change in Indebtedness during the financial year</b>				
Additions	21,01,75,227	-	-	21,01,75,227
Reduction	11,21,86,185	-	-	11,21,86,185
<b>Net Change</b>	<b>9,79,89,042</b>	<b>-</b>	<b>-</b>	<b>9,79,89,042</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	66,67,26,486	-	-	66,67,26,486
ii) Interest due but not paid	14,38,882	-	-	14,38,882
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>66,81,65,368</b>	<b>-</b>	<b>-</b>	<b>66,81,65,368</b>



**VI Remuneration of Directors and Key Managerial Personnel**

**A. Remuneration to Managing Director, Whole time director and/or Manager:**

(Amount in Rs.)

Sl. No	Particulars of Remuneration	Name of MD	Total
		Shri Nahoosh Jariwala, MD	
1	<b>Gross salary</b>		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	1,44,00,000	1,44,00,000
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	39,600	39,600
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- others (specify)	-	-
5	Others, please specify	-	-
	<b>Total (A)</b>	1,44,39,600	1,44,39,600
	Overall ceiling as per the Act		

**B. Remuneration to other Directors:**

Sl. No.	Particulars of Remuneration	Name of the Directors						Total Amount (in Rs.)
		Shri P.R. Barpande	Shri Rajesh Budhrani	Ms. Radhika Pereira	Shri Hemang Gandhi	Shri Darius Pandole	Shri Viren Joshi	
1	Independent Directors							
	(a) Sitting Fee for attending Board / Committee meetings	2,50,000	2,50,000	2,50,000	2,50,000	1,90,000	1,50,000	13,40,000
	(b) Commission							
	(c) Others							
	<b>Total (1)</b>	2,50,000	2,50,000	2,50,000	2,50,000	1,90,000	1,50,000	13,40,000
2	Other Non Executive Directors							
	(a) Sitting Fee for attending Board / Committee meetings							
	(b) Commission							
	(c) Others							
	<b>Total (2)</b>							
	<b>Total (B)=(1+2)</b>	2,50,000	2,50,000	2,50,000	2,50,000	1,90,000	1,50,000	13,40,000
	<b>Overall Ceiling as per the Act.</b>							
	<b>Total Managerial Remuneration</b>							1,57,79,600#

# Total remuneration to Managing Director, and other Directors (being the total of A & B)


**C. Remuneration to Key Managerial Personnel Other Than MD/ Manager/ WTD**

(Amount in Rs.)

Sl. No	Particulars of Remuneration	Key Managerial Personnel	
		C.F.O. & Company Secretary	Total
1	<b>Gross salary</b>		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	69,01,924	69,01,924
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- others (specify)	-	-
5	Others, please specify	-	-
	<b>Total</b>	69,01,924	69,01,924

**VII Penalties/ Punishment/ Compounding of Offences : NIL**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/ Court)	Appeal made if any (give details)
<b>A. Company</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. Directors</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. Other Officers in Default</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-



Form No. MR-3

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020

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

To,  
The Members,  
**FAIRCHEM SPECIALITY LIMITED**  
**CIN:L15140MH1985PLC286828**

Works & Office:  
253/P & 312, Village – Chekhala,  
Sanand – Kadi Highway,  
Taluka – Sanand,  
Dist. Ahmedabad – 382 115

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives whether electronically or otherwise during the conduct of secretarial audit; we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 and made available to us, according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

**FOR PARIKH DAVE & ASSOCIATES**  
COMPANY SECRETARIES

**UDAY G. DAVE**  
PRACTICING COMPANY SECRETARY  
PARTNER

Place: Ahmedabad  
Date: 23rd June, 2020

FCS No.: 6545 C. P. No.: 7158  
UDIN:F006545B000380811

**Notes:**

1. This report is to be read with our letter of even date which is annexed as **Annexure – A** and forms an integral part of this report.
2. Due to restricted movement amid COVID-19 pandemic, we conducted the secretarial audit by examining the Secretarial Records including Minutes, Documents, Registers, disclosures from Directors and other records etc., received by us through electronic mode from the Company and could not verify the original records. The management has confirmed that the records submitted to us by them are true and correct.

**ANNEXURE - A**

To,  
The Members,  
**FAIRCHEM SPECIALITY LIMITED**  
**CIN:L15140MH1985PLC286828**

Works & Office:  
253/P & 312, Village – Chekhala,  
Sanand – Kadi Highway,  
Taluka – Sanand,  
Dist. Ahmedabad – 382 115

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

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

**FOR PARIKH DAVE & ASSOCIATES**  
COMPANY SECRETARIES

**UDAY G. DAVE**  
PRACTICING COMPANY SECRETARY  
PARTNER

Place: Ahmedabad  
Date: 23rd June, 2020

FCS No.: 6545 C. P. No.: 7158  
UDIN:F006545B000380811



## REPORT ON CORPORATE GOVERNANCE

[Pursuant to Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 under Uniform Listing Agreement]

### 1. Company's Philosophy on the Code of Governance

Corporate Governance encompasses a set of systems and practices to ensure that the Company's affairs are being managed in a manner which ensures transparency, responsibility and accountability. The Company believes in upholding highest standard of ethics, integrity, transparency and accountability in conducting the affairs of the Company so as to disseminate the information to the stakeholders in transparent manner. We have, therefore, designed our systems and action plans to enhance performance and stakeholders' value in the long run. To create a culture of good governance, your Company has adopted practices that comprise of performance accountability, effective management control, constitution of Board Committees as a part of the internal control system, fair representation of professionally qualified, non-executive and Independent Directors on the Board, adequate and timely compliance, disclosure of information on performance, ownership and governance of the Company and payment of statutory dues.

The Compliance Report on Corporate Governance herein signifies compliance of all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [the Listing Regulations]. We believe, Corporate Governance is not just a destination, but a journey to constantly improve sustainable value creation. It is an upward-moving target that we collectively strive towards achieving.

### 2. Board of Directors

#### • Composition of the Board of Directors (Board)

**The composition of the Board of Directors of the company is in conformity with the requirement of Regulation 17 of SEBI (LODR) Regulations, 2015 as amended from time to time.**

In compliance with the Corporate Governance norms in terms of constitution of the Board, headed by Non-executive Chairman, the Board currently has Two Executive Directors and Nine Non-executive Directors, out of which Six are Independent Directors including one woman Director, representing optimum combination of professionalism, knowledge and experience to ensure the independence of the Board and to separate the Board functions of governance and management, who have considerable experience in their respective fields. Non-Executive and Independent Directors have expert knowledge in the fields of finance, taxation, legal and industry. Thus, the Board represents a balanced mix of professionals, who bring the benefits of their knowledge and expertise.

#### • Board Skills / Expertise / Competencies

Fairchem Board is a skill based Board comprising of Directors who collectively have the skills, knowledge and experience to effectively govern and direct the organization, the present size of the Board is appropriate for effective decision making. The mapping of the skills, expertise and competence among the Directors which is identified by the Company are also actually available with the Board and is as given below:

Sr. No.	Name of the Director	Skills actually available with the Directors
1.	Shri Utkarsh B. Shah (Chairman)	He is a born leader, very good orator, a well-known name among business community having headed Gujarat Chamber of Commerce and Industry more than 15 years back when he was in his early forties.
2.	Shri Nahoosh J. Jariwala (Managing Director)	He is a businessman par excellence. He is the person who nearly single handedly brought this company to its present position from where it was 10 years back when he took charge as Managing Director.
3.	Shri Mahesh Babani (Managing Director)	He is an industrialist par excellence. He is the creator of aroma chemicals business under the brand name of 'Privi' and in more than two decades could take it to the topline of Rs. 1,300 crores.
4.	Shri Sumit Maheshwari	He is a Chartered Accountant and M.B.A. from I.S.B., a very wellknown business institute. He is a financial expert and is a great analyst and decision maker from PE's view point.
5.	Shri D. B. Rao	He is an engineer with nearly half century experience. He is a co-promoter of Privi engaged in Aroma Chemicals business. He along with Shri Mahesh Babani, CMD of Privi are a perfect combination of promoters.
6.	Shri P. R. Barpande	He is a very senior Chartered Accountant having retired as partner of one of the big four C.A. firms in India.
7.	Shri Rajesh Budhrani	He is a big investor internationally and understands finance and business very well.



Sr. No.	Name of the Director	Skills actually available with the Directors
8.	Shri Hemang Gandhi	He is an expert in finance and insurance matters.
9.	Ms. Radhika Pereira	She is an advocate engaged as partner with very renowned firm of solicitors based in Mumbai.
10.	Shri Darius Pandole	He is having international degree and is heading a J.M. group company as its Managing Director.
11.	Shri Viren Joshi	He is the Managing Director of a large company having its headquarters in U.S.A. and plant in Maharashtra.

The eligibility of a person to be appointed as a Director of the Company is dependent on possession of the requisite skills, as identified by the Board.

• **Directors' particulars:**

Attendance of each Director at the Board Meetings and last Annual General Meeting (AGM) and the number of other Directorship(s) and Chairmanship(s) / Membership(s) of Committees of each Director in various Companies

Name of Directors	Category and Position	Attendance at meetings during 2019-20		No. of Directorship(s) in other Public Ltd. Company(s) incorporated in India as on 31-03-2020.	No. of Membership(s) / Chairmanship(s) of committees in other Company(s) as on 31-03-2020 *	
		Board Meeting	Last AGM		Member	Chairman
Shri Utkarsh B. Shah (Chairman)	Promoter - Non-Executive	2	No	1	Nil	Nil
Shri Nahoosh J. Jariwala (Managing Director)	Promoter - Executive	5	Yes	2**	Nil	Nil
Shri Mahesh Babani (Managing Director)	Promoter - Executive	5	Yes	2	Nil	Nil
Shri Sumit Maheshwari	Nominee - Non- Executive	5	No	8	8	Nil
Shri D. B. Rao	Promoter - Non-Executive	5	Yes	1***	1	Nil
Shri P. R. Barpande	Independent, Non-executive	5	Yes	5	2	4
Shri Rajesh Budhrani	Independent, Non-executive	5	Yes	4***	1	Nil
Shri Hemang Gandhi	Independent, Non-executive	5	Yes	4	1	Nil
Ms. Radhika Pereira	Independent, Non-executive	5	No	3****	4	2
Shri Darius Pandole	Independent, Non-executive	4	Yes	3	1	1
Shri Viren Joshi	Independent, Non-executive	3	Yes	Nil	Nil	Nil

Video / tele-conferencing facility is offered to facilitate the Directors to participate in the meetings.

The number of Directorship(s) and Committee Membership(s) / Chairmanship(s) of all Directors is / are within the respective limits prescribed under the Companies Act, 2013 and the Listing Regulations.

\* In accordance with Regulation 26 of the Listing Regulations, it includes only Audit Committee and Stakeholders' / Investors' Relationship Committee in other Public Limited Companies—whether listed or not.

\*\*Ceased to be a Director in Denis Chem Lab Limited w.e.f. February 24, 2020

\*\*\*Ceased to be a Director in Privi Organics Limited w.e.f. January 03, 2020

\*\*\*\*Ceased to be a Director in Essel Propack Limited w.e.f. August 22, 2019



The following table showing names of the listed entities where the Directors of the Company are Director and category of their respective Directorship

Sr. No.	Name of the Directors of the Company	Name of the listed entities in which the Director of the Company is a Director	Category of Directorship in the listed Companies
1.	Shri Utkarsh B. Shah (Chairman)	Shree Rama Newsprint Limited	Independent, Non-executive
2.	Shri Nahoosh J. Jariwala (Managing Director)	*Denis Chem Lab Limited	Independent, Non-executive
3.	Shri Mahesh Babani (Managing Director)	-	-
4.	Shri Sumit Maheshwari	a) Thomas Cook (India) Limited b) CSB Bank Limited	a) Nominee - Non-executive b) Nominee - Non-executive
5.	Shri D. B. Rao	-	-
6.	Shri P. R. Barpande	Westlife Development Limited	Independent, Non-executive
7.	Shri Rajesh Budhrani	-	-
8.	Shri Hemang Gandhi	-	-
9.	Ms. Radhika Pereira	a) Parag Milk Foods Limited b) Jain Irrigation Systems Limited c) *Essel Propack Limited d) Tips Industries Limited	a) Independent Non-executive b) Independent, Non-executive c) Independent, Non-executive d) Independent, Non-executive
10.	Shri Darius Pandole	a) Mahindra Logistics Limited b) Spandana Sphoorty Financial Limited	a) Independent, Non-executive b) Nominee, Non-executive
11.	Shri Viren Joshi	-	-

# Ceased to be a Director w.e.f. February 24, 2020

\* Ceased to be a Director w.e.f. August 22, 2019

During the year, there have been no materially significant related party transactions, pecuniary relationships or transactions between the company and its non-executive Directors that may have potential conflict with the interests of the Company at large.

None of the Directors are related to each other.

Shareholding of Non- Executive Directors as on March 31, 2020 is as under:

Sr. No.	Name of Director	No. of Equity Shares held	% of total Equity Shares of the Company
1.	Shri Utkarsh B. Shah	25,000	0.06%
2.	Shri Rajesh Budhrani	7,12,480	1.82%
3.	Shri D. B. Rao	7,23,060	1.85%

Apart from the above mentioned Non-Executive Directors, no other Non-executive Director holds any shares in the Company.

#### • Board Meetings and Attendance

The Meeting of the Board of Directors is generally scheduled in advance. The Board meets at least once in a quarter inter- alia to review the performance of the Company and for consideration and approval/adoption of quarterly/annual financial results. The Chief Financial Officer and the Company Secretary, in consultation with the Chairman, prepare



detailed agenda for the meetings. Five Board meetings were held in the year 2019-20 and the gap between two Board meetings have not exceeded 120 days. The dates on which meetings were held are as follows:

No.	Date of Meeting	No. of Directors Present	No.	Date of Meeting	No. of Directors Present
1.	May 09, 2019	11	4.	November 14, 2019	09
2.	May 22, 2019	09	5.	February 10, 2020	10
3.	August 08, 2019	10			

- **Appointment of Independent Directors**

The Nomination and Remuneration Committee identifies, based on Company's policy for such position, suitable person having expert knowledge and skill in his / her profession / area of business and who can effectively participate in Board proceedings and recommends the same to the Board. The Board after evaluating the said Committee's recommendation takes the decision which according to the Board is in the best interest of the Company.

- **Confirmation regarding independence**

With respect to the declaration given by the Independent Directors of the Company during the year under review, the Board hereby confirms that all the Independent Directors fulfill the conditions specified in the SEBI (LODR) Regulations 2015 and are independent of the management.

- **Meeting of Independent Directors**

The Independent Directors meet at least once in a financial year without the presence of Promoter Directors and management personnel. They discuss the matters pertaining to the business and other related affairs of the Company. The views expressed at such meeting are brought to the knowledge of the Chairman of the Board.

During the year, one meeting of Independent Directors was held on February 10, 2020.

- **Familiarisation Programme**

In order to enable the Independent Directors of the Company to fulfill their role in the Company and to keep them updated, various presentations are made on business models, new initiatives taken by the Company, changes taking place in the Industry scenario etc. The details of the familiarization programme of Independent Directors of the Company is available on the website of the Company at the following link:

<http://fairchem.in/policies.html>

### 3. **Audit Committee Composition:**

The composition of Audit Committee is in line with provisions of Section 177 of the Companies Act, 2013 and is in compliance with Regulation 18 of SEBI (LODR) Regulations, 2015. The members of Audit Committee comprises of two Managing Directors, six Independent Directors and one Nominee Director with Shri P. R. Barpande – Independent Director as Chairman of the Committee, Shri Mahesh Babani, Shri Nahoosh Jariwala, Shri Sumit Maheshwari, Shri Rajesh Budhrani, Shri Hemang Gandhi, Ms. Radhika Pereira, Shri Darius Pandole and Shri Viren Joshi as members. All the members of the Committee are financially literate and have adequate accounting knowledge. The Audit Committee met Five times during the financial year 2019-20 on May 09, 2019, May 22, 2019, August 08, 2019, November 14, 2019 and February 10, 2020.

The details of composition of the Committee and attendance at Meetings are as follows:

Name of the Member	Designation / Category	No. of Committee Meeting(s) attended
Shri P. R. Barpande (Chairman)	Non-Executive – Independent	5
Shri Mahesh Babani	Executive – Promoter	5
Shri Nahoosh Jariwala	Executive – Promoter	5
Shri Sumit Maheshwari	Non-Executive – Nominee	5
Shri Rajesh Budhrani	Non-Executive – Independent	5
Shri Hemang Gandhi	Non-Executive – Independent	5
Ms. Radhika Pereira	Non-Executive – Independent	5
Shri Darius Pandole	Non-Executive – Independent	4
Shri Viren Joshi	Non-Executive – Independent	3

**The scope of the Audit Committee includes:**

- (1) Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (2) Reviewing with the management the quarterly / half yearly unaudited / Annual audited financial statements and Limited Review Report / Audit Reports of the Statutory Auditors before recommending for approval by the Board of Directors,
- (3) Overseeing and review the functioning of vigil mechanism (implemented by the Company as Whistle Blower Policy),
- (4) Recommending to the Board the remuneration of the Statutory and Cost Auditors,
- (5) Review of Cost Audit Report submitted by the Cost Auditors,
- (6) To supervise implementation of Insider Trading Code and policies relating thereto
- (7) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of statutory auditor and fixation of audit fees.
- (8) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (9) Reviewing, with the management, the annual financial statements and auditor's report there on before submission to the Board for approval, with particular reference to:
  - (a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (c) of sub section 3 of Section 134 of the Companies Act, 2013,
  - (b) Changes, if any, in accounting policies and practices and reasons for the same,
  - (c) Major accounting entries involving estimates based on the exercise of judgment by management,
  - (d) Significant adjustments made in the financial statements arising out of audit findings,
  - (e) Compliance with listing and other legal requirements relating to financial statements,
  - (f) Disclosure of any related party transactions,
  - (g) Modified opinion(s) in the draft audit report
- (10) Reviewing, with the management, the quarterly financial statements before its submission to the Board for approval.
- (11) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- (12) Review and monitor the auditor's independence and performance, and effectiveness of audit process.
- (13) Approval or any subsequent modification of transactions of the Company with related parties.
- (14) Scrutiny of inter-corporate loans and investments.
- (15) Valuation of undertakings or assets of the Company, wherever it is necessary.
- (16) Evaluation of internal financial controls and risk management systems.
- (17) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- (18) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (19) Discussion with internal auditors, any significant findings and follow up thereon.
- (20) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (21) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
- (22) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- (23) To review the functioning of the Whistle Blower mechanism.
- (24) Approval of appointment of CFO (i.e., the Whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.



(25) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

In addition to the areas noted above, Audit Committee looks into controls and security of the Company's internal control systems and internal audit reports.

Reviewing the utilization of loan / advances by the holding company in the subsidiary Company exceeding Rs. 100 Crore or 10% of the asset size of the subsidiary whichever is lower.

The audit committee mandatorily reviews the following information:

- (1) management discussion and analysis of financial condition and results of operations;
- (2) statement of significant related party transactions, submitted by management;
- (3) management letters issued by the statutory auditors;
- (4) internal audit reports relating to internal control weaknesses; and
- (5) the appointment and terms of remuneration of the Internal Auditors.
- (6) statement of deviations:
  - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s).
  - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice.

The Committee Meetings were also attended by Internal Auditors, Statutory Auditors and Company Secretary who also acted as Secretary of the Committee.

A certificate from the Managing Director on the standalone financial statements and other matters of the Company for the financial year ended March 31, 2020 is also appended at the end of this Report.

The Chairman of the Audit Committee was present in the last Annual General Meeting to answer the shareholders' queries.

#### 4. Nomination and Remuneration Committee

The Nomination and Remuneration Committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (LODR) Regulations, 2015, the Nomination and Remuneration Committee comprises of Shri Viren Joshi – Independent Director as Chairman of the Committee, Shri Utkarsh Shah and Shri Darius Pandole as members.

During the year one meeting of Nomination and Remuneration Committee was held on May 09, 2019 and all the members attended the meeting. The details of composition of the Nomination and Remuneration Committee and attendance at Meetings during the financial year 2019-20 were as follows:

Name of Member	Designation	No. of Committee Meeting(s) attended
Shri Viren Joshi (Chairman)	Non-Executive – Independent	1
Shri Utkarsh Shah	Non-Executive – Promoter	Nil
Shri Darius Pandole	Non-Executive – Independent	1

Terms of Reference :

- (1) To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and removal.
- (2) To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees.
- (3) To formulate the criteria for evaluation of performance of Independent Directors and the Board.
- (4) To devise a policy on Board Diversity.
- (5) Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- (6) Recommend to the Board all the remuneration, in whatsoever form, payable to senior management of the Company.

**Performance evaluation criteria for Independent Directors:**

The performance of the Independent Directors is evaluated based on the criteria such as the knowledge, experience, integrity, expertise in any area, number of Board / Committee meetings attended, time devoted to the Company, his/ her participation in the Board / Committee meetings etc. The performance evaluation of the Independent Directors was carried out by the Board and while evaluating the performance of the Independent Director, the Director who was subject to the evaluation did not participate.

**Remuneration Policy:**

The Company's Remuneration Policy for Directors and Senior Management personnel is attached to the Board' report.

The remuneration policy is recommended by the Nomination & Remuneration Committee and approved by the Board. The key objective of the remuneration policy is to ensure that it is aligned to the overall performance of the Company. The policy ensures that it is fair and reasonable and is linked to financial performance. For Director in Executive category, it mainly comprises of fixed component. The remuneration policy is placed on the website of the Company <http://fairchem.in/policies.html>. The remuneration paid to the Directors is in line with the remuneration policy of the Company.

**Remuneration to Non-Executive Directors**

The remuneration for non-executive (Independent) Directors consists of sitting fees for attending meeting of the Audit Committee and Board of Directors. No other payment is made to the non-executive Directors.

Details of the remuneration paid to and shareholding of Non-executive Directors is provided in MGT-9 which forms part of Directors' Report.

**Remuneration to Executive Directors**

The executive Directors of the Company viz. Managing Directors have been appointed on a contractual basis, in terms of the resolution passed by the shareholders at the annual general meeting. Elements of the remuneration package comprise of salary and perquisites as approved by the members at the annual general meeting. Out of two Managing Directors only Shri Nahoosh Jariwala, Managing Director drew the remunerations and was given perquisites during the year.

Details of the remuneration paid to and shareholding of Executive Directors is provided in MGT-9 which forms part of Directors' Report.

**Details of Remuneration :**

The details relating to remuneration of Directors, as required under Regulation 34 of SEBI (LODR) Regulations, 2015 are as follows:

**Details of remuneration paid to Directors during the financial year 2019-20.**

(Amounts in Rs.)

Directors	Salary	Perquisites	Sitting Fees	Total
Shri Utkarsh B. Shah (Non-executive Director)	Nil	Nil	Nil	Nil
Shri Mahesh Babani (Managing Director)	Nil	Nil	Nil	Nil
Shri Nahoosh J. Jariwala (Managing Director)	14,400,000	39,600	Nil	14,439,600
Shri Sumit Maheshwari (Non-executive Director)	Nil	Nil	Nil	Nil
Shri D.B. Rao (Non-executive Director)	Nil	Nil	Nil	Nil
Shri P.R. Barpande (Independent Director)	Nil	Nil	2,50,000	2,50,000
Shri Rajesh Budhrani (Independent Director)	Nil	Nil	2,50,000	2,50,000
Shri Hemang Gandhi (Independent Director)	Nil	Nil	2,50,000	2,50,000
Ms. Radhika Pereira (Independent Director)	Nil	Nil	2,50,000	2,50,000
Shri Darius Pandole (Independent Director)	Nil	Nil	1,90,000	1,90,000
Shri Viren Joshi (Independent Director)	Nil	Nil	1,50,000	1,50,000



The Company has not granted any stock options to its Directors.

Service contract / Agreement and Notice period: The Company has entered into agreement with Shri Nahoosh Jariwala, Managing Director for his employment for a period of 3 years. Either party to an agreement is entitled to terminate the agreement by giving not less than 3 (Three) months' notice in writing to the other party.

## 5. Stakeholders' Relationship Committee

In compliance with the provisions of section 178 of the Act and regulation 20 of the Listing Regulations, the Board has formed an Stakeholders' Relationship Committee. Stakeholders' Relationship Committee consists of Shri Utkarsh B. Shah as Chairman of the committee, Promoter Non-Executive Director and Shri Hemang Gandhi, Independent Non-Executive Director as members of the committee.

At present, Mr. Rajen Jhaveri is the Company Secretary and Compliance Officer of the Company.

The said committee looks into the redressal of Grievances of security Holders, if any, like Transfer / Transmission / Demat of Shares, Non-receipt of Annual Report, Non-receipt of Declared Dividends, Loss of Share Certificates etc. and instance of several trade transaction of equity shares of the company by a 'connected person'.

During the year, No complaints were received from the security holders as per the certificate of RTA. No investor complaint was pending at the beginning or at the end of the year.

Compliance Officer:

Mr. Rajen Jhaveri, Company Secretary and Compliance Officer can be contacted at:

Fairchem Speciality Limited

Office at Works:

253/P and 312, Village Chekhala,

Sanand – Kadi Highway, Taluka SANAND,

**Dist. AHMEDABAD – 382 115. Gujarat.**

Phone (Board Nos.): + 91 90163 24095 / 94099 58550

Mail ID: [cs@fairchem.in](mailto:cs@fairchem.in)

## 6. Administrative Committee

It comprises of 3 Members viz. (1) Shri Utkarsh B. Shah, Promoter - Non-Executive (2) Shri Nahoosh Jariwala, Managing Director (3) Shri Sumit Maheshwari, Nominee Director. The Committee looks after businesses which are administrative in nature and within the overall Board approved limits/ directions and framework.

## 7. Corporate Social Responsibility Committee

Pursuant to the provisions of section 135 of The Companies Act, 2013, Company has formed Corporate Social Responsibility Committee. The committee consists of five Directors as its members viz. (1) Shri Utkarsh Shah, (2) Shri Nahoosh Jariwala, (3) Shri D. B. Rao, (4) Ms. Radhika Pereira and (5) Shri Hemang Gandhi, out of which two Directors are Independent Directors.

The Committee is primarily responsible for formulating and recommending to the Board of Directors a Corporate Social Responsibility Committee policy and monitoring the same from time to time amount of expenditure to be incurred on the activities pertaining to CSR.

The Company has also formulated the C.S.R. Policy and the same is available on the website of the Company at <http://fairchem.in/investor-relations/Policies/CSR-Policy.pdf>.

## 8. Disclosures

- (a) Besides the transactions mentioned in the notes forming part of the Annual Report, there were no materially significant related party transactions entered into by the Company which may have the potential conflict with the interest of the Company at large.

The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related party transactions and during the year, there were no material transactions with related parties. The policy is also available on the website of the Company <http://fairchem.in/investor-relations/Policies/Policy-on-Related-Party-Transactions.pdf>.

- (b) There were no penalties / strictures imposed on the Company by the Stock Exchange(s) or SEBI or any statutory authority, on any matter related to Capital Markets, during the last three years.



The Company has in place the Whistle Blower Policy and the same is available on the website of the Company <http://fairchem.in/investor-relations/Policies/Whistle-Blower-Policy.pdf>. Under said policy, the employees are encouraged to report genuine concerns about suspected misconduct without fear of punishment or unfair treatment. During the year under review, no employee was denied the access to the Audit Committee and / or its Chairman.

- (c) The Company has complied with all mandatory requirements of Regulation 17 to 27 and clauses (b) to (i) of sub regulation (2) of Regulation 46 of SEBI (LODR) Regulations, 2015.
- (d) Management Discussion and Analysis Report is set out in a separate section included in this Annual Report and forms a part of this Report.
- (e) During the year under review, no Independent Director has resigned from the Company.
- (f) The particulars about the brief resume and other information of the Director seeking re-appointment as required to be disclosed under this section are provided as an annexure to the notice convening the Thirty Fifth Annual General Meeting.
- (g) The requisite certification from the CEO & Whole Time Director and the Chief Financial Officer required to be given under regulation 17(8) read with Part B of Schedule II of the Listing Regulations, was placed before the Board of Directors of the Company.
- (h) The Board of Directors of the Company has accepted the recommendations of the Committees of the Board.
- (i) The Company has availed a certificate from M/s. Parikh Dave & Associates, Company Secretaries in Practice that none of the Directors of the Company have been debarred or disqualified from being appointed or re-appointed or continuing as a Directors of the Companies by SEBI, MCA or other regulatory authorities and the same is attached to this Annual Report.
- (j) The Company has in place a policy on Sexual harassment at work place which aims at protecting the women employees at workplace and to redress their complaints. During the year under review the Company has not received any complaint under Sexual harassment of women at work place.
- (k) Details of the discretionary requirements adopted:
  - The listed entity has appointed separate persons for the post of Chairperson and Managing Director.
  - The Internal Auditors of the Company reports directly to the Audit Committee.
  - The financial results of the Company do not have any modified opinion by the Auditors.

## 9. Subsidiary Company

Privi Organics India Ltd. is the material unlisted Indian subsidiary company and Fairchem Organics Limited is the wholly owned subsidiary company incorporated on March 27, 2019 under the purview of the material un-listed subsidiary as per criteria given in Regulation 16(1)(c) of SEBI (LODR) Regulations, 2015. The Audit Committee of the Company reviews the financial statements and investments made by unlisted subsidiary company and the minutes of the unlisted subsidiary company are placed at the Board Meeting of the Company. The policy on Material Subsidiary Company is available on the website of the Company <http://fairchem.in/policies.html>.

## 10. Code of Conduct

The Company has in place Code of Conduct and Ethics for all the Directors and for all Senior Management Personnel. It seeks to achieve, among others, higher standards of personal and professional integrity. A copy of the code has been placed on the Company's website <http://fairchem.in/investor-relations/Policies/Code-of-Conduct.pdf>. The code has been circulated to all the Directors and Senior Management Personnel and they affirm its compliance every year.

The Company has also in place a Code of Conduct for Prevention of Insider Trading based on SEBI (Prohibition of Insider Trading) Regulations, 2015. This code is applicable to all Designated Persons / insiders defined under the Code of Conduct for Prevention of Insider Trading adopted by the Company. The code ensures prevention of dealing in shares by persons having access to the unpublished price sensitive information. The full text of the Regulations of SEBI (Prohibition of Insider Trading) Regulations, 2015 as notified dated January 15, 2015 and further amended from time to time is available at <https://www.sebi.gov.in/legal/regulations/jan-2015/sebi-prohibition-of-insider-trading-regulations-2015-issued-on-15-jan-2015-28884.html>.



The Company has availed the special/ additional service of RTA M/s. Link Intime (India) Private Limited to monitor the trading in the equity shares of the Company mainly during the trading window closure and the reverse transactions, by the designated persons. The Company has also initiated to obtain necessary information, as per the SEBI Insider Trading Regulations, of the designated persons and their immediate relatives. We have received details from certain designated persons. The Company gets the half-monthly report from the service provider, about the details of trading in the equity shares of the company by the designated persons, during the trading window closure.

