



# FAIRCHEM ORGANICS LIMITED

Works & Office : 253/P & 312, Village Chekhala, Sanand - Kadi Highway,

Taluka : SANAND, Dist.: Ahmedabad 382 115, INDIA.

Phone (Board Nos.) : (02717) 687900, 687901, +91 90163 24095

E-mail : cs@fairchem.in

CIN : U24200MH2019PLC323176

Website : www.fairchem.in

Date: August 10, 2021

To,

**National Stock Exchange of India Ltd.**

Exchange Plaza,

Plot no. C/1, G Block, Bandra-kurla Complex

Bandra (E)

Mumbai – 400 051.

To,

**Department of Corporate Services,**

**BSE Limited.**

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai - 400 001.

**Ref: : BSE Code: 543252 and NSE Symbol: 'FAIRCHEMOR'**

Dear Sirs,

**Sub: Submission of 2<sup>nd</sup> Annual Report for the F.Y. 2020-2021**

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the Annual Report of the Company for the financial year 2020-21 alongwith the Notice convening the Annual General Meeting scheduled to be held on Thursday, September 02, 2021 at 3:00 p.m. through Video Conference ("VC")/ Other Audio Visual Means ("OAVM").

The above is being sent to the Shareholders simultaneously on their registered e-mail address Notice of AGM and Annual report is also available on the website of the Company at [www.fairchem.in](http://www.fairchem.in)

Thanking you,

Yours faithfully,

For Fairchem Organics Limited,

Rajen Jhaveri

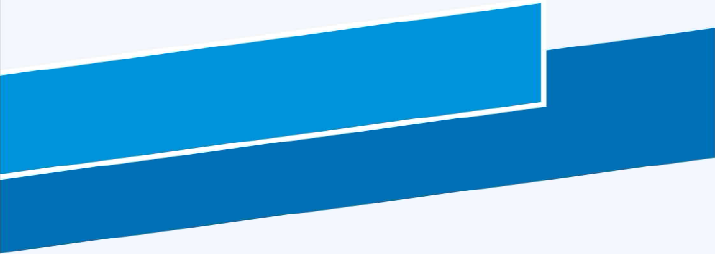
Chief Financial Officer & Company Secretary

Encl.: as above



**FAIRCHEM**

A FAIRFAX COMPANY



**2<sup>nd</sup> Annual Report  
2020-21**

**FAIRCHEM ORGANICS LIMITED**

## 2nd Annual Report

|                            |                            |  |
|----------------------------|----------------------------|--|
| <b>Board of Directors:</b> | Mr. Utkarsh B. Shah        | Chairman - Promoter Non-Executive Director<br>(Appointed w.e.f. August 26, 2020) |
|                            | Mr. Nahoosh Jariwala       | Managing Director  |
|                            | Mr. Sumit Maheshwari       | Director (Appointed w.e.f. August 26, 2020)                                      |
|                            | Mr. Venkatraman Srinivasan | Independent Director (Appointed w.e.f. August 26, 2020)                          |
|                            | Mr. Darius Pandole         | Independent Director (Appointed w.e.f. August 26, 2020)                          |
|                            | Ms. Sonal Ambani           | Independent Director (Appointed w.e.f. August 26, 2020)                          |
|                            | Mr. Rajen Jhaveri          | Director (up to August 26, 2020)   |
|                            | Mr. Kaushik Bhatt          | Director (up to August 26, 2020)   |

**Chief Financial Officer & Company Secretary:** Mr. Rajen Jhaveri (w.e.f August 13, 2020)

**Auditors :** **M/s. B S R & Co. LLP,**  
Chartered Accountants, Ahmedabad.

**Bankers :** HDFC Bank Limited

**Registered Office :** Plot No. A-71, TTC, Thane Belapur Road,  
Near Kopar Khairane Railway Station, Navi Mumbai - 400 709.

**E-Mail Id :** [cs@fairchem.in](mailto:cs@fairchem.in)

**Works & Office :** 253/P & 312, Village Chekhala, Sanand-Kadi Highway,  
Taluka Sanand, District Ahmedabad - 382115, Gujarat, India.  
Phone : 02717-687900/687901

**CIN :** U24200MH2019PLC323176

**Website :** [www.fairchem.in](http://www.fairchem.in)

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## NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the Members of **FAIRCHEM ORGANICS LIMITED** will be held through video conferencing (VC) /other Audio visual means (OAVM) on Thursday, **September 02, 2021 at 03.00 p.m.** to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended on March 31, 2021 along with the Directors' Report and Auditors' Report thereon.
2. To declare Final Dividend of Rs. 3.50 (35%) per Equity Share for the financial year ended March 31, 2021.
3. To re-appoint Shri Utkarsh Shah (DIN 00101663), who retires by rotation and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESS:

#### 4. To change Registered office of the Company

To consider and if thought fit, to pass, with or without modification, following Resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 13 read with Section 12 and other applicable provisions, if any, of the Companies Act, 2013, subject to the confirmation of Regional Director, or any other Government Authority, consent of members of the company is hereby accorded to shift the registered office of the Company from the State of Maharashtra to the State of Gujarat.

**RESOLVED FURTHER THAT** the existing Clause II of the Memorandum of Association of the company be substituted as follows:

"The Registered Office of the Company will be situated in the State of Gujarat"

**RESOLVED FURTHER THAT** Shri Nahoosh Jariwala, Managing Director and/ or Mr. Rajen Jhaveri, Chief Financial Officer and Company Secretary of the Company be and are hereby individually authorized to do all such acts, things, deeds and matters as may be necessary to give effect to the above resolution.

**RESOLVED FURTHER THAT**, Shri Nahoosh Jariwala, Managing Director and/ or Mr. Rajen Jhaveri, Chief Financial Officer and Company Secretary of the Company be and are hereby individually authorized to make an application to Central Government (Office of Regional Director) and to send notice to Registrar of Companies and/ or any other regulatory authority if any, to creditors of the Company and to do such acts, deeds, things as may be necessary under the Company law and / or under SEBI Regulations to give effect to this Resolution."

#### 5. To Increase borrowing power 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 the provisions of Section 180 (1)(c) and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications, or re-enactments thereof) and pursuant to the provisions of the Articles of Association of the Company, approval of the shareholders of the Company be and is hereby accorded to the Board of Directors to borrow for and on behalf of the Company, from time to time, any sum of money, from any one or more of the Company's bankers and/ or from any one or more other banks, persons, firms, companies/body corporates, financial institutions, institutional investor(s) and/ or any other entity/entities or authority/authorities, whether in India or abroad, and whether by way of cash credit, advance, deposits, loans, or bill discounting, issue of debentures, commercial papers, long or short term loan(s), syndicated loans, either in rupees and/ or such other foreign currencies as may be permitted by law from time to time, and/ or any other instruments/securities or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets, licenses and properties (whether movable or immovable, present or future) and all or any of the undertaking of the Company, stock-in-process or debts, for the purpose of the Company's



business, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company, if any, (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed, at any time, the aggregate of the Paid-up Capital of the Company and its Free Reserves, that is to say, reserves which are not set apart for any specific purposes, provided that the total amount up to which the monies may be borrowed by the Board of Directors and outstanding at any time shall not exceed Rs. 400.00 Crores (Rupees Four Hundred Crores Only).

**RESOLVED FURTHER THAT** the Board of Directors of the Company and/or any person authorized by the Board from time to time in this regard be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, securities or otherwise as they may think fit.

**RESOLVED FURTHER THAT** Board of Directors of the Company and/or any person authorized by the Board from time to time be and is hereby empowered and authorised to take such steps as may be necessary for obtaining approvals, statutory or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution."

6. **To take consent of shareholders 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 the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with the Companies (Meetings of Board and its Powers) Rules, 2014 including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, consent of the Members 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 any Committee of the Board) for creation of charge / mortgage / pledge / hypothecation / security in addition to existing charge / mortgage / pledge / hypothecation / security, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the moveable and / or immovable properties, tangible or intangible assets of the Company, both present and future and / or the whole or any part of the undertaking(s) of the Company, as the case may be in favour of the Lender(s), Agent(s) and Trustee(s), for securing the borrowings availed / to be availed by the Company by way of loan(s) (in foreign currency and / or rupee currency) and securities (comprising fully / partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and / or secured premium notes and / or floating rate notes / bonds or other debt instruments), issued / to be issued by the Company including deferred sales tax loans availed / to be availed by various Units of the Company, from time to time, subject to the limits approved under Section 180(1)(c) of the Act together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, remuneration of the Agent(s) / Trustee(s), premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation / revaluation / fluctuation in the rates of exchange and all other monies payable by the Company in terms of the Loan Agreement(s), Debenture Trust Deed(s) or any other document, entered into / to be entered into between the Company and the Lender(s) / Agent(s) / Trustee(s) / State Government(s) / Agency(ies) representing various state government and/or other agencies etc. in respect of the said loans / borrowings / debentures / securities / deferred sales tax loans and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board and the Lender(s) / Agent(s) / Trustee(s) / State Government(s) / Agency(ies), etc.

**RESOLVED FURTHER THAT** the securities to be created by the Company as aforesaid may rank prior / pari passu / subservient with / to the mortgages and /or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board and as may be agreed to between the concerned parties.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised to finalise, settle and execute such documents / deeds / writings / papers / agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages / charges as aforesaid."

7. To ratify remuneration of Cost Auditors for the Financial year ending March 31, 2022.

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

"**RESOLVED THAT** pursuant to the provisions of Sections 148 and any other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications or re-enactments thereof, for the time being in force), the remuneration payable to M/s. Rajendra Patel and Associates, Cost Accountants, Ahmedabad, (Firm Registration Number: 101163) appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of cost records of the company for the financial year ending 31st March, 2022 amounting to Rs. 70,000 (Rupees Seventy Thousands) plus applicable tax be and is hereby ratified and confirmed.

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

**Registered Office:**

Plot No. A- 71, TTC, Thane Belapur Road,  
Near Kopar Khairne,  
Navi Mumbai-400709, Maharashtra  
CIN: U24200MH2019PLC323176

**By Order of the Board**  
**For FAIRCHEM ORGANICS LIMITED**

**Place :** Village Chekhala,  
Sanand-Kadi Highway, Taluka Sanand,  
District Ahmedabad - 382115

**Date :** June 07, 2021

**Rajen Jhaveri**  
**Chief Financial Officer &**  
**Company Secretary**  
**ACS No.: 6615**

**NOTES :**

- In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("**MCA**") vide its Circular Nos.14/2020, 17/2020, 20/2020 and 22/2020 dated 08 April, 2020, 13 April, 2020, 05 May, 2020 and June 15, 2020 respectively and General Circular No.02/2021 dated 13 January, 2021 (collectively referred to as "**MCA Circulars**") and Securities and Exchange Board of India ("**SEBI**") vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12 May, 2020 and circular dated 15 January, 2021 ("**SEBI Circular**") permitted the holding of Annual General Meeting through Video Conference ("**VC**")/Other Audio Visual Means ("**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 ("**the Act**"), the Annual General Meeting of the Members of the Company is being held through VC/OAVM, which does not require physical presence of members at a common venue. The deemed venue for this AGM shall be the Registered Office of the Company.
- Since this AGM is being held pursuant to the MCA/SEBI 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.

3. Institutional/Corporate Shareholders (i.e. other than individuals/HUF, NRI, etc) are required to send a certified true scanned copy (PDF/JPEG Format) of its Board Resolution or governing body Resolution/Authorisation etc., authorising 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 [cs@fairchem.in](mailto:cs@fairchem.in). Institutional investors are encouraged to attend and vote at the meeting through VC.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names as per the Register of Members of the Company will be entitled to vote.
5. Registration of email ID:

In case the shareholder's email ID is already registered with the Company/its Registrar & Share Transfer Agent "RTA"/ Depositories, 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, the following instructions to be followed:

- (i) Kindly log in to the website of our RTA, Link Intime India Private Limited ("LI IPL"), [www.linkintime.co.in](http://www.linkintime.co.in) under Investor Services > Email/ Registration-fill in the details and upload the required documents and submit.

OR

- (ii) In the case of Shares held in Demat mode:

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

6. The Notice of the Annual General Meeting along with the Annual Report for the period ended on March 31, 2021 is being sent only by electronic mode to those Members whose email addresses are registered with the Company/ Depositories/ RTA in accordance with the aforesaid MCA Circulars and circular issued by SEBI dated January 13, 2021. Members may note that the Notice of 2nd Annual General Meeting and Annual Report for the period ended on March 31, 2021 will also be available on the Company's website at [www.fairchem.in](http://www.fairchem.in) and on the website of CDSL at [www.evotingindia.com](http://www.evotingindia.com). Members are requested to download the Annual Report and Notice of the AGM from the website of the Company and the Exchanges. Members can attend and participate in the Annual General Meeting through VC/OAVM facility only.
7. Members attending the meeting through VC/OAVM shall be counted for the purposes of reckoning the quorum under Section 103 of the Act.

#### 8. **VOTING THROUGH ELECTRONIC MEANS**

- In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 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, the Company is pleased to provide the members with the facility to exercise their right to vote at the 2nd Annual General Meeting by electronic means and the business may be transacted electronically through the facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") as provided by LI IPL.
- The facility for electronic voting system shall also be made available at the 2nd Annual General Meeting. The Members who have not cast their votes through remote e-voting shall be able to exercise their voting rights at the AGM. The Members who have already cast their votes through remote e-voting may attend the meeting but shall not be entitled to cast their vote again at the AGM.

#### 9. **Instructions for Members to attend the Annual General Meeting through Insta Meet (VC/OAVM) are as under:**

- a) Members are entitled to attend the Annual General Meeting through VC/OAVM platform "Insta Meet" provided by the Registrar and Transfer Agent, LI IPL by following the below mentioned process. Facility for joining the



Annual General Meeting through VC/OAVM shall open 15 minutes before the time scheduled for the Annual General Meeting and will be available to the Members on first come first serve basis.

Members are requested to participate on first come first serve basis as participation through VC/OAVM is limited and will be closed on expiry of 15 (fifteen) minutes from the scheduled time of the Annual General Meeting. Members holding more than 2% equity shares, Promoters, Institutional Investors, Directors, KMPs, Chairperson of Audit and Risk Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Auditors etc. may be allowed to the meeting without restrictions of first-come first serve basis. Members can log in and join at 02:45 P.M. IST i.e. 15 (fifteen) minutes prior to the schedule time of the meeting and window for joining shall be kept open till the expiry of 15 (Fifteen) minutes after the schedule time. Participation is restricted upto 1000 members only.

b) The details of the process to register and attend the AGM are as under:

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:

- Members holding shares in CDSL demat account shall provide 16 Digit Beneficiary ID
- Members holding shares in NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID
- 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 Insta Meet and your attendance is marked for the meeting).

c) Instructions for Members to Speak during the Annual General Meeting through Insta Meet:

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. Members will get confirmation on first come first basis.
3. Members will receive “speaking serial number” once they mark attendance for the meeting.
4. Other Members may ask questions to the panelist, via active chat-board during the meeting.
5. Please remember speaking serial number and start your conversation with panelist by switching on video mode and audio of your device.
6. Members are requested to speak only when moderator of the meeting/management will announce the name and serial number for speaking.

d) Instructions for Members to Vote during the Annual General Meeting through Insta Meet:

Once the electronic voting is activated by the scrutinizer/ moderator during the meeting, 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 Insta Meet 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.
- e) Members, who will be present in the Annual General Meeting through Insta Meet 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. 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 Insta Meet. However, they will not be eligible to vote again during the meeting.
  - f) Members are encouraged to join the Meeting through Tablets/Laptops connected through broadband for better experience.
  - g) Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.
  - h) Please note that 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.
  - i) For a smooth experience of viewing the AGM proceedings on Insta Meet, shareholders/ members who are registered as speakers for the event are requested to download and install the Webex application.
  - j) 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.

**REMOTE E-VOTING INSTRUCTIONS FOR SHAREHOLDERS POST CHANGE IN THE LOGIN MECHANISM  
FOR INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN DEMAT MODE,  
PURSUANT TO SEBI CIRCULAR DATED DECEMBER 09, 2020:**

Pursuant to SEBI circular dated December 09, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode can vote through their demat account maintained with Depositories and Depository Participants only post 9th June, 2021.

Shareholders are advised to update their mobile number and email Id in their demat accounts to access e-Voting facility. Login method for Individual shareholders holding securities in demat mode/ physical mode is given below:

| Type of shareholders   | Login Method   |
|--|--|
| Individual Shareholders holding securities in demat mode with NSDL | <ul style="list-style-type: none"> <li>• If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: <a href="https://eservices.nsd.com">https://eservices.nsd.com</a> either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password.</li> </ul> |

| Type of shareholders   | Login Method   |
|--|--|
|  | <ul style="list-style-type: none"> <li>• After successful authentication, you will be able to see e-Voting services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>• If the user is not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nSDL.com">https://eservices.nSDL.com</a>. Select “Register Online for IDeAS “Portal or click at <a href="https://eservices.nSDL.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nSDL.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>• Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nSDL.com/">https://www.evoting.nSDL.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> </ul> |
| Individual Shareholders holding securities in demat mode with CDSL                                       | <ul style="list-style-type: none"> <li>• Existing user of who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi.</li> <li>• After successful login of Easi / Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL, KARVY, LINKINTIME, CDSL. Click on e-Voting service provider name to cast your vote.</li> <li>• If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi./Registration/EasiRegistration">https://web.cdslindia.com/myeasi./Registration/EasiRegistration</a></li> <li>• Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page. The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP where the E Voting is in progress.</li> </ul>  |
| Individual Shareholders (holding securities in demat mode) & login through their depository participants | <ul style="list-style-type: none"> <li>• You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility.</li> <li>• Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> </ul>  |
| Individual Shareholders holding securities in Physical mode & evoting service Provider is LINKINTIME.    | <ol style="list-style-type: none"> <li>1. Open the internet browser and launch the URL: <a href="https://instavote.linkintime.co.in">https://instavote.linkintime.co.in</a> <ul style="list-style-type: none"> <li>• Click on “<b>Sign Up</b>” under ‘<b>SHARE HOLDER</b>’ tab and register with your following details: -</li> </ul> </li> </ol>  |

| Type of shareholders | Login Method   |
|----------------------|--|
|                      | <p><b>A. User ID:</b> Shareholders/ members holding shares in <b>physical form shall provide</b> Event No + Folio Number registered with the Company.</p> <p><b>B. PAN:</b> 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.</p> <p><b>C. DOB/DOI:</b> Enter the Date of Birth (DOB) / Date of Incorporation (DOI) (As recorded with your DP / Company - in DD/MM/YYYY format)</p> <p><b>D. Bank Account Number:</b> Enter your Bank Account Number (last four digits), as recorded with your DP/Company.</p> <ul style="list-style-type: none"> <li>• Shareholders/ members holding shares in <b>physical form</b> but have not recorded 'C' and 'D', shall provide their Folio number in 'D' above</li> <li>• Set the password of your choice (The password should contain minimum 8 characters, at least one special Character (@!#\$%&amp;*), at least one numeral, at least one alphabet and at least one capital letter).</li> <li>• Click "confirm" (Your password is now generated).</li> </ul> <p>2. Click on 'Login' under '<b>SHARE HOLDER</b>' tab.</p> <p>3. Enter your User ID, Password and Image Verification (CAPTCHA) Code and click on '<b>Submit</b>'.</p> <p>4. After successful login, you will be able to see the notification for e-voting. Select '<b>View</b>' icon.</p> <p>5. E-voting page will appear.</p> <p>6. Refer the Resolution description and cast your vote by selecting your desired option '<b>Favour / Against</b>' (If you wish to view the entire Resolution details, click on the '<b>View Resolution</b>' file link).</p> <p>7. After selecting the desired option i.e. Favour / Against, click on '<b>Submit</b>'. A confirmation box will be displayed. If you wish to confirm your vote, click on '<b>Yes</b>', else to change your vote, click on '<b>No</b>' and accordingly modify your vote.</p> |

#### Institutional shareholders:

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.