## 11. Means of Communication

During the year, quarterly Unaudited financial results – both standalone and consolidated, and audited annual financial results – both standalone and consolidated of the Company were submitted to the stock exchanges soon after its approval by the Board of Directors at their Meetings and were also published in The Economic Times, Mumbai edition in English and vernacular newspaper in Maharashtra Times, Mumbai edition in Marathi. Annual financial performance of the Company is also posted on the Company's website <http://fairchem.in/investor-relations.html>.

News releases, presentations, etc.:

Official news releases are displayed on the website of the Company [www.fairchem.in](http://www.fairchem.in).

The Company's website [www.fairchem.in](http://www.fairchem.in) contains a separate dedicated section where the useful information for the Shareholders is available.

Meeting	Year	Venue of General Meeting	Date & Time	No. of Special Resolutions
34 <sup>th</sup> AGM	2018-2019	Hall of Culture, Nehru Science Centre, Dr. Annie Besant Road, Louts Colony, Worli, Mumbai –400018	August 08, 2019 at 5.00 p.m.	Three
33rd AGM	2017-2018	Hall of Culture, Nehru Science Centre, Dr. Annie Besant Road, Louts Colony, Worli, Mumbai –400018	August 10, 2018 at 4.00 p.m.	Eight
32nd AGM	2016-2017	Hall of Culture, Nehru Science Centre, Dr. Annie Besant Road, Louts Colony, Worli, Mumbai –400018	August 11, 2017 at 4.00 p.m.	Two

## 12. General Body Meeting Disclosure:

Location, date and time of General Meetings held during the last 3 years:

Details of the Special Resolutions passed the Annual General Meetings held in the past 3 financial years:

34 <sup>th</sup> A.G.M. held on August 08, 2019	(1) Re-appointment of Ms. Radhika Pereira (DIN 00016712) as an Independent Director (2) Approval of change of Registered office within the same State under the jurisdiction of same ROC. (3) Ratification/confirmation of remuneration of cost auditor for financial year ended March 31, 2020.
33rd A.G.M. held on August 10, 2018.	(1) Re-appointment of Shri Nahoosh J. Jariwala (DIN: 00012412) as the Managing Director (2) Increasing borrowing power pursuant to Section 180(1)(c) of the Companies Act, 2013 (3) Taking consent of shareholders pursuant to Section 180(1)(a) of the Companies Act, 2013 (4) Re-appointment of Shri Padmanabh Ramchandra Barpande, as an Independent Director (5) Re-appointment of Shri Hemang Manhar Gandhi, as an Independent Director (6) Re-appointment of Shri Darius Dinshaw Pandole, as an Independent Director (7) Re-appointment of Shri Rajesh Harichandra Budhrani, as an Independent Director (8) Re-appointment of Shri Viren Ajit Joshi, as an Independent Director
32nd A.G.M. held on August 11, 2017.	(1) Adoption of New set of Articles of Association in lieu of present Articles of Association. (2) Maintaining the register of members, etc. at the office premises of M/s. Link Intime India Private Limited (R.T.A).



Details of resolutions passed during F.Y. 2019-20 through postal ballot: NIL

As on the date of this report there is no special resolution which is proposed to be conducted through Postal ballot.

### General Shareholder Information

Pursuant to the General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020 and General Circular No. 20/2020 dated May 5, 2020, issued by the Ministry of Corporate Affairs, the 35th Annual General Meeting (AGM) for the year ended March 31, 2020 is scheduled to be held on Monday, November 02, 2020 at 3.00 P.M. IST onwards through Video Conferencing (VC) / Other Audio Visual Means (OAVM). The Members may attend the 35th AGM scheduled to be held on November 02, 2020, 3:00 P.M. IST onwards, through VC or watch the live web-cast at <https://instameet.linkintime.co.in>. Detailed instructions for participation are provided in the notice of the 35th AGM. The proceedings of the 35th AGM will be available through VC and live web-cast to the shareholders as on the cut-off date i.e. October 07, 2020.

**Book Closure Date** :From Wednesday, October 28, 2020 to Monday, November 02, 2020 (both days inclusive)

### Dividend Payment Date (subject to approval of the shareholders)

On or before 2nd December, 2020

### Financial Calendar (Tentative)

Financial reporting for the quarter ending June 30, 2020

On or before July 30, 2020

Financial reporting for the quarter/half year ending September 30,2020

On or before November 02, 2020

Financial reporting for the quarter ending December 31,2020

On or before February 14, 2021

Financial reporting for the year ending March 31, 2021

On or before May 30, 2021

### STOCK PRICE:

High/Low of monthly Market Price of Company's Equity Shares traded on The National Stock Exchange of India Limited and BSE Limited during the financial year 2019-20 is furnished below:

Months	BSE Limited			National Stock Exchange of India Limited.		
	High	Low	No. of Shares	High	Low	Volume
April, 2019	478.00	447.00	26,515	483.00	445.00	1,54,037
May, 2019	573.55	449.65	1,50,669	582.00	447.25	10,49,654
June, 2019	564.95	501.50	35,945	564.90	506.10	3,14,941
July, 2019	572.50	465.00	34,448	575.00	467.15	1,89,889
August, 2019	532.75	460.30	22,577	530.00	452.20	1,29,417
September, 2019	520.00	470.00	13,575	536.80	471.00	1,39,820
October, 2019	519.75	468.10	24,754	515.95	469.10	1,62,148
November, 2019	512.00	421.20	27,560	503.00	421.05	1,99,722
December, 2019	525.15	441.15	21,366	510.00	437.00	2,66,698
January, 2020	514.95	424.40	25,966	513.95	425.10	2,51,599
February, 2020	747.80	476.30	3,09,954	748.05	477.10	32,16,779
March, 2020	678.75	360.00	59,394	684.00	355.05	8,68,927

The year-end price of the equity share of the Company at BSE Limited was Rs. 480.40 and at National Stock Exchange of India Limited was Rs. 413.50.

### Share Price Performance in comparison to broad based indices such as BSE Sensex as on March 31, 2020:

	BSE (% Change)	
	Fairchem Speciality Limited	Sensex
F.Y. 2019-20	22.93%	17.30 %



### Share Transfer System

Transfer of shares held in physical mode is processed by Registrar and Share Transfer Agent M/s. Link Intime (India) Pvt. Ltd. Valid Share transfers in physical form and complete in all respects were approved, registered and dispatched within stipulated period respects were approved, registered and dispatched within stipulated period.

As per SEBI notification SEBI/LAD-NRO/GN/2018/24 dated 8th June, 2018 read with SEBI Press Release dated 3rd December, 2018, the requests for effecting transfer of securities (except in case of transmission, transposition or re-lodgment of securities) is not being processed after 31<sup>st</sup> March, 2019, unless the securities are held in the dematerialized form with the depositories.

### **Reconciliation of Share Capital Audit & Certificate pursuant to Regulation 40 (9) of SEBI (LODR) Regulations, 2015:**

A qualified professional carries out a Reconciliation of Share Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate of the total number of shares in physical form and the total number of shares in dematerialized form (held with NSDL and CDSL).

Pursuant to Regulation 40 (9) of SEBI (LODR) Regulations, 2015 with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

### Dematerialisation of Shares and Liquidity

As on March 31, 2020, 99.58 % equity shares of the Company were held in dematerialised form and the rest in physical form. The shares are traded on The National Stock Exchange of India Limited and BSE Limited.

### Distribution of Shareholding as on March 31, 2020.

Category (shares)	No. of Shareholders	Percentage	No. of Shares	Percentage
1-500	8,927	88.62	8,56,501	2.19
501-1000	505	5.01	3,76,417	0.96
1001-2000	252	2.51	3,65,940	0.94
2001-3000	104	1.03	2,60,479	0.67
3001-4000	57	0.57	2,03,247	0.52
4001-5000	27	0.27	1,22,575	0.31
5001-10000	73	0.72	5,28,029	1.35
10001-20000	128	1.27	3,63,49,518	93.06
<b>Total</b>	<b>10,073</b>	<b>100.00</b>	<b>3,90,62,706</b>	<b>100.00</b>

### Categories of Shareholders, Category-wise Shareholding as on March 31, 2020.

Category	No. of Shares held	% to total shares held
Individual	44,32,934	11.35
Promoters		
- Indian Promoters	98,82,773	25.30
- Foreign Promoter	1,90,46,078	48.76
Other Corporate Bodies	5,63,315	1.44
Financial Institutions / Mutual Funds / Banks	5,25,295	1.34
Directors & their relatives	7,06,480	1.81
Foreign Institutional Investors / Overseas Corporate Bodies	26,47,639	6.78
Non-Resident Indians	12,58,192	3.22
<b>TOTAL</b>	<b>3,90,62,706</b>	<b>100.00</b>

**Listing on Stock Exchanges at:**

<b>National Stock Exchange of India Limited</b> Exchange Plaza, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051.	<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
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Listing fees for the year 2020-21 have been paid to National Stock Exchange of India Limited and BSE Limited.

<b>Stock Code / Symbol</b>	BSE Ltd. ...530117 National Stock Exchange of India Ltd. ... FAIRCHEM Demat ISIN No. in NSDL & CDSL for Equity Shares ...INE959A01019
<b>Registered Office</b>	Plot No. A- 71, TTC, Thane Belapur Road, Near Kopar Khairane, Navi Mumbai - 400709.
<b>Contact Person</b>	Mr. Rajen Jhaveri <i>Chief Financial Officer and Company Secretary</i>
<b>E-mail</b>	cs@fairchem.in
<b>Plant Location &amp; Works and Office</b>	253/P and 312, Village Chekhala, Sanand-Kadi Highway, Taluka - Sanand Dist. Ahmedabad - 382 115 Gujarat.
<b>Registrar &amp; Share Transfer Agent:</b>	Link Intime (India) Pvt.Ltd. C 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai – 400 083. Corporate Office: 5th Floor, 506 to 508, Amarnath Business Centre - 1 (ABC-1), beside Gala Business Centre, Off C. G. Road, Navrangpura, Ahmedabad - 380009

**Declaration:**

In accordance with Part D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Business Conduct and Ethics for Board of Directors, Senior Management & Employees, as applicable to them, for the financial year ended March 31, 2020.

**For Fairchem Speciality Limited,**

**Place : Ahmedabad**  
**Date : June 23, 2020**

**Nahoosh Jariwala**  
**Managing Director**  
**(DIN: 00012412)**



## ANNEXURE I

### SUGGESTED FORMAT FOR BUSINESS RESPONSIBILITY REPORT

[See Regulation 34(2)(f)]

#### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company : L15140MH1985PLC286828
2. Name of the Company : FAIRCHEM SPECIALITY LIMITED
3. Registered address : Plot No. A-71, TTC Thane Belapur Road, Nr. Kopar Khairane Railway Station, Navi Mumbai Thane - 400709. Maharashtra.
4. Website : www.fairchem.in
5. E-mail id : cs@fairchem.in
6. Financial Year reported : 2019-2020
7. Sector(s) that the Company is engaged in (industrial activity code-wise)
8. List three key products/services that the Company manufactures/ provides (as in balance sheet) : (A) Dimer Acid, (B) Linoleic Acid, (C) Deodorizer Distillate (Mixed Tocopherol Concentrate)
9. Total number of locations where business activity is undertaken by the Company
  - (a) Number of International Locations (Provide details of major 5) - NIL
  - (b) Number of National Locations - One
10. Markets served by the Company – Local/State/National/International - ALL

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR) 39,06,27,060 (Thirty nine crores six lakhs twenty seven thousands sixty)
2. Total Turnover (INR) 306.49 crores – Revenue from operations
3. Total profit after taxes (INR) 36.55 crores (exclusive of other comprehensive income)
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)
5. List of activities in which expenditure in 4 above has been incurred:-
  - (a) Education - Rs. 84,085
  - (b) Sweaters for poor children - Rs. 3,74,409
  - (c) Sports kit etc. for poor children - Rs. 26,303

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Rs. 4,84,797

#### SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies? **Yes.**
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s). **No.**
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] **No.**



**SECTION D: BR INFORMATION**

1. Details of Director/Directors responsible for BR

(a) Details of the Director/Director responsible for implementation of the BR policy/policies

1. DIN Number -- 00012412
2. Name -- Shri Nahoosh Jariwala
3. Designation -- Managing Director

(b) Details of the BR head

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have a policy/ policies for....	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	The policies have been developed based on the experience of the management of past 25 years in the business.								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Board has approved those policies which are required to be approved by it by virtue of applicable law.								
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	The top management is primarily responsible for supervising the implementation of policies.								
6	Indicate the link for the policy to be viewed online?	www.fairchem.in								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Formal communication is made where it is required under the law.								
8	Does the company have in-house structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	N	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	N	Y	Y
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	We carry our internal evaluation / review of the policies periodically.								

(a) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The company has not understood the Principles	Not Applicable								
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	Not Applicable								
3	The company does not have financial or manpower resources available for the task	Not Applicable								
4	It is planned to be done within next 6 months	Not Applicable								
5	It is planned to be done within the next 1 year	Not Applicable								
6	Any other reason (please specify)	Not Applicable								

3. Governance related to BR

- (a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year
- (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?



## SECTION E: PRINCIPLE-WISE PERFORMANCE

### Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

Yes and it extends to the subsidiaries of the Company also. The Company gives due importance to ethics and transparency and it percolates down to the last level. The Company has a Code of Conduct duly approved by its Board of Directors. The said code is applicable to all Board Members and Senior Management. For all the employees, the Company has a set of rules and SOP to ensure the right conduct and preserve the financial interest of the Company.

The Company keeps a close watch on its labour contractors to ensure that such policy is followed by them also. As far as other external stakeholders such as suppliers of goods and services (other than manpower), other contractors etc. are concerned, the Company cannot enforce the same. The Company, however, views such acts, if any, of bribery and corruption on the part of any of such external agencies either single handedly or in collusion with employee(s) very seriously and takes appropriate action.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

As stated in the Corporate Governance Report, no complaint was received from the investors during the financial year 2019-20. During the year, no complaint was received from any of our customers pertaining to quality of our finished goods. Other complaints, if any, are immediately attended to as and when they arise by the concerned departments in consultation with senior management.

### Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- (a) Dimer Acid
- (b) Linoleic Acid / Soya Fatty Acid
- (c) Dedorizer Distillate (Mixed Tocopherol Concentrate)

All the finished products of the Company's including its three prime products viz. (A) Dimer Acid, (B) Linoleic Acid / Soya Fatty Acid and (C) Deodorizer Distillate (Mixed Tocopherol Concentrate) are manufactured by using natural source raw materials generated during different kinds of vegetable oil refining by oil refineries. The Company has in place mechanism for re-use of some portion of process water after treating the same. The Company also has tied up with a third party of treatment / incineration of its effluents. The company is having the goal of reaching zero discharge of waste water from its operations.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

- (a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?
- (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Company uses, as its raw materials, by-products generated in very small quantities by vegetable oil refineries during refining of vegetable oils to make the oils edible grade as the prime resource. The Company also uses water, steam coal, furnace oil, diesel, electricity as the resources.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

- (a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Yes. The company has a well-defined and practiced procedure in place including transportation for sourcing its raw materials from across India – right from West Bengal in East to Tamilnadu in South. The test for the full proof set up is in the fact that it works even when there is continuous increase in volume.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

- (a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The manufacturing plant of the Company was set up in a remote village more than 25 years back. The surrounding areas are mainly used for agricultural purposes. As raw materials of the Company are available from vegetable oil refineries, the Company has to source the same from wherever they exist and are available. As far as requirement of other goods and services are concerned, the Company does source the same from local suppliers of goods and services.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.



Yes. The Company does recycle part of its process water mainly for domestic use. As far as recycling of products is concerned, we start our manufacturing operations by using the by-products of vegetable oil refineries which are 'waste' products of the said refineries. We make different prime and residual products from the use of said waste products and realise values for each of the product stream.

### Principle 3

- Please indicate the Total number of employees - Total Number of employees as on 31-03-2020 were 191.
- Please indicate the Total number of employees hired on temporary/contractual/casual basis.  
Total Number of such employees as on 31-03-2020 were 120
- Please indicate the Number of permanent women employees. NIL
- Please indicate the Number of permanent employees with disabilities - NIL
- Do you have an employee association that is recognized by management :  
No. There is no such association. The employees, however, has access to the top management to represent their case / grievance, if any.
- What percentage of your permanent employees is members of this recognized employee association? Not Applicable
- Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child labour/forced labour / involuntary labour	Not Applicable as the Company does not hire such labour.	Not Applicable
2	Sexual harassment	NIL	NIL
3	Discriminatory employment	NIL	NIL

- What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?
  - Permanent Employees – About 36 % of employees were given training of safety, first aid, housekeeping and cleanliness practices.
  - Permanent Women Employees – Not applicable
  - Casual / Temporary / Contractual Employees – 11 security personnel were given training of firefighting and equipments handling.
  - Employees with disabilities – Not Applicable.

### Principle 4

- Has the company mapped its internal and external stakeholders? Yes. The shareholders / investors including promoters, employees including contract employees, business associates, suppliers of goods and providers of services, residents / occupants of surrounding areas, Central Govt., State Govt. and local bodies are the stakeholders.
- Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders. Yes.
- Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

The Company, through its CSR spending, helps the families of such stakeholders.

### Principle 5

- Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/ Others? The policy on human rights extends to all the stakeholders and is applied in day to day business operations.
- How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? No complaint from any of the stakeholders was received during the F.Y. 2019-20.

### Principle 6

- Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.
- Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.



3. Does the company identify and assess potential environmental risks? Y/N
4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?
5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.
6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?
7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

To address global environmental issues such as climate change, global warming etc., the Company's strategy is to minimise the GHG & usage of Natural Resources by re-use/re-cycle and continuous technological up gradations. Company has taken initiatives like Process Heat recoveries through PHEs & Steam Generators, waste water recycle through RO System, less Steam requirement by MEEs ( Multi Effect Evaporators), Energy Efficient Motors & Capacitors for Electrical Power etc. Company has voluntarily achieved zero discharge status by installation of RO, MEE & ATFD. Also Multi-Cyclones & Bag Filters to maintain the quality of Emission Gases from Boilers & Thermic Fluid Heaters. Plantation activity in available open land has been a continuous process.

#### Principle 7

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:
  - (A) The Company is a member of Gujarat Chamber of Commerce and Industry (GCCl). GCCl works to create and sustain an environment conducive to the growth of industry and trade in the State of Gujarat.
  - (B) The Company is also registered with CHEMEXCIL which is an export promotion council administered by The Ministry of Commerce and Industry.
2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)
 

No.

#### Principle 8

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof. The details are given in Report on CSR elsewhere included in this report.
2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization? The CSR initiatives during the year were undertaken by in-house team.
3. Have you done any impact assessment of your initiative? Yes. The team implementing such initiative carries out impact assessment.
4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken. The details are covered in Report on CSR elsewhere included in this report.
5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so. Yes. We include few persons from village willing to volunteer in such initiative for preserving / maintaining the work done by the Company under CSR.

#### Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year. NIL
2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. / Remarks(additional information). All our finished products are in liquid form and are generally sold to industrial users. The list of documents which accompany the dispatch include lab. analysis report in case of prime products. No product label is required to be attached under any law.
3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so. No case is filed against the Company. Further, since the company is in B2B segment, Company does not advertise its products in any newspapers, TV media or on social platform.
4. Did your company carry out any consumer survey/ consumer satisfaction trends? No. Most of our customers are regular customers and not one time customer. Their repeat orders are an indication of the satisfaction at their end.



## ANNEXURE II

### PRINCIPLES TO ASSESS COMPLIANCE WITH ENVIRONMENTAL, SOCIAL AND GOVERNANCE NORMS

[See Regulation 34(2)(f)]

#### **Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability**

1. Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain. Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.
2. Businesses should not engage in practices that are abusive, corrupt, or anti- competition.
3. Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.
4. Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.
5. Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines

#### **Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

1. Businesses should assure safety and optimal resource use over the life-cycle of the product – from design to disposal – and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.
2. Businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.
3. In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.
4. Businesses should regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations.
5. Businesses should recognize and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property.
6. Businesses should recognize that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.

#### **Principle 3: Businesses should promote the wellbeing of all employees**

1. Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance Redressal mechanisms.
2. Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.
3. Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.
4. Businesses should take cognizance of the work-life balance of its employees, especially that of women.
5. Businesses should provide facilities for the wellbeing of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.
6. Businesses should provide a workplace environment that is safe, hygienic humane, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis.
7. Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.
8. Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

#### **Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**

1. Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them.
2. Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders.
3. Businesses should give special attention to stakeholders in areas that are underdeveloped.
4. Businesses should resolve differences with stakeholders in a just, fair and equitable manner

**Principle 5: Businesses should respect and promote human rights**

1. Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature.
2. Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.
3. Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.
4. Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain.
5. Businesses should not be complicit with human rights abuses by a third party.

**Principle 6: Business should respect, protect, and make efforts to restore the environment**

1. Businesses should utilize natural and manmade resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.
2. Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.
3. Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.
4. Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.
5. Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.
6. Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.
7. Businesses should proactively persuade and support its value chain to adopt this principle.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

1. Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.
2. To the extent possible, businesses should utilize the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.

**Principle 8: Businesses should support inclusive growth and equitable development**

1. Businesses should understand their impact on social and economic development, and respond through appropriate action to minimise the negative impacts.
2. Businesses should innovate and invest in products, technologies and processes that promote the wellbeing of society.
3. Businesses should make efforts to complement and support the development priorities at local and national levels, and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.
4. Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

1. Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.
2. Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.
3. Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.
4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.
5. Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.
6. Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.



## CEO AND CFO CERTIFICATION

The Managing Directors and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Regulation 17(8) of SEBI (LODR) Regulations, 2015. The Managing Directors and the Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Regulation 33 of SEBI (LODR) Regulations, 2015. The annual certificate given by the Managing Directors and the Chief Financial Officer is published in this Report.

## CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY

As provided under Regulation 26 (3) of SEBI (LODR) Regulations, 2015 with the Stock Exchanges, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for the year ended March 31, 2020.

For Fairchem Speciality Limited,

Place : Ahmedabad  
Date : June 23, 2020

**Nahoosh Jariwala**  
Managing Director  
(DIN: 00012412)

**Mahesh Babani**  
Managing Director  
(DIN: 00051662)



## CEO / CFO CERTIFICATION UNDER REGULATION 17(8) OF SEBI (LODR) REGULATIONS, 2015

To,  
The Board of Directors,  
Fairchem Speciality Limited

- (1) We have reviewed financial statements and the cash flow statement of Fairchem Speciality Limited for the year ended March 31, 2020 and hereby certify that to the best of our knowledge and belief
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (2) During the year, there are, to the best of our knowledge and belief, no transactions entered into by the Company which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (3) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.
- (4) We have indicated to the Auditors and the Audit Committee :
  - (i) that there are no significant changes in internal control over financial reporting during the year;
  - (ii) that there are no significant changes in accounting policies during the year and
  - (iii) that there are no instances of significant fraud of which we have become aware.

**For Fairchem Speciality Limited,**

**Rajen Jhaveri**  
Chief Financial Officer

**Nahoosh Jariwala**  
Managing Director  
(DIN: 00012412)

**Mahesh Babani**  
Managing Director  
(DIN: 00051662)

Place : Ahmedabad  
Date : June 23, 2020



## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Members,  
**FAIRCHEM SPECIALITY LIMITED**  
**CIN: L15140MH1985PLC286828**

We have examined all relevant records of **FAIRCHEM SPECIALITY LIMITED** for the purpose of certifying compliance of conditions of Corporate Governance as stipulated under para C and D of Schedule V read with Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended on March 31, 2020.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. This certificate is neither an assurance as to the further viability of the Company nor of the effectiveness with which the management has conducted the affairs of the Company.

On the basis of the examination of the records produced (including receipt of documents by way of electronic means on account of ongoing pandemic of Covid - 19), explanations and information furnished, we certify that the Company has complied with the mandatory conditions of the Corporate Governance as stipulated in para C of Schedule V read with Regulation 34 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This certificate is issued solely for the purpose of complying with the aforesaid regulations and may not be suitable for any other purpose.

**FOR PARIKH DAVE & ASSOCIATES**  
COMPANY SECRETARIES

**UDAY G. DAVE**  
PRACTICING COMPANY SECRETARY  
PARTNER

Place: Ahmedabad  
Date: 23rd June, 2020

FCS No.: 6545 C. P. No.: 7158  
UDIN:F006545B000380842



## CERTIFICATE

To,  
The Members,  
**FAIRCHEM SPECIALITY LIMITED**  
**CIN: L15140MH1985PLC286828**

We have examined relevant registers, records, forms, returns and disclosures in respect of the Directors of **FAIRCHEM SPECIALITY LIMITED** (the Company) having its registered office situated at Plot No. A- 71 TTC, Thane Belapur Road, Near Kopar Khairne, Navi Mumbai, Mumbai City 400709, Maharashtra which were produced before us by the Company (including receipt of documents by way of electronic means on account of ongoing pandemic of Covid - 19) for the purpose of issuing a certificate as stipulated in Clause (10) (i) of Part C of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, amended from time to time.

In our opinion and to the best of our information and on the basis of the verification of the above stated documents (including the status of Directors Identification Number - DIN at the portal of Ministry of Corporate Affairs - MCA [www.mca.gov.in](http://www.mca.gov.in)), we hereby certify that none of the Directors on the Board of the Company as on 31.03.2020 have been debarred or disqualified from being appointed or continuing as a Directors of the Company by the Board i.e. Securities and Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA) or any such statutory authority.

**FOR PARIKH DAVE & ASSOCIATES**  
COMPANY SECRETARIES

**UDAY G. DAVE**  
PRACTICING COMPANY SECRETARY  
PARTNER

FCS No.: 6545 C. P. No.: 7158  
UDIN:F006545B000380864

Place: Ahmedabad  
Date: 23rd June, 2020



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## INDEPENDENT AUDITOR'S REPORT

To the Members of Fairchem Speciality Limited

Report on the audit of the Standalone Financial Statements

### Opinion

1. We have audited the accompanying standalone financial statements of Fairchem Speciality Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of Profit and Loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

### Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>i) Revenue Recognition</b></p> <p>Refer to Note 2 (c), 31 and 50 to the Standalone financial statements.</p> <p>The Company recognises revenue from sale of goods at a point in time in accordance with the principles of Ind AS 115.</p> <p>The Management evaluates customer contracts in respect of the said revenue for identification of performance obligations, allocation of consideration to identified performance obligations and recognition of revenue at a point in time based on timing when control is transferred to customer.</p> <p>We focused on this area as revenue is required to be recognised in accordance with the terms of the customer contracts which involves management evaluation as described above and there is an inherent risk of material misstatement; and further, disclosures are required to be made in accordance with the applicable accounting standards.</p>	<p>Our testing of revenue transactions was designed to cover certain customer contracts.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understanding, evaluating the design and testing the operating effectiveness of controls over revenue recognition.</li> <li>• Evaluating appropriateness of the accounting policy for revenue recognition.</li> <li>• Assessing appropriateness of management's significant judgements in accounting for identified contracts such as identification of performance obligation and allocation of consideration to identified performance obligation;</li> <li>• Evaluating the contract terms for assessment of the timing of transfer of control to the customer to assess whether revenue is recognised appropriately over a period of time or at a point in time (as the case may be) based on timing when control is transferred to customer</li> <li>• Testing whether the revenue recognition is in line with the terms of customer contracts and the transfer of control; and</li> <li>• Evaluating adequacy of the presentation and disclosures</li> </ul> <p>Based on the above stated procedures, no significant exceptions were noted in revenue recognition including those relating to presentation and disclosures.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>ii) Physical verification of Inventory</b></p> <p>Refer to Note 12 to the standalone financial statements.</p> <p>As at March 31, 2020, the Company has inventory of Rs. 3,771.10 lakhs. Physical verification of these Inventories was conducted subsequent to year end by the management, due to lockdown restrictions imposed by the government.</p> <p>In order to arrive at the quantities of inventory that existed as at the year end, roll-back procedures were performed on the quantities of inventory counted on those dates by adding back the sales and deducting the purchases made during the period from the end of the financial year till the date of actual verification of inventory, from the quantities counted.</p> <p>We considered this as Key audit matter considering the nature of inventory, significance and magnitude of inventory balances, timing of physical verification of inventory and consequential performance of alternate procedures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understanding, evaluating the design and testing the operating effectiveness of controls over inventory count and the roll back procedures.</li> <li>• Management's reports and procedures over the roll back of inventory from the date of physical verification back to March 31, 2020 were tested on a sample basis through inspection of purchase and sales records.</li> <li>• Consequent to lifting of lockdown restrictions, we observed the physical verification process of Inventory subsequent to the year end and performed roll back procedures to obtain sufficient and appropriate audit evidence about the existence and condition of inventory at the balance sheet date.</li> </ul> <p>Based on the above procedures performed, the alternate procedures conducted for physical count of inventory, subsequent to year end, to determine its existence and condition as at the year-end, as determined by the management is considered to be reasonable.</p>

#### Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of management and those charged with governance for the standalone financial statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

#### Auditor's responsibilities for the audit of the Standalone financial statements

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,



individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the Standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the Standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
14. As required by Section 143(3) of the Act, we report that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.



- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.
  - g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 45;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2020;
    - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2020.
15. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration Number: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner  
Membership Number: 112433  
UDIN: 20112433AAAAGE6806

Place : Mumbai  
Date : June 23, 2020



## ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Fairchem Speciality Limited on the standalone financial statements for the year ended March 31, 2020

### Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

- We have audited the internal financial controls with reference to financial statements of Fairchem Speciality Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

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

#### Auditors' Responsibility

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

#### Meaning of Internal Financial Controls with reference to financial statements

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

#### Inherent Limitations of Internal Financial Controls with reference to financial statements

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

#### Opinion

- In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration Number: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner

Membership Number: 112433  
UDIN: 20112433AAAAGE6806

Place : Mumbai  
Date : June 23, 2020

**ANNEXURE B TO INDEPENDENT AUDITORS' REPORT**

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Fairchem Speciality Limited on the standalone financial statements as of and for the year ended March 31, 2020

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.
- (c) The title deeds of immovable properties, as disclosed in Note 4 on Property, plant and Equipment to the financial statements, are held in the name of the Company.
- ii. The physical verification of inventory have been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 of the Act.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products.

We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, duty of customs, goods and services tax and other material statutory dues, as applicable, with the appropriate authorities. Also refer note 45(a) to the standalone financial statements regarding management's assessment on certain matters relating to provident fund.

Further, for the period March 1, 2020 to March 31, 2020, the Company has paid Goods and Service Tax and filed GSTR 1 and GSTR3B after the due date but within the timelines allowed by Central Board of Indirect Taxes and Customs under the Notification Number 32/2020, 33/2020 and 34/2020 - Central Tax dated April 3, 2020 on fulfilment of conditions specified therein.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, duty of excise, goods and services tax and duty of customs which have not been deposited on account of any dispute. The particulars of dues of sales tax, service tax and value added tax as at March 31, 2020 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. In lakhs)	Period to which the amount relates	Forum where the dispute is pending
Service Tax The Finance Act, 1994	Demand in respect of Cenvat credit reversal	3.85	February, 2013 to November, 2014	The Commissioner (Appeal) Central Excise, Ahmedabad
		2.44	December, 2014 to August, 2015	
Central Sales Tax Act, 1956 and The Gujarat Value Added Tax 2003	Demand in respect of Input Tax Credit	4.71	Year 2011-12	Dy. Commissioner of Commercial Tax – Appeal, Ahmedabad
		8.22	Year 2012-13	Dy. Commissioner of Commercial Tax – Appeal, Ahmedabad



viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government as at the balance sheet date. The Company has not issued any debentures as at the balance sheet date.