#### Individual Shareholders holding securities in Physical mode & evoting service Provider is LINKINTIME, 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 shareholders/ members is having valid email address, 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 particulars of 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.

**Individual Shareholders holding securities in demat mode with NSDL/ CDSL have forgotten the password:**

- Shareholders/ members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned depository/ depository participants website.
  - 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”.

**Helpdesk for Individual Shareholders holding securities in demat mode:**

In case shareholders/ members holding securities in demat mode have any technical issues related to login through Depository i.e. NSDL/ CDSL, they may contact the respective helpdesk given below:

| Login type   | Helpdesk details  |
|--|---|
| Individual Shareholders holding securities in demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30              |
| Individual Shareholders holding securities in demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022- 23058738 or 22-23058542-43. |

**Helpdesk for Individual Shareholders holding securities in physical mode/ Institutional shareholders & evoting service Provider is LINKINTIME.**

In case shareholders/ members holding securities in physical mode/ Institutional shareholders 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.

10. Brief profile & other details of the Director proposed to be re-appointed, as required under Regulation 36 of the Listing Regulations and Secretarial Standard (SS-2) issued by The Institute of Company Secretaries of India is enclosed as Annexure-1 to this Notice.
11. The relevant Explanatory Statement pursuant to the provisions of Section 102 of the Act in respect of Resolution(s) set out in this Notice is appended hereinafter. As per the provisions of Clause 3.A.III. of the General Circular No. 20/ 2020 dated 5th May 2020, the matter of Special Businesses of the accompanying Notice, is considered to be unavoidable by the Board and hence forming part of this Notice.
12. All the documents referred to in the Notice will be available for electronic inspection without fees by the members from the date of circulation of this Notice up to the date of AGM i.e. September 02, 2021. Members seeking to inspect such documents can send an email to [cs@fairchem.in](mailto:cs@fairchem.in).
13. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, Register of Contracts or Arrangements in which Directors are interested under Section 189 of the Act and any other documents required by the Act and any other law, will be made available electronically for inspection by Members of the Company at the meeting.

14. Since the AGM will be held through VC/OAVM, the Route Map to reach to the venue of the 2nd Annual General Meeting has not been annexed to this Notice.
15. Members seeking any further clarification/information relating to the Annual Financial Statements are requested to write at the Registered/Works Office of the Company on or before August 24, 2021 to enable the management to keep the information ready at the Meeting.
16. Members are requested to register their e-mail address(es) and changes in their particulars like change in address from time to time with LIPL, Registrar and Transfer Agent for shares held in physical form and with the respective Depository Participants for the shares held in dematerialized form.
17. In accordance with the proviso to Regulation 40(1) of the Listing Regulations, effective from April 1, 2019, transfers of securities of the Company shall not be processed unless the securities are held in the dematerialized form with a depository. Accordingly, shareholders holding equity shares in physical form are urged to have their shares dematerialized so as to be able to freely transfer them and participate in corporate actions .
18. The Members can join the AGM in the VC/OAVM mode 30 minutes before and 15 minutes after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The Members will be able to view the proceedings on the National Securities Depository Limited's ('NSDL') e-Voting website at [www.evoting.nsdl.com](http://www.evoting.nsdl.com). The facility of participation at the AGM through VC/OAVM will be made available to at least 1,000 Members on a first come first served basis as per the MCA Circulars. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
19. The Dividend on Equity shares, if declared at Annual General Meeting, payment of such dividend will be made to those 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 August 24, 2021.
20. 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, set up by the Government of India.  
Kindly note that once unclaimed and unpaid dividends are transferred to the Investor Education and Protection Fund, Members will have to approach to IEPF for such dividend.
21. 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.)
22. 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:

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.



23. 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- 10% 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 2021-22 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 [cs@fairchem.in](mailto:cs@fairchem.in) by the shareholders on or before the record date i.e. Monday, August 23, 2021.

#### General Guidelines for shareholders:

1. In case the shareholders have any queries or issues regarding e-voting, please refer the Frequently Asked Questions (“FAQs”) and Instavote e-Voting manual available at <https://instavote.linkintime.co.in>, under Help section or write an email to [enotices@linkintime.co.in](mailto:enotices@linkintime.co.in) or Call at :- Tel : 022 - 49186000.
2. The remote e-voting period will commence at **9:00 a.m. (IST) on Friday, August 27, 2021 and will end at 5:00 p.m. (IST) on Wednesday, September 01, 2021**. 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. **Wednesday, August 25, 2021** may cast their vote by remote e-voting. The remote e-voting module shall be disabled by LIPL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
3. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date i.e. **Friday, August 06, 2021**. The person who is not a member as on the cutoff date should treat this Notice for information purpose only.

4. Any person, who acquire shares of the Company and become member of the Company after dispatch of the Notice of the AGM and holding shares as of the cut-off date i.e. **Friday, August 06, 2021**, may obtain the user ID and password by sending a request to RTA. However, if you are already registered with LIPL for remote e-voting, then you can use your existing user ID and password for casting your vote.
5. 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 only shall be entitled to avail the facility of remote e-voting as well as evoting at the AGM.
6. The Company has appointed Mr. Uday Dave, Practicing Company Secretary (Membership no. FCS 6545) Partner of M/s. Parikh Dave & Associates, Company Secretaries, Ahmedabad, as the Scrutinizer to scrutinize the remote e-voting process and evoting at the Annual General Meeting in a fair and transparent manner.
7. The Chairman shall, at the AGM, at the discussion on the resolutions on which voting is to be held, allow voting to be cast by use of evoting facility 'InstaMeet' of LIPL for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
8. The Scrutinizer shall after the conclusion of voting at the AGM, will first download the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two (2) witnesses not in the employment of the Company and shall make, not later than 48 (forty eight) hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
9. The Results of the AGM shall be declared by the Chairman or person authorized or anyone of the director of the Company after the AGM within the prescribed time limits. The resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolutions.
10. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.fairchem.in](http://www.fairchem.in) and on the website of LIPL.

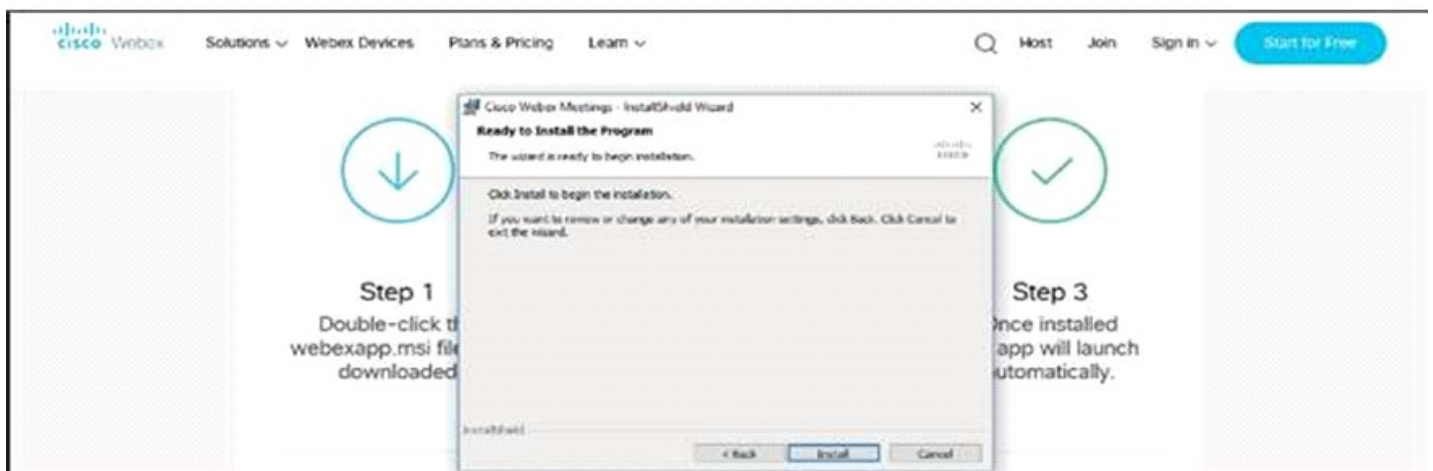
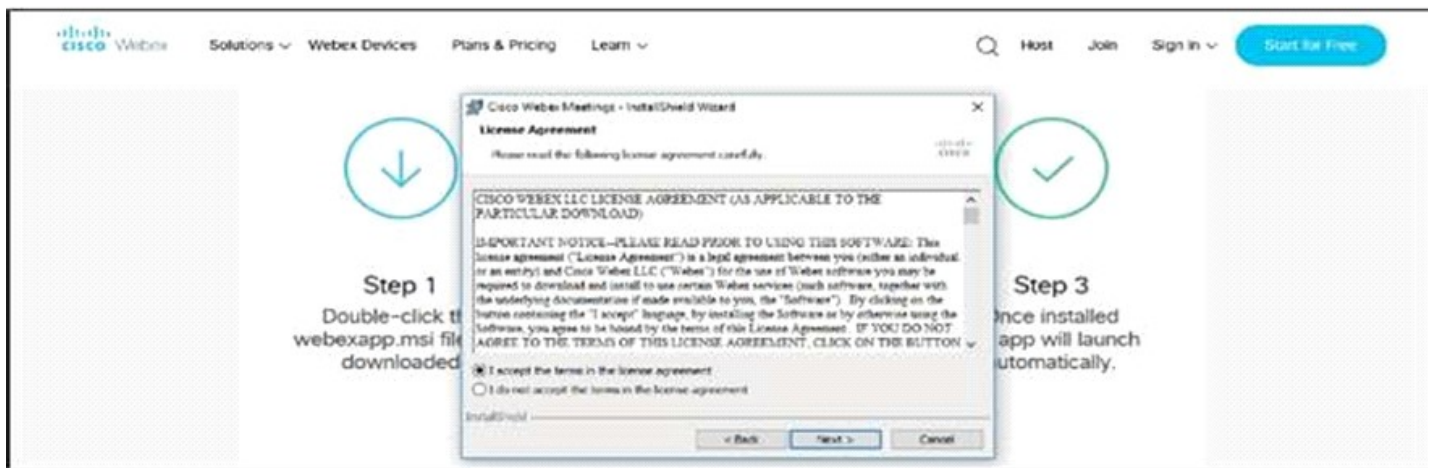
#### **Annexure**

Guidelines to attend the AGM proceedings of Link Intime India Pvt. Ltd.: Insta Meet

For a smooth experience of viewing the AGM proceedings of Link Intime India Pvt. Ltd. Insta Meet, 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/>

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



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:

| Step 1 | Enter your First Name, Last Name and Email ID and click on Join Now.  |
|--------|---|
| 1 (A)  | If you have already installed the Webex application on your device, join the meeting by clicking on Join Now  |
| 1 (B)  | <p>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>.</p> <p>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</p> |

**Registered Office:**

Plot No. A- 71, TTC, Thane Belapur Road,  
 Near Kopar Khairne,  
 Navi Mumbai-400709, Maharashtra  
 CIN: U24200MH2019PLC323176

**Place :** Village Chekhala,  
 Sanand-Kadi Highway, Taluka Sanand,  
 District Ahmedabad - 382115

**Date :** June 07, 2021

**By Order of the Board**

**For FAIRCHEM ORGANICS LIMITED**

**Rajen Jhaveri**

**Chief Financial Officer &  
 Company Secretary**

**ACS No.: 6615**

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

### Item No. 4

The Registered Office of the Company is situated in the State of Maharashtra with the address of office of Privi. With demerger process and resultant shares swapping pursuant thereto completed, it is desirable that the registered office be shifted from the said place as this company per se does not now have any reason for retaining the registered office at the said address and the spirit of separation and good corporate governance also demand the same. The Company is now having its manufacturing facility and office at the single location i.e. at its factory premises at Chekhala, Taluka Sanand, District Ahmedabad. It is therefore felt desirable to transfer the registered office from the office of Privi group in Navi Mumbai, Maharashtra to the factory address of the Company at Chekhala in the State of Gujarat. This will require amendment in the relevant clause of the Memorandum of Association (MoA) of the Company also. This amendment in MoA and shifting of registered office from one State (Maharashtra) to the other State (Gujarat) will require approval of the shareholders of the Company by way of Special Resolution and will also be subject to approval of the Central Government.

In this connection, the Board of Directors has decided at their Board meeting held on June 07, 2021, that the Registered Office of the Company be shifted from the State of Maharashtra to the State of Gujarat i.e. from Plot No. A-71, TTC, Thane – Belapur Road, Near Kopar Khairane, Navi Mumbai – 400 709, Maharashtra to 253/P and 312, Village Chekhala, Sanand – Kadi Road, Taluka Sanand, District Ahmedabad – 382 115, Gujarat subject to required approvals:

In terms of Sections 12 and 13 and other applicable provisions, if any, of the Companies Act, 2013 and rules issued thereunder for shifting of the registered office from one State to another, the Company has to pass a special resolution at a general meeting and consequently alter its memorandum of association. The alteration is further subject to confirmation of the Regional Director on application.

A copy of the memorandum of association as on date and a copy indicating the proposed amendment is available for inspection at the Registered Office of the Company at Plot No. A-71, TTC, Thane – Belapur Road, Near Kopar Khairane, Navi Mumbai – 400 709, Maharashtra and also at the office and works of the Company at 253/P and 312, Village Chekhala, Sanand – Kadi Road, Taluka Sanand, District Ahmedabad – 382 115, Gujarat during working hours on all working days (except Saturdays, Sundays and Holidays) up to the date of the annual general meeting.

The Board recommends the resolutions as set out in the accompanying notice for the approval by Members of the Company as a Special Resolution.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested financially or otherwise in the said resolution.

### Item Nos. 5 & 6:

Pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013 the Board of Directors of a Company cannot, except with the consent of Members of the Company in the General Meeting by way of a special resolution, borrow any sum or sums of money from time to time for the purposes of business of the Company, if the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in ordinary course of business) exceeds the aggregate of the Paid-up Capital of the Company and its Free Reserves, that is to say, reserves not set apart for any specific purpose. In view of future business expansion, the Company would require, from time to time, additional banking facilities to meet the funding requirements of the Company. Considering the quantum of present borrowing already sanctioned by the Bank and proposed sum intended to be borrowed by Company at a future date (subject to approval of members), it is therefore proposed to obtain consent from members to sanction the borrowing limit of upto Rs. 400.00 Crores (Rupees Four Hundred Crores Only) to the Board of Directors.

Section 180(1)(a) of the Companies Act, 2013 provides for the power of Board of Directors to lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company subject to the approval of members in the general meeting. As the Board has proposed to obtain approval of members for borrowing limits upto Rs. 400.00 Crores (Rupees Four Hundred Crores Only). The borrowings of the Company are in general required to be secured by suitable mortgage or charge on all or any of the movable or immovable properties of the Company, in such form, manner and ranking as may be determined by the Board of Directors / any of it's authorised Committee of the Company from time to

time, in consultation with the lender(s). Hence the Board also proposes to obtain approval of members under Section 180(1)(a) of the Act, subject to the limits approved under Section 180(1)(c) of the Act.

The Board recommends these resolutions for the approval of the members as Special Resolutions.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the proposed resolution.

**Item No. 7:**

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records maintained by the Company for the products covered under Chapters 2917 and 3823 of Sr. No. 18 of table mentioned under Rule 3 (B) - Non-regulated Sectors for the financial year ending 31st March, 2022. 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 Auditors as recommended by the Audit Committee and approved by the Board of Directors, has to be ratified by the members of the Company. Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 7 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2022. The Board recommends the passing of Ordinary Resolution set out at Item No. 7 of the Notice for approval by the members.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the proposed resolution.



**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING (PURSUANT TO LISTING REGULATIONS)**

|   |  |
|---|--|
| <b>Name of Director</b>   | <b>Shri Utkarsh Shah - Chairman - Non-Executive</b>  |
| DIN   | 00101663   |
| Date of Birth   | December 30, 1960  |
| Age   | 60 Years   |
| Date of First Appointment on Board  | August 26, 2020  |
| Qualifications  | He is a science graduate with Chemistry as a principal subject.  |
| Brief Resume and nature of expertise in functional areas                                      | Over a period of last more than 38 years and apart from spreading the existing coal business, he diversified into textile dyes, speciality chemicals, auxiliaries, Intermediates, polyester fibre & Real Estate Development. He acquired partial equity stake of Erstwhile of Fairchem Speciality Limited in the year 2010. He is heading various charitable initiatives in rural development, senior citizen, education & health. He is past president of Gujarat Chamber of Commerce & Industry. In the past, he also held the position of president of Jain International Trade Organisation, an international organization of businessmen, Industrialist, professionals and knowledge stake holders. |
| Relationship between Directors and KMP  | 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, 2021                       | Shree Rama Newsprint Limited   |
| Membership / Chairmanship of Committees in other Public Listed Companies as on March 31, 2021 | Nil  |
| Details of shares held in the Company   | 8,333  |
| Resignation from listed Company(ies) during last 3 years                                      | Privi Speciality Chemicals Limited (Formerly known as Fairchem Speciality Limited) w.e.f August 13, 2020.  |
| Terms and conditions of Appointment/Re-appointment  | Liable to Retirement by rotation, Eligible for re-appointment  |
| Details of Remuneration last drawn  | NIL  |
| No. of Board Meetings attended during Financial Year 2020-2021                                | 1 (One)  |

**Registered Office:**

Plot No. A- 71, TTC, Thane Belapur Road, Near Kopar Khairne,  
Navi Mumbai-400709, Maharashtra  
CIN: U24200MH2019PLC323176

**Place :** Village Chekhala, Sanand-Kadi Highway,  
Taluka Sanand, District Ahmedabad - 382115

**Date :** June 07, 2021

**By Order of the Board**

**For FAIRCHEM ORGANICS LIMITED**

**Rajen Jhaveri**  
**Chief Financial Officer & Company Secretary**  
**ACS No.: 6615**

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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** : No organized data pertaining to demand / consumption of Dimer Acid in India is available. However, since the Company is in the business of this product now for close to two decades, it is largely aware of the industrial users of the same. The company also tracks the import data from China as Chinese suppliers are the main competitors for the Company. Based on Company's analysis, the Company continues to maintain its leadership position in Indian market by virtue of its pricing strategy, timely service, quick supply and fair terms of payment and quality product. Dimer Acid is a value added product of the Company which is derived as one of the streams by further processing Linoleic Acid. During the last quarter of F.Y. 2020-21, because of relatively lower availability of amines which are used along with Dimer Acid for making Polyamides, the off take of Dimer Acid was low. However, the availability of amines have since improved and resultantly demand for Company's Dimer Acid has also improved.

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 :**

A couple of years back, the Company had worked on improvement in quality of this product and as 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.

#### **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. 2020-21. The Company has decided to continue with this limited business for one more year and hopes to bounce back in this business from F.Y. 2022-23 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. 2021-22.

#### **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.

| Computation of Ratio and significant changes therein |                               |              |              |              |
|--|-------------------------------|--------------|--------------|--------------|
| No.  | Ratios                        | F.Y. 2020-21 | F.Y. 2019-20 | Change ( % ) |
| 1  | Debtors Turnover Ratio        | 9.94         | 9.48         | 4.88%        |
| 2  | Inventory Turnover Ratio      | 5.89         | 5.43         | 8.53%        |
| 3  | Interest Coverage Ratio       | 9.15         | 7.82         | 16.93%       |
| 4  | Current Ratio                 | 1.93         | 1.23         | 57.41%       |
| 5  | Debt Equity Ratio             | 0.29         | 0.47         | -39.48%      |
| 6  | Operating Profit Margin ( % ) | 17.39%       | 18.74%       | -7.19%       |
| 7  | Net Profit Margin ( % )       | 10.71%       | 11.93%       | -10.16%      |
| 8  | Return on Net Worth ( % )     | 28.44%       | 30.18%       | -5.77%       |

**Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios :**

The reason for more than 25 % (positive) change in current ratio as compared to F.Y. 2019-20 is due to substantially improved financial position of the Company which resulted in lower short term borrowing at the yearend vis-à-vis previous financial year. This is the main reason for improvement in current ratio by more than 25 %.