Further, in view of the extension of time granted vide a circular of Reserve Bank of India (RBI), RBI/2019-20/186 dated March 27, 2020 for the payment of interest and principal for term loans falling due between March 1, 2020 and May 31, 2020, the Company has availed the moratorium for payment of the aforesaid dues on term loans outstanding to HDFC Bank Limited.

- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of our main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration Number: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner  
Membership Number: 112433  
UDIN: 20112433AAAAGE6806

Place : Mumbai  
Date : June 23, 2020

**BALANCE SHEET AS AT MARCH 31, 2020**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4	12,626.66	11,524.25
Capital work-in-progress	5	942.85	87.91
Intangible Assets	6	7.46	-
<b>Financial Assets</b>			
(i) Investments	7	2.00	2.00
(ii) Loans	8	0.53	1.51
(iii) Other Financial Assets	9	27.69	13.78
Non-current Tax Assets (Net)	10	79.63	59.55
Other Non-current Assets	11	653.88	125.67
		14,340.70	11,814.67
<b>Current Assets</b>			
Inventories	12	3,771.10	3,400.62
<b>Financial Assets</b>			
(i) Trade receivables	13	3,787.90	3,213.13
(ii) Cash and cash equivalents	14	2.09	1.64
(iii) Bank balances other than (ii) above	15	17.87	16.53
(iv) Loans	16	1.22	0.74
(v) Other Financial Assets	17	1.24	1.24
Other current assets	18	149.47	324.49
		7,730.89	6,958.39
		22,071.59	18,773.06
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share Capital	19	3,906.27	3,906.27
Instruments entirely equity in nature	20	-	-
Other Equity	21	8,951.81	6,355.32
		12,858.08	10,261.59
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	22	1,633.16	829.14
Provisions	23	114.33	89.54
Deferred Tax Liabilities (Net)	40	1,162.90	1,215.74
		2,910.39	2,134.42
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
(i) Borrowings	24	4,437.37	4,049.00
(ii) Trade Payables	25		
(a) Total outstanding dues of micro enterprises and small enterprises		41.29	57.74
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		599.31	942.23
(iii) Other financial liabilities	26	1,005.84	1,123.80
Other current liabilities	27	87.77	83.19
Provisions	28	33.76	57.50
Current Tax Liabilities (Net)	29	97.78	63.59
		6,303.12	6,377.05
		22,071.59	18,773.06
<b>TOTAL EQUITY AND LIABILITIES</b>			

The accompanying notes are an integral part of the standalone financial statements.  
As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner  
Membership No. 112433

Place: Mumbai  
Date: June 23, 2020

**For and on behalf of the Board**

**Nahoosh Jariwala**  
Managing Director  
DIN: 00012412  
Place: Ahmedabad  
Date: June 23, 2020

**Mahesh Babani**  
Managing Director  
DIN: 00051162  
Place: Mumbai  
Date: June 23, 2020

**Rajen N. Jhaveri**  
Chief Financial Officer and Company Secretary

Place: Ahmedabad  
Date: June 23, 2020



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON MARCH 31, 2020

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>Income</b>			
Revenue from Operations	31	30,649.26	24,987.09
Other Income	32	658.86	435.16
<b>Total Revenue</b>		<b>31,308.12</b>	<b>25,422.25</b>
<b>Expenses</b>			
Cost of material consumed	33	19,832.24	17,381.47
Purchase of Stock-in-Trade		-	15.08
Changes in Inventories of finished goods and work-in-progress	34	634.00	(868.92)
Employee benefits expense	35	1,550.16	1,517.38
Finance Costs	36	657.90	573.49
Depreciation and amortisation expense	4, 6	595.95	544.59
Other expenses	37	3,549.49	3,337.15
<b>Total Expenses</b>		<b>26,819.74</b>	<b>22,500.24</b>
<b>Profit Before Tax</b>		<b>4,488.38</b>	<b>2,922.01</b>
<b>Tax Expense</b>			
Current tax		878.89	586.93
Short provision of income tax of earlier years (net)		4.11	-
Deferred tax		(49.59)	183.32
		<b>833.41</b>	<b>770.25</b>
<b>Profit After Tax</b>		<b>3,654.97</b>	<b>2,151.76</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
- Remeasurement (losses) / gains on post employment defined benefit plans		(12.90)	(29.52)
- Income tax effect		3.25	8.60
<b>Other comprehensive income for the year, net of tax</b>		<b>(9.65)</b>	<b>(20.92)</b>
<b>Total comprehensive income for the year</b>		<b>3,645.32</b>	<b>2,130.84</b>
<b>Earnings Per Share</b>			
Basic and Diluted earnings per share (in Rupees)	39	9.36	5.51
Nominal value per equity share (in Rupees)		10.00	10.00

The accompanying notes are an integral part of the standalone financial statements.  
As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership No. 112433

**For and on behalf of the Board**

**Nahoosh Jariwala**

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

**Mahesh Babani**

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020

Place: Mumbai

Date: June 23, 2020

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	
<b>A. Equity Share Capital</b>		
<b>Balance as at April 01, 2018</b>	<b>19</b>	<b>3,760.98</b>
Changes in Equity Share Capital during the year		145.29
<b>Balance as at March 31, 2019</b>	<b>19</b>	<b>3,906.27</b>
Changes in Equity Share Capital during the year		-
<b>Balance as at March 31, 2020</b>	<b>19</b>	<b>3,906.27</b>
<b>B. Instruments entirely equity in nature</b>		
<b>Compulsorily Convertible Preference Shares</b>	<b>Notes</b>	
<b>Balance as at April 01, 2018</b>	<b>20</b>	<b>145.29</b>
Changes in Compulsorily Convertible Preference Shares during the year		(145.29)
<b>Balance as at March 31, 2019</b>	<b>20</b>	<b>-</b>
Changes in Compulsorily Convertible Preference Shares during the year		-
<b>Balance as at March 31, 2020</b>	<b>20</b>	<b>-</b>
<b>C. Other Equity</b>		
		<b>Reserves and Surplus Retained Earnings</b>
<b>Balance as at April 01, 2018</b>		<b>4,827.51</b>
Profit for the year		2,151.76
Other Comprehensive Income		(20.92)
<b>Total Comprehensive Income for the year</b>		<b>2,130.84</b>
<b>Transactions with owners in their capacity as owners:</b>		
Dividends Paid (including Dividend Distribution Tax)		(603.03)
<b>Balance as at March 31, 2019</b>		<b>6,355.32</b>
Profit for the year		3,654.97
Other Comprehensive Income		(9.65)
<b>Total Comprehensive Income for the year</b>		<b>3,645.32</b>
<b>Transactions with owners in their capacity as owners:</b>		
Dividends Paid (including Dividend Distribution Tax)		(1,048.83)
<b>Balance as at March 31, 2020</b>		<b>8,951.81</b>

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership No. 112433

Place: Mumbai

Date: June 23, 2020

**For and on behalf of the Board****Nahoosh Jariwala**

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

**Mahesh Babani**

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020



## STATEMENT OF CASH FLOWS FOR YEAR ENDED ON MARCH 31, 2020

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>			
<b>Profit Before Taxation</b>		4,488.38	2,922.01
<u>Adjustments for:</u>			
Depreciation and Amortisation	4, 6	595.95	544.59
Finance Cost	36	657.90	573.49
Interest Income	32	(12.54)	(9.34)
Dividend Income	32	(625.00)	(375.00)
Unrealised Foreign Exchange Loss / (Gain)		(4.02)	2.97
Credit Impairment Loss Reversal on Receivables	32	(7.06)	-
Doubtful debts written off	37	-	6.00
Allowance for doubtful advances	37	-	8.42
Credit Impairment Loss on Receivables	37	-	37.06
Loss on assets sold / discarded (Net)	37	31.28	41.48
<b>Operating Profit Before Working Capital Changes</b>		5,124.89	3,751.68
<u>Adjustments For Changes In Working Capital:</u>			
(Increase) In Inventories		(370.48)	(357.90)
Decrease In Non Current Loans		0.98	20.34
(Increase) In Other Non Current Financial Assets		(13.91)	(0.64)
(Increase) In Trade receivables		(563.69)	(57.25)
(Increase) In Current Loans		(0.48)	(0.27)
Decrease In Other current assets		175.02	192.84
Decrease In Other Non current assets		-	1.78
Increase / (Decrease) In Trade and Other Payables		(359.37)	260.75
Increase In Non Current Liabilities - Provisions		24.79	27.59
Increase / (Decrease) In Current Liabilities - Provisions		(36.64)	2.72
Increase In Other Current Financial Liabilities		0.81	32.97
Increase In Other Current Liabilities		4.58	9.65
<b>Cash Generated From Operations</b>		3,986.50	3,884.26
Direct Taxes Refund / (Paid) (Net)		(868.89)	(464.24)
<b>A. Net Cash Generated From Operating Activities</b>		3,117.61	3,420.02
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of Property, Plant and Equipments		(3,032.93)	(1,764.91)
Proceeds from Sale of Property, Plant and Equipments		5.07	14.92
Purchase of Investments		-	(1.00)
Interest Income		12.54	8.25
Dividend Income		625.00	375.00
<b>B. Net Cash Used In Investing Activities</b>		(2,390.32)	(1,367.74)

**STATEMENT OF CASH FLOWS FOR YEAR ENDED ON MARCH 31, 2020**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from Long Term Borrowings (net)		1,499.57	-
Repayment of Long Term Borrowings (net)		(909.97)	(1,041.92)
Net Proceeds from Short Term Borrowings (net)		388.37	171.53
Dividend Paid (including tax on dividend)		(1,048.83)	(603.03)
Interest Paid		(655.98)	(579.23)
<b>C. Net Cash Used In Financing Activities</b>		<b>(726.84)</b>	<b>(2,052.65)</b>
<b>Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>		<b>0.45</b>	<b>(0.37)</b>
Cash and Cash Equivalents as at the beginning of the year		1.64	2.01
Cash and Cash Equivalents as at the end of the year		2.09	1.64
<b>Reconciliation of cash and cash equivalent as per the statement of cash flows</b>			
		<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Cash and Cash Equivalents :			
Cash on hand		1.77	1.35
Bank Balances :			
- In Current Accounts		0.32	0.29
		<b>2.09</b>	<b>1.64</b>

**Note :**

- 1 The above Statement of Cash flows has been prepared under the "Indirect Method" set out in Ind AS 7 - "Statement of Cash Flows"
- 2 Refer Note 26 for net debt reconciliation.
- 3 Amount paid towards CSR activities Rs. 4.83 lakhs (Previous year Rs. 38.52 lakhs).

This is the Standalone Statement of Cash flows referred to in our report of even date.

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership No. 112433

Place: Mumbai

Date: June 23, 2020

**For and on behalf of the Board****Nahoosh Jariwala**

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

**Mahesh Babani**

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### 1 Background of the Company

Fairchem Speciality Limited (Formerly known as Adi Finechem Limited) (the “Company”) was incorporated in May, 1985 as “H. K. Agro Oil Ltd.” under the provisions of the Companies Act, 1956. The Company is engaged in manufacturing of Speciality Oleo Chemicals. The manufacturing facility is set up at Village Chekhala, Ta. Sanand, Dist. Ahmedabad, Gujarat. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Ltd.

### 2 Significant accounting policies

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

#### a) Basis of preparation

##### i) Compliance with Ind AS

These financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the ‘Act’) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

As prescribed by the Ind AS, if the particular Ind AS is not in conformity with the applicable laws, the provisions of the said law shall prevail and financial statements shall be prepared in conformity with such laws. Consequently, the Company has applied this norm while preparing the financial statements.

##### ii) New standards or interpretations adopted by the Company

The Company has applied the following amendment for the first time for its annual reporting period commencing April 1, 2019:

##### Ind AS 116 – Leases

The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards), 2019 on March 30, 2019 which includes Ind AS - 116 “Leases”. The Company has applied Ind AS 116, Leases for the first time for their annual reporting period commencing April 01, 2019.

The Company changed its accounting policy as a result of adopting Ind AS 116.

##### Other amendments:

On March 30, 2019, the Ministry of Corporate Affairs (MCA) notified certain other amendments to Indian Accounting Standards (Ind AS), as part of the Companies (Indian Accounting Standards) Second Amendment Rules, 2019.

- i) Ind AS - 12 “Income taxes”, Appendix C - Uncertainty over income tax treatments
- ii) Amendment to Ind AS - 12 “Income taxes”
- iii) Ind AS – 19 “Employee benefits”, Plan amendment, curtailment or settlement
- iv) Ind AS - 23 “Borrowing costs”
- v) Ind AS 28, “Investments in associates and Joint-Ventures”, Long-term interests in Associates and Joint-ventures
- vi) Ind AS 109 “Financial Instruments”, Prepayment Features with Negative Compensation
- vii) Ind AS 103, “Business Combination”
- viii) Ind AS 111, “Joint Arrangements”

The above other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### iii) Historical cost convention

The Financial Statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that is measured at fair value ; and
- Defined benefit plans - plan assets measured at fair value.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### iv) Current versus non-current classification

The company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle, or
- Held primarily for the purpose of trading, or
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, all other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle, or
- It is held primarily for the purpose of trading, or
- 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, all other liabilities are classified as non-current.

### b) Foreign currency transactions and translations

#### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Indian rupee (INR), which is Fairchem Speciality Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions and from translation of monetary assets and liabilities at the reporting date are recognised in the Statement of Profit and Loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other incomes/expenses.

### c) Revenue recognition

#### Sale of products

Revenue is recognised at the point in time when the performance obligation is satisfied and control of the goods is transferred to the customer upon dispatch or delivery, in accordance with the terms of customer contracts. Revenue is recognised at an amount that the Company expects to receive from customers that is net of trade discounts, rebates and goods and services tax (GST). The Company does not have any contracts where the transfer of the promised goods to customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction price for the time value of money.

A contract liability is the obligation to transfer goods to the customer for which the Company has received consideration from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

Export benefit entitlements under Duty Drawback and Merchandise Exports from India Scheme (MEIS) are recognised when the right to receive credit as per the terms of the scheme is established in respect of the exports and there is no uncertainty in receiving the same.

### d) Income tax

The income tax expense or credit for the period is the tax on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in India. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the tax is recognised in other comprehensive income or directly in equity, respectively.

### e) Investments in Subsidiary

Investments in subsidiary company is carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investment in subsidiary company, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

### f) Leases

#### As Lessee

(Till March 31, 2019)

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

With effect from April 01, 2019

The Company has applied Ind AS 116 for the first time for the annual reporting period commencing April 1, 2019.

#### Company as a lessee:

From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Contracts may contain both lease and non-lease components.

#### Lease liabilities:

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

The lease payments are discounted using the lessee's incremental borrowing rate. Lease payments are allocated between principal and finance cost.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### Right of use assets:

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and lease payments made before the commencement date.

Right-of-use assets are depreciated over the lease term on a straight-line basis. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received.

### g) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets are reviewed for possible reversal of the impairment at the end of each reporting period.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the statement of profit and loss, to the extent the amount was previously charged to the statement of profit and loss.

### h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less provision for impairment, if any.

### j) Inventories

Raw materials, packing material, stores and fuel, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of raw materials, packing materials, stores and fuel are determined based on first-in, first-out (FIFO) method and comprises cost of purchase. The cost of semi-finished goods comprises raw materials, direct labour, and appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale .

### k) Financial assets and liabilities

#### (i) Financial assets

##### 1. Classification

The Company classifies its financial assets in the following measurement categories:

- at fair value (either through other comprehensive income, or through profit or loss), and
- at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable selection at the time of initial recognition to account for the equity



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

### 2. Initial Recognition and Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

### 3. Subsequent Measurement

**Measured at amortised cost:** Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any. The amortisation of EIR and loss or gains arising from impairment, if any is recognised in the Statement of Profit and Loss.

**Measured at fair value through other comprehensive income (FVOCI):** Financial assets that are held within a business model whose objective is, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to "Profit or Loss" in the Statement of Profit and Loss.

**Measured at fair value through profit or loss (FVPL):** A financial asset not classified as either amortised cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.

#### Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at Fair Value through Other Comprehensive Income (FVOCI) are not reported separately from other changes in fair value.

### 4. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115 only, the Company follows 'simplified approach' for recognition of impairment loss and always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109 i.e. expected credit loss allowance as computed based on historical credit loss experience.

### 5. Derecognition

A financial asset is de-recognised only when the Company

- has transferred the rights to receive cash flows from the financial asset or,
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### 6. Income recognition

Interest income from debt instruments is recognised using the EIR method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

#### (ii) Financial liabilities:

##### 1. Initial Recognition and Measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

##### 2. Subsequent Measurement

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

##### 3. Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### m) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/expense.

#### Depreciation methods, estimated useful lives and residual value

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life as per technical evaluation. Estimated useful life of the assets/significant component thereof are as under:

<u>Assets class</u>	<u>Useful life in years</u>
• Buildings	10 to 30
• Plant and Equipment	10 to 25
• Electrical Installations	10
• Office Equipments and Computers	3 to 5
• Furniture and Fixtures	10
• Vehicles	6 to 8

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

Amortisation of leased assets are over the Lease period.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### n) Intangible Assets and amortisation

Intangible assets with finite useful life are stated at cost of acquisition, less accumulated depreciation/ amortisation and impairment loss, if any. Cost includes taxes, duties and other incidental expenses related to acquisition and other incidental expenses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of respective intangible assets.

#### Assets class

#### Useful life in years

- Computer software

3

### o) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

### p) 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 EIR 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 draw down 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.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income/expenses.

### q) Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### r) Provisions and Contingencies

Provisions are recognised when there is 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 there is a reliable estimate of the amount of the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

### s) Employee Benefits

#### (i) Defined contribution plans

Contributions to retirement benefit plans in the form of provident fund, employee state insurance scheme and pension scheme as per regulations are charged as an expense on an accrual basis when employees have rendered the service. The Company has no further payment obligations once the contributions have been paid.

#### (ii) Defined benefit plans

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees, which is funded. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

employment. The Company's liability is actuarially determined using the Projected Unit Credit method at the end of each year. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Gratuity Fund contributions are made to a trust administered by the Company which has further invested in Life Insurance Corporation. The contributions made to the trust are recognised as plan assets. The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

### (iii) Other employee benefits

**Compensated Absences:** Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

**Termination Benefits:** Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

### t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Directors who are identified as the chief operating decision makers. The managing directors assess the financial performance and position of the company, and make strategic decisions.

### u) Earnings per share

#### i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

#### ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

### v) Rounding off

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs, or decimal thereof as per the requirement of Schedule III, unless otherwise stated.

## 3 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 30
- Impairment of trade receivables – Note 42
- Estimation of useful life of tangible assets – Note 4

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 4 Property, Plant and Equipment

Particulars	Gross Carrying Amount			Accumulated Depreciation/Amortisation			Net Carrying Amount	
	Opening as on April 01, 2019	Additions	Deductions/ Adjustments	As at March 31, 2020	Opening as on April 01, 2019	For the year	Deductions/ Adjustments	As at March 31, 2020
Freehold Land	63.10	-	-	63.10	-	-	-	63.10
Right of use asset	459.40	-	-	459.40	18.51	6.46	24.97	434.43
Building	2,235.32	29.00	-	2,264.32	237.39	85.43	322.82	1,941.50
Plant and Machinery	9,443.77	1,658.23	44.05	11,057.95	904.86	413.68	1,308.90	9,749.05
Electric Installation	349.68	-	-	349.68	146.14	34.20	180.34	169.34
Air Conditioners	49.18	0.93	0.52	49.59	20.22	6.46	26.21	23.38
Office Equipments and Computers	78.78	11.30	4.18	85.90	39.57	14.02	50.37	35.53
Furniture and Fixtures	178.04	23.90	-	201.94	41.41	20.80	62.21	139.73
Vehicles	113.66	10.74	3.44	120.96	38.58	14.29	50.36	70.60
<b>Total</b>	<b>12,970.93</b>	<b>1,734.10</b>	<b>52.19</b>	<b>14,652.84</b>	<b>1,446.68</b>	<b>595.34</b>	<b>2,026.18</b>	<b>12,626.66</b>

Particulars	Gross Carrying Amount			Accumulated Depreciation/Amortisation			Net Carrying Amount	
	Opening as on April 01, 2018	Additions	Deductions/ Adjustments	As at March 31, 2019	Opening as on April 01, 2018	For the year	Deductions/ Adjustments	As at March 31, 2019
Freehold Land	63.10	-	-	63.10	-	-	-	63.10
Leasehold Land	439.51	19.89	-	459.40	12.34	6.17	18.51	440.89
Building	1,980.75	254.57	-	2,235.32	154.15	83.24	237.39	1,997.93
Plant and Machinery	7,980.86	1,518.64	55.73	9,443.77	546.65	364.07	904.86	8,538.91
Electric Installation	329.74	19.94	-	349.68	107.96	38.18	146.14	203.54
Air Conditioners	26.66	26.54	4.02	49.18	18.94	4.84	20.22	28.96
Office Equipments and Computers	55.12	28.17	4.51	78.78	24.07	16.26	39.57	39.21
Furniture and Fixtures	114.95	66.48	3.39	178.04	26.53	15.95	41.41	136.63
Vehicles	77.33	36.33	-	113.66	22.70	15.88	38.58	75.08
<b>Total</b>	<b>11,068.02</b>	<b>1,970.56</b>	<b>67.65</b>	<b>12,970.93</b>	<b>913.34</b>	<b>544.59</b>	<b>1,446.68</b>	<b>11,524.25</b>

(i) Refer to note 47 for information on property, plant and equipment hypothecated and / or mortgaged as security by the Company.

(ii) Contractual obligations - Refer to note 45 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iii) Refer to note 49 - Leasehold land has been classified as Right of use asset as per Ind AS 116.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>5 Capital Work in Progress</b>		
Opening Balance	87.91	338.13
Addition during the year	2,542.17	1,542.94
Transfer during the year	1,687.23	1,793.16
Closing Balance	942.85	87.91

## 6 Intangible Assets

Particulars	Gross Carrying Amount			Accumulated Amortisation			Net Carrying Amount		
	Opening as on April 01, 2019	Additions	Deductions/ Adjustments	As at March 31, 2020	Opening as on April 01, 2019	For the year	Deductions/ Adjustments	As at March 31, 2020	As at March 31, 2020
Computer Software	-	8.07	-	8.07	-	0.61	-	0.61	7.46
<b>Total</b>	<b>-</b>	<b>8.07</b>	<b>-</b>	<b>8.07</b>	<b>-</b>	<b>0.61</b>	<b>-</b>	<b>0.61</b>	<b>7.46</b>



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>7 Investments</b>		
<b>Investments in Equity Instruments (fully paid up):</b>		
In Subsidiaries (Unquoted) - At Cost:		
10,000 (March 31, 2019: 10,000) Equity Shares of Rs. 10 each held in Privi Organics India Limited	1.00	1.00
10,000 (March 31, 2019: 10,000) Equity Shares of Rs. 10 each held in Fairchem Organics Limited	1.00	1.00
* Aggregate amount of Unquoted investment Rs. 2.00 Lakhs (Previous Year Rs. 2.00 Lakhs)		
	<b>2.00</b>	2.00
<b>8 Loans</b>		
(Unsecured, Considered Good)		
Security Deposits	0.53	1.51
	<b>0.53</b>	1.51
<b>9 Other Financial Assets</b>		
Margin Money Deposit *	27.69	13.78
	<b>27.69</b>	13.78
* Pledged with the bank for non cash limit		
<b>10 Non Current Tax Assets (Net)</b>		
Advance Income Tax and Tax deducted at source (Net of Provision)	79.63	59.55
	<b>79.63</b>	59.55
<b>11 Other Non Current Assets</b>		
(Unsecured and Considered Good)		
Capital advances	653.88	125.67
	<b>653.88</b>	125.67
<b>12 Inventories</b>		
[Refer note 2 (j) - valued at lower of cost and net realisable value]		
Raw Materials	2,673.36	1,628.04
Packing Materials	4.89	3.94
Stores and Fuel	370.89	412.68
Semi-finished Goods	664.14	1,281.43
Finished Goods	57.82	74.53
	<b>3,771.10</b>	3,400.62
<u>Of the above includes Goods in transit :</u>		
Raw Materials	37.31	216.68
Stores and Fuel	0.05	2.69
Finished Goods	57.82	74.53
The cost of stores and spares inventories recognised as an expense includes Rs. 44.92 lakhs (Previous year - Rs. 25.66 lakhs) in respect of write-downs of inventory determined based on evaluation of slow and non moving inventories.		

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>13 Trade Receivables</b>		
Trade Receivables considers good - Unsecured	3,787.90	3,213.13
Trade Receivables - credit impaired	42.00	49.06
	<b>3,829.90</b>	3,262.19
Less: Credit impairment loss	(42.00)	(49.06)
	<b>3,787.90</b>	3,213.13
Refer Note 42 (A) for credit risk related disclosures.		
<b>14 Cash and cash equivalents</b>		
Balances with banks:		
- In Current Accounts	0.32	0.29
Cash on Hand	1.77	1.35
	<b>2.09</b>	1.64
There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.		
<b>15 Bank balances other than note 14 above</b>		
Unpaid Dividend Accounts	17.87	16.53
	<b>17.87</b>	16.53
<b>16 Loans</b>		
(Unsecured, Considered Good)		
Loans to Employees	1.01	0.49
Security Deposits	0.21	0.25
	<b>1.22</b>	0.74
<b>17 Other Current Financial Assets</b>		
Interest Accrued but not Due	1.24	1.24
	<b>1.24</b>	1.24
<b>18 Other Current Assets</b>		
Balances with Government Authorities	24.66	23.47
Export Incentive Receivable	53.46	91.08
Advance to vendors	40.83	188.36
Prepaid Expenses	27.55	21.23
Excess deposit in Gratuity Fund	2.44	-
Others	0.53	0.35
	<b>149.47</b>	324.49
<b>19 Equity Share Capital</b>		
<b>Authorised:</b>		
50,000,000 (March 31, 2019: 50,000,000) Equity Shares of Rs. 10 each	5,000.00	5,000.00
	<b>5,000.00</b>	5,000.00
<b>Issued, Subscribed and Paid-up:</b>		
39,062,706 (March 31, 2019: 39,062,706) Equity Shares of Rs. 10 each, fully paid-up	3,906.27	3,906.27
	<b>3,906.27</b>	3,906.27



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
	No. of Equity Shares	
<b>19.1 Movement in Equity Share Capital</b>		
Balance as at the beginning of the year	3,90,62,706	3,76,09,757
Add: Conversion of Compulsorily Convertible Preference shares to Equity Shares	-	14,52,949
Balance as at the end of the year	3,90,62,706	3,90,62,706

### 19.2 Rights, preferences and restrictions attached to shares

The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

### 19.3 Details of Shareholders holding more than 5% of the aggregate shares in the company:

	As at March 31, 2020		As at March 31, 2019	
	Nos	(%)	Nos	(%)
FIH Mauritius Investments Limited	1,90,42,828	48.75%	1,90,42,828	48.75%
Mr. Mahesh Babani	25,86,348	6.62%	32,24,718	8.26%
Banbridge Limited	24,61,914	6.30%	24,61,914	6.30%

### 19.4 Aggregate number of shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2020):

Equity Shares allotted as fully paid up Bonus Shares

- During Financial Year ended March 31, 2015 - 1,254,000 Shares

### 19.5 Shares allotted as fully paid up pursuant to a scheme of arrangement without payment being received in cash (during 5 years immediately preceding March 31, 2020):

During Financial Year ended March 31, 2017 - Equity Shares of Rs. 10/- each - 12,634,353 Shares

	As at March 31, 2020	As at March 31, 2019
	<b>20 Instruments entirely equity in nature</b>	
<b>Authorised:</b>		
5,000,000 (March 31, 2019: 5,000,000) Preference Shares of Rs. 10 each	500.00	500.00
	500.00	500.00
<b>Issued, Subscribed and Paid-up:</b>		
Nil (March 31, 2019: Nil) 0.0001% Compulsorily Convertible Preference Shares of Rs. 10 each	-	-
	-	-

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
	No. of Compulsorily Convertible Preference Shares	
<b>20.1 Movement in 0.0001% Compulsorily Convertible Preference Shares</b>		
Balance as at the beginning of the year	-	14,52,949
Less: Conversion to Equity Shares	-	(14,52,949)
Balance as at the end of the year	-	-

**20.2 Rights, preferences and restrictions attached to shares**

0.0001% Compulsorily Convertible Preference Shares (CCPS) : 12,634,353, 0.0001% CCPS of Rs.10 each were issued on March 14, 2017 to the erstwhile shareholders of Privi Organics Limited pursuant to the Scheme of Arrangement without payment being received in cash.

Out of above, 11,181,404, 0.0001% CCPS of Rs. 10 each were converted into 11,181,404 Equity Shares of Rs. 10 each during F.Y. 2016-17 and 1,452,949, 0.0001% CCPS of Rs. 10 each were converted into 1,452,949 Equity Shares of Rs. 10 each during F.Y. 2018-19

CCPS carry no voting rights.

Equity shares issued and allotted by the company in terms upon conversion shall rank pari passu in all respects.

**20.3 Shares allotted as fully paid up pursuant to a scheme of arrangement without payment being received in cash (during 5 years immediately preceding March 31, 2020):**

During Financial Year ended March 31, 2017 - Compulsorily Convertible Preference Shares of Rs. 10/- each - 12,634,353 Shares

	As at March 31, 2020	As at March 31, 2019
	<b>21 Other Equity</b>	
Retained Earnings	8,951.81	6,355.32
	8,951.81	6,355.32
<b><u>Movement of Retained Earnings</u></b>		
Balance as at the beginning of the year	6,355.32	4,827.51
Profit for the year	3,654.97	2,151.76
Other Comprehensive Income	(9.65)	(20.92)
	10,000.64	6,958.35
Less : Dividend paid including Dividend distribution tax	1,048.83	603.03
Balance as at the end of the year	8,951.81	6,355.32
<b>Retained Earnings</b>		
The Retained earnings reflect the profit of the Company earned till date net of appropriations. The amount that can be distributed by the Company as dividends to its equity share holders is determined based on the balance under this head, after considering the requirements of the Companies Act, 2013.		



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>22 Borrowings - Non-Current</b>		
Secured - at amortized cost		
Term Loan from Bank*	1,633.16	829.14
	<b>1,633.16</b>	<b>829.14</b>

\* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6.42 Lakhs).

### Security Details

Term Loans from banks are secured by hypothecation by way of first and exclusive charges on all present and future stocks, book debts and collaterals security by way of Equitable mortgage of industrial property bearing Survey No. 253/P and 312 situated at village Chekhala, Sanand-Kadi Road and Hypothecation of plant and machinery installed at the factory premises.

Name of bank	Maturity Date	Terms of Repayment	Outstanding as at March 31, 2020	Outstanding as at March 31, 2019
HDFC Bank (Term Loans)	February 2020	Repayment in 60 monthly instalments	-	87.80
	August 2019	Repayment in 48 monthly instalments	-	50.74
	December 2021	Repayment in 63 monthly instalments	791.41	1,282.76
	October 2020	Repayment in 39 monthly instalments	48.09	225.41
	January 2025	Repayment in 64 monthly instalments	1,402.72	-

The carrying amount of financial and non-financials assets hypothecated and / or mortgaged as security for current and non-current borrowings are disclosed in note 47.

In view of the extension of time granted vide a circular of Reserve Bank of India (RBI), RBI/2019-20/186 dated March 27, 2020 for the payment of interest and principal for term loans falling due between March 1, 2020 and May 31, 2020, the Company has availed the moratorium.

	As at March 31, 2020	As at March 31, 2019
<b>23 Non-Current Provisions</b>		
Provision for Employee Benefits [Refer Note 30(a)]		
Provision for compensated absences	114.33	89.54
	<b>114.33</b>	<b>89.54</b>
<b>24 Borrowings - Current</b>		
Secured:		
Working Capital Loans from Bank	4,405.09	3,995.81
Packing credit in Foreign Currency	32.28	53.19
	<b>4,437.37</b>	<b>4,049.00</b>

Working Capital Loan and Packing credit in Foreign Currency from banks are secured by hypothecation by way of First and exclusive charges on all present and future stocks, book debts and collaterals security by way of Equitable mortgage of industrial property bearing Survey No. 253/P and 312 situated at village Chekhala, Sanand-Kadi Road and Hypothecation of plant and machinery installed at the factory premises.

Packing credit from bank are due for repayment within 120 days (March 31, 2019: 90 days)



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>25 Trade Payables</b>		
(a) Total outstanding dues of micro enterprises and small enterprises*	41.29	57.74
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises [includes payable to related party Rs. Nil (March 31, 2019 : Rs. 0.47 Lakhs)]	599.31	942.23
	<b>640.60</b>	<b>999.97</b>
<b>* Total outstanding dues of Micro, Small and Medium Enterprises</b> (including dues of Creditors for capital goods)		
(a) Principal Amount due to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and remaining unpaid as at the year end.	74.60	62.64
(b) Interest due to suppliers registered under MSMED Act and remaining unpaid as at the year end.	-	0.19
(c) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	72.27	266.62
(d) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	0.32	1.31
(e) The amount of interest accrued and remaining unpaid at the end of each accounting year	2.73	2.41
(f) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	2.41	0.91
<b>26 Other Financial Liabilities</b>		
<b>Current</b>		
Current maturities of long term debt (Refer Note 22)		
Term Loan from Bank	596.73	811.15
Interest accrued but not due on borrowings	14.39	12.47
Unclaimed dividend #	17.87	16.53
Creditors for capital goods *	176.77	84.38
Employee benefit payable	200.08	199.27
	<b>1,005.84</b>	<b>1,123.80</b>

\* Including dues to Micro and Small Enterprises for Rs. 36.04 Lakhs (March 31, 2019 : Rs. 7.31 Lakhs) - Refer Note 25.

# There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Act as at the year end.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>Net Debt Reconciliation</b>		
Cash and cash equivalents	2.09	1.64
Current borrowings	(4,437.37)	(4,049.00)
Non-current borrowing (includes current maturity of long term borrowings)	(2,229.89)	(1,640.29)
	<b>(6,665.17)</b>	<b>(5,687.65)</b>

	Cash and Cash equivalents	Non-current Borrowings	Current Borrowings	Total
<b>Net Debt as of April 01, 2018</b>	<b>2.01</b>	<b>(2,682.21)</b>	<b>(3,877.47)</b>	<b>(6,557.67)</b>
Cash flow (Net)	(0.37)	1,041.92	(171.53)	870.02
Interest expense	-	197.34	376.15	573.49
Interest accrued but not due	-	4.90	0.84	5.74
Interest paid	-	(202.24)	(376.99)	(579.23)
<b>Net Debt as of March 31, 2019</b>	<b>1.64</b>	<b>(1,640.29)</b>	<b>(4,049.00)</b>	<b>(5,687.65)</b>
Cash flow (Net)	0.45	(589.60)	(388.37)	(977.52)
Interest expense	-	186.93	461.21	648.14
Interest accrued but not due	-	(2.13)	0.21	(1.92)
Interest paid	-	(184.80)	(461.42)	(646.22)
<b>Net Debt as of March 31, 2020</b>	<b>2.09</b>	<b>(2,229.89)</b>	<b>(4,437.37)</b>	<b>(6,665.17)</b>

	As at March 31, 2020	As at March 31, 2019
<b>27 Other current liabilities</b>		
Advances from customers (Refer Note 50)	19.80	35.42
Statutory liabilities	67.81	46.72
Other liabilities	0.16	1.05
	<b>87.77</b>	<b>83.19</b>
<b>28 Current Provisions</b>		
Provision for employee benefits [Refer Note 30 (a)]		
Provision for gratuity	-	25.41
Provision for compensated absences	33.76	32.09
	<b>33.76</b>	<b>57.50</b>
<b>29 Current Tax Liabilities (Net)</b>		
Income tax provision net of Advance Tax [Current year: Nil (Previous Year: INR 26.50 Lakhs)]	97.78	63.59
	<b>97.78</b>	<b>63.59</b>

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**30 (a) Provision for Employee Benefits**

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Compensated absences	33.76	114.33	32.09	89.54
Gratuity	-	-	25.41	-
<b>Total Provision for Employee Benefits</b>	<b>33.76</b>	<b>114.33</b>	<b>57.50</b>	<b>89.54</b>

**(b) Long term employee benefit obligations****Compensated absences**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

	As at March 31, 2020	As at March 31, 2019
Current leave obligations expected to be settled within the next 12 months	33.76	32.09

**(c) Post employment obligations****Defined benefit plans****Gratuity**

The company provides for gratuity for employees as per the Payment of Gratuity Act, 1972 and as per Company policy. The amount of gratuity payable on retirement/termination is the employee's last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan. The scheme is funded with Adi Finchem Limited Employees Group Gratuity Assurance Scheme which in-turn, has taken Group Gratuity Scheme of the Life Insurance Corporation of India in the form of a qualifying insurance policy.

**Defined contribution plans**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and ESI which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to statement of profit and loss as they accrue.

The expense recognised during the period towards defined contribution plan are :

	Year ended on March 31, 2020	Year ended on March 31, 2019
Employer's Contribution to Provident Fund	38.58	33.84
Employer's Contribution to Employees' State Insurance	3.36	5.69
Employer's Contribution to Employees' Pension Scheme 1995	24.93	20.83
	<b>66.87</b>	<b>60.36</b>



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Balance sheet amount (Gratuity)

	Present value of obligation	Fair value of plan assets	Net amount
<b>As at March 31, 2018</b>	<b>173.38</b>	<b>(173.05)</b>	<b>0.33</b>
Current service cost	21.16	-	21.16
Interest expense/(income)	11.74	(12.52)	(0.78)
<b>Total amount recognised in statement of profit and loss</b>	<b>32.90</b>	<b>(12.52)</b>	<b>20.38</b>
<i>Remeasurements</i>			
Return on plan assets, excluding amount included in interest expense/(income)	-	0.53	0.53
(Gain )/loss from change in demographic assumptions	2.70	-	2.70
(Gain )/loss from change in financial assumptions	2.32	-	2.32
Experience (gains)/losses	23.97	-	23.97
<b>Total amount recognised in other comprehensive income</b>	<b>28.99</b>	<b>0.53</b>	<b>29.52</b>
Employer contributions	-	(24.82)	(24.82)
Benefit payments	(2.04)	2.04	-
<b>As at March 31, 2019</b>	<b>233.23</b>	<b>(207.82)</b>	<b>25.41</b>

	Present value of obligation	Fair value of plan assets	Net amount
<b>As at March 31, 2019</b>	<b>233.23</b>	<b>(207.82)</b>	<b>25.41</b>
Current service cost	26.12	-	26.12
Interest expense/(income)	15.44	(14.51)	0.93
<b>Total amount recognised in statement of profit and loss</b>	<b>41.56</b>	<b>(14.51)</b>	<b>27.05</b>
<i>Remeasurements</i>			
Return on plan assets, excluding amount included in interest expense/(income)	-	0.11	0.11
(Gain )/loss from change in demographic assumptions	0.02	-	0.02
(Gain )/loss from change in financial assumptions	17.79	-	17.79
Experience (gains)/losses	(5.02)	-	(5.02)
<b>Total amount recognised in other comprehensive income</b>	<b>12.79</b>	<b>0.11</b>	<b>12.90</b>
Employer contributions	-	(67.80)	(67.80)
Benefit payments	(13.33)	13.33	-
<b>As at March 31, 2020</b>	<b>274.25</b>	<b>(276.69)</b>	<b>(2.44)</b>

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

The net liability disclosed above relating to funded and unfunded plans are as follows:

	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets	(276.69)	(207.82)
Present value of funded obligations	274.25	233.23
<b>(Surplus)/Deficit of gratuity plan</b>	<b>(2.44)</b>	25.41

Categories of plan assets are as follows:

	As at March 31, 2020	As at March 31, 2019
Insurer managed funds	(276.69)	(207.82)
<b>Total</b>	<b>(276.69)</b>	<b>(207.82)</b>

**Significant estimates: Actuarial assumptions and sensitivity**

The significant actuarial assumptions were as follows:

	As at March 31, 2020	As at March 31, 2019
Discount Rate	6.85%	7.50%
Salary growth Rate	0% for F.Y. 2020-21;12% for F.Y. 2021-22;10% for F.Y. 2022-23;8% thereafter	10% p.a. for next 3 years & 8% p.a. thereafter
Withdrawal Rate	2% at all ages	2% at all ages

**Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumptions		Impact on defined benefit obligation			
			Increase in assumptions		Decrease in assumptions	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Discount Rate	0.50%	0.50%	(13.86)	(11.20)	15.15	12.24
Salary growth Rate	0.50%	0.50%	14.87	12.07	(13.19)	(11.15)
Withdrawal Rate	10.00%	10.00%	(0.47)	(0.12)	0.47	0.12

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Risk exposure:

- i Investment Risk: For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.
- ii Liquidity Risk: Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign / retire from the company, there can be strain on the cash flows.
- iii Market Risk: Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in Defined Benefit Obligation of the plan benefits & vice versa. This assumption depends on the yields on the corporate / government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.
- iv Legislative Risk: Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation / regulation.

The government may amend the Payment of Gratuity Act thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the Defined Benefit Obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

### Defined benefit liability and employer contributions

Expected contributions to post-employment benefit plans for the year ending March 31, 2021 are INR 29.27 lakhs (March 31, 2020 INR 25.41 lakhs).

The weighted average duration of the defined benefit obligation is 11 years (2019 – 10 years). The expected maturity analysis of undiscounted gratuity is as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
<b>As at March 31, 2020</b>					
Defined benefit obligation (gratuity)	49.56	5.02	30.88	188.79	274.25
<b>As at March 31, 2019</b>					
Defined benefit obligation (gratuity)	54.82	7.44	20.82	150.15	233.23

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>31 Revenue from Operations</b>		
Sale of finished goods (Refer Note 50)	30,579.09	24,830.07
Sale of traded goods	-	15.53
Other operating revenues		
- Scrap sales	25.41	37.34
- Export incentives	44.76	104.15
	<b>30,649.26</b>	<b>24,987.09</b>
<b>32 Other Income</b>		
Net Gain on Foreign Currency Transactions and Translation	2.38	-
Interest income from financial assets measured at amortised cost		
- Deposits	3.07	2.49
- Others	9.47	6.85
Dividend from Non-current equity investment measured at cost	625.00	375.00
Compensation received	11.67	-
Management fees	-	50.00
Credit Impairment Loss Reversal on Receivables	7.06	-
Miscellaneous income	0.21	0.82
	<b>658.86</b>	<b>435.16</b>
<b>33 Cost of materials consumed</b>		
<b>Raw Materials :</b>		
Inventory at the beginning of the period	1,628.04	2,106.01
Add: Purchases	20,722.21	16,705.40
	<b>22,350.25</b>	<b>18,811.41</b>
Less: Inventory at the end of the period	2,673.36	1,628.04
	<b>19,676.89</b>	<b>17,183.37</b>
<b>Packing Materials :</b>		
Inventory at the beginning of the period	3.94	3.84
Add: Purchases	156.30	198.20
	<b>160.24</b>	<b>202.04</b>
Less: Inventory at the end of the period	4.89	3.94
	<b>155.35</b>	<b>198.10</b>
	<b>19,832.24</b>	<b>17,381.47</b>



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>34 <u>Changes in Inventories of finished goods and work-in-progress</u></b>		
<b>Opening Stock</b>		
Finished Goods	74.53	94.26
Semi Finished Goods	1,281.43	392.78
	1,355.96	487.04
<b>Closing Stock</b>		
Finished Goods	57.82	74.53
Semi Finished Goods	664.14	1,281.43
	721.96	1,355.96
<b>(Increase) / Decrease in Inventories of finished goods and work-in-progress</b>	634.00	(868.92)
<b>35 <u>Employee benefit expense</u></b>		
Salaries, wages and bonus	1,436.62	1,408.13
Contribution to Provident Fund and other funds	66.87	60.36
Gratuity	27.05	20.38
Staff welfare expenses	19.62	28.51
	1,550.16	1,517.38
<b>36 <u>Finance Costs</u></b>		
Interest on Long Term Borrowings	186.93	197.34
Interest and other borrowing cost	461.21	376.15
Interest on Income Tax	9.76	-
	657.90	573.49



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>37 Other Expenses</b>		
Consumption of Stores and Spares	413.11	448.07
Power and Fuel	1,883.98	1,744.07
Laboratory expenses	43.07	12.24
Research & Development Expenses	25.98	30.74
Rent, rates and taxes	9.18	39.90
Insurance	28.18	19.78
Repairs and maintenance :		
- Machinery	57.04	77.95
- Buildings	23.74	87.85
- Others	6.49	10.13
Travelling and conveyance	12.61	19.13
Telephone and advertisement expense	16.37	15.11
Directors' sitting fees	13.00	12.50
Remuneration to Auditors for:		
Statutory Audit and Limited Reviews	27.00	24.00
Others	2.90	-
Out of pocket expenses	0.62	0.44
Commission on sales	50.62	63.22
Freight and forwarding	332.13	177.74
Legal and professional fees	189.30	95.31
Vehicle expenses	21.90	26.18
Loss on assets sold / discarded (Net)	31.28	41.48
Doubtful debts written off	-	6.00
Allowance for doubtful advances	-	8.42
Credit Impairment Loss on Receivables	-	37.06
Corporate Social Responsibility expenditure	4.85	38.52
Net Loss on Foreign Currency Transactions and Translation	-	2.26
Solid waste disposal charges	210.17	177.42
Miscellaneous expenses	145.97	121.63
	<b>3,549.49</b>	<b>3,337.15</b>



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 38 Expenditure towards Corporate Social Responsibility (CSR) activities

- (a) Gross amount required to be spent by the Company during the year:  
Rs. 47.06 lakhs (March 31, 2019 : Rs. 38.51 lakhs)
- (b) Amount spent during the year :

	In Cash	Yet to be paid in Cash	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	4.83	0.02	4.85
	(38.52)	-	(38.52)

(Figures in bracket pertains to Previous year)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>39 Earnings per Share (EPS)</b>		
<b>Basic</b>		
Net Profit available to Equity Shareholders	3,654.97	2,151.76
Weighted Average Number of Equity Shares	3,90,62,706	3,90,62,706
Basic EPS (Rs.)	9.36	5.51
<b>Diluted</b>		
Net Profit before tax as per Statement of Profit and Loss	3,654.97	2,151.76
Weighted Average Number of Equity Shares	3,90,62,706	3,90,62,706
Diluted EPS (Rs.)	9.36	5.51
Nominal value of an equity share	10.00	10.00
<b>40 Taxation</b>		
<b><u>40 a) - Income tax expense</u></b>		
<b><u>Current tax</u></b>		
Current tax on profits for the year	878.89	586.93
Adjustments for current tax of prior periods	4.11	-
<b>Total current tax expense</b>	<b>883.00</b>	<b>586.93</b>
<b><u>Deferred tax</u></b>		
(Decrease)/increase in deferred tax liabilities	(60.81)	210.59
Decrease/(increase) in deferred tax assets	11.22	(27.27)
Deferred tax on Other Comprehensive Income	(3.25)	(8.60)
<b>Total deferred tax expense/(benefit)</b>	<b>(52.84)</b>	<b>174.72</b>
<b>Income tax expense</b>	<b>830.16</b>	<b>761.65</b>

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>40 b) Reconciliation of tax expense and accounting profit multiplied by statutory tax rates</b>		
<b>Profit for the year</b>	<b>4,488.38</b>	2,922.01
Statutory tax rate	<b>25.17%</b>	29.12%
<b>Tax expense at applicable tax rate</b>	<b>1,129.64</b>	850.89
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Amount Exempt from tax	<b>(157.30)</b>	(109.20)
Amount not allowable under tax	<b>18.70</b>	19.96
Adjustments for current tax of prior periods	<b>4.11</b>	-
Effect of change in Income tax rate on Deferred tax (Refer note below)	<b>(164.99)</b>	-
<b>Income tax expense</b>	<b>830.16</b>	761.65

**Note:**

The Company has elected to exercise the option under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 from the current financial year. Accordingly, the provision for income tax and deferred tax balances have been recorded/ remeasured using the new tax rate and the Company has reversed deferred tax liabilities amounting to Rs. 164.99 Lakhs.

**40 c) Deferred tax liabilities**

The balance comprises temporary differences attributable to:

	As at March 31, 2020	As at March 31, 2019
<b><u>Deferred tax liabilities:</u></b>		
On Property, Plant and Equipments	<b>1,238.07</b>	1,300.12
Others	<b>3.11</b>	1.87
<b>Total deferred tax liabilities</b>	<b>1,241.18</b>	1,301.99
<b><u>Deferred tax assets:</u></b>		
On Defined Benefit Obligations	<b>36.66</b>	42.82
Others	<b>41.62</b>	43.43
<b>Total deferred tax assets</b>	<b>78.28</b>	86.25
<b>Net deferred tax liabilities</b>	<b>1,162.90</b>	1,215.74



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Movement in deferred tax balances

Particulars	As at April 01, 2018	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	Charged/ (credited) to equity	As at March 31, 2019
<b>Deferred tax liabilities:</b>					
On Property, Plant and Equipments	1,089.00	211.12	-	-	1,300.12
Others	2.40	(0.53)	-	-	1.87
<b>Total deferred tax liabilities</b>	<b>1,091.40</b>	<b>210.59</b>	-	-	<b>1,301.99</b>
<b>Deferred tax assets:</b>					
On Defined Benefit Obligations	25.70	8.52	8.60	-	42.82
Others	24.68	18.75	-	-	43.43
<b>Total deferred tax assets</b>	<b>50.38</b>	<b>27.27</b>	<b>8.60</b>	-	<b>86.25</b>
<b>Net deferred tax liabilities</b>	<b>1,041.02</b>	<b>183.32</b>	<b>(8.60)</b>	-	<b>1,215.74</b>

Particulars	As at March 31, 2019	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	Charged/ (credited) to equity	As at March 31, 2020
<b>Deferred tax liabilities:</b>					
On Property, Plant and Equipments	1,300.12	(62.05)	-	-	1,238.07
Others	1.87	1.24	-	-	3.10
<b>Total deferred tax liabilities</b>	<b>1,301.99</b>	<b>(60.81)</b>	-	-	<b>1,241.18</b>
<b>Deferred tax assets:</b>					
On Defined Benefit Obligations	42.82	(9.41)	3.25	-	36.66
Others	43.43	(1.81)	-	-	41.63
<b>Total deferred tax assets</b>	<b>86.25</b>	<b>(11.22)</b>	<b>3.25</b>	-	<b>78.28</b>
<b>Net deferred tax liabilities</b>	<b>1,215.74</b>	<b>(49.59)</b>	<b>(3.25)</b>	-	<b>1,162.90</b>

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**41 Fair value measurements****Financial instruments by category**

	As at March 31, 2020		As at March 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets</b>				
(Measured at amortised cost)				
Security Deposits	0.74	0.74	1.76	1.76
Margin Money Deposits	27.69	27.69	13.78	13.78
Trade Receivables	3,787.90	3,787.90	3,213.13	3,213.13
Cash and cash equivalents	2.09	2.09	1.64	1.64
Bank balances other than cash and cash equivalents above	17.87	17.87	16.53	16.53
Loans to Employees	1.01	1.01	0.49	0.49
Interest Accrued but not due	1.24	1.24	1.24	1.24
<b>Total financial assets</b>	<b>3,838.54</b>	<b>3,838.54</b>	<b>3,248.57</b>	<b>3,248.57</b>
<b>Financial liabilities</b>				
(Measured at amortised cost)				
Borrowings	6,667.26	6,667.26	5,689.29	5,689.29
Trade payables	640.60	640.60	999.97	999.97
Interest accrued but not due on borrowings	14.39	14.39	12.47	12.47
Unclaimed dividends	17.87	17.87	16.53	16.53
Creditors for Capital Goods	176.77	176.77	84.38	84.38
Employee benefit payable	200.08	200.08	199.27	199.27
<b>Total financial liabilities</b>	<b>7,716.97</b>	<b>7,716.97</b>	<b>7,001.91</b>	<b>7,001.91</b>

**Fair value hierarchy**

All financial instruments have been measured at amortised cost. For all financial instruments referred above which have been measured at amortised cost, their carrying values are reasonable approximations of their fair values. The fair value of financial instruments as referred to in note above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). All financial instruments referred above have been classified as Level 3.

The categories used are as follows :

**Level 1 :** Level 1 hierarchy includes financial instruments measured using quoted prices.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Considering that all significant inputs required to fair value such instruments are observable, these are included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### **Valuation technique used to determine fair value**

The fair value of the financial instruments is determined using discounted cash flow analysis.

### **Valuation processes**

The finance department of the Company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO).

### **Fair value of financial assets/liabilities measured at amortised cost**

The carrying amounts of trade receivables, cash and cash equivalents, other bank balances, investments, margin money deposits, loans to employees, security deposits, trade payables, capital creditors, interest accrued but not due on borrowings, unclaimed dividends, employee benefit payable and other deposits are considered to be as their fair values, due to their current nature.

The fair values of borrowings have been calculated based on cash flows discounted using a current lending rate. They are classified as level 3 in the hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For Level 3 financial instruments, the fair value has been based on present values and the discount rates used, are adjusted for counterparty or own risk.

## **42 Financial risk management**

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The key risks and mitigating actions are also placed before the Board of directors of the Company. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and to control and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management framework of the Company is supported by the Finance team and experts of respective business divisions that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The activities are designed to:

- Protect the Company's financial results and position from financial risks
- Maintain market risks within acceptable parameters, while optimising returns; and
- Protect the Company's financial investments, while maximising returns.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

### **(A) Management of Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations.

#### **Cash and cash equivalents & bank balances**

The Company is also exposed to credit risk on cash and cash equivalents and bank balances other than cash and cash equivalents. These balances (other than cash on hand) are with high credit rating banks which are governed by Reserve Bank of India. The company believes its credit risk in such bank balances is immaterial.

#### **Security deposits and other receivables**

With respect to other financial assets namely security and other deposits and other receivables, the maximum exposure to credit risk is the carrying amount of these classes of financial assets presented in the balance sheet.

#### **Trade receivables**

The Company measures the expected credit loss of trade receivables from customers based on historical trend, industry practices and the business environment in which the entity operates. Loss rates are based on actual credit loss experience and past trends which is very negligible.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Carrying amount	
	As at March 31, 2020	As at March 31, 2019
Neither past due nor impaired	3,009.50	2,866.54
Past due 0-90 days	762.50	345.89
Past due 90-180 days	0.10	0.43
Past due 180-270 days	15.43	28.12
Past due 270-360 days	0.02	21.02
More than 360 days	42.35	0.18

Movement in impairment provision

	Amount
<b>As at April 01, 2018</b>	<b>12.00</b>
Impairment loss recognised	37.06
<b>Balance as at March 31, 2019</b>	<b>49.06</b>
Impairment loss reversed	(7.06)
<b>Balance as at March 31, 2020</b>	<b>42.00</b>

**(B) Management of Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. Material and sustained shortfall in cash flow could undermine the company's credit rating and impair investor confidence. The company maintained a cautious funding strategy, with a positive cash generation from operating activities throughout the year ended March 31, 2020 and March 31, 2019.

**Financing Arrangement**

The Company has access to the following undrawn borrowing facilities at the end of the reporting period.

	As at March 31, 2020	As at March 31, 2019
<b>Floating rate</b>		
Current Borrowings	1,262.63	794.91
Non current Borrowings	500.43	-



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Maturities of financial liabilities

The following table shows the maturity analysis of the company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance sheet date:

<b>Contractual maturities of financial liabilities As at March 31, 2020</b>	<b>Notes</b>	<b>Carrying amount</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Borrowings *	<b>22, 24, 26</b>	6,667.26	5,034.10	1,633.16	6,667.26
Trade payables	<b>25</b>	640.60	640.60	-	640.60
Interest accrued but not due on borrowings	<b>26</b>	14.39	14.39	-	14.39
Unclaimed dividends	<b>26</b>	17.87	17.87	-	17.87
Creditors for Capital Goods	<b>26</b>	176.77	176.77	-	176.77
Employee benefit payable	<b>26</b>	200.08	200.08	-	200.08
<b>Total liabilities</b>		<b>7,716.97</b>	<b>6,083.81</b>	<b>1,633.16</b>	<b>7,716.97</b>

<b>Contractual maturities of financial liabilities As at March 31, 2019</b>	<b>Notes</b>	<b>Carrying amount</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Borrowings *	<b>22, 24, 26</b>	5,689.29	4,860.15	829.14	5,689.29
Trade payables	<b>25</b>	999.97	999.97	-	999.97
Interest accrued but not due on borrowings	<b>26</b>	12.47	12.47	-	12.47
Unclaimed dividends	<b>26</b>	16.53	16.53	-	16.53
Creditors for Capital Goods	<b>26</b>	84.38	84.38	-	84.38
Employee benefit payable	<b>26</b>	199.27	199.27	-	199.27
<b>Total liabilities</b>		<b>7,001.91</b>	<b>6,172.77</b>	<b>829.14</b>	<b>7,001.91</b>

\* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6.42 Lakhs).

### (C) **Management of Market Risk**

Market risk comprises of foreign currency risk and interest rate risk. Foreign currency risk arises from transactions that are undertaken in a currency other than the functional currency of the company. Further, the financial performance and financial position of the company is exposed to foreign currency risk that arises on outstanding receivable and payable balances at a reporting year end date. Interest rate risk arises from variable rate borrowings that expose the company's financial performance, financial position and cash flows to the movement in market rates of interest.

#### Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$. The Company imports capital goods and raw materials and exports finished goods. The company also pays interest, legal and professional fees and travelling and conveyance in foreign currency.

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**Foreign currency exposure**

	As at March 31, 2020	As at March 31, 2019
	USD in Lakhs	USD in Lakhs
<b>Financial Assets</b>		
Trade Receivables	0.98	3.17
<b>Exposure to foreign currency assets</b>	0.98	3.17
<b>Financial Liabilities</b>		
Packing credit	0.43	0.77
Trade Payable	-	0.39
<b>Exposure to foreign currency liabilities</b>	0.43	1.16

**Sensitivity - Foreign Currency**

The sensitivity of profit or loss to changes in the exchange rates is as follows:

	Impact on profit before tax	
	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>USD Sensitivity</b>		
INR/USD increase by 5%*	2.07	6.93
INR/USD decrease by 5%*	(2.07)	(6.93)

\* Holding all other variables constant

**Interest rate risk**

The Company is mainly exposed to interest rate risk due to its floating interest rate borrowings. The interest rate risk arises due to uncertainties about the future market interest rate of these borrowings. The Company mitigates the interest rate risk for borrowing in functional currency, which is linked with MCLR, by negotiating and fixing the rate at the time of renewal of bank facility which remains effective for one year from the date of renewal. In case of borrowing in foreign currency, which is linked with USD Libor rate, the company mitigates the risk by fixing the margin at the time of renewal of bank facility which remains effective for one year from the date of renewal.

The Company has various non current and current borrowings whose facilities are on a variable interest rate basis. Refer below table for interest rate exposure.

**Interest Rate Exposure**

The exposure of Company's borrowings to interest rate changes at the end of the reporting period are as follows:

	As at March 31, 2020	As at March 31, 2019
Variable Rate Borrowings	6,667.26	5,689.29

**Sensitivity - Interest Rate**

The sensitivity of profit or loss to higher/(lower) interest expense from borrowings as a result of change in borrowing rates is as follows:

	Impact on profit before tax	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest Rates - increase by 0.5%*	(3.24)	(2.87)
Interest Rates - decrease by 0.5%*	3.24	2.87

\* Holding all other variables constant



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### 43. Capital management

(All amounts in Rs. Lakhs, unless otherwise stated)

#### (a) Risk management

The Company considers the following components of its Balance Sheet as managed capital:

Total equity as shown in the balance sheet includes share capital and retained earnings.

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company considers the amount of capital in proportion to risk and manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, reduce capital or issue new shares.

Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratios:

Net debts (Total borrowings net of cash and cash equivalents)

divided by

Total 'equity' (as shown in the Balance Sheet)

The gearing ratios were as follows:

	As at March 31, 2020	As at March 31, 2019
Net Debts *	6,665.17	5,687.65
Total Equity	12,858.08	10,261.59
Net Debt to Equity Ratio	0.52	0.55

\* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6.42 Lakhs).

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to provide return to shareholders by continuing to distribute dividends in future periods. Refer the below note for the final dividend declared and paid.