The reason for more than 25 % change (reduction) in Debt Equity ratio is due to (a) substantial hike in the 'equity' of the company backed by good financial performance during F.Y. 2020-21 and relatively lower borrowings i.e. debt.

Explanation for change in Return on Net Worth : The change in return on net worth in per cent terms is due to higher denominator of 'total average equity' this year end vis-à-vis F.Y. 2019-20.

## DIRECTORS' REPORT

To

The Members,

Your Directors are indeed pleased to present the Second Annual Report along with Audited financial statements of the Company for the financial year ended March 31, 2021. 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, unless otherwise stated)

|  | For the year<br>ended on<br>31-03-2021 | For the Period<br>March 27, 2019<br>to March 31, 2020<br>(Restated) |
|--|--|---|
| (1) Total Income   | 39,685.16                              | 31,308.12   |
| (2) Profit before Interest, Depreciation and Tax                       | 6,895.44                               | 5,495.62  |
| (3) Less : Interest  | 682.03                                 | 657.90  |
| (4) Profit before Depreciation and Tax                                 | 6,213.41                               | 4,837.72  |
| (5) Less : Depreciation  | 657.33                                 | 595.95  |
| (6) <b>Profit before Tax for the year</b>                              | <b>5,556.08</b>                        | 4,241.77  |
| (7) Less : Provision for Taxation                                      |  |   |
| (a) Current Tax  | 1,437.73                               | 816.85  |
| (b) (Excess) / Short Provision for tax of earlier year(s) (Net)        | (118.15)                               | 4.11  |
| (c) Deferred tax   | (11.97)                                | (49.59)   |
| <b>Sub-total</b>   | <b>1,307.61</b>                        | 771.37  |
| (8) <b>Profit after Tax for the year</b>                               | <b>4,248.47</b>                        | 3,470.40  |
| (9) Add : Other comprehensive income for the year / period, net of tax | (47.09)                                | (9.65)  |
| (10) Total Comprehensive Income for the year / period                  | 4,201.38                               | 3,460.75  |
| (11) Earnings per share (EPS) of Rs. 10/- each                         | <b>Rs. 32.63</b>                       | Rs. 26.65   |

### OPERATIONS AND THE STATE OF COMPANY'S AFFAIRS :

During the year under review, the revenue from operations were Rs 39,657 lakhs, showing a rise of more than 29%. The Profit before tax stood at Rs. 5,556.08 lakhs. This performance needs to be evaluated considering the fact that during the first 50 days of the financial year (April 1, 2020 to May 20, 2020), the manufacturing operations remained suspended due to national lockdown, resultant lack of demand and further fueled by non-availability of certain category of manpower. The operations re-started from May 21, 2020 and since then the Company has not looked back during the remainder period of the year.

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

### DIVIDEND:

Your Directors are pleased to recommend a dividend of Rs. 3.50 (i.e. 35%) per equity share for the financial year ended March 31, 2021, subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

**TRANSFER TO 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, the Company issued 1,30,20,902 Equity Shares of Rs. 10/- each fully paid up to those shareholders of Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited) (FSL) whose names appeared on the Register of Members of FSL on August 24, 2020, the record date. These equity shares were issued pursuant to the order dated June 30, 2020 of Hon'ble N.C.L.T., Mumbai Bench, inter alia, sanctioning the Composite Scheme of Arrangement and Amalgamation between our Company, FSL and Privi Organics India Limited. Further, pursuant to the said scheme, the then existing paid up equity share capital of Rs. 1,00,000/- held entirely by FSL and its nominees was cancelled.

The Company is having only one class of shares.

**DIVESTMENT OF SHAREHOLDING BY PRIVI PROMOTERS:**

Subsequent to the year end and as per agreements entered in to at the time of approval of the Composite Scheme of Arrangement and Amalgamation, Privi promoters have divested their entire shareholding representing 22.67 % in favour of Fairfax group – Foreign Promoter and Adi group – Indian Promoters. Resultantly, the shareholding pattern of promoters group as per latest BENPOS of June 4, 2021 is as under:

| No. | Name of Promoter Shareholder      | No. of Equity Shares of Rs. 10/- each held | Per cent to total capital |
|-----|-----------------------------------|--|---------------------------|
| 1   | FIH Mauritius Investments Limited | 86,78,656                                  | 66.65 %                   |
| 2   | FIH Private Investments Limited   | 1,083                                      | 0.01 %                    |
| 3   | Nahoosh Tradelink LLP             | 6,33,293                                   | 4.86 %                    |
| 4   | Jariwala Tradelink LLP            | 3,21,874                                   | 2.47 %                    |
| 5   | Shri Utkarsh Shah                 | 8,333                                      | 0.06 %                    |
|     | <b>Total</b>                      | <b>96,43,239</b>                           | <b>74.05 %</b>            |

**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 till 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 continued 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 already availed the benefit of moratorium of 3 EMIs on term loans and has applied for availment of further 3 EMIs announced by RBI subsequently.

**MEETINGS OF THE BOARD:**

During the Financial Year 2020-21, 10 (Ten) meetings of the Board of Directors took place. In respect of these meetings, proper notices were given, and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose. 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.



## **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 and the Management Discussion and Analysis Report are annexed to this Report.

Pursuant to Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report, initiatives taken from an environmental, social and governance perspective in the prescribed format is attached as a separate section of this Annual Report.

### **AUDIT COMMITTEE:**

During the year, the Board of Directors re-constituted the Audit Committee to comply with the requirements of Regulation 18 of SEBI (LODR) Regulations. Details regarding the same are given in the Corporate Governance Report forming part of this report

### **DEPOSITS:**

The Company has not accepted nor renewed any deposits falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014.

### **CREDIT RATING:**

CARE Ratings Limited carried out annual review of credit facilities of HDFC Bank and vide its letter dated September 15, 2020, has assigned its rating as under:

1. For Long-term Bank facilities: CARE A; (Single A; Outlook: Stable)
2. For Long-term / Short – term Bank facilities: CARE A; Stable / CARE A1 (Single A; Outlook : stable / A one)

### **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. This is only the second financial year of the Company. So these provisions are not applicable to the Company.

### **TECHNICAL ACHIEVEMENT:**

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

### **DIRECTORS:**

In accordance with the provisions of Section 152 of the Act and the Articles of Association of the Company, Shri Utkarsh Shah (DIN 00101663) shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

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

In terms of Section 149 of the Act and SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015 (Listing Regulations), the Shareholders of the Company appointed, Mr. Venkatraman Srinivasan, Mr. Darius Pandole and Ms. Sonal Ambani as Independent Director for a period of 5 years. The Company has received declarations from all the 3 Independent Directors of the Company, inter alia, confirming that they meet the criteria of Independence as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (LODR) Regulations, 2015 as amended from Independent Director 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 12.08.2020 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:**

Based on the criteria for evaluation of Independent Directors and the Board as recommended by the Nomination and Remuneration Committee and as adopted by the Board, Board carried out evaluation of its own performance, the individual Directors and the Committees. The Independent Directors also carried out evaluation of Chairman and non-Independent Directors in the separate meeting. It was derived that overall the Board was functioning very well in a cohesive and interactive manner.

**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, 2021, 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, 2021 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 pertaining to remuneration as required under section 197[12] of the Companies Act, 2013 read with Rule 5[1] of the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014 are annexed to this report.

**LISTING:**

The Company's securities were listed with BSE Limited and National Stock Exchanges of India Limited with effect from December 24, 2020. SEBI (LODR) Regulations, 2015 became applicable to the company from the said date.

The Company has paid the listing fees for F.Y. 2021-22 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 as separate Annexure - I.

**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 comprising of the following Directors:

1. Shri Nahoosh Jariwala
2. Shri Sumit Maheshwari
3. Ms. Sonal Ambani

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.

#### **AUDITORS:**

The auditors M/s. B S R & Co. LLP, Chartered Accountants LLP were appointed at the 1st Annual General Meeting held on December 31, 2020 for a term of five years, from the conclusion of first AGM till the conclusion of sixth AGM to be held in the year 2025. The Auditors' report during the year under review does not contain any qualification/ remarks nor any instance of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

#### **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 2020-21. The Report of the Secretarial Audit for the financial year ended on March 31, 2021 is enclosed as Annexure to this Report. Their report not contain any qualification/ remarks.

### 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), the company confirms compliances of applicable secretarial standards.

### MAINTENANCE OF COST RECORDS:

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.

As specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, the Company has maintained cost accounts and records.

### COST AUDITOR:

The Company has appointed M/s. Rajendra Patel and Associates, as Cost Auditors for financial year 2021-22. The necessary resolution for ratification of their remuneration by members has been put in the notice of the ensuing Annual General Meeting. Board recommends passing the resolution.

### 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 employees/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 OUT GO:

#### A. Conservation of Energy

- (a) Steps taken or impact on conservation of energy :

The Company has decided to purchase, on trial basis 'Dry Vacuum System' from Edwards, U.K. which will be used in place of steam ejector based vacuum system. This will result in reduction of steam and water consumption and solid fuel i.e. coal.

If the trials are successful on different equipment's the Company will be able to change all vacuum systems which will be having a huge impact in water, steam and fuel consumption.

- (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. 15.39 Lakhs

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

Foreign Exchange Earnings : Rs. 1,399.51 Lakhs

Foreign Exchange Outgo : Rs. 1,079.41 Lakhs

**Annual Return:**

As per the provisions of section 92[3] read with section 134(3)(a) of the Act, the Annual Return as on March 31, 2021 in the prescribed form no. MGT-7 is available on the website of the Company and weblink of the same is <https://www.fairchem.in/investor-relations/Annual-Reports/Annual-Return-MGT-7.pdf>

**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 :** Village Chekhala, Sanand-Kadi Highway,  
Taluka Sanand, District Ahmedabad - 382115  
CIN: U24200MH2019PLC323176  
**Date :** June 07, 2021

**Utkarsh Shah**  
Chairman  
DIN – 00101663

## Annexure to Directors Report

### ANNEXURE A

#### Annual Report on 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 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.
- (f) Others as may be decided

2. **Composition of CSR Committee (w.e.f. August 26, 2020):**

| Sl. No. | Name of Director      | Designation /Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|-----------------------|-------------------------------------|--|--|
| 1       | Shri Nahoosh Jariwala | Chairman/Managing Director          | 1  | 1  |
| 2       | Shri Sumit Maheshwari | Member/Director                     | 1  | 1  |
| 3       | Ms. Sonal Ambani      | Member/Independent Director         | 1  | 1  |

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company**

The CSR policy framed pursuant to the provisions of section 135 of The Companies Act, 2013

The Composition of CSR Committee and of CSR Policy is available on the Company's website and can be accessed through the link: <http://fairchem.in/investor-relations/Policies/CSR-Policy.pdf>

The details of CSR Projects approved by the Board and being carried out are available on the Company's website and can be accessed through the link: <http://fairchem.in/investor-relations/Policies/CSR-Policy.pdf>

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).**

Not applicable. The Company did not have CSR obligation of Rs 10 Crore or more in pursuance of Section 135(5) of the Companies Act, 2013 in the three immediately preceding financial years.

5. **Details of the amount available for set-off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014, and the amount required to be set off for the financial year, if any**

Not applicable. The Company has not spent in excess of its CSR obligation.

6. **Average Net Profit of the Company for the first financial year (i.e. F.Y. 2019-20) as per Section 135(5):**

Rs. 3,899.40 lakhs.

- 7(a) **Two percent of Average Net Profit of the Company as per Section 135(5):**

Rs. 77,98,800/-

- (b) **Surplus arising out of the CSR projects or programmes or activities of the previous financial years:**

Nil



**(c) Amount required to be set off for the financial year, if any:**

None

**(d) Total CSR obligation for the financial year (7a+7b-7c)**

Rs. 77,98,800/-

**8(a) CSR amount spent or unspent for the financial year:**

| Total Amount Spent for the Financial Year<br>(in Rs.) | Amount Unspent<br>(in Rs.)  |                  |   |                 |                   |
|---|---|------------------|---|-----------------|-------------------|
|   | Total Amount transferred to Unspent CSR Account as per section 135(6) |                  | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5) |                 |                   |
|   | Amount  | Date of transfer | Name of the Fund  | Amount.         | Date of transfer* |
| Rs. 48,70,609/-                                       | --  | --               | --  | Rs. 29,28,191/- | See Note          |

Note : The Amount of Rs. 29,28,191/- will be transferred to any permissible fund(s) on or before September 30, 2021.

**(b) Details of CSR amount spent against ongoing projects for the financial year:**

Nil

**(c) Details of CSR amount spent against other than ongoing projects for the financial year:**

| (1)     | (2)   | (3)   | (4)                  | (5)                     |                                      | (6)   | (7)                                      | (8)  |                         |
|---------|---|---|----------------------|-------------------------|--------------------------------------|---|--|--|-------------------------|
| Sl. No. | Name of the Project   | Item from the list of activities in schedule VII to the Act | Local area (Yes/ No) | Location of the project |                                      | Amount spent for the project (in Rs. Lakhs) | Mode of implementation - Direct (Yes/No) | Mode of implementation - Through implementing agency |                         |
|         |   |   |                      | State                   | District                             |   |  | Name   | CSR registration number |
| 1.      | Civil work – Compound wall height, Overhead Water Tank for school | Education   | Yes                  | Gujarat                 | Chekhala Village, Taluka Sanand      | 10.05                                       | Yes                                      | N.A.   | N.A.                    |
| 2.      | Civil work – Compound Wall height, R.C.C. work etc. for school    | Education   | Yes                  | Gujarat                 | Andej Village, Taluka Sanand         | 7.29  | Yes                                      | N.A.   | N.A.                    |
| 3.      | Dialysis Machines   | Health  | Yes                  | Gujarat                 | Mansa District Hospital, Gandhinagar | 31.36                                       | No                                       | Fairfax India Charitable Foundation                  | CSR00005441             |

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Nil

(f) Total amount spent for the financial year (8b+8c+8d+8e): Rs. 48,70,609/-

(g) Excess amount for set-off, if any: Nil

**9(a) Details of Unspent CSR amount for the preceding three financial years:** N.A. F.Y. 2020-21 is the First F.Y. for CSR spending as company was incorporated on March 27, 2019 only.

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): N.A.

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset wise details): Not Applicable (“N.A”)**

(a) Date of creation or acquisition of the capital asset(s): N.A.

(b) Amount of CSR spent for creation or acquisition of capital asset: N.A.

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: N.A.

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset: N.A.

**11. Specify the reason(s), if the company has failed to spend two percent of the average net profit as per Section 135(5)**

Due to COVID-19 prevalent during entire F.Y. 2020-21, the Company could not spend full amount for CSR purposes

Place : Chekhala, Ta. Sanand.

Date : June 07, 2021

**Nahoosh Jariwala**

Chairman, CSR Committee and Managing Director

DIN: 00012412

## ANNEXURE B

Details of the ratio of remuneration of each Director to the median employee's remuneration

| (i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year:- |                             |                                      |   |
|--|-----------------------------|--------------------------------------|---|
| Sr. No.  | Name of the Director        | Designation                          | Ratio of remuneration to the median remuneration of the employees |
| 1  | Shri Utkarsh Shah           | Chairman and Non- Executive Director | Nil   |
| 2  | Shri Nahoosh Jariwala       | Managing Director                    | 57.29 : 1   |
| 3  | Shri Sumit Maheshwari       | Director - Nominee                   | Nil   |
| 4  | Shri Venkatraman Srinivasan | Non-Executive – Independent Director | 0.38 : 1  |
| 5  | Shri Darius Pandole         | Non-Executive – Independent Director | 0.38 : 1  |
| 6  | Ms. Sonal Ambani            | Non-Executive – Independent Director | 0.38 : 1  |

| (ii) The percentage increase in remuneration of each Director, CFO, CEO, Company Secretary or Manager, if any, in the financial year |                             |  |
|--|-----------------------------|--|
| Sr. No.  | Name of the Directors / KMP | % Increase over last F.Y.  |
| 1  | Shri Nahoosh Jariwala       | 32.32 %  |
| 2  | Mr. Rajen Jhaveri           | 10.88 %<br>(One time lumpsum payment in lieu of annual rise in remuneration) |

|      |  |  |
|------|--|--|
|      | The percentage increase in the median remuneration of employees in the financial year  | 8.33 %, one time lumpsum payment in lieu of annual rise in remuneration  |
| (iv) | The number of permanent employees on the rolls of the Company  | 200 as on March 31, 2021.  |
| (v)  | Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration | Due to pandemic, normal annual increase in salary was not given. However, one time special ex-gratia was given @ 8.33 % of CTC of respective employees.<br>Justification of increase in managerial remuneration :<br>The remuneration of Shri Nahoosh Jariwala was not increased during previous 3 years. Further it was based on the performance of the Company also. |

**B. Particulars of Top 10 Employees whose remuneration exceeded Rs.1.02 Crore per annum or Rs. 8.50 Lakhs per month during the FY 2020-21.**

1. Employed throughout the year and in receipt of remuneration aggregating Rs. 1.02 Crore or more per annum.

| Name of Employee      | Designation       | Remuneration Received* | Date of Commencement of Employment |
|-----------------------|-------------------|------------------------|------------------------------------|
| Shri Nahoosh Jariwala | Managing Director | Rs. 2,13,74,052/-      | August 13, 2020                    |

\*It includes remuneration received in the capacity of Managing Director in erstwhile Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited)

2. Employed part of the year and in receipt of remuneration aggregating Rs. 8.5 Lakhs or more per month.

| Name of Employee | Designation | Remuneration Received* | Date of Commencement of Employment |
|------------------|-------------|------------------------|------------------------------------|
| Nil              | Nil         | Nil                    | Nil                                |

Place : Chekhala, Ta. Sanand.

Date : June 07, 2021

**Nahoosh Jariwala**

Chairman, CSR Committee and Managing Director

DIN: 00012412

Form No. MR-3

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2021

[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 ORGANICS LIMITED**  
**CIN:U24200MH2019PLC323176**

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 ORGANICS 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, 2021 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, 2021 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;
- 5) The following Regulations and Guidelines prescribed under the \*Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

The Equity shares of the Company are admitted and available for dealing on NSE Limited and BSE Limited w.e.f. 24th December, 2020, so the Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') as mentioned above will be applicable to the Company from that date.

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (d) The Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014; (During the year under review not applicable to the Company);
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (During the year under review not applicable to the Company);
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;(During the year under review not applicable to the Company);
- (h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 2018; (During the year under review not applicable to the Company);
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We have also examined compliance with the applicable Standards / Clauses / Regulations of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI) and made effective from time to time.
- ii. The Uniform Listing Agreement entered into by the Company with National Stock Exchange of India Limited and BSE Limited (BSE).

During the Audit period under review, the Company has complied with all the material aspects / provisions of the applicable Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above subject to the fact that the constitution of the Audit committee was not in compliance of Regulation 18 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SOP Guidance note for a period of 58 days during the year under review. The Audit committee was reconstituted on 19th February, 2021 in compliance of said provisions.

**We further report that:**

Having regard to the compliance system prevailing in the Company and on examination of relevant documents and records in pursuance thereof on test - check basis, the Company has generally complied with the material aspects of the following laws specifically applicable to the Company being engaged in the manufacturing activities:

1. Factories Act, 1948;
2. The Boilers Act, 1923 and the Rules framed thereunder;
3. Explosive Act, 1884;

**We further report that:**

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

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions at the meetings of Board of Directors/ Committees of the Company were carried unanimously. We were informed that there were no dissenting views of the members on any of the matters during the year that were required to be captured and recorded as part of the minutes.

**We further report that:**

Based on the review of compliance mechanism established by the Company, the information provided by the Company, its officers and authorized representatives during the conduct of the audit and compliance certificate placed before the Board meeting, we are of the opinion that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable general laws, rules, regulations and guidelines.

**We further report that:**

The compliance by the Company of the applicable financial laws like Direct and Indirect Tax laws, has not been reviewed in this Audit since the same have been subject to the review by the Statutory Auditors and other designated professionals.

**We further report that:**

During the Audit period under review, the event / action having major bearing on the Company's affairs in pursuance of the



abovementioned laws, rules, regulations, guidelines, standards, etc. is as mentioned below:

1. The Hon'ble National Company Law Tribunal, Mumbai Bench has passed order on 30th June, 2020 approving Composite Scheme of Arrangement and Amalgamation amongst Fairchem Speciality Limited ("Demerged / Transferee Company") and Fairchem Organics Limited ("Resulting Company") and Privi Organics India Limited ("Transferor Company") and their respective shareholders.
2. Pursuant to the scheme, the Company on 26th August, 2020 allotted 1,30,20,902 equity shares of the face value of Rs. 10/- each fully paid in the ratio of one equity share of the Company for every three equity shares of Fairchem Speciality Limited to the eligible shareholders of Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited). Prior to the Scheme, the paid-up Equity Capital of Fairchem Organics Limited was Rs. 1,00,000/- divided into 10,000 equity shares of face value of Rs. 10/- each and the same shall stand cancelled upon the scheme coming into effect.
3. Company's equity shares were admitted for dealings on National Stock Exchange of India Limited and BSE limited w.e.f. 24th December, 2020.
4. Adopted new set of Articles of Association pursuant to the resolution passed by the members at the extra ordinary general meeting held on 12th August, 2020.

Apart from the above there were no other instances of:

- a) Redemption / buy-back of securities.
- b) Obtaining the approval from Shareholders under Section 180 of the Companies Act, 2013.
- c) Foreign technical collaborations.

**FOR PARIKH DAVE & ASSOCIATES**  
COMPANY SECRETARIES  
ICSI Unique Code No.: P2006GJ009900  
Peer review Certificate No.: 796/2020

**UDAY G. DAVE**  
PARTNER

Place: Ahmedabad

Date: 07-06-2021

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

UDIN: F006545C000434016

**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 ORGANICS LIMITED**  
**CIN:U24200MH2019PLC323176**

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

ICSI Unique Code No.: P2006GJ009900

Peer review Certificate No.: 796/2020

**UDAY G. DAVE**

PARTNER

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

UDIN: F006545C000434016

Place: Ahmedabad

Date: 07-06-2021

## REPORT ON CORPORATE GOVERNANCE

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

### 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.

The Equity shares of the Company were listed and were available for dealing on Stock Exchanges (NSE) and (BSE) w.e.f 24.12.2020. So the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time were applicable for a part of the year 2020-21 i.e. from 24.12.2020 to 31.03.2021.

### 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 one Executive Director and Five Non-executive Directors, out of which three 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<br>(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 16 years back when he was in his forties.   |
| 2.      | Shri Nahoosh J. Jariwala<br>(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 11 years back when he took charge as Managing Director.                                   |
| 3.      | Shri Sumit Maheshwari                           | He is a Chartered Accountant and M.B.A. from I.S.B., a very well-known business institute. He is a financial expert and is a great analyst and decision maker from PE's view point.  |
| 4.      | Shri Venkatraman<br>Srinivasan                  | He is a Chartered Accountant since 1981. He is a partner in M/s. V. Sankar Aiyar & Co. Chartered Accountants, since 1984 engaged in audit and assurance practice and direct tax and corporate advisory services.                         |
| 5.      | Shri Darius Pandole                             | He holds a bachelor's degree in economics from Harvard University and a master's degree in business management from University of Chicago. He is Currently Managing Director and C.E.O. - Private Equity of M/s. J.M. Financial Limited. |
| 6.      | Ms. Sonal Ambani                                | She holds a bachelor's degree in chemistry and a master's degree in business administration in marketing and finance and doctorate in business management. She has worked as an Assistant Vice President in Morgan Stanley Dean Witter.  |

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 2020-21 |          | No. of Directorship(s) in other Public Ltd. Company(s) incorporated in India as on 31-03-2021. | No. of Membership(s) / Chairmanship(s) of committees in other Company(ies) as on 31-03-2021* |          |
|--|----------------------------|---------------------------------------|----------|--|--|----------|
|  |                            | Board Meeting                         | Last AGM |  | Member   | Chairman |
| #Shri Utkarsh B. Shah (Chairman)             | Promoter - Non-Executive   | 1                                     | Yes      | 1  | Nil  | Nil      |
| Shri Nahoosh J. Jariwala (Managing Director) | Promoter - Executive       | 10                                    | Yes      | Nil  | Nil  | Nil      |
| #Shri Sumit Maheshwari                       | Nominee - Non- Executive   | 3                                     | Yes      | 8  | 6  | Nil      |
| #Shri Venkatraman Srinivasan                 | Independent, Non-executive | 3                                     | Yes      | 1  | Nil  | 1        |
| #Shri Darius Pandole                         | Independent, Non-executive | 3                                     | Yes      | 2  | 1  | 1        |
| #Ms. Sonal Ambani                            | Independent, Non-executive | 3                                     | Yes      | 4  | 3  | Nil      |
| Mr. Rajen Jhaveri*                           | Non-executive              | 7                                     | N.A.     | Nil  | Nil  | Nil      |
| Mr. Kaushik Bhatt*                           | Non-executive              | 7                                     | N.A.     | Nil  | Nil  | Nil      |

Video / tele-conferencing facility was 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 Fairchem Organics Limited w.e.f. August 26, 2020

#Appointed as Director in Fairchem Organics Limited w.e.f. August 26, 2020

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) | Nil   | Nil   |
| 3.      | Shri Sumit Maheshwari                        | a) Thomas Cook (India) Limited<br>b) CSB Bank Limited<br>c) Privi Specialty Chemicals Limited (Formerly known as Fairchem Speciality Limited) | a) Nominee - Non-executive<br>b) Nominee - Non-executive<br>c) Director - Non-executive |
| 4.      | Shri Venkatraman Srinivasan                  | Nil   | Nil   |
| 5.      | Shri Darius Pandole                          | a) Mahindra Logistics Limited<br>b) JM Financial Limited  | a) Independent, Non-executive<br>b) Independent, Non-executive                          |
| 6.      | Ms. Sonal Ambani                             | a) Acrysil Limited<br>b) Elecon Engineering Company Limited   | a) Independent, Non-executive<br>b) Independent, Non-executive                          |

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, 2021 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 | 8,333                     | 0.06                                    |

Apart from the above mentioned Non-Executive Director, 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. 10 (Ten) Board meetings were held in the year 2020-21 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.  | June 23, 2020   | 3                        | 6.  | August 12, 2020   | 3                        |
| 2.  | July 08, 2020   | 3                        | 7.  | August 26, 2020   | 3                        |
| 3.  | July 15, 2020   | 3                        | 8.  | November 25, 2020 | 5                        |
| 4.  | July 20, 2020   | 3                        | 9.  | January 18, 2021  | 5                        |
| 5.  | July 30, 2020   | 3                        | 10. | February 08, 2021 | 6                        |

- **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 fulfil 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.

- **Familiarisation Programme**

In order to enable the Independent Directors of the Company to fulfil 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 are 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 Audit committee was constituted on 26.08.2020 and the members of Audit Committee comprises of Managing Director, three Independent Directors with Shri Venkatraman Srinivasan– Independent Director as Chairman of the Committee, Shri Nahoosh Jariwala, Shri Darius Pandole and Ms. Sonal Ambani as members. All the members of the Committee are financially literate and have adequate accounting knowledge. The Audit Committee have met 2 (Two) times during the financial year 2020-21 on November 25, 2020, and February 08, 2021.

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

| <b>Name of the Member</b>              | <b>Designation / Category</b> | <b>No. of Committee Meeting(s) attended</b> |
|--|-------------------------------|---|
| Shri Venkatraman Srinivasan (Chairman) | Non-Executive – Independent   | 2   |
| Shri Nahoosh Jariwala                  | Executive – Promoter          | 2   |
| Shri Darius Pandole                    | Non-Executive – Independent   | 2   |
| Ms. Sonal Ambani                       | Non-Executive – Independent   | 2   |

Note: Equity Shares of the Company were listed with BSE Limited and National Stock Exchange of India Limited on December 24, 2020.

**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) Recommending to the Board, the appointment, re-appointment, remuneration and if required, the replacement or removal of statutory auditor and fixation of audit fees.
- (3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (4) Reviewing, with the management, the annual financial statements and auditor's report 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
- (5) Reviewing, with the management, the quarterly financial statements before its submission to the Board for approval.
  - (6) 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.
  - (7) Review and monitor the auditor's independence and performance, and effectiveness of audit process.
  - (8) Approval or any subsequent modification of transactions of the Company with related parties.
  - (9) Scrutiny of inter-corporate loans and investments.
  - (10) Valuation of undertakings or assets of the Company, wherever it is necessary.
  - (11) Evaluation of internal financial controls and risk management systems.
  - (12) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  - (13) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - (14) Discussion with internal auditors, any significant findings and follow up thereon.
  - (15) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - (16) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as has post-audit discussion to ascertain any area of concern.
  - (17) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - (18) To review the functioning of the Whistle Blower mechanism.
  - (19) Approval of appointment of CFO (i.e., the Whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
  - (20) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
  - (21) 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 including existing loans / advances / investments.

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.

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 /letters of internal control weaknesses issued by the statutory auditors;
- (4) internal audit reports relating to internal control weaknesses; and
- (5) the appointment, removal 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) in terms of Regulation 32(1).
  - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

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, 2021 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 on August 26, 2020, the Nomination and Remuneration Committee comprises of Shri Darius Pandole – Independent Director as Chairman of the Committee, Shri Sumit Maheshwari and Shri Venkatraman Srinivasan as members.

There was no meeting since its constitution on 26.08.2020 till 31.03.2021

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. No other payment is made to the non-executive Directors.

Details of the remuneration paid to Non-executive Directors is provided in Form No. MGT-7 which is available on the website of the Company and weblink of the same is <https://www.fairchem.in/investor-relations/Annual-Reports/Annual-Return-MGT-7.pdf>

#### **Remuneration to Executive Directors**

The Executive Director of the Company viz. Managing Director has 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. Shri Nahoosh Jariwala, Managing Director drew the remuneration and was given perquisites during the year.

Details of the remuneration paid to Non-executive Directors is provided in Form No. MGT-7 which is available on the website of the Company and weblink of the same is <https://www.fairchem.in/investor-relations/Annual-Reports/Annual-Return-MGT-7.pdf>

**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 2020-21**

(Amounts in Rs.)

| Directors  | Salary      | Perquisites | Sitting Fees | Total       |
|--|-------------|-------------|--------------|-------------|
| Shri Utkarsh B. Shah (Non-executive Director)      | Nil         | Nil         | Nil          | Nil         |
| Shri Nahoosh J. Jariwala (Managing Director)*      | 2,13,34,452 | Nil         | Nil          | 2,13,34,452 |
| Shri Sumit Maheshwari (Non-executive Director)     | Nil         | Nil         | Nil          | Nil         |
| Shri Venkatraman Srinivasam (Independent Director) | Nil         | Nil         | 1,40,000     | 1,40,000    |
| Shri Darius Pandole (Independent Director)         | Nil         | Nil         | 1,40,000     | 1,40,000    |
| Ms. Sonal Ambani (Independent Director)            | Nil         | Nil         | 1,40,000     | 1,40,000    |

\* Includes remuneration received as Managing Director in Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited)

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 a Stakeholders' Relationship Committee on August 26, 2020. Stakeholders' Relationship Committee consists of Shri Utkarsh B. Shah as Chairman of the committee, Promoter Non-Executive Director and Shri Nahoosh Jariwala, Promoter Executive Director and Shri Darius Pandole – Non- Executive Independent Director as members of the committee.

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

The role of the committee shall inter-alia include the following:

- (1) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- (2) Review of measures taken for effective exercise of voting rights by shareholders.
- (3) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- (4) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.]

During the period under review, 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.

**6. Risk Management Committee:**

In compliance of regulation 21 of the Listing Regulations, the Company has constituted a Risk Management Committee and majority of the members of the Committee are Directors. The Company has a well-defined risk management framework to identify, recognize, monitor and mitigate risks and also identify business opportunities. Business risk evaluation and its management is a continuous process within the organization. The Board has formed a Risk Management Committee on June

07, 2021. Risk Manamgt Committee consist of Shri Nahoosh Jariwala as Chairman of the Committee, Promoter Executive Director, Shri Sumit Maheshwari - Nominee Non-Executive Director and Shri Darius Pandole - Non-Executive Independent Director as members of the committee.

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

Compliance Officer:

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

Fairchem Organics Limited

Office at Works: 253/P and 312, Village Chekhala, Sanand – Kadi Highway, Taluka SANAND,

Dist. AHMEDABAD – 382 115. Gujarat. Phone (Board Nos.): (02717) 687 900 and 687901

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

## 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 Shri Nahoosh Jariwala as Chairman of the Committee, Promoter Executive Director, Shri Sumit Maheshwari - Nominee Non-Executive Director and Ms. Sonal Ambani - Non-Executive Independent Director as members of the committee.

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 time from listing of its shares on Stock Exchange till 31.03.2021 except in respect of the matter specified below:

The Audit Committee was constituted with 5 members - 2 of whom were in the Promoter category. The requirement of Regulation 18 is to have 2/3rd of the members as Independent Directors. Further clarification required the fraction, if any, to be rounded off to the next higher number even if it is less than 0.5. The constitution of Audit Committee did not meet this rounding off criteria. The Company reconstituted the Audit Committee to meet with Regulation 18 requirement. For the intervening period both the Stock Exchanges levied penalty for non compliance of Regulation 18.

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 period 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 Second Annual General Meeting.
- (g) The requisite certification from the CEO 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 did not have any women employees and so had not received any complaint under Sexual harassment.
- (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. 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>.

## 10. Means of Communication

During the year, quarterly Unaudited financial results and audited annual financial results –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, presentations 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 |
|---------|-----------|--|-----------------------------------|----------------------------|
| 1st AGM | 2019-2020 | Held through Video Conferencing (v/c)<br>other Audio Visual means (OAVM) | December 31, 2020<br>at 3.00 p.m. | Four                       |

**11. General Body Meeting Disclosure:**

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

Details of the Special Resolutions passed the Annual General Meetings held in the last financial year:

|  |  |
|--|--|
| 1st A.G.M. held on December 31, 2020 though VC at 253/P & 312, Village Chekhala, Sanand Kadi Highway, Tal. Sanand, Dist. Ahmedabad - 382115, Gujarat | <p>(1) Appointment of Shri Nahoosh Jariwala (DIN 00012412) as Managing Director and fixation of his remuneration</p> <p>(2) Appointment of Shri Venkatraman Srinivasan (DIN 00246012) as an Independent Director for 5 years.</p> <p>(3) Appointment of Shri Darius Pandole (DIN 00727320) as an Independent Director for 5 years</p> <p>(4) Appointment of Ms. Sonal Ambani (DIN 02404841) as an Independent Director for 5 years</p> |
|--|--|

Details of resolutions passed during F.Y. 2020-21 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, and General circular No. 02/2021 dated January 13, 2021 issued by the Ministry of Corporate Affairs, the 2nd Annual General Meeting (AGM) for the year ended March 31, 2021 is scheduled to be held on Thursday, September 02, 2021 at 3.00 P.M. IST onwards through Video Conferencing (VC) / Other Audio Visual Means (OAVM). The Members may attend the 2nd AGM scheduled to be held on Thursday, September 02, 2021, 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 2nd AGM. The proceedings of the 2nd AGM will be available through VC and live web-cast to the shareholders as on the cut-off date i.e. Tuesday, August 24, 2021.

**Book Closure Date :** Friday, August 20, 2021 to Friday, August 27, 2021 (both days inclusive)

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

On or before October 01, 2021

**Financial Calendar (Tentative)**

|   |                                |
|---|--------------------------------|
| Financial reporting for the quarter ending June 30, 2021                | On or before August 14, 2021   |
| Financial reporting for the quarter/half year ending September 30, 2021 | On or before November 02, 2021 |
| Financial reporting for the quarter ending December 31, 2021            | On or before February 14, 2022 |
| Financial reporting for the year ending March 31, 2022                  | On or before May 30, 2022      |

**STOCK PRICE:**

High/Low of monthly Market Prices of Company's Equity Shares traded on The National Stock Exchange of India Limited and BSE Limited during the financial year 2020-21 are furnished below:

| Months         | BSE Limited |        |               | National Stock Exchange of India Limited |        |          |
|----------------|-------------|--------|---------------|--|--------|----------|
|                | High        | Low    | No. of Shares | High                                     | Low    | Volume   |
| December, 2020 | 685         | 600.10 | 40,248        | 693                                      | 605    | 6,147    |
| January, 2021  | 725         | 587.25 | 79,389        | 694                                      | 589    | 4,22,032 |
| February, 2021 | 675.45      | 511    | 1,50,362      | 676.85                                   | 580.30 | 6,97,998 |
| March, 2021    | 764.90      | 618.80 | 76,165        | 770.00                                   | 613.00 | 8,30,587 |

The year-end price of the equity share of Rs. 10/- of the Company at BSE Limited was Rs. 748.60 and at National Stock Exchange of India Limited was Rs. 749.40.



**Share Price Performance in comparison to broad based indices such as BSE Sensex as on March 31, 2021:**

The equity shares of the Company were listed on BSE Limited and National Stock Exchange of India Limited w.e.f. December 24, 2020. We are, therefore giving relative comparison between the said listing date and March 31, 2021.

|  | BSE (% Change)            |        |
|--|---------------------------|--------|
|  | Fairchem Organics Limited | Sensex |
| F.Y. 2020-21 (December 24, 2020 to March 31, 2021) | 6.60%                     | 6.97%  |

**CREDIT RATING:**

CARE Ratings Limited carried out annual review of credit facilities of HDFC Bank and vide its letter dated September 15, 2020, has assigned its rating as under:

1. For Long-term Bank facilities: CARE A; (Single A; Outlook: Stable)
2. For Long-term / Short – term Bank facilities: CARE A; Stable / CARE A1 (Single A; Outlook : stable / A one)

**Share Transfer System**

Transfer of shares is processed by Registrar and Share Transfer Agent of the Company. M/s. Link Intime (India) Pvt. Ltd.

As on 31.03.2021 all the shares of the Company are in dematerialized form.

Shareholders holding shares in electronic form may please note that instructions regarding change of address, bank details, email address, nomination and power of attorney should be given directly to the Depository Participant (DP).

**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, 2021, 100% equity shares of the Company were held in dematerialised form. The shares are traded on The National Stock Exchange of India Limited and BSE Limited.