#### (b) Dividend

	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Equity shares</b>		
Final dividend for the year ended March 31, 2019 - Rs. 2.50 (March 31, 2018- Rs. 1.50) per fully paid up share	976.57	564.15
<b>Dividends not recognised at the end of the reporting period</b>		
In addition to the above dividends, since year end, the directors have recommended the payment of a final dividend of INR 1.50 per fully paid equity share (March 31, 2019 – Rs. 2.50 per fully paid up share). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	585.94	976.57



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

### 44 Related party disclosures

#### (a) Relationships

##### **Promoter Group**

FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)

FIH Private Investments Limited, Mauritius

(FMIL is wholly owned and controlled by Fairfax India Holdings Corporation, Canada)

##### **Subsidiaries**

Privi Organics India Limited, India

Privi Biotechnologies Private Limited, India \*

Privi Organics USA Inc, USA \*

Fairchem Organics Limited, India (w.e.f. March 27, 2019)

\* Subsidiaries of Privi Organics India Limited

##### **Other Related Parties with whom transactions have taken place during the year**

Fairfreight Lines Private Limited

Mahesh Purshottam Babani HUF

Moneymart Securities Private Limited

Vivira Investment and Trading Private Limited

Vivira Chemicals Private Limited

Nahoosh Tradelink LLP

Jariwala Tradelink LLP

##### **Key Management Personnel**

Mr. Nahoosh Jariwala

Managing Director

Mr. Mahesh Babani

Managing Director

Mr. Padmanabh R. Barpande

Independent Director

Mr. Rajesh Budhrani

Independent Director

Mr. Hemang Gandhi

Independent Director

Mr. Darius Pandole

Independent Director

Mr. Viren Joshi

Independent Director

Ms. Radhika Pereira

Independent Director

Mr. Utkarsh B. Shah

Non executive Director

Mr. Sumit Maheshwari

Non executive Director

Mr. D. B. Rao

Non executive Director

Mr. Harsha Raghavan (up to May 24, 2018)

Non executive Director

##### **Relatives of Key Management Personnel**

Seema Mahesh Babani

Snehal Mahesh Babani

Jyoti Mahesh Babani

Vinaykumar Doppalapudi Rao

Vijaykumar Doppalapudi

Grace Vinaykumar

Sharon Doppalapudi

Premaleela Doppalapudi

Rajkumar Doppalapudi

Prasanna Raj

Rameshbabu Gokarneswararao Guduru

##### **Post employment benefit plan**

Adi Finechem Limited Employees Group Gratuity Assurance Scheme



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

- (b) The nature and volume of transactions carried out and balances with related parties in the ordinary course of business are as follows:

### Transactions

Name of the related party and nature of the relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
<b><u>Promoter Group</u></b>		
<b>Dividend Paid</b>		
FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)	476.07	274.56
FIH Private Investments Limited, Mauritius	0.08	0.05
<b><u>Subsidiaries</u></b>		
<b>Management fees income</b>		
Privi Organics India Limited	-	50.00
<b>Share Application Money</b>		
Fairchem Organics Limited	-	1.00
<b>Reimbursement of Expenses</b>		
Fairchem Organics Limited	0.01	-
<b>Dividend Income</b>		
Privi Organics India Limited	625.00	375.00
<b><u>Other Related Parties</u></b>		
<b>Freight Expenses</b>		
Fairfreight Lines Private Limited	1.54	3.73
<b>Dividend Paid</b>		
Mahesh Purshottam Babani HUF	44.79	25.33
Money mart Securities Private Limited	5.17	2.92
Vivira Investment and Trading Private Limited	4.75	2.68
Vivira Chemicals Private Limited	1.99	1.13
Nahoosh Tradelink LLP	16.58	9.95
Jariwala Tradelink LLP	8.42	5.05
<b><u>Key Management Personnel</u></b>		
<b>Remuneration</b>		
Mr. Nahoosh Jariwala	144.00	144.00
<b>Sitting Fees</b>		
Mr. Padmanabh R. Barpande	2.50	2.50
Mr. Rajesh Budhrani	2.00	2.00
Mr. Hemang Gandhi	2.50	2.00
Mr. Darius Pandole	2.00	2.50
Mr. Viren Joshi	1.50	1.50
Ms. Radhika Pereira	2.50	2.00
<b>Dividend Paid</b>		
Mr. Mahesh Babani	64.66	45.59
Mr. D. B. Rao	18.08	10.22
Mr. Utkarsh B. Shah	0.63	8.25
Mr. Rajesh Budhrani	17.66	9.96

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
<b><u>Relatives of Key Management Personnel</u></b>		
<b>Dividend Paid</b>		
Seema Mahesh Babani	9.75	1.31
Snehal Mahesh Babani	9.75	4.29
Jyoti Mahesh Babani	9.75	1.91
Vinaykumar Doppalapudi Rao	11.96	6.76
Vijaykumar Doppalapudi	11.38	6.43
Grace Vinaykumar	3.75	2.12
Sharon Doppalapudi	3.96	2.24
Premaleela Doppalapudi	4.43	2.50
Rajkumar Doppalapudi	11.15	6.30
Prasanna Raj	4.63	2.62
Rameshbabu Gokarneswararao Guduru	1.51	0.85

**Balances**

Name of the related party and nature of the relationship	As at March 31, 2020	As at March 31, 2019
<b><u>Payable to Key Management Personnel:</u></b>		
Mr. Nahoosh Jariwala (Net of Tax Deducted at Source)	8.25	8.25
<b><u>Other Related Parties</u></b>		
Fairfreight Lines Private Limited	-	0.47

**Terms and Conditions**

- 1) Transactions with related parties are at normal commercial terms.
- 2) All outstanding balances are unsecured and payable in cash.

**45 Contingent Liabilities and commitments****(a) Contingent liabilities**

	As at March 31, 2020	As at March 31, 2019
Claims against the Company not acknowledged as debt	15.00	15.00
Disputed excise and service tax liability	25.97	48.77
Disputed Value added tax and Central Sales Tax liability	12.93	12.93
<b>Total</b>	<b>53.90</b>	<b>76.70</b>



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

The company is contesting the demands and the management believes that its position is likely to be upheld in the appellate process. It is not practicable to estimate the timing of cash outflows, if any in respect of legal matters, pending resolution of the proceedings with the appellate authorities.

The Company has evaluated the impact of Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. Based on such evaluation, management has concluded that effect of the aforesaid judgement on the Company is not material and accordingly, no provision has been made in the financial statements.

### (b) Capital Commitments

	As at March 31, 2020	As at March 31, 2019
Estimated value of contracts in capital account remaining to be executed	1,506.14	887.42
<b>Total</b>	<b>1,506.14</b>	<b>887.42</b>

### 46 Events occurring after reporting period

The Company evaluated subsequent events through June 23, 2020, the date the financial statements were available for issuance, and determined that there were no additional material subsequent events requiring disclosure.

### 47 Assets hypothecated and / or mortgaged as security

The carrying amounts of assets hypothecated and / or mortgaged as security for borrowings are:

	Notes	As at March 31, 2020	As at March 31, 2019
<b>Non-Current</b>			
<u>Non-financial assets</u>			
Land (Freehold)	4	63.10	63.10
Building	4	1,941.50	1,997.93
Plant and Machinery	4	9,749.05	8,538.91
<b>Total non-current assets hypothecated and / or mortgaged as security</b>		<b>11,753.65</b>	<b>10,599.94</b>
<b>Current</b>			
<u>Non-financial assets</u>			
Inventories	12	3,771.10	3,400.62
<u>Financial assets</u>			
Trade receivables	13	3,787.90	3,213.13
<b>Total current assets hypothecated as security</b>		<b>7,559.00</b>	<b>6,613.75</b>

**NOTES TO THE STANDALONE FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**48 Segment reporting**

In accordance with Ind AS -108 'Operating Segment', segment information has been given in the Consolidated Financial Statements of Fairchem Speciality Limited, and therefore, no separate disclosure on segment information is given in the Standalone Financial Statements.

**49 Leases****Company as lessee**

The entity has reclassified leasehold land under Property, Plant & Equipments as Right of use assets on the date of initial application of Ind AS 116 - Leases.

There are no other lease arrangements entered into by the Company. Hence, there is no impact on the transition to Ind AS 116.

**50 Ind AS 115 – Revenue from Contracts with Customers**

The Company has adopted Ind-AS 115 "Revenue from Contracts with Customers" which is effective from April 1, 2018. The Company has opted for modified retrospective approach and accordingly, reviewed its existing customer contracts in this regard.

Management has used judgement in respect of matters such as identification of performance obligations; allocation of consideration to identified performance obligations and recognition of revenue over a period of time or at a point in time based on timing when control is transferred to customer.

The adoption of this standard does not have any material impact to the standalone financial statements of the Company.

(A) The Company is primarily in the Business of manufacture and sale of Speciality Oleo Chemicals. All sales are made at a point in time and revenue recognised upon satisfaction of the performance obligations which is typically upon dispatch or delivery. The Company has a credit evaluation policy based on which the credit limits for the trade receivables are established. The Company does not give significant credit period resulting in no significant financing component.

(B) Reconciliation of revenue recognised from Contract liability:

	As at March 31, 2020	As at March 31, 2019
Opening Contract liability	35.42	33.13
Less: Recognised as revenue during the year	(916.05)	(962.09)
Add: Addition to contract liability during the year	900.43	965.21
Add: Other Adjustments	-	(0.83)
Closing Contract liability	19.80	35.42

(C) Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from contract with customer as per Contract price	30,628.96	25,039.32
Less: Discounts and incentives	(16.73)	(6.61)
Less:- Sales Returns /Credits / Reversals	(33.14)	(187.11)
Revenue from contract with customer as per statement of profit and loss	30,579.09	24,845.60



## NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Disaggregation of Revenue from contract with customers

	For the year ended March 31, 2020	For the year ended March 31, 2019
India	29,494.45	22,247.75
Middle East	63.59	526.62
North America	1,021.05	2,071.23
	<b>30,579.09</b>	24,845.60

### 51 Impact of Covid 19

The COVID-19 pandemic has disrupted many business operations globally due to lockdown and other directives imposed by the governments. The sole manufacturing plant of the Company closed its operations from March 25, 2020. The Company has resumed production with effect from May 21, 2020 and is expected to achieve normal business operations from June, 2020. The Company has evaluated the impact of this pandemic on its business operations, liquidity and financial position and based on management's assessment of current indicators and economic conditions there is no material impact on its financial statements as at March 31, 2020. However, the impact assessment of COVID-19 is a continuing process and the Company will continue to monitor any material changes to future economic conditions.

### 52 Scheme of Arrangement and Amalgamation

The Board of Directors of the Company, in its meeting held on 22nd May, 2019, had approved a Composite Scheme of arrangement and amalgamation ('the Scheme') amongst Fairchem Speciality Limited (FSL), Fairchem Organics Limited (FOL) and Privi Organics India Limited (POIL), two wholly owned subsidiaries of the Company and their respective shareholders for Demerger of FSL's undertaking carrying on speciality oleo chemicals and nutraceuticals business and vesting the same into FOL and Amalgamation of POIL, manufacturers of aroma chemicals, into and with FSL, under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013. The Company has obtained approval of the said scheme from the stock exchanges. Pursuant to the directions of National Company Law Tribunal (NCLT), Mumbai Bench vide its Order dated January 22, 2020, the Company obtained the requisite approval of the Shareholders of the Company by convening and holding (physical) meeting of the equity shareholders of the Company on Tuesday, February 25, 2020. The Company has filed petition for approval of the Scheme with NCLT through electronic mode (e-filing) on May 31, 2020 which was admitted by NCLT on June 12, 2020 and the final hearing is scheduled on June 30, 2020.

#### For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration No.: 304026E/ E-300009

#### Arunkumar Ramdas

Partner

Membership No. 112433

Place: Mumbai

Date: June 23, 2020

#### For and on behalf of the Board

#### Nahoosh Jariwala

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

#### Mahesh Babani

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

#### Rajen N. Jhaveri

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020



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## INDEPENDENT AUDITOR'S REPORT

**To the Members of Fairchem Speciality Limited**

**Report on the Audit of the Consolidated Financial Statements**

### Opinion

1. We have audited the accompanying consolidated financial statements of Fairchem Speciality Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), (refer Note 56 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2020, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated cash flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 15 of the Other Matters section below, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following Key Audit Matter has been reproduced from our report on the audit of standalone financial statements of the Holding Company.

Key audit matter	How our audit addressed the key audit matter
<p><b>i) Revenue Recognition</b></p> <p>Refer to Note 2 (d), 32 and 50 to the consolidated financial statements.</p> <p>The Holding Company recognises revenue from sale of goods at a point in time in accordance with the principles of Ind AS 115.</p> <p>The Management evaluates customer contracts in respect of the said revenue for identification of performance obligations, allocation of consideration to identified performance obligation and recognition of revenue at a point in time based on timing when control is transferred to customer.</p> <p>We focused on this area as revenue is required to be recognised in accordance with the terms of the customer contracts which involves management evaluation as described above and there is an inherent risk of material misstatement; and further, disclosures are required to be made in accordance with the applicable accounting standards.</p>	<p>Our testing of revenue transactions was designed to cover certain customer contracts.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understanding, evaluating the design and testing the operating effectiveness of controls over revenue recognition.</li> <li>• Evaluating appropriateness of the accounting policy for revenue recognition.</li> <li>• Assessing appropriateness of management's significant judgements in accounting for identified contracts such as identification of performance obligation and allocation of consideration to identified performance obligation;</li> <li>• Evaluating the contract terms for assessment of the timing of transfer of control to the customer to assess whether revenue is recognised appropriately over a period of time or at a point in time (as the case may be) based on timing when control is transferred to customer</li> <li>• Testing whether the revenue recognition is in line with the terms of customer contracts and the transfer of control; and</li> <li>• Evaluating adequacy of the presentation and disclosures</li> </ul> <p>Based on the above stated procedures, no significant exceptions were noted in revenue recognition including those relating to presentation and disclosures.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>ii) Physical verification of Inventory</b></p> <p>Refer to Note 12 to the consolidated financial statements.</p> <p>As at March 31, 2020, the Holding Company has inventory of Rs. 3,771.10 lakhs. Physical verification of these Inventories was conducted subsequent to year end by the management, due to lockdown restrictions imposed by the government.</p> <p>In order to arrive at the quantities of inventory that existed as at the year end, roll-back procedures were performed on the quantities of inventory counted on those dates by adding back the sales and deducting the purchases made during the period from the end of the financial year till the date of actual verification of inventory, from the quantities counted.</p> <p>We considered this as Key audit matter considering the nature of inventory, significance and magnitude of inventory balances, timing of physical verification of inventory and consequential performance of alternate procedures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Understanding, evaluating the design and testing the operating effectiveness of controls over inventory count and the roll back procedures.</li> <li>• Management's reports and procedures over the roll back of inventory from the date of physical verification back to March 31, 2020 were tested on a sample basis through inspection of purchase and sales records.</li> <li>• Consequent to lifting of lockdown restrictions, we observed the physical verification process of Inventory subsequent to the year end and performed roll back procedures to obtain sufficient and appropriate audit evidence about the existence and condition of inventory at the balance sheet date.</li> </ul> <p>Based on the above procedures performed, the alternate procedures conducted for physical count of inventory, subsequent to year end, to determine its existence and condition as at the year-end, as determined by the management is considered to be reasonable.</p>

5. The following Key Audit Matter and related audit procedures were communicated by the auditors of Privi Organics India Limited, a subsidiary of the Holding Company, vide communication dated June 23, 2020, which is reproduced by us as under:

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of Work in progress and finished goods inventory</b></p> <p>The company has work in progress (WIP) inventory of Rs. 7,639 lakhs and finished goods inventory (including GIT) of Rs. 12,651 lakhs as at 31 March 2020.</p> <p>The valuation of WIP and finished goods is considered to be a key audit matter due to significant judgement required to be exercised by the management in respect of determining the purity and recovery factors, the process weight allocations for apportionment of overheads, and allocation of cost to intermediate products involved in arriving at the valuation of inventories.</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others, to obtain sufficient audit evidence: -</p> <ul style="list-style-type: none"> <li>• Compared rates of raw material, Finished goods and overheads with the previous periods to assess the reasonableness and in case of variances noted, to obtain reasons which could be co-related to other audit evidence.</li> <li>• Assessed the reasonableness of key assumptions made by the Management for purity factors /recovery factors, process weight, cost allocations in line with past period and in case of any variations, obtain explanation from the management which corroborate with our knowledge of business and other audit evidences.</li> <li>• Assessed the overhead allocation to verify the same is in line with the normal capacity of the production facilities and is comparable to the previous periods and variances are appropriately explained in line with our understanding of our operations.</li> <li>• Verified the subsequent conversion of WIP into finished goods on a test-check basis.</li> </ul>

**Other Information**

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 15 below), we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

7. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.
8. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
11. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
12. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

15. We did not audit the financial statements of one subsidiary and two step down subsidiaries whose financial statements reflect total assets of Rs. 138,368.44 lakhs and net assets of Rs. 61,204.89 lakhs as at March 31, 2020, total revenue of Rs. 132,411.30 lakhs, total comprehensive income (comprising of profit and other comprehensive income) of Rs. 14,666.01 lakhs and net cash flows amounting to Rs. 6,848.25 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements of the aforementioned subsidiary and its two step down subsidiaries have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

#### **Report on Other Legal and Regulatory Requirements**

16. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.



- f) With respect to the adequacy of internal financial controls with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure A.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i) The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group – Refer Note 47 to the consolidated financial statements.
    - ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts as at March 31, 2020– Refer note 27 to the Consolidated financial statements in respect of such items as it relates to the Group;
    - iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India.
    - iv) The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2020.
17. The holding company and its subsidiaries incorporated in India have paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration Number: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner  
Membership Number: 112433  
UDIN: 20112433AAAAGF2688

Place : Mumbai  
Date : June 23, 2020



## ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 16(f) of the Independent Auditors' Report of even date to the members of Fairchem Speciality Limited on the consolidated financial statements for the year ended March 31, 2020

### **Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to financial statements of Fairchem Speciality Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The respective Board of Directors of the Holding company and its subsidiary companies, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

#### **Meaning of Internal Financial Controls with reference to financial statements**

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

**Inherent Limitations of Internal Financial Controls with reference to financial statements**

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

**Opinion**

8. In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Other Matters**

9. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements insofar as it relates to one subsidiary company and one step down subsidiary company which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration Number: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership Number: 112433

UDIN: 20112433AAAAGF2688

Place : Mumbai

Date : June 23, 2020

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4	70,654.37	48,897.83
Capital work-in-progress	5	3,969.84	9,465.72
Intangible Assets	6	729.17	869.50
Right of use assets	7	1,087.59	-
Financial Assets			
(i) Loans	8	817.87	807.62
(ii) Other Financial Assets	9	162.83	339.80
Non-current Tax Assets (Net)	10	1,239.55	1,216.31
Other Non-current Assets	11	1,277.42	867.28
		<b>79,938.64</b>	<b>62,464.06</b>
<b>Current Assets</b>			
Inventories	12	36,642.51	36,423.72
Financial Assets			
(i) Investments	13	105.11	-
(ii) Trade receivables	14	26,677.96	33,069.46
(iii) Cash and cash equivalents	15	8,474.89	1,626.20
(iv) Bank balances other than (iii) above	16	377.63	687.11
(v) Loans	17	9.12	58.26
(vi) Other Financial Assets	18	1.24	1.24
Other current assets	19	8,211.92	8,238.66
		<b>80,500.38</b>	<b>80,104.65</b>
		<b>1,60,439.02</b>	<b>1,42,568.71</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Equity Share Capital	20	3,906.27	3,906.27
Instruments entirely equity in nature	21	-	-
Other Equity	22	70,155.59	53,659.59
		<b>74,061.86</b>	<b>57,565.86</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Financial Liabilities			
Borrowings	23	24,204.92	18,083.20
Lease liabilities		619.43	-
Provisions	24	1,405.88	1,049.18
Deferred Tax Liabilities (Net)	41	2,506.35	2,867.25
		<b>28,736.58</b>	<b>21,999.63</b>
<b>Current Liabilities</b>			
Financial Liabilities			
(i) Borrowings	25	29,976.23	28,047.84
(ii) Trade Payables	26		
(a) Total outstanding dues of micro enterprises and small enterprises		41.29	57.74
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		15,571.81	21,397.83
(iii) Other financial liabilities	27	10,580.78	10,215.38
Other current liabilities	28	494.19	612.08
Provisions	29	135.33	151.79
Current Tax Liabilities (Net)	30	840.95	2,520.56
		<b>57,640.58</b>	<b>63,003.22</b>
		<b>1,60,439.02</b>	<b>1,42,568.71</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership No. 112433

Place: Mumbai

Date: June 23, 2020

**For and on behalf of the Board****Nahoosh Jariwala**

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

**Mahesh Babani**

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON MARCH 31, 2020

(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>Income</b>			
Revenue from Operations	32	1,63,060.56	1,34,104.13
Other Income	33	2,669.76	570.08
<b>Total Revenue</b>		<b>1,65,730.32</b>	<b>1,34,674.21</b>
<b>Expenses</b>			
Cost of materials consumed	34	1,01,751.22	92,468.34
Purchase of Stock-in-Trade		270.37	15.08
Changes in Inventories of finished goods and work-in-progress	35	(1,242.31)	(9,795.16)
Employee benefits expense	36	8,053.59	7,127.04
Finance Costs	37	4,068.81	2,901.46
Depreciation and amortisation expense	4, 6 & 7	6,273.11	4,685.40
Other expenses	38	27,428.97	23,020.85
<b>Total Expenses</b>		<b>1,46,603.76</b>	<b>1,20,423.01</b>
<b>Profit Before Exceptional Items and Tax Expense</b>		<b>19,126.56</b>	<b>14,251.20</b>
<b>Exceptional Items</b>			
Income / (Expense) on Loss by Fire (Refer Note 55)		4,000.00	904.78
<b>Profit Before Tax</b>		<b>23,126.56</b>	<b>15,155.98</b>
Tax Expense			
Current tax		5,831.16	5,029.49
Short / (Excess) provision of income tax of earlier years (net)		(10.04)	16.13
Deferred tax		(327.36)	685.99
		<b>5,493.76</b>	<b>5,731.61</b>
<b>Profit After Tax</b>		<b>17,632.80</b>	<b>9,424.37</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
- Remeasurement (losses) / gains on post employment defined benefit plans		(105.23)	(90.21)
- Income tax effect		26.59	29.81
<b>Items that will be reclassified to profit or loss:</b>			
Exchange differences in translating financial statements of foreign operations		132.06	44.38
<b>Other comprehensive income for the year, net of tax</b>		<b>53.42</b>	<b>(16.02)</b>
<b>Total comprehensive income for the year</b>		<b>17,686.22</b>	<b>9,408.35</b>
<b>Earnings Per Share</b>			
Basic and Diluted earnings per share (in Rupees)	40	45.14	24.13
Nominal value per equity share (in Rupees)		10.00	10.00

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership No. 112433

**For and on behalf of the Board**

**Nahoosh Jariwala**

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

**Mahesh Babani**

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

(All amounts in Rs. Lakhs, unless otherwise stated)

		Notes			
<b>A. Equity Share Capital</b>					
<b>Balance as at April 01, 2018</b>		20	3,760.98		
Changes in Equity Share Capital during the year			145.29		
<b>Balance as at March 31, 2019</b>		20	3,906.27		
Changes in Equity Share Capital during the year			-		
<b>Balance as at March 31, 2020</b>		20	3,906.27		
<b>B. Instruments entirely equity in nature</b>					
<b>Compulsorily Convertible Preference Shares</b>		Notes			
<b>Balance as at April 01, 2018</b>		21	145.29		
Changes in Compulsorily Convertible Preference Shares during the year			(145.29)		
<b>Balance as at March 31, 2019</b>		21	-		
Changes in Compulsorily Convertible Preference Shares during the year			-		
<b>Balance as at March 31, 2020</b>		21	-		
<b>C. Other Equity</b>					
		<b>Reserves and Surplus</b>	<b>Foreign Currency Translation Reserves</b>		
		<b>General Reserve</b>	<b>Retained Earnings</b>		
<b>Balance as at April 01, 2018</b>		35,573.76	9,350.43	7.16	44,931.35
Profit for the year		-	9,424.37	-	9,424.37
Other Comprehensive Income		-	(60.40)	44.38	(16.02)
<b>Total Comprehensive Income for the year</b>		-	9,363.97	44.38	9,408.35
<b>Transactions with owners in their capacity as owners:</b>					
Dividends Paid (including Dividend Distribution Tax)		-	(680.11)	-	(680.11)
<b>Balance as at March 31, 2019</b>		35,573.76	18,034.29	51.54	53,659.59
Profit for the year		-	17,632.80	-	17,632.80
Other Comprehensive Income		-	(78.64)	132.06	53.42
Impact of Ind AS 116		-	(12.92)	-	(12.92)
<b>Total Comprehensive Income for the year</b>		-	17,541.24	132.06	17,673.30
<b>Transactions with owners in their capacity as owners:</b>					
Dividends Paid (including Dividend Distribution Tax)		-	(1,177.30)	-	(1,177.30)
<b>Balance as at March 31, 2020</b>		35,573.76	34,398.23	183.60	70,155.59

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner  
Membership No. 112433

Place: Mumbai  
Date: June 23, 2020

**For and on behalf of the Board**

**Nahoosh Jariwala**  
Managing Director  
DIN: 00012412  
Place: Ahmedabad  
Date: June 23, 2020

**Mahesh Babani**  
Managing Director  
DIN: 00051162  
Place: Mumbai  
Date: June 23, 2020

**Rajen N. Jhaveri**  
Chief Financial Officer and Company Secretary

Place: Ahmedabad  
Date: June 23, 2020



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED ON MARCH 31, 2020

(All amounts in Rs. Lakhs, unless otherwise stated)

Particulars	Notes	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>			
<b>Profit Before Taxation</b>		<b>23,126.56</b>	15,155.98
<u>Adjustments for:</u>			
Loss on Property, Plant and Equipment by fire		-	(273.56)
Depreciation and Amortisation	4, 6	6,026.40	4,685.40
Amortisation of right of use assets	7	246.71	-
Gain on write-back of financial liabilities	33	(7.78)	(42.16)
Sundry balances written off	38	29.53	25.38
Fair value (gain) on Investments	33	(0.08)	-
Finance Cost	37	4,068.81	2,901.46
Interest Income	33	(89.55)	(78.63)
Unrealised Foreign Exchange Loss / (Gain)	33	(1,328.75)	(29.12)
Loss on intangible assets written off	38	-	138.92
Share Issue expenses	38	-	3.34
Credit Impairment Loss Reversal on Receivables	33	(7.06)	-
Doubtful debts written off	38	-	6.00
Credit Impairment Loss on Receivables	38	15.58	37.06
Provision for doubtful advances	38	160.00	8.42
Loss on assets sold / discarded (Net)	38	31.28	594.01
<b>Operating Profit Before Working Capital Changes</b>		<b>32,271.65</b>	23,132.50
<u>Adjustments For Changes In Working Capital:</u>			
(Increase) In Inventories		(218.79)	(13,031.99)
(Increase) / Decrease In Trade receivables		7,497.63	(9,834.30)
Decrease / (Increase) in other assets		56.11	(3,620.81)
(Decrease) / Increase in Trade and Other Payables		(5,446.15)	6,764.80
(Decrease) / Increase in other current liabilities and provisions		(1,913.18)	1,675.41
<b>Cash Generated From Operations</b>		<b>32,247.27</b>	5,085.61
Direct Taxes Refund / (Paid) (Net)		(7,523.97)	(2,989.82)
<b>A. Net Cash Generated From Operating Activities</b>		<b>24,723.30</b>	2,095.79
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of Property, Plant and Equipments		(21,065.61)	(16,913.81)
Proceeds from insurance company towards property, plant & equipment lost by fire		-	2,500.00
Proceeds from Sale of Property, Plant and Equipments		5.07	14.92
(Purchase) / sale of Investments		(105.03)	304.04
Realisation of fixed deposits		501.70	163.08
Interest Income		91.81	77.54
<b>B. Net Cash Used In Investing Activities</b>		<b>(20,572.06)</b>	(13,854.23)

**STATEMENT OF CASH FLOWS FOR YEAR ENDED ON MARCH 31, 2020**

(All amounts in Rs. Lakhs, unless otherwise stated)

Particulars	Notes	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from Long Term Borrowings (net)		9,129.10	13,454.62
Repayment of Long Term Borrowings (net)		(3,024.97)	(3,962.65)
Net Proceeds from Short Term Borrowings (net)		2,028.07	6,676.38
Repayment of lease liabilities		(220.25)	-
Dividend Paid (including tax on dividend)		(1,177.30)	(680.11)
Interest Paid		(4,037.20)	(3,312.66)
Share Issue expenses		-	(3.34)
<b>C. Net Cash Generated From Financing Activities</b>		<b>2,697.45</b>	<b>12,172.24</b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>		<b>6,848.69</b>	<b>413.80</b>
Cash and Cash Equivalents as at the beginning of the year		1,626.20	1,212.40
Cash and Cash Equivalents as at the end of the year		8,474.89	1,626.20
<b>Reconciliation of cash and cash equivalent as per the statement of cash flows</b>			
		<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
Cash and Cash Equivalents :			
Cash on hand		19.20	9.50
Cheques on Hand		-	1.00
Bank Balances :			
- In Current Accounts		4,702.08	711.00
- In Earner exchange foreign currency account		747.61	92.34
- Term deposits (with original maturity of less than three months)		3,006.00	812.36
		<b>8,474.89</b>	<b>1,626.20</b>

**Note :**

- The above Statement of Cash flows has been prepared under the "Indirect Method" set out in Ind AS 7 - "Statement of Cash Flows"
- Refer Note 27 for net debt reconciliation.
- Amount paid towards CSR activities Rs. 118.80 lakhs (Previous year Rs. 122.30 lakhs).

This is the Consolidated Statement of Cash flows referred to in our report of even date.

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**  
Partner  
Membership No. 112433

Place: Mumbai  
Date: June 23, 2020

**For and on behalf of the Board**

**Nahoosh Jariwala**  
Managing Director  
DIN: 00012412  
Place: Ahmedabad  
Date: June 23, 2020

**Mahesh Babani**  
Managing Director  
DIN: 00051162  
Place: Mumbai  
Date: June 23, 2020

**Rajen N. Jhaveri**  
Chief Financial Officer and Company Secretary

Place: Ahmedabad  
Date: June 23, 2020



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Background of the Group

Fairchem Speciality Limited (Formerly known as Adi Finechem Limited) (the “Company”) was incorporated in May, 1985 as “H. K. Agro Oil Ltd.” under the provisions of the Companies Act, 1956. The Company is engaged in manufacturing of Speciality Oleo Chemicals. The manufacturing facility is set up at Village Chekhala, Ta. Sanand, Dist. Ahmedabad, Gujarat. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Ltd.

### 2 Significant accounting policies

The Consolidated Financial Statements include the Financial Statements of Fairchem Speciality Limited, the parent Company and all of its wholly owned subsidiary companies (collectively referred to as ‘Group’) (Refer note 56).

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

#### a) Basis of preparation

##### i) Compliance with Ind AS

These financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

As prescribed by the Ind AS, if the particular Ind AS is not in conformity with the applicable laws, the provisions of the said law shall prevail and financial statements shall be prepared in conformity with such laws. Consequently, the Group has applied this norm while preparing the financial statements.

##### ii) New standards or interpretations adopted by the Group

The Group has applied the following amendment for the first time for its annual reporting period commencing April 1, 2019:

Ind AS 116 – Leases

The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards), 2019 on March 30, 2019 which includes Ind AS - 116 “Leases”. The Group has applied Ind AS 116, Leases for the first time for their annual reporting period commencing April 01, 2019.

The Group changed its accounting policy as a result of adopting Ind AS 116.

Other amendments:

On March 30, 2019, the Ministry of Corporate Affairs (MCA) notified certain other amendments to Indian Accounting Standards (Ind AS), as part of the Companies (Indian Accounting Standards) Second Amendment Rules, 2019.

- i) Ind AS - 12 “Income taxes”, Appendix C - Uncertainty over income tax treatments
- ii) Amendment to Ind AS - 12 “Income taxes”
- iii) Ind AS – 19 “Employee benefits”, Plan amendment, curtailment or settlement
- iv) Ind AS - 23 “Borrowing costs”
- v) Ind AS 28, “Investments in associates and Joint-Ventures”, Long-term interests in Associates and Joint-ventures
- vi) Ind AS 109 “Financial Instruments”, Prepayment Features with Negative Compensation
- vii) Ind AS 103, “Business Combination”viii) Ind AS 111, “Joint Arrangements”

The above other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### iii) Historical cost convention

The Financial Statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that is measured at fair value ; and



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Defined benefit plans - plan assets measured at fair value.

### iv) 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 normal operating cycle, or
- Held primarily for the purpose of trading, or
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, all other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle, or
- It is held primarily for the purpose of trading, or
- 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, all other liabilities are classified as non-current.