**Distribution of Shareholding as on March 31, 2021.**

| Category (shares) | No. of Shareholders | Percentage of Total Shareholders | No. of Shares      | Percentage of Total Shares |
|-------------------|---------------------|----------------------------------|--------------------|----------------------------|
| 1-500             | 8,111               | 93.48                            | 4,83,060           | 3.71                       |
| 501-1000          | 240                 | 2.77                             | 1,81,872           | 1.40                       |
| 1001-2000         | 127                 | 1.46                             | 1,75,475           | 1.35                       |
| 2001-3000         | 46                  | 0.53                             | 1,18,846           | 0.91                       |
| 3001-4000         | 28                  | 0.32                             | 99,483             | 0.76                       |
| 4001-5000         | 18                  | 0.21                             | 80,770             | 0.62                       |
| 5001-10000        | 42                  | 0.48                             | 3,03,897           | 2.33                       |
| 10001-20000       | 65                  | 0.75                             | 1,15,77,499        | 88.92                      |
| <b>Total</b>      | <b>8,677</b>        | <b>100.00</b>                    | <b>1,30,20,902</b> | <b>100.00</b>              |

**Categories of Shareholders, Category-wise Shareholding as on March 31, 2021.**

| Category  | No. of Shares held | % to total shares held |
|---|--------------------|------------------------|
| Individual  | 19,43,599          | 14.92                  |
| Promoters   |                    |                        |
| - Indian Promoters  | 32,94,257          | 25.30                  |
| - Foreign Promoter  | 63,48,982          | 48.76                  |
| Other Corporate Bodies                                      | 3,50,290           | 2.69                   |
| Financial Institutions / Mutual Funds / Banks               | 73,711             | 0.57                   |
| Directors & their relatives                                 | 0                  | 0                      |
| Foreign Institutional Investors / Overseas Corporate Bodies | 6,84,909           | 5.26                   |
| Non-Resident Indians  | 3,25,154           | 2.50                   |
| <b>TOTAL</b>  | <b>1,30,20,902</b> | <b>100.00</b>          |

**Listing on Stock Exchanges at:**

| National Stock Exchange of India Limited   | BSE Limited  |
|--|--|
| Exchange Plaza, Plot No. C/1, G Block,<br>Bandra – Kurla Complex, Bandra (E),<br>Mumbai – 400 051. | Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai – 400 001. |

Listing fees for the year 2021-22 have been paid to National Stock Exchange of India Limited and BSE Limited.

|  |  |
|--|--|
| <b>Stock Code / Symbol</b>                   | BSE Ltd. ...543252<br>National Stock Exchange of India Ltd. ... FAIRCHEM<br>Demat ISIN No. in NSDL & CDSL for Equity Shares ...INE0DNW01011  |
| <b>Registered Office</b>                     | Plot No. A- 71, TTC, Thane Belapur Road, Near Kopar Khairane,<br>Navi Mumbai - 400709.   |
| <b>Contact Person</b>                        | Mr. Rajen Jhaveri<br><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<br>Dist. Ahmedabad - 382 115 Gujarat.  |
| <b>Registrar &amp; Share Transfer Agent:</b> | Link Intime (India) Pvt.Ltd.<br>C 101, 247 Park, L.B.S. Marg,<br>Vikhroli (West), Mumbai – 400 083.<br>Corporate Office:<br>5th Floor, 506 to 508, Amarnath<br>Business Centre - 1 (ABC-1),<br>beside Gala Business Centre, Off C. G. Road,<br>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, 2021.

**Place :** Village Chekhala,  
Sanand-Kadi Highway, Taluka Sanand,  
District Ahmedabad - 382115  
**Date :** June 07, 2021

**For Fairchem Organics Limited,**

**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 : U24200MH2019PLC323176
2. Name of the Company : FAIRCHEM ORGANICS 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](http://www.fairchem.in)
5. E-mail id : [cs@fairchem.in](mailto:cs@fairchem.in)
6. Financial Year reported : 2020-2021
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) 13,02,09,020 (Thirteen crores two lakhs nine thousands twenty)
2. Total Turnover (INR) 396.57 crores – Revenue from operations
3. Total profit after taxes (INR) 42.48 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:-

| Activities for which contribution made               | Rs. In Lakhs     |
|--|------------------|
| (a) Education (For schools Nearby villages)          | - Rs. 17.35      |
| (b) Health (Dialysis Machines for hospital)          | - Rs. 31.36      |
| (c) Balance amount for which provision made in books | - Rs. 29.28      |
| <b>Total</b>   | <b>Rs. 77.99</b> |

#### SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies? **No.**
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). **Not applicable**
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. | Particulars                | Details  |
|-----|----------------------------|--|
| 1   | DIN Number (if applicable) | Not Applicable                                   |
| 2   | Name                       | Rajen Jhaveri                                    |
| 3   | Designation                | C.F.O., Company Secretary and Compliance Officer |
| 4   | Telephone number           | (02717) 687900 (Board Number)                    |
| 5   | e-mail id                  | cs@fairchem.in                                   |

## 2. Principle-wise (as per NVGs) BR Policy/policies

## (a) Details of compliance (Reply in Y/N)

| 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 years in the business of Speciality Chemicals. |     |     |     |     |     |     |     |     |
| 4   | Has the policy being approved by the Board? Is 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 the 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 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?                                 | The Company carries out internal evaluation / review of the policies periodically.  |     |     |     |     |     |     |     |     |

## (b) 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 - Annually
- (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? **Yearly in annual report**

### 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?

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
  - (c) Deodorizer 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 Tamil Nadu 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

1. Please indicate the Total number of employees - Total Number of employees as on 31-03-2021 were 200.
- (2) Please indicate the Total number of employees hired on temporary/contractual/casual basis. Total Number of employees as on 31-03-2021 were 102.
- (3) Please indicate the Number of permanent women employees : NIL
- (4) Please indicate the Number of permanent employees with disabilities - NIL
- (5) 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.
- (6) What percentage of your permanent employees is members of this recognized employee association? Not Applicable
- (7) 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  |

8. What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?
  - (a) Permanent Employees – About 46 % of employees were given training of safety, first aid, housekeeping and cleanliness practices.
  - (b) Permanent Women Employees – Not applicable
  - (c) Casual / Temporary / Contractual Employees – 16 security personnel were given training of firefighting and equipments handling. 12 other contract employees were also given training for firefighting.
  - (d) Employees with disabilities – Not Applicable.

### Principle 4

1. 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.
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders. Yes.
3. 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

1. 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.



2. 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 financial year ended March 31, 2021.

**Principle 6**

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.
2. 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.

**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 (GCCCI). GCCCI 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.

**PRINCIPLE 1**

- (1) 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) As stated in the Corporate Governance Report, Nil complaints were received from the investors during the financial year 2019-20 and all have been resolved. 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) All the finished products of the Company's including its two prime products viz. (A) Dimer Acid and (B) Linoleic Acid / Soya Fatty Acid 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 over the period.

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.

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.

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.

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**

- (1) Total Number of employees as on 31-03-2021 were 200.
- (2) Total Number of employees hired on contractual / casual basis were 102.
- (3) There is no permanent women employees
- (4) The number of permanent employees with disabilities – NIL
- (5) No. There is no such association. The employees, however, has access to the top management to represent their case / grievance, if any.
- (6) Not Applicable
- (7) Number of complaints relating
- (8) What percentage

## **CEO AND CFO CERTIFICATION**

The Managing Director 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 Director 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 Director 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, 2021.

**For Fairchem Organics Limited,**

Place : Village Chekhla, District Ahmedabad  
Date : June 07, 2021

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

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

To,

The Board of Directors,

Fairchem Organics Limited

- (1) We have reviewed financial statements and the cash flow statement of Fairchem Organics Limited for the year ended March 31, 2021 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 Organics Limited,**

**Rajen Jhaveri**  
Chief Financial Officer

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

Place : Village Chekhla, District Ahmedabad  
Date : June 07, 2021

## COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,  
The Members,  
**FAIRCHEM ORGANICS LIMITED**  
**CIN:U24200MH2019PLC323176**

We have examined all relevant records of **FAIRCHEM ORGANICS 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, 2021.

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  
ICSI Unique Code No.: P2006GJ009900  
Peer review Certificate No.: 796/2020

**UDAY G. DAVE**  
PARTNER

Place: Ahmedabad  
Date : June 07, 2021

FCS No.: 6545 C. P. No.: 7158  
UDIN: F006545C000434709



## CERTIFICATE

To,  
The Members,  
**FAIRCHEM ORGANICS LIMITED**  
**CIN:U24200MH2019PLC323176**

We have examined relevant registers, records, forms, returns and disclosures in respect of the Directors of **FAIRCHEM ORGANICS 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 March 31, 2021 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  
ICSI Unique Code No.: P2006GJ009900  
Peer review Certificate No.: 796/2020

**UDAY G. DAVE**  
PARTNER

Place: Ahmedabad  
Date : June 07, 2021

FCS No.: 6545 C. P. No.: 7158  
UDIN: F006545C000434643

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Fairchem Organics Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Fairchem Organics Limited ("the Company"), which comprise the balance sheet as at 31 March 2021, 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 financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs 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 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 on the financial statements.

#### Key Audit Matters

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

| <b>Revenue recognition – Timing of recognising revenue See note 2 (c), 2 (v), 30 and 50 to the financial statements</b>  |   |
|--|---|
| <b>The key audit matter</b>  | <b>How the matter was addressed in our audit</b>  |
| <p>Revenue from the sale of finished goods is recognized when control over finished goods is transferred to the customer. The Company has various customers with differing terms of trade which increases the risk of error in timing of revenue recognition. The actual point in time when revenue is recognized varies depending on the specific terms and conditions of the contracts with the customers.</p> <p>We have identified the risk of revenue being recognized in incorrect period on account of variation in the timing of transfer of control as a key audit matter due to the financial significance arising from pressure to achieve performance targets and meeting external expectations at the year end.</p> | <p>In view of the significance of the matter we applied the following audit procedures, among others, in this area to obtain sufficient audit evidence:</p> <ul style="list-style-type: none"> <li>– Assessing Company's revenue recognition accounting policies by comparing with applicable accounting standards and their consistent application to the significant sales contracts</li> <li>– Testing the design, implementation and operating effectiveness of key internal controls over timing of recognition of revenue from sale of products.</li> <li>– Performing substantive testing of revenue recognized near the year-end by selecting samples of [sales vouchers] recorded close to the year end, on a random basis. For the samples selected, verifying the customer contracts, invoice, delivery note to assess the appropriateness of revenue recognition in accordance with the contractual terms agreed with the customers and testing timeliness of revenue recognition by comparing individual sample sales transactions to underlying contracts</li> <li>– Evaluating revenue overstatement or understatement by assessing Company's key judgments in interpreting contractual terms</li> <li>– Circulating balance confirmation requests to customers on a random sample basis and examining reconciliations in case of differences</li> </ul> |

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
|   | <ul style="list-style-type: none"> <li>- Assessing manual journals posted to revenue to identify unusual items</li> <li>- Considering the adequacy of disclosures in respect of judgements exercised in recognising revenue in the financial statements.</li> </ul>  |
| <p>Pursuant to the Scheme, Oleo Chemical and Neutraceutical business of Fairchem Speciality Limited was demerged and vested into the Company. The Scheme with the appointed date as the closing of business hours of 31 March 2019 has been approved by the National Company Law Tribunal ('NCLT') vide its order dated 30 June 2020. The Company has accounted for this acquisition as business combination of entities under common control with effect from 1 April 2019.</p> <p>The assets and liabilities acquired are recognised at their carrying amounts. The difference between the carrying amount of assets and liabilities acquired and the consideration discharged by way of the new equity shares issued to the shareholders of the transferor company is recorded as capital reserve.</p> <p>This is a key audit matter as the scheme has a material and pervasive impact on the financial statements of the Company.</p> | <p>In view of the significance of the matter we applied the following audit procedures, among others, in this area to obtain sufficient audit evidence:</p> <ul style="list-style-type: none"> <li>- Reading the scheme and the NCLT order documents to understand its key terms and conditions</li> <li>- Assessing the accounting policy of business combination of entities under common control by comparing with applicable accounting standard</li> <li>- Examining the accounting entries for the Scheme in accordance with applicable accounting standard and the NCLT order</li> <li>- Assessing the adequacy of the disclosures in accordance with the applicable accounting standards.</li> </ul> |

### Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### Management's and Board of Directors' Responsibility for the Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 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.

In preparing the financial statements, the Management and Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

The audited financial statements of the Company for the corresponding year ended 31 March 2020, prepared in accordance with Ind AS, were audited by the predecessor auditors who expressed an unmodified opinion on those audited financial statements vide their report dated 23 June 2020.

Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) 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 the statement of cash flows dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 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 B".
- (B) With respect to the other matters to be included in the Auditors' 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 as at 31 March 2021 on its financial position in its financial statements - Refer Note 45 to the financial statements.
  - 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.
  - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

**For B S R & Co. LLP**  
*Chartered Accountants*  
Firm's Registration No. 101248W / W-100022

**Rupen Shah**  
**Partner**  
Membership No. 116240  
UDIN: 21116240AAAABR8336

Mumbai  
7 June 2021

## ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

### Annexure A to the Independent Auditors' report on the financial statements of Fairchem Organics Limited for the year ended 31 March 2021.

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2021, we report that:

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified by the management in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed/ transfer deed/ conveyance deed provided to us, we report that, the title deeds of immovable properties are held in the name of the Company. In respect of the immovable properties of land that have been taken on lease and disclosed as fixed asset (right to use assets) in the financial statements, the title deeds are in the name of Fairchem Speciality Limited from which the Company has taken over the business. Further, the Company has already initiated the formalities of registration in the name of the Company.

| Particular of Land           | Gross Block<br>as at 31-3-2021<br>(Rs in Lacs) | Net Block<br>as at 31-3-2021<br>(Rs in Lacs) | Remarks   |
|------------------------------|--|--|---|
| i. Leasehold Land (one case) | 459.40   | 427.97                                       | The title deeds are in the name of Fairchem Speciality Limited from which the Company has taken over the business |

- (ii) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been appropriately dealt with in the books of accounts.
- (iii) In our opinion and according to the information and explanations given to us, 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. Accordingly, paragraphs 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, or provided any guarantees or security to the parties covered under Section 185 and Section 186 of the Act during the year.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public in accordance with the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) We have broadly reviewed the records maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under sub-section 1 of section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Duty of Customs and other material statutory dues have been generally regularly deposited with the appropriate authorities, though there have been slight delays in depositing Goods and Service Tax and Income Tax with the appropriate authorities.



According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-Tax, Goods and Service Tax, Duty of Customs and other material statutory dues were in arrears as at 31 March 2021 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of, Income-tax, Sales Tax, Service Tax, Goods and Service Tax, Duty of customs, Duty of Excise, Value Added Tax, as at 31 March 2021, which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned below-

| Name of the statute   | Nature of dues                              | Amount | 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 | 3.56   | Feb 13 to Nov 14                   | The Commissioner (Appeal) Central Excise, Ahmedabad   |
|   |   | 2.25   | Dec 14 to Aug 15                   |   |
|   |   | 4.04   | Feb 15 to Mar 16                   | Customs, Excise & Service Tax Appellate Tribunal.     |
| 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                       |   |
|   |   | 1.77   | Year 2014-15                       | Dy. Commissioner of Sales Tax - Appeal, Ahmedabad     |
| CGST Act 2017, SGST Act 2017 and IGST Act 2017                  | Expiry of validity of E way bill            | 7.26   | Year 2020-21                       | Dy. Commissioner of State Tax - Appeal, Ahmedabad     |

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any banks during the year. The Company did not have any outstanding dues to financial institutions, debenture holders and Government during the year. Reserve Bank of India has issued a circular dated 27 March 2020 on COVID-19- Regulatory Package. The circular provides that companies may decide to opt for a moratorium period for repayment of term loans / working capital financing facilities etc. Basis the above regulatory package the Company has opted for moratorium period for repayment of term loans.
- (ix) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not raised any money by way of initial public offer, further public offer (including debt instruments) during the year. In our opinion and according to information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised.
- (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) According to the information and explanations given to us and based on our examination of the records of the Company, 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.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with provisions of Section 177 and 188 of the Act where applicable. The details of such transactions have been disclosed in the notes to the financial statements as required by the applicable Indian accounting standards.

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. However, the shares issued under the Scheme is not considered for reporting under this clause. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

**For B S R & Co. LLP**  
*Chartered Accountants*  
Firm's Registration No. 101248W / W-100022

**Rupen Shah**  
**Partner**  
Membership No. 116240  
UDIN: 21116240AAAABR8336

Mumbai  
7 June 2021

## ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

**Annexure B to the Independent Auditors' report on the financial statements of Fairchem Organics Limited for the year ended 31 March 2021.**

**Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### **Opinion**

We have audited the internal financial controls with reference to financial statements of Fairchem Organics Limited ("the Company") as of 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

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

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "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 and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 were established and maintained and whether 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 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 such internal financial controls, 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 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 include 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 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.

**For B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No. 101248W / W-100022

**Rupen Shah**

**Partner**

Membership No. 116240

UDIN: 21116240AAAABR8336

Mumbai  
7 June 2021

## BALANCE SHEET AS AT MARCH 31, 2021

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

|  | Notes | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------|-------------------------|-------------------------|
| <b>ASSETS</b>  |       |                         |                         |
| <b>Non-Current Assets</b>  |       |                         |                         |
| Property, Plant and Equipment  | 4 (a) | 12,199.16               | 12,192.23               |
| Right to use asset   | 4 (b) | 427.97                  | 434.43                  |
| Capital work-in-progress   | 5     | 2,945.29                | 942.85                  |
| Intangible Assets  | 6     | 4.77                    | 7.46                    |
| Financial Assets   |       |                         |                         |
| (i) Loans  | 7     | 0.36                    | 0.53                    |
| (ii) Other Financial Assets  | 8     | -                       | 27.69                   |
| Non-current Tax Assets (Net)   | 9     | 183.04                  | 141.67                  |
| Other Non-current Assets   | 10    | 298.76                  | 653.88                  |
| <b>Total Non-Current Assets</b>  |       | <b>16,059.35</b>        | <b>14,400.74</b>        |
| <b>Current Assets</b>  |       |                         |                         |
| Inventories  | 11    | 4,529.49                | 3,524.61                |
| Financial Assets   |       |                         |                         |
| (i) Trade receivables  | 12    | 4,676.73                | 3,787.90                |
| (ii) Cash and cash equivalents   | 13    | 2.60                    | 3.08                    |
| (iii) Bank balances other than (ii) above  | 14    | 35.60                   | 17.87                   |
| (iv) Loans   | 15    | 0.17                    | 1.22                    |
| (v) Other Financial Assets   | 16    | 0.50                    | 1.24                    |
| Other current assets   | 17    | 555.82                  | 149.47                  |
| <b>Total Current Assets</b>  |       | <b>9,800.91</b>         | <b>7,485.39</b>         |
| <b>TOTAL ASSETS</b>  |       | <b>25,860.26</b>        | <b>21,886.13</b>        |
| <b>EQUITY AND LIABILITIES</b>  |       |                         |                         |
| <b>EQUITY</b>  |       |                         |                         |
| Equity Share Capital   | 18    | 1,302.09                | -                       |
| Shares pending issuance  | 19    | -                       | 1,302.09                |
| Other Equity   | 20    | 15,571.36               | 11,369.98               |
| <b>Total Equity</b>  |       | <b>16,873.45</b>        | <b>12,672.07</b>        |
| <b>LIABILITIES</b>   |       |                         |                         |
| <b>Non-Current Liabilities</b>   |       |                         |                         |
| Financial Liabilities  |       |                         |                         |
| (i) Borrowings   | 21    | 2,598.20                | 1,633.16                |
| Provisions   | 22    | 177.20                  | 114.33                  |
| Deferred Tax Liabilities (Net)   | 40    | 1,135.09                | 1,162.90                |
| <b>Total Non-Current Liabilities</b>   |       | <b>3,910.49</b>         | <b>2,910.39</b>         |
| <b>Current Liabilities</b>   |       |                         |                         |
| Financial Liabilities  |       |                         |                         |
| (i) Borrowings   | 23    | 2,223.32                | 4,437.37                |
| (ii) Trade Payables  | 24    |                         |                         |
| (a) Total outstanding dues of micro enterprises and small enterprises                      |       | 63.34                   | 41.29                   |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises |       | 1,028.13                | 599.86                  |
| (iii) Other financial liabilities  | 25    | 1,066.05                | 805.76                  |
| Other current liabilities  | 26    | 459.81                  | 287.85                  |
| Provisions   | 27    | 102.09                  | 33.76                   |
| Current Tax Liabilities (Net)  | 28    | 133.58                  | 97.78                   |
| <b>Total Current Liabilities</b>   |       | <b>5,076.32</b>         | <b>6,303.67</b>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |       | <b>25,860.26</b>        | <b>21,886.13</b>        |

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

As per our report of even date attached

**For B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

**Rupen Shah**

Partner

Membership No. 116240

Mumbai

June 07, 2021

**For and on behalf of the Board of Directors of  
Fairchem Organics Limited**

**Utkarsh Shah**

Chairman

DIN: 00101663

**Nahoosh Jariwala**

Managing Director

DIN: 00012412

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

Chekhal, Taluka Sanand, Dist. AHMEDABAD

June 07, 2021

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON MARCH 31, 2021

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

|   | Notes | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|---|-------|---------------------------------|---|
| <b>Income</b>   |       |                                 |   |
| Revenue from Operations   | 30    | 39,656.94                       | 30,649.26   |
| Other Income  | 31    | 28.22                           | 658.86  |
| <b>Total Income</b>   |       | <b>39,685.16</b>                | <b>31,308.12</b>                                      |
| <b>Expenses</b>   |       |                                 |   |
| Cost of material consumed   | 32    | 27,766.25                       | 20,086.93   |
| Changes in Inventories of finished goods and work-in-progress             | 33    | (1,086.83)                      | 625.80  |
| Employee benefits expense   | 34    | 1,607.88                        | 1,401.35  |
| Finance Costs   | 35    | 682.03                          | 657.90  |
| Depreciation and amortisation expense                                     | 36    | 657.33                          | 595.95  |
| Other expenses  | 37    | 4,502.42                        | 3,698.41  |
| <b>Total Expenses</b>   |       | <b>34,129.08</b>                | <b>27,066.34</b>                                      |
| <b>Profit Before Tax</b>  |       | <b>5,556.08</b>                 | <b>4,241.78</b>                                       |
| Tax Expense   |       |                                 |   |
| Current tax   |       |                                 |   |
| Current tax for the year  |       | 1,437.73                        | 816.85  |
| (Excess) / short provision of income tax of earlier years (net)           |       | (118.15)                        | 4.11  |
| Deferred tax  |       | (11.97)                         | (49.59)   |
|   |       | <b>1,307.61</b>                 | <b>771.37</b>   |
| <b>Profit After Tax</b>   |       | <b>4,248.47</b>                 | <b>3,470.41</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 |       | (62.93)                         | (12.90)   |
| - Income tax effect   |       | 15.84                           | 3.25  |
| <b>Other comprehensive income for the year / period, net of tax</b>       |       | <b>(47.09)</b>                  | <b>(9.65)</b>   |
| <b>Total comprehensive income for the year / period</b>                   |       | <b>4,201.38</b>                 | <b>3,460.76</b>                                       |
| <b>Earnings Per Share</b>   |       |                                 |   |
| Basic and Diluted earnings per share (in Rupees)                          | 39    | 32.63                           | 26.65   |
| Nominal value per equity share (in Rupees)                                |       | 10.00                           | 10.00   |

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

**For B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No.: 101248W/W-100022

**Rupen Shah**  
Partner  
Membership No. 116240

**For and on behalf of the Board of Directors of  
Fairchem Organics Limited**

**Utkarsh Shah**  
Chairman  
DIN: 00101663

**Nahoosh Jariwala**  
Managing Director  
DIN: 00012412

**Rajen N. Jhaveri**  
Chief Financial Officer and Company Secretary  
Chekhala, Taluka Sanand, Dist. AHMEDABAD  
June 07, 2021

Mumbai  
June 07, 2021

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

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

|  | Notes                   |   |                  |
|--|-------------------------|---|------------------|
| <b>A. Equity Share Capital</b>                                       |                         |   |                  |
| <b>Balance as at March 27, 2019</b>                                  | 18                      | -   |                  |
| Issue of Share Capital during the period                             |                         | 1.00  |                  |
| Shares cancelled pursuant to a Scheme of Arrangement (Refer Note 52) |                         | (1.00)  |                  |
| <b>Balance as at March 31, 2020</b>                                  | 18                      | -   |                  |
| Issue of Shares pursuant to a Scheme of Arrangement (Refer Note 52)  |                         | 1,302.09                                      |                  |
| <b>Balance as at March 31, 2021</b>                                  | 18                      | <b>1,302.09</b>                               |                  |
| <b>B. Shares pending issuance</b>                                    |                         |   |                  |
|  | <b>Notes</b>            |   |                  |
| <b>Balance as at March 27, 2019</b>                                  | 19                      | -   |                  |
| Addition pursuant to a Scheme of Arrangement (Refer Note 52)         |                         | 1,302.09                                      |                  |
| <b>Balance as at March 31, 2020</b>                                  | 19                      | <b>1,302.09</b>                               |                  |
| Issue of Shares pursuant to a Scheme of Arrangement (Refer Note 52)  |                         | (1,302.09)                                    |                  |
| <b>Balance as at March 31, 2021</b>                                  | 19                      | -   |                  |
| <b>C. Other Equity</b>   |                         |   |                  |
|  | <b>Capital Reserves</b> | <b>Reserves and Surplus Retained Earnings</b> |                  |
|  |                         | <b>Total</b>                                  |                  |
| <b>Balance as at March 27, 2019</b>                                  | -                       | -   | -                |
| Addition pursuant to a Scheme of Arrangement (Refer Note 52)         | 8,958.05                | -   | 8,958.05         |
| Profit for the year  | -                       | 3,470.41                                      | 3,470.41         |
| Other Comprehensive Income (+)                                       | -                       | (9.65)  | (9.65)           |
| <b>Total Comprehensive Income for the year</b>                       | -                       | <b>3,460.76</b>                               | <b>3,460.76</b>  |
| <b>Transactions with owners in their capacity as owners:</b>         |                         |   |                  |
| Dividends Paid (including Dividend Distribution Tax) *               |                         | (1,048.83)                                    | (1,048.83)       |
| <b>Balance as at March 31, 2020</b>                                  | <b>8,958.05</b>         | <b>2,411.93</b>                               | <b>11,369.98</b> |
| Profit for the year  | -                       | 4,248.47                                      | 4,248.47         |
| Other Comprehensive Income (+)                                       | -                       | (47.09)                                       | (47.09)          |
| <b>Total Comprehensive Income for the year</b>                       | -                       | <b>4,201.38</b>                               | <b>4,201.38</b>  |
| <b>Balance as at March 31, 2021</b>                                  | <b>8,958.05</b>         | <b>6,613.31</b>                               | <b>15,571.36</b> |



\* Dividend paid including Dividend distribution tax during the period March 27, 2019 to March 31, 2020 of Rs. 1,048.83/- Lakhs comprises of dividend declared by erstwhile Fairchem Speciality Limited (now known as Privi Speciality Chemicals Limited) for the year ended March 31, 2019.

+ It includes remeasurement gain / loss on defined benefits plan.

#### **Capital Reserve**

Capital Reserve was created pursuant to a Scheme of Arrangement (Refer Note 52).

#### **Retained Earnings**

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 shareholders is determined based on the balance under this head, after considering the requirements of the Companies Act, 2013.

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

As per our report of even date attached

#### **For B S R & Co. LLP**

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

#### **Rupen Shah**

*Partner*

Membership No. 116240

Mumbai

June 07, 2021

#### **For and on behalf of the Board of Directors of Fairchem Organics Limited**

#### **Utkarsh Shah**

*Chairman*

DIN: 00101663

#### **Nahoosh Jariwala**

*Managing Director*

DIN: 00012412

#### **Rajen N. Jhaveri**

*Chief Financial Officer and Company Secretary*

Chekhala, Taluka Sanand, Dist. AHMEDABAD

June 07, 2021

## STATEMENT OF CASH FLOWS FOR YEAR ENDED ON MARCH 31, 2021

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

|  | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|--|---------------------------------|---|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>               |                                 |   |
| <b>Profit Before Taxation</b>                                | <b>5,556.08</b>                 | 4,241.78  |
| <u>Adjustments for:</u>                                      |                                 |   |
| Depreciation and Amortisation                                | <b>657.33</b>                   | 595.95  |
| Finance Cost   | <b>682.03</b>                   | 657.90  |
| Interest Income  | <b>(23.07)</b>                  | (12.54)   |
| Dividend Income  | -                               | (625.00)  |
| Unrealised Foreign Exchange Loss / (Gain)                    | <b>5.27</b>                     | (4.02)  |
| Gain on sale of assets                                       | <b>(4.53)</b>                   | -   |
| Credit Impairment Loss Reversal on Receivables               | -                               | (7.06)  |
| Loss on assets sold / discarded (Net)                        | -                               | 31.28   |
| <b>Operating Profit Before Working Capital Changes</b>       | <b>6,873.11</b>                 | 4,878.29  |
| <u>Adjustments For Changes In Working Capital:</u>           |                                 |   |
| (Increase) In Inventories                                    | <b>(1,004.88)</b>               | (123.99)  |
| Decrease In Non Current Loans                                | <b>0.17</b>                     | 0.98  |
| Decrease / (Increase) In Other Non Current Financial Assets  | <b>27.69</b>                    | (13.91)   |
| (Increase) In Trade receivables                              | <b>(894.10)</b>                 | (563.69)  |
| Decrease / (Increase) In Current Loans                       | <b>1.05</b>                     | (0.48)  |
| (Increase) In Other Current Financial Assets                 | <b>(19.50)</b>                  | -   |
| (Increase) / Decrease In Other current assets                | <b>(406.35)</b>                 | 175.02  |
| Increase / (Decrease) In Trade and Other Payables            | <b>450.32</b>                   | (359.27)  |
| Increase In Non Current Liabilities - Provisions             | <b>62.87</b>                    | 24.79   |
| Increase / (Decrease) In Current Liabilities - Provisions    | <b>5.40</b>                     | (36.64)   |
| Increase / (Decrease) In Other Current Financial Liabilities | <b>0.00</b>                     | (0.00)  |
| Increase In Other Current Liabilities                        | <b>171.96</b>                   | 5.39  |
| <b>Cash Generated From Operations</b>                        | <b>5,267.74</b>                 | 3,986.49  |
| Direct Taxes Refund / (Paid) (Net)                           | <b>(1,325.15)</b>               | (868.89)  |
| <b>A. Net Cash Generated From Operating Activities</b>       | <b>3,942.59</b>                 | 3,117.60  |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>               |                                 |   |
| Purchase of Property, Plant and Equipments                   | <b>(2,312.28)</b>               | (3,032.93)  |
| Proceeds from Sale of Property, Plant and Equipments         | <b>8.28</b>                     | 5.07  |
| Interest Income  | <b>23.81</b>                    | 12.54   |
| Dividend Income  | -                               | 625.00  |
| <b>B. Net Cash (Used In) Investing Activities</b>            | <b>(2,280.19)</b>               | (2,390.32)  |

## STATEMENT OF CASH FLOWS FOR YEAR ENDED ON MARCH 31, 2021

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

|  | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|--|---------------------------------|---|
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>                                       |                                 |   |
| Proceeds from Long Term Borrowings (net)   | 2,107.42                        | 1,499.57  |
| Repayment of Long Term Borrowings (net)  | (880.29)                        | (909.97)  |
| Net Proceeds / (Repayment) of Short Term Borrowings (net)                            | (2,214.05)                      | 388.37  |
| Proceeds from Issue of Share Capital   | -                               | 1.00  |
| Dividend Paid (including tax on dividend)  | -                               | (1,048.83)  |
| Interest Paid  | (675.96)                        | (655.98)  |
| <b>C. Net Cash Used In Financing Activities</b>                                      | <b>(1,662.88)</b>               | <b>(725.84)</b>                                       |
| <b>Net (Decrease) / Increase in cash and cash equivalents (A+B+C)</b>                | <b>(0.48)</b>                   | <b>1.44</b>   |
| Cash and Cash Equivalents as at the beginning of the year / period                   | 3.08                            | 1.64  |
| Cash and Cash Equivalents as at the end of the year / period                         | 2.60                            | 3.08  |
| <b>Reconciliation of cash and cash equivalent as per the statement of cash flows</b> |                                 |   |
|  | <b>As at<br/>March 31, 2021</b> | <b>As at<br/>March 31, 2020</b>                       |
| Cash and Cash Equivalents :  |                                 |   |
| Cash on hand   | 1.16                            | 1.77  |
| Bank Balances :  |                                 |   |
| - In Current Accounts  | 1.44                            | 1.31  |
|  | <b>2.60</b>                     | <b>3.08</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 25 for net debt reconciliation.

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

As per our report of even date attached

**For B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No.: 101248W/W-100022

**Rupen Shah**  
Partner  
Membership No. 116240

Mumbai  
June 07, 2021

**For and on behalf of the Board of Directors of  
Fairchem Organics Limited**

**Utkarsh Shah**  
Chairman  
DIN: 00101663

**Nahoosh Jariwala**  
Managing Director  
DIN: 00012412

**Rajen N. Jhaveri**  
Chief Financial Officer and Company Secretary  
Chekhala, Taluka Sanand, Dist. AHMEDABAD  
June 07, 2021

## Notes to the financial statements for the year ended 31 March 2021

### 1 Background of the Company

Fairchem Organics Limited (the 'Company') incorporated on March 27, 2019 under the provision of the Companies Act, 2013 is a public limited company domiciled in India. Pursuant to the Scheme of arrangement, the Oleo Chemical and Neutraceutical business of Fairchem Speciality Limited was demerged and vested into the Company (Refer note 52). The Company is engaged in manufacturing of Speciality Oleo Chemicals. The manufacturing facility is set up at Village Chekhala, Ta. Sanand, Dist. Ahmedabad, Gujarat, India. 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.

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) Historical cost convention

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

- Defined benefit plans - plan assets measured at fair value.

##### iii) 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 Company's functional and presentation currency.

## Notes to the financial statements for the year ended 31 March 2021

### 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 exchange rate are recognised in the Statement of Profit and Loss.

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 is expected to be entitled 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 where there is no uncertainty regarding the ultimate collection of the relevant export proceeds.

### 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 taxable timing 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 taxable timing difference 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 taxable timing differences only if it is probable that future taxable amounts will be available to utilize those taxable timing differences.

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) Leases

#### Company as a lessee:

From April 1, 2019, leases are recognised as a right-to-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.

Assets and liabilities arising from a lease are initially measured at cost which includes present value of lease payments to be made over the tenure of lease, adjusted for any payments made on or before the commencement of lease and initial

## Notes to the financial statements for the year ended 31 March 2021

direct cost, if any.. It is subsequently measured at cost less accumulated amortization, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability.

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.

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 to use assets:

Right-to-use assets are measured at cost comprising the amount of the initial measurement of lease liability and lease payments made before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or sight on which it is located, less any lease incentives received.

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 amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities.

### f) Impairment of non-financial assets

Non- financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. 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). An impairment loss in respect of goodwill is not subsequently reversed. Other 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.

### g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include 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.

### h) Trade receivables

Trade receivables are recognised initially at transaction price which is considered to be its fair value.

### i) 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 is valued based on weighted average cost method and cost of packing materials, stores and fuel are determined based on first-in, first-out (FIFO) method. The costs of raw materials, packing materials, stores and fuel comprises cost of purchase, and other costs incurred to bring the asset to its intended use. The cost of work in progress and 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 capacity. Cost of inventories comprise the purchase price, import duties and other taxes, (other than those subsequently recovered by the Company from tax authorities) and transport, handling and other costs directly attributable to bringing the inventory to their existing location and conditions.

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.

## Notes to the financial statements for the year ended 31 March 2021

### j) 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 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 Interest income using EIR method 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 other financial assets 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



## Notes to the financial statements for the year ended 31 March 2021

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 provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The impairment loss is based on the ageing of the receivables that are due and allowance rates used in the provision matrix.

### 5. Derecognition

The Company derecognises a financial asset, when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain the control of the financial asset.

### 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.

### 4. 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 to the extent it is expected to be paid within normal operating cycle of the business.

### 5. Borrowings

Borrowings are initially Capitalized 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 the statement of profit and 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 Capitalized 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, transferred, cancelled or expired. The difference between the carrying amount of borrowings that has been

## Notes to the financial statements for the year ended 31 March 2021

extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit and loss as other income/expenses.

### k) 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.

### l) 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 accumulated depreciation and accumulated impairment losses, if any. The historical cost comprises of its purchase price, non-refundable taxes & levies, freight and any other direct cost of bringing the item to its working condition for its intended use.

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.. All other repairs and maintenance are charged to statement of profit and loss during the reporting period in which they are incurred

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its use. Difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of profit and loss.

When major items of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacement of any property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit associated with the item will flow to the Company and its cost can be measured reliably.

Capital work in progress are those which are not ready for intended use and are carried at cost less impairment loss, if any.

#### Depreciation methods, estimated useful lives and residual value

Depreciation is calculated on cost less their estimated residual value on a pro-rata basis over the estimated useful life using straight line method. Estimated useful life is either as per technical evaluation or as per useful life as mentioned in schedule II of Companies Act 2013. Estimated useful life of the assets 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                          |
| • Air conditioner                 | 5                           |
| • Vehicles                        | 6 to 8                      |

\*For these classes of assets, the useful life of assets is different than the prescribed life as per Part C of Schedule II of the Companies Act, 2013. The different useful life is based on internal technical evaluation by the Company and historical usage of assets.

Depreciation methods, residual value and useful lives are reviewed at each financial year end and adjusted if appropriate.

### m) Intangible Assets and amortization

Intangible assets with finite useful life are stated at cost of acquisition, less accumulated amortisation and impairment loss, if any.

## Notes to the financial statements for the year ended 31 March 2021

Cost includes purchase price, non-refundable taxes, duties and other incidental expenses related to acquisition. Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of respective intangible assets as stated below:

| <u>Assets class</u> | <u>Useful life in years</u> |
|---------------------|-----------------------------|
| • Computer software | 3                           |

### n) 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.

Foreign exchange differences including exchange differences related to foreign currency borrowings to the extent they are regarded as an adjustment to interest costs to the extent not capitalized are presented in the statement of profit and loss, within finance costs.

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.

### o) Provisions, contingent liabilities and contingent assets

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.

A contingent asset is a possible asset that arises from past events and whose existence 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. Contingent assets are not recognised but disclosed only when an inflow of economic benefits is probable.

### p) Employee Benefits

#### i) Defined contribution plans

Contributions to post employment 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 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.

## Notes to the financial statements for the year ended 31 March 2021

### 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 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.

### iv) Short term employee benefits

Short term benefits payable within twelve months after the end of the reporting period in which the employees have rendered service are expensed in the statement of profit and loss.

### q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director who is identified as the chief operating decision maker. The managing director assesses the financial performance and position of the company, and make strategic decisions.

### r) Common control business combinations

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that control the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established,

Business combinations involving, entities that are controlled by the group are accounted for using the pooling of interests method as follows:

The assets and liabilities of the combining entities are transferred at their carrying amounts.

The difference, if any, between the carrying amount of assets and liabilities transferred and the consideration discharged by way of the new equity shares issued to the shareholders of the transferor company is recorded as capital reserve.

### s) 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.

### t) 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.

### u) Critical estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal

## Notes to the financial statements for the year ended 31 March 2021

the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

The areas involving critical estimates are:

- Estimation of defined benefit obligation – Note 29
- Contingent liabilities – Note 45
- Estimation of useful life of tangible and intangible assets – Note 4

Estimates 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.