### b) Principles of consolidation

The Consolidated Financial Statements include the Financial Statements of Fairchem Speciality Limited, the parent Company and all of its wholly owned subsidiary companies (collectively referred to as 'Group') (Refer note 56).

Subsidiaries are all 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 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.

### c) Foreign currency transactions and translations

#### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Indian rupee (INR), which is Group's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions and from translation of monetary assets and liabilities at the reporting date are recognised in the Statement of Profit and Loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other incomes/expenses.

#### (iii) Translations

On consolidation, the assets and liabilities of foreign operations are translated from USD at the rate of exchange prevailing at the reporting date and their statement of profit and loss are translated at the average exchange rates prevailing for the year. The exchange differences arising on translation for consolidation are recognised in OCI under Foreign Currency Translation Reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### d) Revenue recognition

#### Sale of products

Revenue is recognised at the point in time when the performance obligation is satisfied and control of the goods is transferred to the customer upon dispatch or delivery, in accordance with the terms of customer contracts. Revenue is recognised at an amount that the Group expects to receive from customers that is net of trade discounts, rebates and goods and services tax (GST). The Group does not have any contracts where the transfer of the promised goods to customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

A contract liability is the obligation to transfer goods to the customer for which the Group has received consideration from the customer. Contract liabilities are recognised as revenue when the Group performs under the contract.

Income in respect of insurance and other claims is recognized only on reasonable certainty of ultimate collection as per the requirement of the accounting standards.

Export incentives are recognised when the right to receive credit as per the terms of the scheme is established in respect of the exports and there is no uncertainty in receiving the same.

Interest revenue is calculated by using the effective interest method for financial assets measured at amortised cost.

Dividend income is recognised when the right to receive payment is established.

### e) Income tax

The income tax expense or credit for the period is the tax on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in India. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investment in subsidiary where the group is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternate tax ('MAT') under the provisions of the Income tax Act, 1961 is recognised as current tax in the Statement of Profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent it is probable that the company will pay normal income tax during the year for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### f) Leases

#### As Lessee

(Till March 31, 2019)

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

#### Group as a Lessee

(With effect from April 01, 2019)

The Group has applied Ind AS 116 for the first time for the annual reporting period commencing April 1, 2019.

#### Lease liabilities:

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate. Lease payments are allocated between principal and finance cost.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### Right of use assets:

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and lease payments made before the commencement date.

Right-of-use assets are depreciated over the lease term on a straight-line basis. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received.

### g) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets are reviewed for possible reversal of the impairment at the end of each reporting period.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the statement of profit and loss, to the extent the amount was previously charged to the statement of profit and loss.

### h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less provision for impairment, if any.

### j) Inventories

Raw materials, packing material, stores and fuel, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of raw materials, packing materials, stores and fuel are determined based on first-in, first-out (FIFO) method and comprises cost of purchase. The cost of semi-finished goods comprises raw materials, direct labour, and appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale .

### k) Financial assets and liabilities

#### (i) Financial assets

##### 1. Classification

The Group classifies its financial assets in the following measurement categories:

- at fair value (either through other comprehensive income, or through profit or loss), and
- at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable selection at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### 2. Initial Recognition and Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

##### 3. Subsequent Measurement

**Measured at amortised cost:** Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any. The amortisation of EIR and loss or gains arising from impairment, if any is recognised in the Statement of Profit and Loss.

**Measured at fair value through other comprehensive income (FVOCI):** Financial assets that are held within a business model whose objective is, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to "Profit or Loss" in the Statement of Profit and Loss.

**Measured at fair value through profit or loss (FVPL):** A financial asset not classified as either amortised cost or FVOCI, is classified as FVTPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as 'other income' in the Statement of Profit and Loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at Fair Value through Other Comprehensive Income (FVOCI) are not reported separately from other changes in fair value.

#### 4. Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115 only, the Group follows 'simplified approach' for recognition of impairment loss and always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Group has used a practical expedient as permitted under Ind AS 109 i.e. expected credit loss allowance as computed based on historical credit loss experience.

#### 5. Derecognition

A financial asset is de-recognised only when the Group

- has transferred the rights to receive cash flows from the financial asset or,
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

#### 6. Income recognition

Interest income from debt instruments is recognised using the EIR method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

### (ii) Financial liabilities:

#### 1. Initial Recognition and Measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

#### 2. Subsequent Measurement

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

#### 3. Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

### m) Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/expense.

#### Depreciation methods, estimated useful lives and residual value

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life as per technical evaluation. Estimated useful life of the assets/significant component thereof are as under:

<u>Assets class</u>	<u>Useful life in years</u>
• Buildings	10 to 30
• Plant and Equipment	10 to 25
• Electrical Installations	10
• Office Equipments and Computers	3 to 10
• Air Conditioners	5
• Furniture and Fixtures	10 to 16
• Vehicles	6 to 11

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

Amortisation of leased assets are over the Lease period.

### n) Intangible Assets and amortisation

Intangible assets with finite useful life are stated at cost of acquisition, less accumulated depreciation/ amortisation and impairment loss, if any. Cost includes taxes, duties and other incidental expenses related to acquisition and other incidental expenses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of respective intangible assets.

With regard to internally generated intangible assets:

Expenditure on research activities, undertaken with the prospect of development of new products or gaining new technical knowledge and understanding, is recognised in profit or loss as incurred.

Capital expenditure on research and development is capitalized and depreciated as per accounting policy mentioned above. Revenue expenditure is charged off in the year in which it is incurred.

<u>Assets class</u>	<u>Useful life in years</u>
• Computer software	3 to 6
• Rights of sale of products	5
• Development rights	5

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised in profit or loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

### **o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

### **p) 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 EIR 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 draw down 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.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income/expenses.

### **q) Borrowings costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### **r) Provisions and Contingencies**

Provisions are recognised when there is 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 there is a reliable estimate of the amount of the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only 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 arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### s) Employee Benefits

#### (i) Defined contribution plans

Contributions to retirement benefit plans in the form of provident fund, employee state insurance scheme and pension scheme as per regulations are charged as an expense on an accrual basis when employees have rendered the service. The Group has no further payment obligations once the contributions have been paid.

#### (ii) Defined benefit plans

The Group provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees, which is funded. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Group's liability is actuarially determined using the Projected Unit Credit method at the end of each year. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Gratuity Fund contributions are made to a trust administered by the Holding Company which has further invested in Life Insurance Corporation. The contributions made to the trust are recognised as plan assets. The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

#### (iii) Other employee benefits

Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Group's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Termination Benefits: Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

### t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Directors who are identified as the chief operating decision makers. The managing directors assess the financial performance and position of the Group, and make strategic decisions.

### u) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and



- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

**v) Rounding off**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs, or decimal thereof as per the requirement of Schedule III, unless otherwise stated.

**3 Critical estimates and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 31
- Impairment of trade receivables – Note 43
- Estimation of useful life of tangible assets – Note 4

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 4 Property, Plant and Equipment

Particulars	Gross Carrying Amount					Accumulated Depreciation/Amortisation				Net Carrying Amount
	Opening as on April 01, 2019	Additions	Deductions/ Adjustments	Loss on account of Fire	As at March 31, 2020	Opening as on April 01, 2019	For the year	Deductions/ Adjustments	Depreciation on account of Fire	As at March 31, 2020
Freehold Land	63.10	-	-	-	63.10	-	-	-	-	63.10
Leasehold Land	2,393.88	724.33	459.40	-	2,658.81	30.66	18.51	-	-	2,533.50
Building	11,057.47	5,120.33	-	-	16,177.80	429.63	-	-	-	14,533.08
Staff quarters	51.09	-	-	-	51.09	0.84	-	-	-	34.04
Leasehold building /assets	547.20	-	-	-	547.20	39.82	-	-	-	85.18
Plant and Machinery	53,915.13	20,869.80	44.05	-	74,740.88	4,838.36	9.64	-	-	49,684.60
Lease plant and machinery	67.00	-	-	-	67.00	6.95	-	-	-	13.89
Electric Installation	3,075.98	802.92	-	-	3,878.90	308.91	-	-	-	2,369.90
Air Conditioners	49.18	0.93	0.52	-	49.59	6.46	0.47	-	-	23.38
Office Equipments and Computers	684.67	476.75	4.18	-	1,157.24	88.75	3.22	-	-	673.80
Furniture and Fixtures	346.17	29.98	-	-	376.15	30.36	-	-	-	260.19
Vehicles	501.63	39.32	15.70	-	525.25	49.84	14.77	-	-	379.71
<b>Total</b>	<b>72,752.50</b>	<b>28,064.36</b>	<b>523.85</b>	<b>-</b>	<b>1,00,293.01</b>	<b>5,830.58</b>	<b>46.61</b>	<b>-</b>	<b>-</b>	<b>70,654.37</b>

Particulars	Gross Carrying Amount					Accumulated Depreciation/Amortisation				Net Carrying Amount
	Opening as on April 01, 2018	Additions	Deductions/ Adjustments	Loss on account of Fire	As at March 31, 2019	Opening as on April 01, 2018	For the year	Deductions/ Adjustments	Depreciation on account of Fire	As at March 31, 2019
Freehold Land	63.10	-	-	-	63.10	-	-	-	-	63.10
Leasehold Land	2,339.99	53.89	-	-	2,393.88	76.62	36.54	-	-	2,280.72
Building	10,887.71	1,374.78	516.33	688.69	11,057.47	1,358.54	363.35	275.36	231.44	9,842.38
Staff quarters	51.09	-	-	-	51.09	15.38	0.83	-	-	34.88
Leasehold building /assets	547.20	-	-	-	547.20	382.49	39.71	-	-	125.00
Plant and Machinery	47,765.11	9,890.69	878.31	2,862.36	53,915.13	18,785.76	3,777.95	517.20	1,818.95	33,687.57
Lease plant and machinery	163.00	-	-	96.00	67.00	95.94	7.58	-	57.36	20.84
Electric Installation	2,615.87	627.78	-	167.67	3,075.98	1,102.85	230.22	-	132.98	1,875.89
Air Conditioners	26.66	26.54	4.02	-	49.18	18.94	4.84	3.56	-	28.96
Office Equipments and Computers	569.65	208.21	4.51	88.68	684.67	431.25	36.58	0.76	69.16	286.76
Furniture and Fixtures	283.66	150.52	3.39	84.62	346.17	118.02	21.50	1.07	52.85	260.57
Vehicles	199.53	302.10	-	-	501.63	80.80	29.67	-	-	391.16
<b>Total</b>	<b>65,512.57</b>	<b>12,634.51</b>	<b>1,406.56</b>	<b>3,988.02</b>	<b>72,752.50</b>	<b>22,466.59</b>	<b>4,548.77</b>	<b>797.95</b>	<b>2,362.74</b>	<b>48,897.83</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**Notes:**

- (i) The Net block of tangible assets, amounting to Rs. 11,753.65 Lakhs (March 31, 2019 Rs. 10,599.94 Lakhs) are hypothecated and / or mortgaged as security for borrowings for the Holding Company.
- (ii) The Net block of Property, plant and equipments, amounting to Rs. 58,462.14 Lakhs (March 31, 2019 Rs. 37,373.58 Lakhs) are pledged as first charge security to term lending banks and second charges to working capital banks for POIL.
- (iii) Contractual obligations - Refer to note 47(b) for disclosure of contractual commitments for the acquisition of property, plant and equipment.
- (iv) Refer to note 46 - Leasehold land has been classified as Right of use asset as per Ind AS 116 for the Holding Company.
- (v) Plant and machinery includes an amount of Rs. 500.98 Lakhs (March 31, 2019 Rs. 374.01 Lakhs) that represent borrowing cost capitalized @ 8.6% (March 31, 2019 @ 8.6%) during the year for POIL.
- (vi) Gross Block includes Research and Development Assets (Building, Plant and Machinery, Furniture and Fixtures, Office Equipment and Intangible Assets) of Rs. 786.13 Lakhs (March 31, 2019 Rs. 712.54 Lakhs) and Net Block of Rs. 599.61 Lakhs (March 31, 2019 Rs. 329.67 Lakhs) for POIL. Addition for the Research and Development Assets during the year is Rs. 328.80 Lakhs (March 31, 2019 Rs. 73.59 Lakhs) for POIL.

	As at March 31, 2020	As at March 31, 2019
<b>5 Capital Work in Progress</b>		
Opening Balance	9,465.72	4,915.49
Addition during the year	22,561.34	18,063.86
Transfer during the year	28,057.22	12,912.47
Loss on account of Fire	-	601.16
Closing Balance	3,969.84	9,465.72

Capital work-in-progress mainly comprises of Building and Plant & Machinery.

The amount of expenditures recognised in the carrying amount of an item of Property, Plant and Equipments in the course of its construction:

	As at March 31, 2020	As at March 31, 2019
<b>Pre-operative expenses pending allocation:</b>		
Power and Fuel Consumed	223.34	199.68
Salary, Wages, Bonus, Ex-gratia and Provisions	298.16	164.49
Exchange Loss as per para 6E of Ind AS 23 - Borrowing Cost	108.73	147.03
Finance Costs	504.32	311.68
<b>Total Pre-operative expenses</b>	<b>1,134.55</b>	<b>822.88</b>
Add: Brought forward from Previous Year	291.85	184.19
Less: Capitalised / Charged during the Year	1,249.22	715.22
<b>Balance included in Capital Work-in-Progress</b>	<b>177.18</b>	<b>291.85</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 6 Intangible Assets

Particulars	Gross Carrying Amount			Accumulated Amortisation			Net Carrying Amount		
	Opening as on April 01, 2019	Additions	Deductions/ Adjustments	As at March 31, 2020	Opening as on April 01, 2019	For the year	Deductions/ Adjustments	As at March 31, 2020	As at March 31, 2020
Computers and Software	476.42	12.34	-	488.76	427.95	10.78	-	438.73	50.03
Rights of sale of products	1,021.70	35.45	-	1,057.15	343.41	162.15	-	505.56	551.59
Development rights	331.44	-	-	331.44	201.47	22.89	-	224.36	107.08
<b>Total intangible assets</b>	<b>1,829.56</b>	<b>47.79</b>	-	<b>1,877.35</b>	<b>972.83</b>	<b>195.82</b>	-	<b>1,168.65</b>	<b>708.70</b>
Intangible assets under development	76.66	7.70	-	84.36	63.89	-	-	63.89	20.47
<b>Total</b>	<b>1,906.22</b>	<b>55.49</b>	-	<b>1,961.71</b>	<b>1,036.72</b>	<b>195.82</b>	-	<b>1,232.54</b>	<b>729.17</b>

Particulars	Gross Carrying Amount			Accumulated Amortisation			Net Carrying Amount		
	Opening as on April 01, 2018	Additions	Deductions/ Adjustments	As at March 31, 2019	Opening as on April 01, 2018	For the year	Deductions/ Adjustments	As at March 31, 2019	As at March 31, 2018
Computers and Software	450.97	25.45	-	476.42	416.83	11.12	-	427.95	48.47
Rights of sale of products	591.79	429.91	-	1,021.70	230.18	113.23	-	343.41	678.29
Development rights	237.71	93.73	-	331.44	189.19	12.28	-	201.47	129.97
<b>Total intangible assets</b>	<b>1,280.47</b>	<b>549.09</b>	-	<b>1,829.56</b>	<b>836.20</b>	<b>136.63</b>	-	<b>972.83</b>	<b>856.73</b>
Intangible assets under development	284.03	25.28	232.65	76.66	63.89	-	-	63.89	12.77
<b>Total</b>	<b>1,564.50</b>	<b>574.37</b>	<b>232.65</b>	<b>1,906.22</b>	<b>900.09</b>	<b>136.63</b>	-	<b>1,036.72</b>	<b>869.50</b>

**Notes:** (i) Intangible assets under development capitalized during the year Rs. Nil (March 31, 2019 Rs. 93.73 Lakhs) and Rs. Nil (March 31, 2019 Rs. 138.92 Lakhs) has been written off during the year for POIL.

### 7 Right of use assets

Particulars	Gross Carrying Amount			Accumulated Amortisation			Net Carrying Amount		
	Opening as on April 01, 2019	Deductions/ Adjustments	As at March 31, 2020	Opening as on April 01, 2019	Effect of transition on adoption of Ind AS 116	For the year	Deductions/ Adjustments	As at March 31, 2020	As at March 31, 2020
Land	-	-	1,172.43	-	18.51	172.07	-	190.58	981.85
Building	-	-	180.38	-	-	74.64	-	74.64	105.74
<b>Total</b>	-	-	<b>1,352.81</b>	-	<b>18.51</b>	<b>246.71</b>	-	<b>265.22</b>	<b>1,087.59</b>

**Notes:**

(i) Addition is due to transition adjustment on account of implementation of Ind AS 116 from April 01, 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>8</b> <b><u>Loans</u></b> (Unsecured, Considered Good) Security Deposits	<b>817.87</b>	807.62
	<b>817.87</b>	807.62
<b>9</b> <b><u>Other Financial Assets</u></b> Margin Money Deposit *	<b>27.69</b>	13.78
Investments in term deposits (with remaining maturity of more than twelve months) (Refer Note 16)	<b>135.14</b>	326.02
	<b>162.83</b>	339.80
* Pledged with the bank for non cash limit		
<b>10</b> <b><u>Non Current Tax Assets (Net)</u></b> Advance Income Tax and Tax deducted at source (Net of Provision)	<b>1,239.55</b>	1,216.31
	<b>1,239.55</b>	1,216.31
<b>11</b> <b><u>Other Non Current Assets</u></b> (Unsecured and Considered Good) Capital advances (Unsecured and Considered Good)	<b>1,115.84</b>	538.83
Capital advances (Unsecured and Considered Doubtful)	<b>36.15</b>	36.15
Less: Allowance for bad and doubtful advances	<b>(36.15)</b>	(36.15)
Deposits with custom authorities	<b>6.00</b>	6.00
Prepaid expenses	<b>11.36</b>	21.42
Receivable from government authorities	<b>106.09</b>	122.04
Vat/Sales Tax receivable	<b>38.13</b>	178.99
	<b>1,277.42</b>	867.28
<b>12</b> <b><u>Inventories</u></b> [Refer note 2 (j) - valued at lower of cost and net realisable value]		
Raw Materials	<b>14,594.98</b>	15,782.52
Packing Materials	<b>66.17</b>	86.10
Stores and Fuel	<b>969.26</b>	785.31
Semi-finished Goods	<b>8,303.28</b>	7,467.98
Finished Goods	<b>12,708.82</b>	12,301.81
	<b>36,642.51</b>	36,423.72
<u>The above includes Goods in transit :</u>		
Raw Materials	<b>7,332.05</b>	7,841.16
Stores and Fuel	<b>0.05</b>	2.69
Finished Goods	<b>4,100.52</b>	5,670.51
The cost of stores and spares inventories recognised as an expense includes Rs. 44.92 lakhs (March 31, 2019: Rs. 25.66 lakhs) in respect of write-downs of inventory determined based on evaluation of slow and non moving inventories.		



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>13</b>		
<b><u>Current investments</u></b>		
<b>Investments measured at Fair value through Profit and Loss:</b>		
<b>Trade (unquoted)</b>		
Investments in mutual funds		
Invesco India Overnight Fund - Regular Plan Growth	105.11	-
10,407 units and 0.026 fractions of face value of Rs. 1,000		
	<b>105.11</b>	-
<b>Aggregate amount of quoted investments</b>	-	-
<b>Market value of quoted investments</b>	-	-
<b>Aggregate amount of unquoted investments</b>	105.11	-
<b>14</b>		
<b><u>Trade Receivables</u></b>		
Trade Receivables considers good - Unsecured	26,677.96	33,069.46
Trade Receivables - credit impaired	68.44	59.92
	<b>26,746.40</b>	33,129.38
Less: Credit impairment loss	(68.44)	(59.92)
	<b>26,677.96</b>	33,069.46
Refer Note 43 (A) for credit risk related disclosures.		
<b>15</b>		
<b><u>Cash and cash equivalents</u></b>		
Balances with banks:		
- In Current Accounts	4,702.08	711.00
- In Exchange Earners' foreign currency account	747.61	92.34
- Term deposits (with original maturity of less than three months) (Refer Note 16)	3,006.00	812.36
Cash on Hand	19.20	9.50
Cheques on Hand	-	1.00
	<b>8,474.89</b>	1,626.20
There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.		
<b>16</b>		
<b><u>Bank balances other than note 15 above</u></b>		
Unpaid Dividend Accounts	17.87	16.53
Margin money deposits (with original maturity of more than three months but less than twelve months) (Refer Note below)	359.76	670.58
	<b>377.63</b>	687.11

Note : Margin money deposit amounting to Rs.225.88 lakhs (March 31, 2019: Rs 363.93 lakhs ) are pledged with banks for non cash limits and term deposit Rs.183.33 lakhs (March 31, 2019: Rs.482.99 lakhs) are pledged as cash security with banks for the loans taken by POIL and Rs. 3,091.69 lakhs (March 31, 2019 Rs. 962.04 lakhs) other deposits with no lien in case of POIL.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>17</b> <u>Loans</u>		
(Unsecured, Considered Good)		
Loans to Employees	8.91	58.01
Security Deposits	0.21	0.25
	<b>9.12</b>	58.26
<b>18</b> <u>Other Current Financial Assets</u>		
Interest Accrued but not Due	1.24	1.24
	<b>1.24</b>	1.24
<b>19</b> <u>Other Current Assets</u>		
Balances with Government Authorities	3,788.04	3,365.26
Export Incentive Receivable	53.46	91.08
Advance to vendors [Net of Allowances for doubtful advances Rs. 160.00 Lakhs (March 31, 2019: Rs. 8.42 Lakhs)]	3,060.32	3,252.18
Prepaid Expenses	1,307.13	1,519.41
Excess deposit in Gratuity Fund	2.44	-
Others	0.53	10.73
	<b>8,211.92</b>	8,238.66
<b>20</b> <u>Equity Share Capital</u>		
<b>Authorised:</b>		
50,000,000 (March 31, 2019: 50,000,000) Equity Shares of Rs. 10 each	5,000.00	5,000.00
	<b>5,000.00</b>	5,000.00
<b>Issued, Subscribed and Paid-up:</b>		
39,062,706 (March 31, 2019: 39,062,706) Equity Shares of Rs. 10 each, fully paid-up	3,906.27	3,906.27
	<b>3,906.27</b>	3,906.27
	<b>No. of Equity Shares</b>	
<b>20.1</b> <u>Movement in Equity Share Capital</u>		
Balance as at the beginning of the year	3,90,62,706	3,76,09,757
Add: Conversion of Compulsorily Convertible Preference shares to Equity Shares	-	14,52,949
Balance as at the end of the year	<b>3,90,62,706</b>	3,90,62,706

### 20.2 Rights, preferences and restrictions attached to shares

The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 20.3 Details of Shareholders holding more than 5% of the aggregate shares in the company:

	As at March 31, 2020		As at March 31, 2019	
	Nos	(%)	Nos	(%)
FIH Mauritius Investments Limited	1,90,42,828	48.75%	1,90,42,828	48.75%
Mr. Mahesh Babani	25,86,348	6.62%	32,24,718	8.26%
Banbridge Limited	24,61,914	6.30%	24,61,914	6.30%

### 20.4 Aggregate number of shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2020):

Equity Shares allotted as fully paid up Bonus Shares

During Financial Year ended March 31, 2015 - 1,254,000 Shares

### 20.5 Shares allotted as fully paid up pursuant to a scheme of arrangement without payment being received in cash (during 5 years immediately preceding March 31, 2020):

During Financial Year ended March 31, 2017 - Equity Shares at Rs. 10/- each - 12,634,353 Shares

	As at March 31, 2020	As at March 31, 2019
<b>21 Instruments entirely equity in nature</b>		
<b>Authorised:</b>		
5,000,000 (March 31, 2019: 5,000,000) Preference Shares of Rs. 10 each	500.00	500.00
	500.00	500.00
<b>Issued, Subscribed and Paid-up:</b>		
Nil (March 31, 2019: Nil) 0.0001% Compulsorily Convertible Preference Shares of Rs. 10 each	-	-
	-	-
	<b>No. of Compulsorily Convertible Preference Shares</b>	
<b>21.1 Movement in 0.0001% Compulsorily Convertible Preference Shares</b>		
Balance as at the beginning of the year	-	14,52,949
Less: Conversion to Equity Shares	-	(14,52,949)
Balance as at the end of the year	-	-

### 21.2 Rights, preferences and restrictions attached to shares

0.0001% Compulsorily Convertible Preference Shares (CCPS) : 12,634,353, 0.0001% CCPS of Rs.10 each were issued on March 14, 2017 to the erstwhile shareholders of Privi Organics Limited pursuant to the Scheme of Arrangement without payment being received in cash.

Out of above, 11,181,404, 0.0001% CCPS of Rs. 10 each were converted into 11,181,404 Equity Shares of Rs. 10 each during F.Y. 2016-17 and 1,452,949, 0.0001% CCPS of Rs. 10 each were converted into 1,452,949 Equity Shares of Rs. 10 each during F.Y. 2018-19

CCPS carry no voting rights.

Equity shares issued and allotted by the company in terms upon conversion shall rank pari passu in all respects.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 21.3 Shares allotted as fully paid up pursuant to a scheme of arrangement without payment being received in cash (during 5 years immediately preceding March 31, 2020):

During Financial Year ended March 31, 2017 - Compulsorily Convertible Preference Shares of Rs. 10/- each - 12,634,353 Shares

	As at March 31, 2020	As at March 31, 2019
<b>22 Other Equity</b>		
Retained Earnings	34,581.83	18,085.83
General reserve	35,573.76	35,573.76
	<b>70,155.59</b>	53,659.59
<b><u>General reserve</u></b>		
Balance as at the beginning of the year	35,573.76	35,573.76
Balance as at the end of the year	35,573.76	35,573.76
<b><u>Retained Earnings</u></b>		
Balance as at the beginning of the year	18,085.83	9,357.59
Profit for the year	17,632.80	9,424.37
Other Comprehensive Income	53.42	(16.02)
Impact of Ind AS 116	(12.92)	-
	<b>35,759.13</b>	18,765.94
Less : Dividend paid including Dividend distribution tax	1,177.30	680.11
Balance as at the end of the year	<b>34,581.83</b>	18,085.83

#### Nature and Purpose of Other Reserves:

**General Reserve:** As per the approved scheme of arrangement (Demerger) between the Company, Privi Organics India Limited and Privi Organics Limited during the period ended March 31, 2017, the excess of book value of assets over liabilities is treated as General Reserve.

**Retained Earnings:** The Retained earnings reflect the profit of the Group earned till date net of appropriations.

	As at March 31, 2020	As at March 31, 2019
<b>23 <u>Borrowings - Non-Current</u></b>		
Secured - at amortized cost		
Term Loan from Bank		
Term loan in Indian currency *	20,993.94	14,221.31
Term loans in foreign currency	3,116.01	3,495.67
Term Loans from financial institutions		
Vehicle loan ( hypothecated with the lender)	85.97	147.35
Unsecured:		
Deferred Sales Tax Loan	-	86.87
Loan from Department of biotechnology	9.00	132.00
	<b>24,204.92</b>	18,083.20

\* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6.42 Lakhs).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Security Details

#### Term loan in Indian currency

##### For Fairchem Speciality Limited

Term Loans from banks are secured by hypothecation by way of first and exclusive charges on all present and future stocks, book debts and collaterals security by way of Equitable mortgage of industrial property bearing Survey No. 253/P and 312 situated at village Chekhala, Sanand-Kadi Road and Hypothecation of plant and machinery installed at the factory premises.

##### For Privi Organics India Limited (POIL)

Term loan are secured by a first mortgage on the POIL's immovable properties both present and future ranking paripassu interest and a first charge by way of hypothecation of all the POIL's assets (save and except book debts and inventories) including movable machinery (save and except spares tools and accessories) both present and future subject to charges created in favour of the POIL's bankers for inventories, book debts and other specified movable assets for securing the borrowings of Working Capital.

Currency swap is taken on IDFC Rupee Currency loan of Rs. 4,000 Lakhs @ Rs. 64.42 per USD. Currency swap is taken on ICICI bank Rupee Currency loan of Rs. 4,000 Lakhs @ Rs. 68.13 per USD. The Currency swap represents derivative instruments which has been mark to market at the year end.

### Terms of Repayment and other details of Borrowings

Name of bank	Maturity Date	Terms of Repayment	Currency	Outstanding as at March 31, 2020	Outstanding as at March 31, 2019
HDFC Bank	February 2020	Repayment in 60 monthly instalments	INR	-	87.80
HDFC Bank	August 2019	Repayment in 48 monthly instalments	INR	-	50.74
HDFC Bank	December 2021	Repayment in 63 monthly instalments	INR	791.41	1,282.76
HDFC Bank	October 2020	Repayment in 39 monthly instalments	INR	48.09	225.41
HDFC Bank	January 2025	Repayment in 64 monthly instalments	INR	1,402.72	-
Bank of Baroda	March 2020	Repayment in 20 quaterly installments of Rs.41.50 lakhs Starting from June 2015	INR	41.50	207.25
ICICI Bank	June 2025	Repayment in 20 quaterly installments of Rs.200 lakhs Starting from Sept 2020	INR	3,993.41	3,991.40
IDFC Bank	December 2024	Repayment in 20 quaterly installments of Rs.200 lakhs Starting from Mar 2020	INR	3,800.00	4,000.00
HDFC Bank	January 2026	Repayment in 20 quaterly installments of Rs.280 lakhs Starting from Apr 2021	INR	5,567.37	5,559.52
HDFC Bank	March 2027	Repayment in 20 quaterly installments of Rs.370 lakhs Starting from Jun 2022	INR	7,400.00	-
Stanadard Chartered Bank	October 2019	Repayment in 14 quarterly installments of USD 392,857.14 each starting from July 2016.	USD	-	1,086.98
RBL Bank FCTL	September 2019	Repayment in 5 quarterly installments of USD 319,233.84 each, 10 quarterly installments of USD 399,042.30 each (total 15 installments) starting from March 2016.	USD	-	551.10
Ratnakar Bank - ECB	January 2026	Repayment in 24 quarterly installments of EURO 187,500.00 each starting from Apr 2020.	EUR	3,737.23	3,496.61

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

In view of the extension of time granted vide a circular of Reserve Bank of India (RBI), RBI/2019-20/186 dated March 27, 2020 for the payment of interest and principal for term loans falling due between March 1, 2020 and May 31, 2020, the Holding Company has availed the moratorium.

**Deferred Sales Tax Loan**

Package Scheme of Incentive permits POIL to accumulate the sales tax collected from its customers in respect of goods produced at Mahad factory. Sales tax collected each year is repayable in five equal yearly installments after ten years from the year of collection.

Sales Tax Deferral Loan is interest free. Current maturity of Sales Tax Deferral Loan of Rs. NIL which is disclosed under "other current liabilities" (March 31, 2019: Rs. 53.45 Lakhs).