### v) Significant judgement

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes –

- Timing of recognition of revenue- Note 30

### 3. Recent accounting pronouncements

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013 revising Division I, II and III of Schedule III and are applicable from April 1, 2021. The amendments primarily relate to

- a) Change in existing presentation requirements for certain items in Balance sheet, for e.g. Lease liabilities, security deposits, current maturities of long- term borrowings, effect of prior period errors on Equity Share capital
- b) Additional disclosure requirements in specified formats, for e.g. ageing of trade receivables, trade payables, capital work in progress, intangible assets, shareholding of promoters, etc.
- c) Disclosure if funds have been used other than for the specific purpose for which it was borrowed from banks and financial institutions.
- d) Additional Regulatory Information, for e.g. compliance with layers of companies, title deeds of immovable properties, financial ratios, loans and advances to key managerial personnel, etc.
- e) Disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency.

The amendments are extensive, and the Company is evaluating the same.

4. The financial statements for the year ended March 31, 2021 were approved for issue by the Board of Directors of the Company on June 07, 2021.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 (a) Property, Plant and Equipment

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

| Particulars                     | Gross Carrying Amount   |  |                            | Accumulated Depreciation |                         |                 | Net Carrying Amount<br>As at March<br>31, 2021 |
|---------------------------------|-------------------------|--|----------------------------|--------------------------|-------------------------|-----------------|--|
|                                 | As at March<br>31, 2020 | Addition<br>pursuant to<br>a Scheme<br>of<br>Arrangement | Deductions/<br>Adjustments | As at March<br>31, 2021  | As at March<br>31, 2020 | For the<br>year |  |
| Freehold Land                   | 63.10                   | -  | -                          | 63.10                    | -                       | -               | 63.10  |
| Building                        | 2,264.32                | 152.14   | -                          | 2,416.46                 | 322.82                  | 87.73           | 2,005.91                                       |
| Plant and Machinery             | 11,057.95               | 433.54   | -                          | 11,491.49                | 1,308.90                | 468.98          | 9,713.61                                       |
| Electric Installation           | 349.68                  | -  | -                          | 349.68                   | 180.34                  | 33.77           | 135.57   |
| Air Conditioners                | 49.59                   | 1.54   | -                          | 51.13                    | 26.21                   | 6.46            | 18.46  |
| Office Equipments and Computers | 85.90                   | 6.31   | 0.43                       | 91.78                    | 50.37                   | 14.81           | 27.00  |
| Furniture and Fixtures          | 201.94                  | 6.10   | -                          | 208.04                   | 62.21                   | 22.13           | 123.70   |
| Vehicles                        | 120.96                  | 59.23  | 24.74                      | 155.45                   | 50.36                   | 14.30           | 111.81   |
| <b>Total</b>                    | <b>14,193.44</b>        | <b>658.86</b>  | <b>25.17</b>               | <b>14,827.13</b>         | <b>2,001.21</b>         | <b>648.18</b>   | <b>12,199.16</b>                               |

| Particulars                     | Gross Carrying Amount   |  |                            | Accumulated Depreciation |                         |                 | Net Carrying Amount<br>As at March<br>31, 2020 |
|---------------------------------|-------------------------|--|----------------------------|--------------------------|-------------------------|-----------------|--|
|                                 | As at March<br>27, 2019 | Addition<br>pursuant to<br>a Scheme<br>of<br>Arrangement | Deductions/<br>Adjustments | As at March<br>31, 2020  | As at March<br>27, 2019 | For the<br>year |  |
| Freehold Land                   | 63.10                   | -  | -                          | 63.10                    | -                       | -               | 63.10  |
| Building                        | 2,235.32                | 29.00  | -                          | 2,264.32                 | -                       | 85.43           | 1,941.50                                       |
| Plant and Machinery             | 9,443.77                | 1,658.23   | 44.05                      | 11,057.95                | -                       | 413.68          | 9,749.05                                       |
| Electric Installation           | 349.68                  | -  | -                          | 349.68                   | -                       | 34.20           | 169.34   |
| Air Conditioners                | 49.18                   | 0.93   | 0.52                       | 49.59                    | -                       | 6.46            | 23.38  |
| Office Equipments and Computers | 78.78                   | 11.30  | 4.18                       | 85.90                    | -                       | 14.02           | 35.53  |
| Furniture and Fixtures          | 178.04                  | 23.90  | -                          | 201.94                   | -                       | 20.80           | 139.73   |
| Vehicles                        | 113.66                  | 10.74  | 3.44                       | 120.96                   | -                       | 14.29           | 70.60  |
| <b>Total</b>                    | <b>12,511.53</b>        | <b>1,734.10</b>  | <b>52.19</b>               | <b>14,193.44</b>         | <b>-</b>                | <b>588.88</b>   | <b>12,192.23</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.

## NOTES TO THE FINANCIAL STATEMENTS

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

### 4 (b) Right to use asset

| Particulars        | Gross Carrying Amount |           |                         | Accumulated Depreciation |              |                         | Net Carrying Amount<br>As at March 31, 2021 |
|--------------------|-----------------------|-----------|-------------------------|--------------------------|--------------|-------------------------|---|
|                    | As at March 31, 2020  | Additions | Deductions/ Adjustments | As at March 31, 2021     | For the year | Deductions/ Adjustments |   |
| Right to use asset | 459.40                | -         | -                       | 459.40                   | 6.46         | -                       | 427.97                                      |
| <b>Total</b>       | <b>459.40</b>         | <b>-</b>  | <b>-</b>                | <b>459.40</b>            | <b>6.46</b>  | <b>-</b>                | <b>427.97</b>                               |

| Particulars        | Gross Carrying Amount |               |                         | Accumulated Depreciation |              |                         | Net Carrying Amount<br>As at March 31, 2020 |
|--------------------|-----------------------|---------------|-------------------------|--------------------------|--------------|-------------------------|---|
|                    | As at March 27, 2019  | Additions     | Deductions/ Adjustments | As at March 27, 2019     | For the year | Deductions/ Adjustments |   |
| Right to use asset | -                     | 459.40        | -                       | 459.40                   | 18.51        | 6.46                    | 434.43                                      |
| <b>Total</b>       | <b>-</b>              | <b>459.40</b> | <b>-</b>                | <b>459.40</b>            | <b>18.51</b> | <b>6.46</b>             | <b>434.43</b>                               |

(i) Lease contracts entered by the Company pertains for land, taken on lease to conduct its business in the ordinary course.

(ii) The company does not have any lease expenses recognised in statement of profit and loss towards short-term leases, lease of low value assets and variable lease rental.

(iii) Extension and termination options are included in the lease contracts. The same is used to maximise operational flexibility in terms of managing assets used in Company's operations.

### 5 Capital Work in Progress

|  | As at March 31, 2021 | As at March 31, 2020 |
|--|----------------------|----------------------|
| Opening Balance  | 942.85               | -                    |
| Addition pursuant to a Scheme of Arrangement (Refer Note 52) | -                    | 87.91                |
| Addition during the year / period                            | 2,588.12             | 2,542.17             |
| Capitalised during the year / period                         | 585.68               | 1,687.23             |
| <b>Closing Balance</b>                                       | <b>2,945.29</b>      | <b>942.85</b>        |

Capital work-in-progress mainly comprises of Plant & Machinery.



## NOTES TO THE FINANCIAL STATEMENTS

### 6 Intangible Assets

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

| Particulars       | Gross Carrying Amount |  |           |                         | Accumulated Depreciation |                      |              |                         | Net Carrying Amount  |                      |
|-------------------|-----------------------|--|-----------|-------------------------|--------------------------|----------------------|--------------|-------------------------|----------------------|----------------------|
|                   | As at March 31, 2020  | Addition pursuant to a Scheme of Arrangement | Additions | Deductions/ Adjustments | As at March 31, 2021     | As at March 31, 2020 | For the year | Deductions/ Adjustments | As at March 31, 2021 | As at March 31, 2021 |
| Computer Software | 8.07                  | -  | -         | -                       | 8.07                     | 0.61                 | 2.69         | -                       | 3.30                 | 4.77                 |
| <b>Total</b>      | <b>8.07</b>           | <b>-</b>                                     | <b>-</b>  | <b>-</b>                | <b>8.07</b>              | <b>0.61</b>          | <b>2.69</b>  | <b>-</b>                | <b>3.30</b>          | <b>4.77</b>          |

| Particulars       | Gross Carrying Amount |  |             |                         | Accumulated Depreciation |                      |              |                         | Net Carrying Amount  |                      |
|-------------------|-----------------------|--|-------------|-------------------------|--------------------------|----------------------|--------------|-------------------------|----------------------|----------------------|
|                   | As at March 27, 2019  | Addition pursuant to a Scheme of Arrangement | Additions   | Deductions/ Adjustments | As at March 27, 2019     | As at March 31, 2020 | For the year | Deductions/ Adjustments | As at March 31, 2020 | As at March 31, 2020 |
| Computer Software | -                     | -  | 8.07        | -                       | -                        | -                    | 0.61         | -                       | 0.61                 | 7.46                 |
| <b>Total</b>      | <b>-</b>              | <b>-</b>                                     | <b>8.07</b> | <b>-</b>                | <b>-</b>                 | <b>-</b>             | <b>0.61</b>  | <b>-</b>                | <b>0.61</b>          | <b>7.46</b>          |

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| <b>7 <u>Loans</u></b>  |                         |                         |
| (Unsecured, Considered Good)   |                         |                         |
| Security Deposits  | 0.36                    | 0.53                    |
|  | <b>0.36</b>             | 0.53                    |
| <b>8 <u>Other Financial Assets</u></b>   |                         |                         |
| Fixed Deposit with maturity of more than twelve months *   | -                       | 27.69                   |
|  | -                       | 27.69                   |
| * It includes Rs. Nil (March 31, 2020: Rs. 25.69 lakhs) pledged with the bank for non cash limit   |                         |                         |
| <b>9 <u>Non Current Tax Assets (Net)</u></b>   |                         |                         |
| Advance Income Tax and Tax deducted at source (Net of Provision)   | 183.04                  | 141.67                  |
|  | <b>183.04</b>           | 141.67                  |
| <b>10 <u>Other Non Current Assets</u></b>  |                         |                         |
| (Unsecured and Considered Good)  |                         |                         |
| Capital advances   | 298.76                  | 653.88                  |
|  | <b>298.76</b>           | 653.88                  |
| <b>11 <u>Inventories</u></b>   |                         |                         |
| [Refer note 2 (i) - valued at lower of cost and net realisable value]  |                         |                         |
| Raw Materials  | 2,080.19                | 2,300.87                |
| Packing Materials  | 3.97                    | 4.89                    |
| Stores, Consumables and Fuel   | 628.34                  | 488.69                  |
| Work-in-progress   | 1,702.74                | 671.35                  |
| Finished Goods   | 114.25                  | 58.81                   |
|  | <b>4,529.49</b>         | 3,524.61                |
| <u>Of the above includes Goods in transit :</u>  |                         |                         |
| Raw Materials  | 355.97                  | 37.31                   |
| Stores and Fuel  | 0.82                    | 0.05                    |
| Finished Goods   | 114.25                  | 58.81                   |
| The cost of stores and spares inventories recognised as an expense includes Nil (March 31, 2020 - 44.92 lakhs) in respect of write-downs of inventory determined based on evaluation of NRV of slow and non moving inventories. Refer to note 47 for information on inventories hypothecated as security by the Company. |                         |                         |

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| <b>12 Trade Receivables</b>  |                         |                         |
| Trade Receivables considers good - Unsecured   | 4,676.73                | 3,787.90                |
| Trade Receivables - credit impaired  | 42.00                   | 42.00                   |
|  | <b>4,718.73</b>         | 3,829.90                |
| Less: Loss Allowances  | (42.00)                 | (42.00)                 |
|  | <b>4,676.73</b>         | 3,787.90                |
| <b>The movement in allowance for doubtful debts is as follows:</b>   |                         |                         |
| Balance as at beginning of the year  | 42.00                   | -                       |
| Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 52)   | -                       | 49.06                   |
| Allowance for bad and doubtful debts reversed during the year  | -                       | (7.06)                  |
| Balance as at the end of the year  | <b>42.00</b>            | 42.00                   |
| Trade receivables are non-interest bearing and are generally on credit period of 0 - 75 days. Refer Note 42 for credit risk related disclosures. |                         |                         |
| Refer to note 47 for information on trade receivables hypothecated as security by the Company.   |                         |                         |
| <b>13 Cash and cash equivalents</b>  |                         |                         |
| Balances with banks:   |                         |                         |
| - In Current Accounts  | 1.44                    | 1.31                    |
| Cash on Hand   | 1.16                    | 1.77                    |
|  | <b>2.60</b>             | 3.08                    |
| <b>14 Bank balances other than note 13 above</b>   |                         |                         |
| Unpaid Dividend Accounts   | 16.10                   | 17.87                   |
| Fixed Deposit with maturity of more than three months but less than twelve months *  | 19.50                   | -                       |
|  | <b>35.60</b>            | 17.87                   |
| * It includes Rs. 17.50 lakhs (March 31, 2020: Nil) pledged with the bank for non cash limit   |                         |                         |
| <b>15 Loans</b>  |                         |                         |
| (Unsecured, Considered Good)   |                         |                         |
| Security Deposits  | -                       | 0.21                    |
| Loans to Employees   | 0.17                    | 1.01                    |
|  | <b>0.17</b>             | 1.22                    |
| <b>16 Other Current Financial Assets</b>   |                         |                         |
| Interest Accrued but not Due   | 0.50                    | 1.24                    |
|  | <b>0.50</b>             | 1.24                    |
| <b>17 Other Current Assets</b>   |                         |                         |
| Balances with Government Authorities   | 87.94                   | 24.66                   |
| Export Incentive Receivable  | 43.58                   | 53.46                   |
| Advance to vendors   | 353.06                  | 40.83                   |
| Prepaid Expenses   | 70.64                   | 27.55                   |
| Excess deposit in Gratuity Fund  | -                       | 2.44                    |
| Others   | 0.60                    | 0.53                    |
|  | <b>555.82</b>           | 149.47                  |

## NOTES TO THE FINANCIAL STATEMENTS

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

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
| <b>18 Equity Share Capital</b>  |                         |                         |
| <b>Authorised:</b>  |                         |                         |
| 20,000,000 (March 31, 2020: 10,000) Equity Shares of Rs. 10 each                                | 2,000.00                | 1.00                    |
|   | 2,000.00                | 1.00                    |
| <b>Issued, Subscribed and Paid-up:</b>  |                         |                         |
| 13,020,902 (March 31, 2020: Nil) Equity Shares of Rs. 10 each, fully paid-up<br>(Refer Note 52) | 1,302.09                | -                       |
|   | 1,302.09                | -                       |

|   | As at March 31, 2021    |          | As at March 31, 2020    |        |
|---|-------------------------|----------|-------------------------|--------|
|   | No. of<br>Equity Shares | Amount   | No. of<br>Equity Shares | Amount |
| <b>18.1 Movement in Equity Share Capital</b>                            |                         |          |                         |        |
| Balance as at the beginning of the year                                 | -                       | -        | -                       | -      |
| Shares issued during the period   | -                       | -        | 10,000                  | 1.00   |
| Shares cancelled pursuant to a<br>Scheme of Arrangement (Refer Note 52) | -                       | -        | (10,000)                | (1.00) |
| Shares issued pursuant to a Scheme of<br>Arrangement (Refer Note 52)    | 1,30,20,902             | 1,302.09 | -                       | -      |
| Balance as at the end of the year                                       | 1,30,20,902             | 1,302.09 | -                       | -      |

### 18.2 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.

### 18.3 Details of Shareholders holding more than 5% of the aggregate shares in the company:

|                                   | As at March 31, 2021 |        | As at March 31, 2020 |       |
|-----------------------------------|----------------------|--------|----------------------|-------|
|                                   | Nos                  | (%)    | Nos                  | (%)   |
| FIH Mauritius Investments Limited | 63,47,899            | 48.75% | -                    | 0.00% |
| Mr. Mahesh Babani                 | 8,62,116             | 6.62%  | -                    | 0.00% |
| Banbridge Limited                 | 6,69,672             | 5.14%  | -                    | 0.00% |

### 18.4 No equity shares are issued as bonus shares or for consideration other than cash (except shares issued pursuant to the scheme as per Note 52) or have been bought back since its incorporation on March 27, 2019.

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| <b>19</b> <b><u>Shares pending issuance</u></b>  |                         |                         |
| Equity Shares to be issued pursuant to a Scheme of Arrangement (Refer Note 52)   | -                       | 1,302.09                |
|  | -                       | 1,302.09                |
| <b>20</b> <b><u>Other Equity</u></b>   |                         |                         |
| Capital Reserves   | 8,958.05                | 8,958.05                |
| Retained Earnings  | 6,613.31                | 2,411.93                |
|  | <b>15,571.36</b>        | <b>11,369.98</b>        |
| <b><u>Movement of Capital Reserve</u></b>  |                         |                         |
| Balance as at the beginning of the year  | 8,958.05                | -                       |
| Addition pursuant to a Scheme of Arrangement (Refer Note 52)   | -                       | <b>8,958.05</b>         |
| Balance as at the end of the year  | <b>8,958.05</b>         | 8,958.05                |
| <b><u>Movement of Retained Earnings</u></b>  |                         |                         |
| Balance as at the beginning of the year  | 2,411.93                | -                       |
| Profit for the year  | 4,248.47                | 3,470.41                |
| Other Comprehensive Income   | (47.09)                 | (9.65)                  |
|  | <b>6,613.31</b>         | 3,460.76                |
| Less : Dividend paid including Dividend distribution tax *   | -                       | 1,048.83                |
| Balance as at the end of the year  | <b>6,613.31</b>         | 2,411.93                |
| * Dividend paid including Dividend distribution tax during the period March 27, 2019 to March 31, 2020 of Rs. 1,048.83 lakhs is in respect of business transferred to Fairchem Organics Limited from Privi Speciality Chemicals Limited (formerly known as Fairchem Speciality Limited) for the year ended March 31, 2019. |                         |                         |
| <b>21</b> <b><u>Borrowings - Non-Current</u></b>   |                         |                         |
| Secured - at amortized cost  |                         |                         |
| Term Loan from Bank *  | 2,598.20                | 1,633.16                |
|  | <b>2,598.20</b>         | 1,633.16                |
| * It includes unamortised expenses of Rs. 7.91 Lakhs as at March 31, 2021 (March 31, 2020: Rs. 12.33 Lakhs).   |                         |                         |

## NOTES TO THE FINANCIAL STATEMENTS

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

### 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              | Interest Rate as on March 31, 2021 | Maturity Date  | Terms of Repayment                  | Outstanding as at March 31, 2021 | Outstanding as at March 31, 2020 |
|---------------------------|------------------------------------|----------------|-------------------------------------|----------------------------------|----------------------------------|
| HDFC Bank<br>(Term Loans) | 9%                                 | December, 2021 | Repayment in 63 monthly instalments | 445.67                           | 791.41                           |
|                           | 9%                                 | October, 2020  | Repayment in 39 monthly instalments | -                                | 48.09                            |
|                           | 9%                                 | January, 2025  | Repayment in 64 monthly instalments | 1,704.26                         | 1,402.72                         |
|                           | 7.9%                               | February, 2026 | Repayment in 60 monthly instalments | 1,315.00                         | -                                |

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, 2021 | As at March 31, 2020 |
|--|----------------------|----------------------|
| <b>22 Non-Current Provisions</b>                   |                      |                      |
| Provision for Employee Benefits [Refer Note 29(a)] |                      |                      |
| Provision for Gratuity                             | 29.01                | -                    |
| Provision for compensated absences                 | 148.19               | 114.33               |
|  | <b>177.20</b>        | 114.33               |
| <b>23 Borrowings</b>                               |                      |                      |
| Secured:   |                      |                      |
| Working Capital Loans from Bank                    | 1,843.12             | 4,405.09             |
| Packing credit in Foreign Currency                 | 380.20               | 32.28                |
|  | <b>2,223.32</b>      | 4,437.37             |

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. Working Capital Loan carry interest rate of 8.05% as on March 31, 2021 and are payable on demand.