**Loan from Department of biotechnology**

This is towards Grant-in-aid and loan received from the Department of Biotechnology, Ministry of Science & Technology under Small Business Innovation Research Initiative (SBIRI) scheme for "Enzyme Catalyzed Manufacture of esters". The aid is received in the form of loan Rs. 18.72 Lakhs for funding the man-power costs in relation to the research and development project. The loan is repayable to the Government in ten equal yearly instalments starting from March 2011. The another two Grant-in-aid and loans are received by Privi Biotechnologies Private limited (One of the 100 % Subsidiary of POIL) from Biotechnology Industry Research Assistance Council (for the project entitled Pilot Scale Transition Facility For the Value added chemicals From Biomass) amounting to Rs. 117 Lakhs which was repayable in ten half yearly equal installment starting from Sep 2017, however balance disbursement of Loan was not done by the Council and upon request of the repayment of the earlier disbursed amount of Loan of Rs. 117 Lakhs the entire Loan was repaid during the year, and from Indo-German Science and Technology Center (for the project on design of selective nanoporous membrane bioreactor for efficient production of bio-butanol from lignocellulosic sugars.) amounting Rs. 30 Lakhs which is repayable in ten equal half yearly installment starting from March 2018, however one of the installment of the said Loan of Rs. 3 Lakhs which was due in March-2020 could not be paid on account of enforced nationwide lockdown due to global pandemic Covid-19, and the same has been paid subsequent to the year end in June 2020.

	As at March 31, 2020	As at March 31, 2019
<b>24</b>		
<b><u>Non-Current Provisions</u></b>		
Provision for Employee Benefits [Refer Note 31 (a)]		
Provision for gratuity	953.72	741.76
Provision for compensated absences	452.16	307.42
	<b>1,405.88</b>	1,049.18
<b>25</b>		
<b><u>Borrowings - Current</u></b>		
Secured:		
Working Capital Loans from Bank	6,905.09	5,556.82
Packing credit in Foreign Currency	8,895.01	3,266.20
Working capital demand loan	12,897.82	16,175.14
Buyers credit	1,278.31	3,048.42
Bank Overdraft	-	1.26
	<b>29,976.23</b>	28,047.84



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Security Details

#### Fairchem Speciality Limited

Working Capital Loan and Packing credit in Foreign Currency from banks are secured by hypothecation by way of First and exclusive charges on all present and future stocks, book debts and collaterals security by way of Equitable mortgage of industrial property bearing Survey No. 253/P and 312 situated at village Chekhala, Sanand-Kadi Road and Hypothecation of plant and machinery installed at the factory premises.

Packing credit from bank are due for repayment within 120 days (March 31, 2019: 90 days)

#### Privi Organics India Limited (POIL)

The loans are secured by first pari passu charge on all current assets of the POIL both present and future.

Working capital loans from banks are secured by way of hypothecation of inventories both on hand and in transit and book debts and other receivables both present and future and also secured by way of second charge on fixed assets.

Working capital loans carry interest rate @ 8.5% to 9.5% and are payable on demand.

Post shipment and packing credit from bank carry interest rate @ 1.50% to 4.08% and are due for payment within 180 days.

Buyers credit carry interest rate @ Libor+0.60% to Libor+ 4% and due for payment within 180 days.

	As at March 31, 2020	As at March 31, 2019
<b>26 Trade Payables</b>		
(a) Total outstanding dues of micro enterprises and small enterprises*	41.29	57.74
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises (includes payable to Related Parties Rs. 2.25 Lakhs (March 31, 2019: Rs. 60.38 Lakhs)	15,571.81	21,397.83
	<b>15,613.10</b>	<b>21,455.57</b>
<b>* Total outstanding dues of Micro, Small and Medium Enterprises</b> (including dues of Creditors for capital goods)		
a) Principal Amount due to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and remaining unpaid as at the year end.	74.60	62.64
b) Interest due to suppliers registered under MSMED Act and remaining unpaid as at the year end.	-	0.19
c) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	72.27	266.62
d) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	0.32	1.31
e) The amount of interest accrued and remaining unpaid at the end of each accounting year	2.73	2.41
f) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	2.41	0.91

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>27 Other Financial Liabilities</b>		
Current maturities of long term debt (Refer Note 23)		
Secured - at amortized cost		
Term Loan from Bank		
Term loan in Indian currency	2,038.23	1,177.15
Term loans in foreign currency	621.22	1,639.02
Term Loans from financial institutions		
Vehicle loan ( hypothecated with the lender)	75.93	63.65
Unsecured:		
Deferred Sales Tax Loan	-	53.45
Loan from Department of biotechnology	9.00	12.24
Interest accrued but not due on borrowings	142.54	166.97
Unclaimed dividend#	17.87	16.53
Creditors for capital goods *	4,772.47	3,691.07
Employee benefit payable	1,081.54	1,271.77
Deposits	0.25	0.25
Derivative instruments	1,615.18	568.25
Book overdraft	-	30.85
Lease liability	79.63	-
Others	126.92	1,524.18
	<b>10,580.78</b>	<b>10,215.38</b>

\* Including dues to Micro and Small Enterprises for Rs. 36.04 Lakhs (March 31, 2019 : Rs. 7.31 Lakhs) - Refer Note 26.

# There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Act as at the year end.

	As at March 31, 2020	As at March 31, 2019
<b>Net Debt Reconciliation</b>		
Cash and cash equivalents	8,474.89	1,626.20
Current borrowings	(29,976.23)	(28,047.84)
Non-current borrowing (includes current maturity of long term borrowings)	(26,949.30)	(21,028.71)
	<b>(48,450.64)</b>	<b>(47,450.35)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Cash and Cash equivalents	Non-current Borrowings	Current Borrowings	Total
<b>Net Debt as of April 01, 2018</b>	<b>1,212.40</b>	<b>(11,433.74)</b>	<b>(21,521.28)</b>	<b>(31,742.62)</b>
Cash flow (Net)	413.80	(9,491.97)	(6,676.38)	(15,754.55)
Foreign exchange gain or loss	-	(37.10)	149.82	112.72
Impact of effective interest rate	-	(65.90)	-	(65.90)
Interest expense	-	578.14	2,145.21	2,723.35
Interest accrued but not due	-	4.90	0.84	5.74
Interest paid	-	(583.04)	(2,146.05)	(2,729.09)
<b>Net Debt as of March 31, 2019</b>	<b>1,626.20</b>	<b>(21,028.71)</b>	<b>(28,047.84)</b>	<b>(47,450.35)</b>
Cash flow (Net)	6,848.69	(6,104.13)	(2,028.07)	(1,283.51)
Foreign exchange gain or loss	-	193.64	99.68	293.32
Impact of effective interest rate	-	(10.10)	-	(10.10)
Interest expense	-	1,057.67	2,803.74	3,861.41
Interest accrued but not due	-	(2.13)	0.21	(1.92)
Interest paid	-	(1,055.54)	(2,803.95)	(3,859.49)
<b>Net Debt as of March 31, 2020</b>	<b>8,474.89</b>	<b>(26,949.30)</b>	<b>(29,976.23)</b>	<b>(48,450.64)</b>

	As at March 31, 2020	As at March 31, 2019
<b>28 Other current liabilities</b>		
Advances from customers (Refer Note 50)	180.30	254.59
Statutory liabilities	283.83	326.54
Provision for stamp duty on account of demerger	29.90	29.90
Other liabilities	0.16	1.05
	<b>494.19</b>	<b>612.08</b>
<b>29 Current Provisions</b>		
Provision for employee benefits [Refer Note 31 (a)]		
Provision for gratuity	62.81	73.64
Provision for compensated absences	72.32	73.92
Other provision		
Provision for wealth tax	0.20	0.20
Provision for fringe benefit tax (net of advance fringe benefit tax)	-	4.03
	<b>135.33</b>	<b>151.79</b>
<b>30 Current Tax Liabilities (Net)</b>		
Income tax provision net of Advance Tax	840.95	2,520.56
	<b>840.95</b>	<b>2,520.56</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**31 (a) Provision for Employee Benefits**

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Compensated absences	72.32	452.16	73.92	307.42
Gratuity	62.81	953.72	73.64	741.76
<b>Total Provision for Employee Benefits</b>	<b>135.13</b>	<b>1,405.88</b>	147.56	1,049.18

**(b) Long term employee benefit obligations****Compensated absences**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

	As at March 31, 2020	As at March 31, 2019
Current leave obligations expected to be settled within the next 12 months	72.32	73.92

**(c) Post employment obligations****Defined benefit plans****Gratuity**

Holding Company:

The company provides for gratuity for employees as per the Payment of Gratuity Act, 1972 and as per Company policy. The amount of gratuity payable on retirement/termination is the employee's last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan. The scheme is funded with Adi Finechem Limited Employees Group Gratuity Assurance Scheme which in-turn, has taken Group Gratuity Scheme of the Life Insurance Corporation of India in the form of a qualifying insurance policy.

POIL:

The Company operates one post-employment defined benefit plan which is unfunded that provides gratuity. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement employees completing longer service periods, the Company's scheme is more favourable as compared to the obligation under Payment of Gratuity Act, 1972.

**Defined contribution plans**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and ESI which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to statement of profit and loss as they accrue.

The expense recognised during the period towards defined contribution plan are :

	Year ended on March 31, 2020	Year ended on March 31, 2019
Employer's Contribution to Provident Fund	336.32	288.91
Employer's Contribution to Employees' State Insurance	11.75	13.51
Employer's Contribution to Employees' Pension Scheme 1995	24.93	20.83
	<b>373.00</b>	323.25



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Balance sheet amount (Gratuity)

	Holding Company			POIL
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation
<b>As at March 31, 2018</b>	173.38	(173.05)	0.33	627.56
Current service cost	21.16	-	21.16	69.81
Interest expense/(income)	11.74	(12.52)	(0.78)	47.44
<b>Total amount recognised in statement of profit and loss</b>	<b>32.90</b>	<b>(12.52)</b>	<b>20.38</b>	<b>117.25</b>
<i>Remeasurements</i>				
Return on plan assets, excluding amount included in interest expense/(income)	-	0.53	0.53	-
(Gain)/loss from change in demographic assumptions	2.70	-	2.70	-
(Gain)/loss from change in financial assumptions	2.32	-	2.32	6.08
Experience (gains)/losses	23.97	-	23.97	54.61
<b>Total amount recognised in other comprehensive income</b>	<b>28.99</b>	<b>0.53</b>	<b>29.52</b>	<b>60.69</b>
Employer contributions	-	(24.82)	(24.82)	-
Benefit payments	(2.04)	2.04	-	(15.51)
<b>As at March 31, 2019</b>	<b>233.23</b>	<b>(207.82)</b>	<b>25.41</b>	<b>789.99</b>

	Holding Company			POIL
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation
<b>As at March 31, 2019</b>	233.23	(207.82)	25.41	789.99
Current service cost	26.12	-	26.12	85.77
Past Service Cost	-	-	-	-
Interest expense/(income)	15.44	(14.51)	0.93	59.01
<b>Total amount recognised in statement of profit and loss</b>	<b>41.56</b>	<b>(14.51)</b>	<b>27.05</b>	<b>144.78</b>
<i>Remeasurements</i>				
Return on plan assets, excluding amount included in interest expense/(income)	-	0.11	0.11	-
(Gain)/loss from change in demographic assumptions	0.02	-	0.02	(4.81)
(Gain)/loss from change in financial assumptions	17.79	-	17.79	53.42
Experience (gains)/losses	(5.02)	-	(5.02)	43.72
<b>Total amount recognised in other comprehensive income</b>	<b>12.79</b>	<b>0.11</b>	<b>12.90</b>	<b>92.33</b>
Employer contributions	-	(67.80)	(67.80)	-
Benefit payments	(13.33)	13.33	-	(10.57)
<b>As at March 31, 2020</b>	<b>274.25</b>	<b>(276.69)</b>	<b>(2.44)</b>	<b>1,016.53</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

The net liability disclosed above relating to funded and unfunded plans are as follows:

	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets	(276.69)	(207.82)
Present value of funded obligations	274.25	233.23
Present value of unfunded obligations	1,016.53	789.99
<b>Deficit of gratuity plan</b>	<b>1,014.09</b>	<b>815.40</b>

Categories of plan assets are as follows:

	As at March 31, 2020	As at March 31, 2019
Insurer managed funds	(276.69)	(207.82)
<b>Total</b>	<b>(276.69)</b>	<b>(207.82)</b>

### **Significant estimates: Actuarial assumptions and sensitivity**

The significant actuarial assumptions for the Holding Company were as follows:

	As at March 31, 2020	As at March 31, 2019
Discount Rate	6.85%	7.50%
Salary growth Rate	0% for F.Y. 2020-21; 12% for F.Y. 2021-22; 10% for F.Y. 2022-23; 8% thereafter	10% p.a. for next 3 years & 8% p.a. thereafter
Withdrawal Rate	2% at all ages	2% at all ages

The significant actuarial assumptions for POIL were as follows:

	As at March 31, 2020	As at March 31, 2019
Discount Rate	6.84%	7.47%
Salary growth Rate	8.25%	8.25%
Attrition Rate	For service 2 years and below : 20% For service 3 to 4 Years : 10% For service 5 Years and above: 5%	For age 30 and below : 12% For age 31 to 40 years : 8% For age 41 to 50 years : 5% For age 51 and above : 1%
Mortality Tables	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for the Holding Company is:

	Change in assumptions		Impact on defined benefit obligation			
			Increase in assumptions		Decrease in assumptions	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Discount Rate	0.50%	0.50%	(13.86)	(11.20)	15.15	12.24
Salary growth Rate	0.50%	0.50%	14.87	12.07	(13.19)	(11.15)
Withdrawal Rate	10.00%	10.00%	(0.47)	(0.12)	0.47	0.12

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for POIL is:

	Change in assumptions		Impact on defined benefit obligation			
			Increase in assumptions		Decrease in assumptions	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Discount Rate	1.00%	1.00%	(82.62)	(63.51)	95.64	73.06
Salary growth Rate	1.00%	1.00%	93.37	71.09	(82.33)	(62.97)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period, as calculated by Actuary.

Experience adjustment for last four\* years for POIL

	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Defined benefit obligation	1,016.53	789.99	627.56	522.23
Plan assets	-	-	-	-
Surplus/(deficit)	(1,016.53)	(789.99)	(627.56)	(522.23)
Experience adjustment on plan liabilities	43.72	54.61	23.63	31.42
Experience adjustment on plan assets	-	-	-	-

(\* ) POIL has been in existence for four years only.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**Risk exposure:**

- i Investment Risk: For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.
- ii Liquidity Risk: Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign / retire from the company, there can be strain on the cash flows.
- iii Market Risk: Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in Defined Benefit Obligation of the plan benefits & vice versa. This assumption depends on the yields on the corporate / government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.
- iv Legislative Risk: Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation / regulation.

The government may amend the Payment of Gratuity Act thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the Defined Benefit Obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

**Defined benefit liability and employer contributions**

Expected contributions to post-employment benefit plans for the year ending March 31, 2021 are INR 29.27 lakhs (March 31, 2020: INR 25.41 lakhs) for the Holding Company.

The weighted average duration of the defined benefit obligation is 11 years (March 31, 2019 – 10 years) for the Holding Company and 10 years (March 31, 2019 - 10 years) for POIL. The expected maturity analysis of undiscounted gratuity is as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
<b>As at March 31, 2020</b>					
Defined benefit obligation (gratuity)	112.37	64.58	248.42	1,978.72	2,404.09
<b>As at March 31, 2019</b>					
Defined benefit obligation (gratuity)	103.05	50.46	189.84	1,641.46	1,984.79



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>32 Revenue from Operations</b>		
Sale of finished goods (Refer Note 50)	1,61,135.45	1,32,531.79
Sale of traded goods	-	15.53
Other operating revenues		
- Scrap sales	25.41	37.34
- Export incentives	1,899.70	1,519.47
	<b>1,63,060.56</b>	<b>1,34,104.13</b>
<b>33 Other Income</b>		
Net Gain on Foreign Currency Transactions and Translation	2,006.50	400.09
Interest income from financial assets measured at amortised cost		
- Deposits	80.08	71.78
- Others	9.47	6.85
Compensation received	11.67	-
Credit Impairment Loss Reversal on Receivables	7.06	-
Miscellaneous income	547.09	49.20
Gain on write-back of Financial liabilities measured at amortised cost	7.78	42.16
Profit on sale of investments (net)	0.03	-
Fair value changes in investments measured at FVTPL	0.08	-
	<b>2,669.76</b>	<b>570.08</b>
<b>34 Cost of materials consumed</b>		
<b>Raw Materials :</b>		
Inventory at the beginning of the period	15,782.52	9,689.10
Add: Purchases	99,067.12	97,982.21
	<b>1,14,849.64</b>	<b>1,07,671.31</b>
Less: Inventory lost by fire	-	830.17
Less: Inventory at the end of the period	14,594.98	15,782.52
	<b>1,00,254.66</b>	<b>91,058.62</b>
<b>Packing Materials :</b>		
Inventory at the beginning of the period	86.10	67.91
Add: Purchases	1,476.63	1,456.48
	<b>1,562.73</b>	<b>1,524.39</b>
Less: Inventory lost by fire	-	28.57
Less: Inventory at the end of the period	66.17	86.10
	<b>1,496.56</b>	<b>1,409.72</b>
	<b>1,01,751.22</b>	<b>92,468.34</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>35 <u>Changes in inventory of finished goods and work-in-progress</u></b>		
<b>Opening Stock</b>		
Finished Goods	12,301.81	5,727.65
Semi Finished Goods	7,467.98	6,971.01
	19,769.79	12,698.66
<b>Closing Stock</b>		
Finished Goods	12,708.82	12,301.81
Semi Finished Goods	8,303.28	7,467.98
	21,012.10	19,769.79
Stock lost by fire	-	2,724.03
<b>(Increase) / Decrease in inventory of finished goods and work-in-progress</b>	<b>(1,242.31)</b>	<b>(9,795.16)</b>
<b>36 <u>Employee benefit expenses</u></b>		
Salaries, wages and bonus	7,069.91	6,220.36
Contribution to Provident Fund and other funds	373.38	323.64
Gratuity	171.83	137.63
Staff welfare expenses	438.47	445.41
	8,053.59	7,127.04
<b>37 <u>Finance Costs</u></b>		
Interest on Long Term Borrowings	1,558.65	911.23
Less: Interest capitalized	(500.98)	(333.09)
Net Interest on Long Term Borrowings	1,057.67	578.14
Interest and other borrowing cost	2,803.74	2,145.21
Interest cost right of use asset	70.72	-
Interest on Income Tax	136.68	178.11
	4,068.81	2,901.46



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>38 Other Expenses</b>		
Consumption of Stores and Spares	1,477.97	1,319.01
Power and Fuel	8,023.05	7,058.47
Job work charges	2,748.61	2,901.69
Laboratory expenses	43.07	12.24
Research & Development Expenses	708.81	660.86
Rent, rates and taxes	216.05	261.10
Insurance	1,970.78	641.97
Repairs and maintenance :		
- Machinery	958.94	749.62
- Buildings	402.16	499.45
- Others	159.90	218.08
Contract labour charges	944.62	703.24
Travelling and conveyance	776.14	623.40
Telephone and advertisement expense	95.44	81.95
Directors' sitting fees	13.00	12.50
Remuneration to Auditors for:		
Statutory Audit and Limited Reviews (including paid to other auditors Rs. 0.75 lakhs (March 31, 2019 - Rs. 0.50 Lakhs)	92.10	76.50
Others	6.40	1.84
Out of pocket expenses	2.85	1.91
Commission on sales	162.22	166.06
Selling and distribution	1,120.72	507.58
Freight and forwarding	3,169.99	2,573.93
Legal and professional fees	1,710.83	1,124.23
Vehicle expenses	21.90	26.18
Loss on assets sold / discarded (Net)	31.28	41.48
Loss on tangible assets written off	-	552.53
Loss on intangible assets written off	-	138.92
Share Issue expenses	-	3.34
Doubtful debts written off	-	6.00
Allowance for doubtful advances	160.00	8.42
Credit Impairment Loss on Receivables	15.58	37.06
Training expenses	24.32	14.02
Corporate Social Responsibility expenditure (Refer Note 39)	118.82	122.30
Net Loss on Foreign Currency Transactions and Translation	-	2.26
Solid waste disposal charges	210.17	177.42
Pollution control expenses	225.87	183.31
Sundry balances w/off	29.53	25.38
Miscellaneous expenses	1,787.85	1,486.60
	<b>27,428.97</b>	<b>23,020.85</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 39 Expenditure towards Corporate Social Responsibility (CSR) activities

- (a) Gross amount required to be spent by the Company during the year:  
Rs. 172.73 lakhs (March 31, 2019 : Rs. 105.52 Lakhs)
- (b) Amount spent during the year :

	In Cash	Yet to be paid in Cash	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	<b>118.80</b> (122.30)	<b>0.02</b> -	<b>118.82</b> (122.30)

(Figures in bracket pertains to Previous year)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>40 Earnings per Share (EPS)</b>		
<b>Basic</b>		
Net Profit available to Equity Shareholders	<b>17,632.80</b>	9,424.37
Weighted Average Number of Equity Shares	<b>3,90,62,706</b>	3,90,62,706
Basic EPS (Rs.)	<b>45.14</b>	24.13
<b>Diluted</b>		
Net Profit available to Equity Shareholders	<b>17,632.80</b>	9,424.37
Weighted Average Number of Equity Shares	<b>3,90,62,706</b>	3,90,62,706
Diluted EPS (Rs.)	<b>45.14</b>	24.13
<b>41 Taxation</b>		
<b><u>41 a) - Income tax expense</u></b>		
<b><u>Current tax</u></b>		
Current tax on profits for the year	<b>5,831.16</b>	5,029.49
Adjustments for current tax of prior periods	<b>(10.04)</b>	16.13
<b>Total current tax expense</b>	<b>5,821.12</b>	5,045.62
<b><u>Deferred tax</u></b>		
(Decrease)/increase in deferred tax liabilities	<b>(210.62)</b>	589.16
Decrease/(increase) in deferred tax assets	<b>(116.74)</b>	96.83
Deferred tax on Other Comprehensive Income	<b>(26.59)</b>	(29.81)
<b>Total deferred tax expense/(benefit)</b>	<b>(353.95)</b>	656.18
<b>Income tax expense</b>	<b>5,467.17</b>	5,701.80



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	Year ended on March 31, 2020	Year ended on March 31, 2019
<b>41 b) Reconciliation of tax expense and accounting profit multiplied by statutory tax rates</b>		
<b>Profit for the year</b>	<b>23,126.56</b>	15,155.98
Statutory tax rate (Refer notes below)		
<b>Tax expense at applicable tax rate</b>	<b>5,978.21</b>	5,263.27
Impact of Ind AS 116	<b>11.95</b>	-
MAT credit entitlement	-	250.73
Section 35(2AB) deduction	-	(110.09)
Amount Exempt from tax	<b>(157.30)</b>	(109.20)
Amount not allowable under tax	<b>169.46</b>	411.21
Adjustments for current tax of prior periods	<b>4.11</b>	-
Effect of change in Income tax rate on Deferred tax (Refer note below)	<b>(694.48)</b>	-
Reversal of DTA	<b>15.29</b>	-
Foreign tax impact	<b>10.81</b>	(21.99)
Others	<b>129.12</b>	17.87
<b>Income tax expense</b>	<b>5,467.17</b>	5,701.80

The Holding Company has elected to exercise the option under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 from the current financial year. Accordingly, the provision for income tax and deferred tax balances have been recorded / remeasured using the new tax rate of 25.17%.

POIL has chosen to exercise the option of lower tax rate of 25.17% (inclusive of surcharge and cess) under section 115BAA of the Income tax act, 1961 as introduced by the Taxation laws (Amendment) Ordinance 2019. The impact of this change has been recognised in tax expenses for the year ended March 31, 2020 at the estimated annual effective tax rate.

### 41 c) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	As at March 31, 2020	As at March 31, 2019
<b><u>Deferred tax liabilities:</u></b>		
On Property, Plant and Equipments	<b>3,413.52</b>	3,625.38
Others	<b>3.11</b>	1.87
<b>Total deferred tax liabilities</b>	<b>3,416.63</b>	3,627.25
<b><u>Deferred tax assets:</u></b>		
On Defined Benefit Obligations	<b>402.30</b>	435.66
Others	<b>507.98</b>	324.34
<b>Total deferred tax assets</b>	<b>910.28</b>	760.00
<b>Net deferred tax liabilities</b>	<b>2,506.35</b>	2,867.25

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**Movement in deferred tax balances**

Particulars	As at April 01, 2018	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	Charged/ (credited) to equity	As at March 31, 2019
<b><u>Deferred tax liabilities:</u></b>					
On Property, Plant and Equipments	3,035.69	589.69	-	-	3,625.38
Others	2.40	(0.53)	-	-	1.87
<b>Total deferred tax liabilities</b>	<b>3,038.09</b>	<b>589.16</b>	<b>-</b>	<b>-</b>	<b>3,627.25</b>
<b><u>Deferred tax assets:</u></b>					
On Defined Benefit Obligations	470.02	(64.17)	29.81	-	435.66
MAT Credit	250.73	(250.73)	-	-	-
Others	106.27	218.07	-	-	324.34
<b>Total deferred tax assets</b>	<b>827.02</b>	<b>(96.83)</b>	<b>29.81</b>	<b>-</b>	<b>760.00</b>
<b>Net deferred tax liabilities</b>	<b>2,211.07</b>	<b>685.99</b>	<b>(29.81)</b>	<b>-</b>	<b>2,867.25</b>

Particulars	As at April 01, 2019	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	Charged/ (credited) to equity	As at March 31, 2020
<b><u>Deferred tax liabilities:</u></b>					
On Property, Plant and Equipments	3,625.38	(211.86)	-	-	3,413.52
Others	1.87	1.24	-	-	3.10
<b>Total deferred tax liabilities</b>	<b>3,627.25</b>	<b>(210.62)</b>	<b>-</b>	<b>-</b>	<b>3,416.63</b>
<b><u>Deferred tax assets:</u></b>					
On Defined Benefit Obligations	435.66	(59.95)	26.59	-	402.30
Others	324.34	176.69	-	6.95	507.99
<b>Total deferred tax assets</b>	<b>760.00</b>	<b>116.74</b>	<b>26.59</b>	<b>6.95</b>	<b>910.28</b>
<b>Net deferred tax liabilities</b>	<b>2,867.25</b>	<b>(327.36)</b>	<b>(26.59)</b>	<b>(6.95)</b>	<b>2,506.35</b>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### **Fair value hierarchy**

All financial instruments have been measured at amortised cost. For all financial instruments referred above which have been measured at amortised cost, their carrying values are reasonable approximations of their fair values. The fair value of financial instruments as referred to in note above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). All financial instruments referred above have been classified as Level 3.

The categories used are as follows :

**Level 1 :** Level 1 hierarchy includes financial instruments measured using quoted prices.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Considering that all significant inputs required to fair value such instruments are observable, these are included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### **Valuation technique used to determine fair value**

The fair value of the financial instruments is determined using discounted cash flow analysis.

### **Valuation processes**

The finance department of the Group include teams that perform the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. These teams report directly to the Chief Financial Officers (CFOs’).

### **Fair value of financial assets/liabilities measured at fair value**

The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The models incorporate various inputs including the credit quality of counter-parties and foreign exchange forward rates.

The fair values of investments in mutual fund units is based on the net asset value (‘NAV’) as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.

### **Fair value of financial assets/liabilities measured at amortised cost**

The carrying amounts of trade receivables, cash and cash equivalents, other bank balances, investments, margin money deposits, loans to employees, security deposits, trade payables, capital creditors, interest accrued but not due on borrowings, unclaimed dividends, employee benefit payable and other deposits are considered to be as their fair values, due to their current nature.

The fair values of borrowings have been calculated based on cash flows discounted using a current lending rate. They are classified as level 3 in the hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For Level 3 financial instruments, the fair value has been based on present values and the discount rates used, are adjusted for counterparty or own risk.

## **43 Financial risk management**

The Group’s business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Group’s management has overall responsibility for the establishment and oversight of the Group’s risk management framework. The key risks and mitigating actions are also placed before the Board of directors of the Companies. The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and to control and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

The Risk Management framework of the Group is supported by the Finance team and experts of respective business divisions that provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The activities are designed to:

- protect the Group's financial results and position from financial risks
- maintain market risks within acceptable parameters, while optimising returns; and
- protect the Group's financial investments, while maximising returns.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

### (A) Management of Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party fails to meet its contractual obligations.

#### Cash and cash equivalents & bank balances

The Group is also exposed to credit risk on cash and cash equivalents and bank balances other than cash and cash equivalents. These balances (other than cash on hand) are with high credit rating banks which are governed by Reserve Bank of India. The Group believes its credit risk in such bank balances is immaterial.

#### Security deposits and other receivables

With respect to other financial assets namely security and other deposits and other receivables, the maximum exposure to credit risk is the carrying amount of these classes of financial assets presented in the balance sheet.

#### Trade receivables

The Group measures the expected credit loss of trade receivables from customers based on historical trend, industry practices and the business environment in which the entity operates. Loss rates are based on actual credit loss experience and past trends which is very negligible.

	Carrying amount	
	As at March 31, 2020	As at March 31, 2019
Neither past due nor impaired	20,194.64	27,160.01
Past due 0-90 days	5,209.17	5,467.25
Past due 90-180 days	701.39	162.31
Past due 180-270 days	55.77	223.64
Past due 270-360 days	0.02	27.95
More than 360 days	585.41	88.21

#### Movement in impairment provision

	Amount
<b>As at April 01, 2018</b>	<b>22.86</b>
Impairment loss recognised	37.06
<b>Balance as at March 31, 2019</b>	<b>59.92</b>
Impairment loss recognised	15.58
Impairment loss reversed	(7.06)
<b>Balance as at March 31, 2020</b>	<b>68.44</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**(B) Management of Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group Management maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. Material and sustained shortfall in cash flow could undermine the group's credit rating and impair investor confidence.

The Group maintained a cautious funding strategy, with a positive cash generation from operating activities for the year ended March 31, 2020 and March 31, 2019.

**Maturities of financial liabilities**

The following table shows the maturity analysis of the group's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance sheet date:

<b>Contractual maturities of financial liabilities As at March 31, 2020</b>	<b>Notes</b>	<b>Carrying amount</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Derivatives -forward contracts and Interest Rate Swap	<b>27</b>	1,615.18	1,615.18	-	1,615.18
Borrowings *	<b>23, 25, 27</b>	56,925.53	32,720.61	24,204.92	56,925.53
Trade payables	<b>26</b>	15,613.10	15,613.10	-	15,613.10
Interest accrued but not due on borrowings	<b>27</b>	142.54	142.54	-	142.54
Unclaimed dividends	<b>27</b>	17.87	17.87	-	17.87
Creditors for Capital Goods	<b>27</b>	4,772.47	4,772.47	-	4,772.47
Employee benefit payable	<b>27</b>	1,081.54	1,081.54	-	1,081.54
Lease liability	<b>46</b>	619.43	-	619.43	619.43
Other Financial Liabilities	<b>27</b>	206.80	206.80	-	206.80
<b>Total liabilities</b>		<b>80,994.46</b>	<b>56,170.11</b>	<b>24,824.35</b>	<b>80,994.46</b>

<b>Contractual maturities of financial liabilities As at March 31, 2019</b>	<b>Notes</b>	<b>Carrying amount</b>	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Derivatives -forward contracts and Interest Rate Swap	<b>27</b>	568.25	568.25	-	568.25
Borrowings *	<b>23, 25, 27</b>	49,076.55	30,993.35	18,083.20	49,076.55
Trade payables	<b>26</b>	21,455.57	21,455.57	-	21,455.57
Interest accrued but not due on borrowings	<b>27</b>	166.97	166.97	-	166.97
Unclaimed dividends	<b>27</b>	16.53	16.53	-	16.53
Creditors for Capital Goods	<b>27</b>	3,691.07	3,691.07	-	3,691.07
Employee benefit payable	<b>27</b>	1,271.77	1,271.77	-	1,271.77
Lease liability	<b>46</b>	-	-	-	-
Other Financial Liabilities	<b>27</b>	1,555.28	1,555.28	-	1,555.28
<b>Total liabilities</b>		<b>77,801.99</b>	<b>59,718.79</b>	<b>18,083.20</b>	<b>77,801.99</b>

\* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6.42 Lakhs).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### (C) Management of Market Risk

Market risk comprises of foreign currency risk and interest rate risk. Foreign currency risk arises from transactions that are undertaken in a currency other than the functional currency of the Group. Further, the financial performance and financial position of the Group is exposed to foreign currency risk that arises on outstanding receivable and payable balances at a reporting year end date. Interest rate risk arises from variable rate borrowings that expose the Group's financial performance, financial position and cash flows to the movement in market rates of interest.

#### Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$ and EURO. The Group imports capital goods and raw materials and exports finished goods. The Group also pays interest, legal and professional fees and travelling and conveyance in foreign currency.

#### **Foreign currency exposure**

	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
	USD in Lakhs	USD in Lakhs	EURO in Lakhs	EURO in Lakhs
<b>Financial Assets</b>				
Cash and cash equivalents	10.64	1.33	0.42	-
Trade Receivables	185.80	222.76	10.35	22.64
<b>Exposure to foreign currency assets</b>	<b>196.44</b>	<b>224.09</b>	<b>10.77</b>	<b>22.64</b>
<b>Financial Liabilities</b>				
Borrowings	-	23.70	45.00	45.00
Buyers Credit	17.06	43.95	-	-
Packing credit	76.86	47.22	-	-
Working capital demand Loan	-	36.03	-	-
Trade payables and other financial liabilities	128.65	170.26	0.54	0.84
Other Current financial liabilities				
- Derivative Instruments Interest rate swap	19.95	6.77	1.34	1.29
<b>Exposure to foreign currency liabilities</b>	<b>242.52</b>	<b>327.93</b>	<b>46.88</b>	<b>47.13</b>

In case of POIL, Currency exposure for borrowings is exclusive of currency swap taken on IDFC loan of Rs. 4,000 Lakhs @ Rs. 64.42 per USD and currency swap taken on ICICI bank of Rs. 4,000 Lakhs @ Rs. 68.13 per USD classified as Indian currency loan.

#### **Sensitivity - Foreign Currency**

The sensitivity of profit or loss to changes in the exchange rates is as follows:

	Impact on profit before tax	
	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>USD Sensitivity</b>		
INR/USD increase by 5%*	(173.69)	(359.16)
INR/USD increase by 5%*	173.69	359.16
<b>EURO Sensitivity</b>		
INR/EURO increase by 5%*	(149.95)	(95.15)
INR/EURO decrease by 5%*	149.95	95.15

\* Holding all other variables constant

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**Interest rate risk**

The Group is mainly exposed to interest rate risk due to its floating interest rate borrowings. The interest rate risk arises due to uncertainties about the future market interest rate of these borrowings. The Group mitigates the interest rate risk for borrowing in functional currency, which is linked with MCLR, by negotiating and fixing the rate at the time of renewal of bank facility which remains effective for one year from the date of renewal. In case of borrowing in foreign currency, which is linked with USD Libor rate, the Group mitigates the risk by fixing the margin at the time of renewal of bank facility which remains effective for one year from the date of renewal.

The Group has various non current and current borrowings whose facilities are on a variable interest rate basis. Refer below table for interest rate exposure.

**Interest Rate Exposure**

The exposure of Group's borrowings to interest rate changes at the end of the reporting period are as follows:

	As at March 31, 2020	As at March 31, 2019
Fixed-rate instruments	50,198.77	42,344.35
Variable Rate Borrowings	6,708.76	6,447.64

**Sensitivity - Interest Rate**

The sensitivity of profit or loss to higher/(lower) interest expense from borrowings as a result of change in borrowing rates is as follows:

	Impact on profit before tax	
	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest Rates - increase by 0.5%*	(33.54)	(32.24)
Interest Rates - decrease by 0.5%*	33.54	32.24

\* Holding all other variables constant

**44 Capital management****(a) Risk management**

The Group considers the following components of its Balance Sheet as managed capital:

Total equity as shown in the balance sheet includes share capital, general reserve, retained earnings.

The Group aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. The capital structure of the Group is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Group considers the amount of capital in proportion to risk and manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, reduce capital or issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratios:

Net debts (Total borrowings net of cash and cash equivalents)

divided by

Total 'equity' (as shown in the Balance Sheet)

The gearing ratios were as follows:

	As at March 31, 2020	As at March 31, 2019
Net Debts *	48,450.64	47,450.35
Total Equity	74,061.86	57,565.86
Net Debt to Equity Ratio	0.65	0.82

\* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020 (March 31, 2019: Rs. 6.42 Lakhs).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

The Group's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Group will take appropriate steps in order to maintain, or if necessary adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Group's goal is to continue to be able to provide return to shareholders by continuing to distribute dividends in future periods. Refer the below note for the final dividend declared and paid.

### (b) Dividend

	Impact on profit before tax	
	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Equity shares</b>		
Final dividend for the year ended March 31, 2019 - Rs. 2.50 (March 31, 2018- Rs. 1.50) per fully paid up share	<b>976.57</b>	564.15
<b>Dividends not recognised at the end of the reporting period</b>		
In addition to the above dividends, since year end, the directors have recommended the payment of a final dividend of Rs. 1.50 per fully paid equity share (March 31, 2019 – Rs. 2.50 per fully paid up share). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	<b>585.94</b>	976.57

### 45 Related party disclosures

#### (a) Relationships

##### Promoter Group

FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)

FIH Private Investments Limited, Mauritius

(FMIL is wholly owned and controlled by Fairfax India Holdings Corporation, Canada)

##### Other Related Parties with whom transactions have taken place during the year

Fairfreight Lines Private Limited

Mahesh Purshottam Babani HUF

Moneymart Securities Private Limited

Vivira Investment and Trading Private Limited

Vivira Chemicals Private Limited

Nahoosh Tradelink LLP

Jariwala Tradelink LLP

Vivira Chemical Industries

Minar Organics Private Limited

Privi Life Science Private Limited

Babani Investment and Trading Private Limited

Satellite Technologies Private Limited

Babani Bros. LLP



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### **Key Management Personnel**

Mr. Nahoosh Jariwala	Managing Director
Mr. Mahesh Babani	Managing Director
Mr. Padmanabh R. Barpande	Independent Director
Mr. Rajesh Budhrani	Independent Director
Mr. Hemang Gandhi	Independent Director
Mr. Darius Pandole	Independent Director
Mr. Viren Joshi	Independent Director
Ms. Radhika Pereira	Independent Director
Mr. Utkarsh B. Shah	Non executive Director
Mr. Sumit Maheshwari	Non executive Director
Mr. D. B. Rao	Non executive Director
Mr. Harsha Raghavan (up to May 24, 2018)	Non executive Director

### **Relatives of Key Management Personnel**

Seema Mahesh Babani
Snehal Mahesh Babani
Jyoti Mahesh Babani
Vinaykumar Doppalapudi Rao
Vijaykumar Doppalapudi
Grace Vinaykumar
Sharon Doppalapudi
Premaleela Doppalapudi
Rajkumar Doppalapudi
Prasanna Raj
Rameshbabu Gokarneswararao Guduru

### **Post employment benefit plan**

Adi Finechem Limited Employees Group Gratuity Assurance Scheme



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

- (b) The nature and volume of transactions carried out and balances with related parties in the ordinary course of business are as follows:

### Transactions

Name of the related party and nature of the relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
<b><u>Promoter Group</u></b>		
<b>Dividend Paid</b>		
FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)	476.07	274.56
FIH Private Investments Limited, Mauritius	0.08	0.05
<b><u>Other Related Parties</u></b>		
<b>Freight Expenses</b>		
Fairfreight Lines Private Limited	1.54	3.73
<b>Dividend Paid</b>		
Mahesh Purshottam Babani HUF	44.79	25.33
Money Mart Securities Private Limited	5.17	2.92
Vivira Investment and Trading Private Limited	4.75	2.68
Vivira Chemicals Private Limited	1.99	1.13
Nahoosh Tradelink LLP	16.58	9.95
Jariwala Tradelink LLP	8.42	5.05
<b>Purchase of raw materials</b>		
Privi Life Science Pvt Ltd	24.86	10.81
<b>Sale of finished goods</b>		
Privi Life Science Pvt Ltd	21.08	14.74
<b>Purchase of Assets Machinery</b>		
Privi Life Science Pvt Ltd	-	43.47
<b>Rent, lease and hire (expense)</b>		
Minar Organics Pvt Ltd	15.00	15.00
Vivira Chemicals Pvt Ltd	12.00	12.00
Money Mart Securities Pvt Ltd	180.00	50.81
<b>Rent, lease and hire (income)</b>		
Minar Organics Pvt Ltd	0.30	0.30
Privi Life Science Pvt Ltd	12.00	12.00
Vivira Chemicals Pvt Ltd	0.30	0.30
<b><u>Key Management Personnel</u></b>		
<b>Remuneration</b>		
Mr. Nahoosh Jariwala	144.00	144.00
D.B.Rao (*)	210.00	150.00
Mahesh P Babani (*)	360.00	240.00

\*Remuneration does not include charge for gratuity and leave encashment as employee-wise break up is not available

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

<b>Name of the related party and nature of the relationship</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>Sitting Fees</b>		
Mr. Padmanabh R. Barpande	2.50	2.50
Mr. Rajesh Budhrani	2.00	2.00
Mr. Hemang Gandhi	2.50	2.00
Mr. Darius Pandole	2.00	2.50
Mr. Viren Joshi	1.50	1.50
Ms. Radhika Pereira	2.50	2.00
<b>Dividend Paid</b>		
Mr. Mahesh Babani	64.66	45.59
Mr. D. B. Rao	18.08	10.22
Mr. Utkarsh B. Shah	0.63	8.25
Mr. Rajesh Budhrani	17.66	9.96
<b><u>Relatives of Key Management Personnel</u></b>		
<b>Dividend Paid</b>		
Seema Mahesh Babani	9.75	1.31
Snehal Mahesh Babani	9.75	4.29
Jyoti Mahesh Babani	9.75	1.91
Vinaykumar Doppalapudi Rao	11.96	6.76
Vijaykumar Doppalapudi	11.38	6.43
Grace Vinaykumar	3.75	2.12
Sharon Doppalapudi	3.96	2.24
Premaleela Doppalapudi	4.43	2.50
Rajkumar Doppalapudi	11.15	6.30
Prasanna Raj	4.63	2.62
Rameshbabu Gokarneswararao Guduru	1.51	0.85
<b>Salary paid</b>		
D.Vinaykumar	21.78	19.80



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### Balances

Name of the related party and nature of the relationship	As at March 31, 2020	As at March 31, 2019
<b><u>Payable to Key Management Personnel:</u></b>		
Mr. Nahoosh Jariwala (Net of Tax Deducted at Source)	8.25	8.25
<b><u>Other Related Parties</u></b>		
<b>Trade Payables</b>		
Fairfreight Lines Private Limited	-	0.47
Privi Life Science Pvt Ltd	2.25	59.91
<b>Receivables /Other assets</b>		
Vivira Chemicals Industries	0.51	0.51
Privi Life Science Private Limited	115.35	88.45
Money Mart Securities Pvt Limited	300.00	300.00

### Terms and Conditions

- 1) Transactions with related parties are at normal commercial terms.
- 2) All outstanding balances are unsecured and payable in cash.

### 46 Ind AS 116 - Leases

#### Holding Company:

The entity has reclassified leasehold land under Property, Plant & Equipments as Right of use assets on the date of initial application of Ind AS 116 - Leases.

There are no other lease arrangements entered into by the Company. Hence, there is no impact on the transition to Ind AS 116.

#### POIL:

- (a) The Company has implemented Indian Accounting Standard for Leases ("Ind AS 116") with effect from April 1, 2019 using the modified retrospective approach, under which the cumulative effect of Initial application is recognized in retained earnings as on April 1, 2019. The effect of initial recognition as per Ind AS 116 is as follows:

	As on April 01, 2019
Lease liabilities	913.28
Right of Use (ROU) asset	893.41
Deferred tax assets	6.95
<b>Net Impact on Retained Earnings</b>	<b>12.92</b>

- (b) The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to contracts reassessed as lease contracts under Ind AS 116, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

	<b>Amount</b>
Lease commitments as at March 31, 2019	913.28
Add: Impact of assessment of opening lease commitments under Ind AS 116	-
<b>Lease liabilities as on April 01, 2019</b>	<b>913.28</b>
 (c) Impact of adoption of Ind AS 116 for the year ended March 31, 2020 is as follows:	
	<b>For the year ended March 31, 2020</b>
Decrease in Other expenses by	(290.97)
Increase in Depreciation by (excludes depreciation on reclassified assets)	240.25
Increase in Finance cost by	76.75
<b>Net Impact on Profit/Loss</b>	<b>26.03</b>
 (d) Lease Expenses recognized in Profit and Loss statement not included in the measurement of lease liabilities:	
	<b>For the year ended March 31, 2020</b>
Variable lease payments	
Expenses relating to short-term leases	19.98
Expenses relating to leases of low-value assets, excluding short-term leases of low value	
 (e) Maturity analysis of lease liabilities– contractual undiscounted cash flows:	
	<b>For the year ended March 31, 2020</b>
Less than one year	79.63
One to five years	619.43
More than five years	-
<b>Total undiscounted lease liabilities at March 31, 2020</b>	<b>699.06</b>
<b>Discounted Lease liabilities included in the statement of financial position at March 31, 2020</b>	<b>699.06</b>
Current lease liabilities	79.63
Non-Current lease liabilities	619.43
 (f) The Weighted average incremental borrowing rate of 9.40% p.a. for borrowings has been applied for measuring the lease liabilities at the date of initial application.	
 (g) The total cash outflow for leases for year ended March 31, 2020 is Rs. 220.25 Lakhs.	
 (h) Income from sub leasing of Right of use assets is Rs. NIL.	



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 47 Contingent Liabilities and commitments

#### (a) Contingent liabilities

	As at March 31, 2020	As at March 31, 2019
Claims against the Group not acknowledged as debt	15.00	15.00
Disputed excise and service tax liability	25.97	80.66
Disputed Value added tax and Central Sales Tax liability	12.93	12.93
Income Tax authorities	1,518.55	1,518.55
Disputed Custom Duty liability*	15.52	15.52
<b>Total</b>	<b>1,587.97</b>	<b>1,642.66</b>

\*Demand of Rs. 15.52 Lakhs (out of which Rs. 6.00 Lakhs paid) raised by Customs, Excise and Service Tax Appellate Tribunal West Zonal Bench, Mumbai for clearance of imported goods under DEPB scheme. (Contravention of the provisions of Section 111 (o) of the Customs Act, 1962)

The Group is contesting the demands and the management believes that its position is likely to be upheld in the appellate process. It is not practicable to estimate the timing of cash outflows, if any in respect of legal matters, pending resolution of the proceedings with the appellate authorities.

The Group has evaluated the impact of Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. Based on such evaluation, management has concluded that effect of the aforesaid judgement on the Group is not material and accordingly, no provision has been made in the financial statements.

#### (b) Commitments

	As at March 31, 2020	As at March 31, 2019
<b>Capital Commitments</b>		
Estimated value of contracts in capital account remaining to be executed	6,026.15	3,879.96
<b>Other Commitments</b>		
Bank Guarantee	4,813.00	3,804.42
LC's issued in favour of suppliers, but the material not dispatched	1,486.14	26.96
<b>Total</b>	<b>12,325.29</b>	<b>7,711.34</b>

### 48 Events occurring after reporting period

The Group evaluated subsequent events through June 23, 2020, the date the financial statements were available for issuance, and determined that there were no additional material subsequent events requiring disclosure.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**49 Segment reporting**

During current financial year, in line with the changes in the structure for reporting financial information to the entity's chief operating decision maker (CODM) and Scheme of Arrangement (refer note 53 below) the Company and its subsidiaries has changed its Segment disclosures in the consolidated financial statements as per Ind AS 108 "Operating Segments", from previously reported segment being speciality chemicals to revised segments being (i) Oleo Chemicals and Intermediate Neutraceuticals and (ii) Aroma chemicals. The Group's chief operating decision makers (CODM) consists of Managing Directors.

The Segment Revenue, Segment Results, total carrying amount of Segment Assets, total carrying amount of Segment Liabilities, total cost incurred to acquire segment assets, the total amount charged for depreciation and amortisation during the year are all as reflected in the consolidated financial statements for the year ended March 31, 2020 and as on that date.

Oleo Chemicals and Intermediate Neutraceuticals includes business of Fairchem Speciality Limited and Fairchem Organics Limited and Aroma chemicals business includes business of Privi Organics India Limited and its subsidiaries.

CODM primarily uses a measure of Earnings before Interest and Tax (EBIT) (See below) to assess the performance of the operating segments. However, CODM also receives information about the segment's revenue and assets on quarterly basis.

Adjusted EBIT excludes the effect of significant item of income and expenditure which may have impact on the quality of earnings such as exceptional item for insurance recovery.

Other income and finance cost are not allocated to segment.

	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Segment Revenue</b>		
Oleo Chemicals and Intermediate Neutraceuticals	30,649.26	24,987.09
Aroma Chemical	1,32,411.30	1,09,117.04
Less: Inter Segment Revenue	-	-
<b>Total Segment Revenue</b>	<b>1,63,060.56</b>	1,34,104.13
<b>Segment Results (EBIT)</b>		
Oleo Chemicals and Intermediate Neutraceuticals	4,487.31	3,060.34
Aroma Chemical	16,038.30	13,472.24
<b>EBIT (Excluding other income)</b>	<b>20,525.61</b>	16,532.58
<b>Reconciliation of EBIT to Profit Before Tax</b>		
EBIT (Excluding other income)	20,525.61	16,532.58
Less: Finance Cost	(4,068.81)	(2,901.46)
Add/ (Less) Exceptional Item	4,000.00	904.78
Unallocable Income / Expenses	2,669.76	620.08
<b>Profit Before Tax</b>	<b>23,126.56</b>	15,155.98

Segment Assets are measured in the same way as in the financial statements. These are allocated based on the operation of the segment and the physical location of the asset.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
<b>Segment Assets</b>		
Oleo Chemicals and Intermediate Neutraceuticals	21,990.95	18,712.51
Aroma Chemical	1,37,208.52	1,22,639.89
Unallocable	1,239.55	1,216.31
<b>Total Assets</b>	<b>1,60,439.02</b>	<b>1,42,568.71</b>
Segment Liabilities are measured in the same way as in the financial statements. These are allocated based on the operation of the segment.		
<b>Segment Liabilities</b>		
Oleo Chemicals and Intermediate Neutraceuticals	7,952.93	7,232.14
Aroma Chemical	75,076.93	72,382.90
Unallocable	3,347.30	5,387.81
<b>Total Liabilities</b>	<b>86,377.16</b>	<b>85,002.85</b>

### Disaggregation of Revenue\*

The Group derives revenue from transfer of goods and services at a point in time in the following major product line and geographical areas.

	Total segment Revenue	Revenue from external customer
<b>As at March 31, 2020</b>		
<b>Oleo Chemicals and Intermediate Neutraceuticals</b>		
In India *	29,564.62	29,564.62
Outside India	1,084.64	1,084.64
<b>Total</b>	<b>30,649.26</b>	<b>30,649.26</b>
<b>Aroma Chemical</b>		
In India *	33,840.05	33,840.05
Outside India #	98,571.25	98,571.25
<b>Total</b>	<b>1,32,411.30</b>	<b>1,32,411.30</b>
<b>Total Revenue</b>	<b>1,63,060.56</b>	<b>1,63,060.56</b>
<b>As at March 31, 2019</b>		
<b>Oleo Chemicals and Intermediate Neutraceuticals</b>		
In India *	22,389.24	22,389.24
Outside India	2,597.85	2,597.85
<b>Total</b>	<b>24,987.09</b>	<b>24,987.09</b>
<b>Aroma Chemical</b>		
In India *	35,393.74	35,393.74
Outside India #	73,723.30	73,723.30
<b>Total</b>	<b>1,09,117.04</b>	<b>1,09,117.04</b>
<b>Total Revenue</b>	<b>1,34,104.13</b>	<b>1,34,104.13</b>

\* The above amount is inclusive of other operating revenue.

# Includes deemed exports of Rs. 3,491.81 lakhs for the year (March 31, 2019 : Rs. 2,086.24 lakhs).

All the non-current assets of Company are located within India.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in Rs. Lakhs, unless otherwise stated)

**50 Ind AS 115 – Revenue from Contracts with Customers**

The Group has adopted Ind-AS 115 “Revenue from Contracts with Customers” which is effective from April 1, 2018. The Group has opted for modified retrospective approach and accordingly, reviewed its existing customer contracts in this regard.

Management has used judgement in respect of matters such as identification of performance obligations; allocation of consideration to identified performance obligations and recognition of revenue over a period of time or at a point in time based on timing when control is transferred to customer.

The adoption of this standard does not have any material impact to the Consolidated financial statements of the Group.

(A) The Group is primarily in the Business of manufacture and sale of Speciality Oleo Chemicals and Aroma Chemicals. All sales are made at a point in time and revenue recognised upon satisfaction of the performance obligations which is typically upon dispatch or delivery. The Group has a credit evaluation policy based on which the credit limits for the trade receivables are established, the Group does not give significant credit period resulting in no significant financing component.

(B) Reconciliation of revenue recognised from Contract liability:

	As at March 31, 2020	As at March 31, 2019
Opening Contract liability	254.59	112.93
Less: Recognised as revenue during the year	(2,354.29)	(2,030.48)
Add: Addition to contract liability during the year	2,280.00	2,172.97
Add: Other Adjustments	-	(0.83)
Closing Contract liability	180.30	254.59

(C) Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from contract with customer as per Contract price	1,61,396.23	1,34,093.89
Less: Discounts and incentives	(227.64)	(1,359.46)
Less:- Sales Returns /Credits / Reversals	(33.14)	(187.11)
Revenue from contract with customer as per statement of profit and loss	1,61,135.45	1,32,547.32

Disaggregation of Revenue from contract with customers

	For the year ended March 31, 2020	For the year ended March 31, 2019
India	64,971.37	58,312.41
Middle East	8,762.59	9,664.20
North America	28,672.25	23,414.73
Europe(excluding UK)	28,503.52	20,500.49
Asia (Excluding India)	16,547.26	10,315.97
United Kingdom	6,360.97	3,573.61
South America	4,012.01	3,492.91
Africa	3,234.87	3,220.07
Austrila and New Zealand	70.61	52.93
	1,61,135.45	1,32,547.31



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 51 Impact of Covid 19 on Holding Company

The COVID-19 pandemic has disrupted many business operations globally due to lockdown and other directives imposed by the governments. The sole manufacturing plant of the Company closed its operations from March 25, 2020. The Company has resumed production with effect from May 21, 2020 and is expected to achieve normal business operations from June, 2020. The Company has evaluated the impact of this pandemic on its business operations, liquidity and financial position and based on management's assessment of current indicators and economic conditions there is no material impact on its financial statements as at March 31, 2020. However, the impact assessment of COVID-19 is a continuing process and the Company will continue to monitor any material changes to future economic conditions.

### 52 Impact of Covid 19 on Privi Organics India Limited (POIL)

Government of India announced a Nationwide Lockdown due to Covid-19 Global Pandemic due to which POIL shutdown few of its plants at Mahad & Jhagadia factories (except those involved in manufacture of chemicals used in essential goods) from 24th March 2020 which continued till 7th April 2020. Although sales were partially affected during the period of shutdown, however, impact is not significant. POIL does not foresee significant impact on net realizable value of its current assets. The production and sales is not currently impacted due to supply chain issues. However, given the uncertainty due to Covid 19, POIL would continue to monitor any material changes to future economic conditions and the consequential impact on the financial statements.

### 53 Scheme of Arrangement and Amalgamation

The Board of Directors of the Company, in its meeting held on 22nd May, 2019, had approved a Composite Scheme of arrangement and amalgamation ('the Scheme') amongst Fairchem Speciality Limited (FSL), Fairchem Organics Limited (FOL) and Privi Organics India Limited (POIL), two wholly owned subsidiaries of the Company and their respective shareholders for Demerger of FSL's undertaking carrying on speciality oleo chemicals and nutraceuticals business and vesting the same into FOL and Amalgamation of POIL, manufacturers of aroma chemicals, into and with FSL, under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013. The Company has obtained approval of the said scheme from the stock exchanges. Pursuant to the directions of National Company Law Tribunal (NCLT), Mumbai Bench vide its Order dated January 22, 2020, the Company obtained the requisite approval of the Shareholders of the Company by convening and holding (physical) meeting of the equity shareholders of the Company on Tuesday, February 25, 2020.

The Company has filed petition for approval of the Scheme with NCLT through electronic mode (e-filing) on May 31, 2020 which was admitted by NCLT on June 12, 2020 and the final hearing is scheduled on June 30, 2020.

### 54 Transfer Pricing

Transactions with related parties are governed by transfer pricing regulations of the Indian Income-tax Act, 1961. POIL's international and domestic transactions with related parties are at arm's length as per the independent accountants report for the year ended March 31, 2019. Management believes that POIL's international and domestic transactions with related parties post March 2019 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

### 55 Insurance recoveries towards loss by fire

On April 26, 2018 a major fire broke out at POIL's Unit 2 Plant located at MIDC Mahad. There has been loss to assets comprising of Inventories, Buildings, Plant and Machinery and other Fixed Assets etc. which were adequately insured including coverage towards loss of profit and replacement cost of fixed assets.

POIL received Rs. 4,000 Lakhs during the year from the Insurance Company which has been disclosed as an exceptional item. The final settlement is still pending with the Insurance company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)

### 56 Interests in other entities

#### Subsidiary companies

The Group's subsidiaries at March 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal activities	Place of business or country of incorporation	Ownership interest	
			As at March 31, 2020	As at March 31, 2019
Privi Organics India Limited	Chemicals	India	100%	100%
Fairchem Organics Limited	Chemicals	India	100%	100%
Privi Biotechnologies Private Ltd.*	Chemicals	India	100%	100%
Privi Organics USA Corporation*	Chemicals	USA	100%	100%

\*The ownership of the entities is of Privi Organics India Limited.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Rs. Lakhs, unless otherwise stated)  
The share of subsidiaries in the consolidated net assets and consolidated profit or loss is as follows:

Name of the Company	Share in Net assets		Share in Profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount (in Lakhs)	As a % of consolidated net profit	Amount (in Lakhs)	As a % of consolidated other comprehensive income	Amount (in Lakhs)	As a % of consolidated total comprehensive income	Amount (in Lakhs)
<b>Parent</b>								
<b>Fairchem Speciality Limited</b>								
March 31, 2020	17.36%	12,858.08	20.73%	3,654.97	-18.06%	(9.65)	20.61%	3,645.32
March 31, 2019	17.83%	10,261.59	22.83%	2,151.76	130.58%	(20.92)	22.65%	2,130.84
<b>Subsidiaries</b>								
<b>Indian subsidiaries</b>								
<b>Privi Organics India Limited</b>								
March 31, 2020	81.40%	60,284.53	81.68%	14,401.69	-129.15%	(68.99)	81.04%	14,332.70
March 31, 2019	81.16%	46,718.21	80.35%	7,572.92	246.38%	(39.48)	80.07%	7,533.44
<b>Fairchem Organics Limited</b>								
March 31, 2020	0.00%	0.89	0.00%	(0.11)	0.00%	-	0.00%	(0.11)
<b>Privi Biotechnologies Private Limited*</b>								
March 31, 2020	5.27%	3,903.51	-0.70%	(123.20)	0.00%	-	-0.70%	(123.20)
March 31, 2019	5.53%	3,180.73	-1.81%	(170.24)	0.00%	-	-1.81%	(170.24)
<b>Foreign subsidiaries</b>								
<b>Privi Organics USA Corporation*</b>								
March 31, 2020	2.21%	1,638.72	0.68%	120.12	247.21%	132.06	1.43%	252.18
March 31, 2019	2.41%	1,386.54	5.86%	551.82	-276.96%	44.38	6.34%	596.20
<b>Total</b>								
<b>Less: Adjustments arising out of consolidation</b>								
March 31, 2020	-6.24%	(4,623.87)	-2.39%	(420.67)	0.00%	-	-2.38%	(420.67)
March 31, 2019	-6.92%	(3,981.21)	-7.24%	(681.89)	0.00%	-	-7.25%	(681.89)
<b>Total</b>								
March 31, 2020	100.00%	74,061.86	100.00%	17,632.80	100.00%	53.42	100.00%	17,686.22
March 31, 2019	100.00%	57,565.86	100.00%	9,424.37	100.00%	(16.02)	100.00%	9,408.35

\*Investments held through POIL



The accompanying notes are an integral part of the consolidated financial statements.

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009

**Arunkumar Ramdas**

Partner

Membership No. 112433

Place: Mumbai

Date: June 23, 2020

**For and on behalf of the Board**

**Nahoosh Jariwala**

Managing Director

DIN: 00012412

Place: Ahmedabad

Date: June 23, 2020

**Mahesh Babani**

Managing Director

DIN: 00051162

Place: Mumbai

Date: June 23, 2020

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: June 23, 2020



## FORM AOC - 1

[Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of the Companies (Accounts) Rules, 2014]  
Statement containing the salient features of the financial statements of Subsidiary

### Part "A" - SUBSIDIARIES

Sr. No.	Name of the Subsidiary	Report- ing year ended	Report- ing Cur- rency	Ex- change Rate	Rs. in Lakhs										% of share- holding
					Share Capital	Reserves and Surplus	Total Assets	Total Liabilities	Invest- ment other than invest- ment in subsid- iary	Turnover & Other Income from Opera- tions	Profit / (Loss) before Taxation	Provi- sion for Taxation	Profit / (Loss) after taxation	Pro- posed Dividend	
1	Privi Organics India Limited	31-Mar-20	INR	1.00	61,203.89	1,38,368.44	77,163.55	-	1,32,411.30	19,263.29	4,660.35	14,602.94	390.00	100%	
2	Fairchem Organics Limited*	31-Mar-20	INR	1.00	(0.11)	0.99	0.10	-	-	(0.11)	-	(0.11)	-	100%	

\* Fairchem Organics Limited is yet to commence the operations.

#### For and on behalf of the Board,

**Nahoosh Jariwala**  
Managing Director  
DIN: 00012412

Place : Ahmedabad  
Date : June 23, 2020

**Mahesh Babani**  
Managing Director  
DIN: 00051162

Place : Mumbai  
Date : June 23, 2020

**Rajen Jhaveri**  
Chief Financial Officer and Company Secretary

Place : Ahmedabad  
Date : June 23, 2020



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## **PRIVI SPECIALITY CHEMICALS LIMITED**

(Formerly known as Fairchem Speciality Limited)

CIN: L15140MH1985PLC286828

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