Packing credit from bank carry interest rate of 1.7039% to 1.7638% as on March 31, 2021 are due for repayment within 120 days (March 31, 2020: 120 days)

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| <b>24 Trade Payables</b>   |                         |                         |
| (a) Total outstanding dues of micro enterprises and small enterprises (Refer Note below)   | 63.34                   | 41.29                   |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises   | 1028.13                 | 599.86                  |
|  | <b>1091.47</b>          | <b>641.15</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.   | 115.34                  | 74.60                   |
| b) Interest due to suppliers registered under MSMED Act and remaining unpaid as at the year end.   | 0.01                    | -                       |
| 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   | 73.12                   | 72.27                   |
| 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   | 0.43                    | 0.32                    |
| e) The amount of interest accrued and remaining unpaid at the end of each accounting year  | 3.17                    | 2.73                    |
| 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. | 2.73                    | 2.41                    |
| The above information regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors  |                         |                         |
| <b>25 Other Financial Liabilities</b>  |                         |                         |
| <b>Current</b>   |                         |                         |
| Current maturities of long term debt (Refer Note 21)   |                         |                         |
| Term Loan from Bank  | 858.82                  | 596.73                  |
| Interest accrued but not due on borrowings   | 20.46                   | 14.39                   |
| Unclaimed dividend (Refer Note below)  | 16.10                   | 17.87                   |
| Creditors for capital goods *  | 170.67                  | 176.77                  |
|  | <b>1,066.05</b>         | <b>805.76</b>           |

\* Including dues to Micro and Small Enterprises for Rs. 55.17 Lakhs (March 31, 2020 : Rs. 36.04 Lakhs) - Refer Note 24.

**Note:** 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 FINANCIAL STATEMENTS

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

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
| <b>Net Debt Reconciliation</b>  |                         |                         |
| Current borrowings  | (2,223.32)              | (4,437.37)              |
| Non-current borrowing (includes current maturity of long term borrowings) | (3,457.02)              | (2,229.89)              |
|   | <b>(5,680.34)</b>       | <b>(6,667.26)</b>       |

|  | Non-current<br>Borrowings | Current<br>Borrowings | Total             |
|--|---------------------------|-----------------------|-------------------|
| <b>Net Debt as of March 27, 2019</b>                               | -                         | -                     | -                 |
| Transferred pursuant to a Scheme of Arrangement<br>(Refer Note 52) | (1,640.29)                | (4,049.00)            | (5,689.29)        |
| Cash flow (Net)  | (589.60)                  | (388.37)              | (977.97)          |
| 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>(2,229.89)</b>         | <b>(4,437.37)</b>     | <b>(6,667.26)</b> |
| Cash flow (Net)  | (1,227.13)                | 2,214.05              | 986.92            |
| Interest expense   | 236.50                    | 430.64                | 667.14            |
| Interest accrued but not due                                       | (5.66)                    | (0.41)                | (6.07)            |
| Interest paid  | (230.84)                  | (430.23)              | (661.07)          |
| <b>Net Debt as of March 31, 2021</b>                               | <b>(3,457.02)</b>         | <b>(2,223.32)</b>     | <b>(5,680.34)</b> |

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
| <b>26 Other current liabilities</b>                 |                         |                         |
| Advances from customers (Refer Note 50)             | 15.69                   | 19.80                   |
| Statutory liabilities                               | 211.98                  | 67.81                   |
| Employee benefit payable                            | 202.84                  | 200.08                  |
| Other liabilities                                   | 29.30                   | 0.16                    |
|   | <b>459.81</b>           | <b>287.85</b>           |
| <b>27 Current Provisions</b>                        |                         |                         |
| Provision for employee benefits [Refer Note 29 (a)] |                         |                         |
| Provision for gratuity                              | 51.51                   | -                       |
| Provision for compensated absences                  | 50.58                   | 33.76                   |
|   | <b>102.09</b>           | <b>33.76</b>            |
| <b>28 Current Tax Liabilities (Net)</b>             |                         |                         |
| Income tax provision net of Advance Tax             | 133.58                  | 97.78                   |
|   | <b>133.58</b>           | <b>97.78</b>            |

## NOTES TO THE FINANCIAL STATEMENTS

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

### 29 (a) Provision for Employee Benefits

|  | As at March 31, 2021 |               | As at March 31, 2020 |             |
|--|----------------------|---------------|----------------------|-------------|
|  | Current              | Non-current   | Current              | Non-current |
| Compensated absences                         | 50.58                | 148.19        | 33.76                | 114.33      |
| Gratuity                                     | 51.51                | 29.01         | -                    | -           |
| <b>Total Provision for Employee Benefits</b> | <b>102.09</b>        | <b>177.20</b> | 33.76                | 114.33      |

### (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. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| Current leave obligations expected to be settled within the next 12 months | 50.58                   | 33.76                   |

### (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 Finechem Limited Employees Group Gratuity Assurance Scheme which in-turn, has taken Group Gratuity Scheme of the Life Insurance Corporation of India (LIC of India) in the form of a qualifying insurance policy. The Company contributes to the insurance fund based on estimated liability received from LIC of India.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

The expense recognised during the period towards defined contribution plan are :

|   | Year ended on<br>March 31, 2021 | Year ended on<br>March 31, 2020 |
|---|---------------------------------|---------------------------------|
| Employer's Contribution to Provident Fund                 | 53.48                           | 38.58                           |
| Employer's Contribution to Employees' State Insurance     | 3.15                            | 3.36                            |
| Employer's Contribution to Employees' Pension Scheme 1995 | 26.05                           | 24.93                           |
|   | <b>82.68</b>                    | <b>66.87</b>                    |

### Balance sheet amount (Gratuity)

|  | Present value<br>of obligation | Fair value of<br>plan assets | Net<br>amount |
|--|--------------------------------|------------------------------|---------------|
| <b>As at March 27, 2019</b>  | -                              | -                            | -             |
| Transferred pursuant to a Scheme of Arrangement<br>(Refer Note 52)               | 233.23                         | (207.82)                     | 25.41         |
| Current service cost   | 26.12                          | -                            | 26.12         |
| Past Service Cost  | -                              | -                            | -             |
| 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<br>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 FINANCIAL STATEMENTS

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

### Balance sheet amount (Gratuity)

|   | Present value<br>of obligation | Fair value of<br>plan assets | Net<br>amount |
|---|--------------------------------|------------------------------|---------------|
| <b>As at March 31, 2020</b>   | 274.25                         | (276.69)                     | (2.44)        |
| Current service cost  | 36.49                          | -                            | 36.49         |
| Past Service Cost   | -                              | -                            | -             |
| Interest expense/(income)   | 17.09                          | (18.26)                      | (1.17)        |
| <b>Total amount recognised in statement of profit and loss</b>                | <b>53.58</b>                   | <b>(18.26)</b>               | <b>35.32</b>  |
| <i>Remeasurements</i>   |                                |                              |               |
| Return on plan assets, excluding amount included in interest expense/(income) | -                              | 0.83                         | 0.83          |
| (Gain )/loss from change in demographic assumptions                           | -                              | -                            | -             |
| (Gain )/loss from change in financial assumptions                             | 77.93                          | -                            | 77.93         |
| Experience (gains)/losses   | (15.83)                        | -                            | (15.83)       |
| <b>Total amount recognised in other comprehensive income</b>                  | <b>62.10</b>                   | <b>0.83</b>                  | <b>62.93</b>  |
| Employer contributions  | -                              | (15.29)                      | (15.29)       |
| Benefit payments  | (22.76)                        | 22.76                        | -             |
| <b>As at March 31, 2021</b>   | <b>367.17</b>                  | <b>(286.65)</b>              | <b>80.52</b>  |

The net liability disclosed above relating to funded and unfunded plans are as follows:

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
| Fair value of plan assets                 | (286.65)                | (276.69)                |
| Present value of funded obligations       | 367.17                  | 274.25                  |
| <b>Deficit/(Surplus) of gratuity plan</b> | <b>80.52</b>            | <b>(2.44)</b>           |

### Categories of plan assets are as follows:

|                       | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|-----------------------|-------------------------|-------------------------|
| Insurer managed funds | (286.65)                | (276.69)                |
| <b>Total</b>          | <b>(286.65)</b>         | <b>(276.69)</b>         |

### Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

|                    | As at<br>March 31, 2021  | As at<br>March 31, 2020   |
|--------------------|--|---|
| Discount Rate      | 6.85%  | 6.85%   |
| Salary growth Rate | 15% for F.Y. 2021-22;<br>12% for F.Y. 2022-23;<br>10% thereafter | 0% for F.Y. 2020-21; 12% for<br>F.Y. 2021-22; 10% for<br>2022-23; 8% thereafter |
| Withdrawal Rate    | 2% at all ages   | 2% at all ages  |

## NOTES TO THE 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 is:

|                    | Change in assumptions |                      | Impact on defined benefit obligation |                      |                         |                      |
|--------------------|-----------------------|----------------------|--------------------------------------|----------------------|-------------------------|----------------------|
|                    |                       |                      | Increase in assumptions              |                      | Decrease in assumptions |                      |
|                    | As at March 31, 2021  | As at March 31, 2020 | As at March 31, 2021                 | As at March 31, 2020 | As at March 31, 2021    | As at March 31, 2020 |
| Discount Rate      | 0.50%                 | 0.50%                | (19.54)                              | (13.86)              | 24.63                   | 15.15                |
| Salary growth Rate | 0.50%                 | 0.50%                | 22.11                                | 14.87                | (20.42)                 | (13.19)              |
| Withdrawal Rate    | 10.00%                | 10.00%               | (0.36)                               | (0.47)               | 3.48                    | 0.47                 |

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.

### 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, 2022 are INR 51.51 lakhs (March 31, 2021: INR 29.27 lakhs).

## NOTES TO THE FINANCIAL STATEMENTS

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

The weighted average duration of the defined benefit obligation is 11.76 years (March 31, 2020: 10.76 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, 2021</b>           |                  |                   |                   |              |        |
| Defined benefit obligation (gratuity) | 42.03            | 5.94              | 52.67             | 266.53       | 367.17 |
| <b>As at March 31, 2020</b>           |                  |                   |                   |              |        |
| Defined benefit obligation (gratuity) | 49.56            | 5.02              | 30.88             | 188.79       | 274.25 |

|  | Year ended on March 31, 2021 | For the period March 27, 2019 to March 31, 2020 |
|--|------------------------------|---|
| <b>30 Revenue from Operations</b>  |                              |   |
| Sale of finished goods (Refer Note 50)   | 39,579.01                    | 30,579.09                                       |
| Other operating revenues   |                              |   |
| - Scrap sales  | 36.41                        | 25.41   |
| - Export incentives  | 41.52                        | 44.76   |
|  | <b>39,656.94</b>             | <b>30,649.26</b>                                |
| Revenues from one customer represents Rs. 16,291.57 lakhs (March 31, 2020: Rs. 8,474.29 lakhs) which is more than 10 % of the Company's total revenue. |                              |   |
| <b>31 Other Income</b>   |                              |   |
| Net Gain on Foreign Currency Transactions and Translation  | -                            | 2.38  |
| Interest income from financial assets measured at amortised cost   |                              |   |
| - Deposits   | 1.51                         | 3.07  |
| - Others   | 21.56                        | 9.47  |
| Dividend Income  | -                            | 625.00  |
| Compensation received (*)  | -                            | 11.67   |
| Gain on assets sold / discarded (Net)  | 4.53                         | -   |
| Allowance for doubtful debts written back  | -                            | 7.06  |
| Miscellaneous income   | 0.62                         | 0.21  |
|  | <b>28.22</b>                 | <b>658.86</b>                                   |

(\*) Compensation is in respect of cancellation of contract with suppliers.

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|--|---------------------------------|---|
| <b>32 <u>Cost of materials consumed</u></b>                          |                                 |   |
| <b>Raw Materials :</b>   |                                 |   |
| Inventory at the beginning of the period / year                      | 2,300.87                        | -   |
| Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 52) | -                               | 1,424.12  |
| Add: Purchases   | 26,792.36                       | 20,114.98   |
|  | <b>29,093.23</b>                | 21,539.10   |
| Less: Inventory at the end of the period / year (Refer Note 52)      | 2,080.19                        | 2,300.87  |
|  | <b>27,013.04</b>                | 19,238.23   |
| <b>Consumables :</b>   |                                 |   |
| Inventory at the beginning of the period / year                      | 117.80                          | -   |
| Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 52) | -                               | 203.92  |
| Add: Purchases   | 708.40                          | 607.23  |
|  | <b>826.20</b>                   | 811.15  |
| Less: Inventory at the end of the period / year (Refer Note 52)      | 204.41                          | 117.80  |
|  | <b>621.79</b>                   | 693.35  |
| <b>Packing Materials :</b>   |                                 |   |
| Inventory at the beginning of the period                             | 4.89                            | -   |
| Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 52) | -                               | 3.94  |
| Add: Purchases   | 130.50                          | 156.30  |
|  | <b>135.39</b>                   | 160.24  |
| Less: Inventory at the end of the period / year (Refer Note 52)      | 3.97                            | 4.89  |
|  | <b>131.42</b>                   | 155.35  |
|  | <b>27,766.25</b>                | 20,086.93   |



## NOTES TO THE FINANCIAL STATEMENTS

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

|  | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|--|---------------------------------|---|
| <b>33 <u>Changes in Inventories of finished goods and work-in-progress</u></b> |                                 |   |
| <b>Opening Stock</b>   |                                 |   |
| Finished Goods   | 58.81                           | -   |
| Work-in-progress   | 671.35                          | -   |
|  | <b>730.16</b>                   | -   |
| <b>Transferred pursuant to a Scheme of Arrangement (Refer Note 52)</b>         |                                 |   |
| Finished Goods   | -                               | 74.53   |
| Work-in-progress   | -                               | 1,281.43  |
|  | -                               | 1,355.96  |
| <b>Closing Stock</b>   |                                 |   |
| Finished Goods   | 114.25                          | 58.81   |
| Work-in-progress   | 1,702.74                        | 671.35  |
|  | <b>1,816.99</b>                 | 730.16  |
| <b>Total changes in inventory of finished goods and work-in-progress</b>       | <b>(1,086.83)</b>               | 625.80  |
| <b>34 <u>Employee benefit expense</u></b>                                      |                                 |   |
| Salaries, wages and bonus  | 1,468.72                        | 1,287.81  |
| Contribution to Provident Fund and other funds                                 | 82.68                           | 66.87   |
| Gratuity (Refer Note 29)   | 35.32                           | 27.05   |
| Staff welfare expenses   | 21.16                           | 19.62   |
|  | <b>1,607.88</b>                 | 1,401.35  |
| <b>35 <u>Finance Costs</u></b>   |                                 |   |
| Interest on Long Term Borrowings   | 236.50                          | 186.93  |
| Interest and other borrowing cost  | 430.64                          | 461.21  |
| Interest on Income Tax   | 14.89                           | 9.76  |
|  | <b>682.03</b>                   | 657.90  |
| <b>36 <u>Depreciation and amortisation expense</u></b>                         |                                 |   |
| Depreciation on property, plant and equipments                                 | 648.18                          | 588.88  |
| Amortisation of intangible assets  | 2.69                            | 0.61  |
| Amortisation right of use assets   | 6.46                            | 6.46  |
|  | <b>657.33</b>                   | 595.95  |

## NOTES TO THE FINANCIAL STATEMENTS

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

|   | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|---|---------------------------------|---|
| <b>37 Other Expenses</b>                                    |                                 |   |
| Consumption of Stores and Spares                            | 356.73                          | 413.11  |
| Power and Fuel  | 2,137.35                        | 1,883.98  |
| Laboratory expenses   | 43.73                           | 43.07   |
| Research & Development Expenses                             | 15.39                           | 25.98   |
| Contract Labour Expenses                                    | 133.98                          | 148.81  |
| Rent, rates and taxes                                       | 25.90                           | 9.18  |
| Insurance   | 50.62                           | 28.18   |
| Repairs and maintenance :                                   |                                 |   |
| - Machinery   | 61.82                           | 57.04   |
| - Buildings   | 11.32                           | 23.74   |
| - Others  | 11.02                           | 6.49  |
| Advertisement expenses                                      | 19.48                           | 11.52   |
| Communication expenses                                      | 4.93                            | 4.85  |
| Directors' sitting fees                                     | 12.10                           | 13.00   |
| Remuneration to Auditors for:                               |                                 |   |
| Statutory Audit Fees  | 21.79                           | 27.10   |
| Others  | 9.01                            | 2.90  |
| Out of pocket expenses                                      | 0.15                            | 0.62  |
| Commission on sales   | 18.70                           | 50.62   |
| Freight and forwarding                                      | 553.35                          | 332.13  |
| Legal and professional fees                                 | 636.13                          | 189.31  |
| Vehicle expenses  | 21.31                           | 21.90   |
| Loss on assets sold / discarded (Net)                       | -                               | 31.28   |
| Corporate Social Responsibility expenditure (Refer Note 38) | 77.99                           | 4.85  |
| Net Loss on Foreign Currency Transactions and Translation   | 1.40                            | -   |
| Solid waste disposal charges                                | 179.02                          | 210.17  |
| Miscellaneous expenses                                      | 99.20                           | 158.58  |
|   | <b>4,502.42</b>                 | <b>3,698.41</b>                                       |

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|--|---------------------------------|---|
| <b>38 Expenditure towards Corporate Social Responsibility (CSR) activities</b>   |                                 |   |
| (a) Gross amount required to be spent by the company :   | <b>77.99</b>                    | -   |
| (b) Amount approved by the Board to be spent during the year (+)   | -                               | -   |
| (c) Amount spent :   |                                 |   |
| (i) Construction/acquisition of any asset  | -                               | -   |
| (ii) On purposes other than (i) above (*)  | <b>77.99</b>                    | 4.85  |
| (d) Details of related party transactions, e.g., contribution to a trust / society / section 8 company controlled by the company in relation to CSR expenditure as per Accounting Standard (AS)18, Related Party Disclosures |                                 |   |

(+) Since the scheme became effective on August 12, 2020 and there was no profit (or even business) in the Company during its first financial year ended March 31, 2020, no amount was required to be spent by the Company and resultantly was required to be approved by the Board of the Company towards CSR activities for the year ended March 31, 2021 in the Board meeting held on June 23, 2020 for approval of audited financial statements for the said first financial year.

(\*) It includes Rs. 29.28 lakhs (March 31, 2020: Nil) remaining unpaid during the year.

|   | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|---|---------------------------------|---|
| <b>39 Earnings per Share (EPS)</b>          |                                 |   |
| <b>Basic</b>                                |                                 |   |
| Net Profit available to Equity Shareholders | <b>4,248.47</b>                 | 3,470.41  |
| Weighted Average Number of Equity Shares    | <b>1,30,20,902</b>              | 1,30,20,902   |
| Basic and Diluted EPS (Rs.)                 | <b>32.63</b>                    | 26.65   |
| Nominal value of an equity share            | <b>10.00</b>                    | 10.00   |

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | Year ended on<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|--|---------------------------------|---|
| <b>40 Taxation</b>   |                                 |   |
| <b><u>40 a) - Income tax expense</u></b>   |                                 |   |
| <u>Current tax</u>   |                                 |   |
| Current tax on profits for the year  | 1,437.73                        | 878.89  |
| Impact of change in accounting policy  | -                               | (62.04)   |
| Adjustments for current tax of prior periods   | (118.15)                        | 4.11  |
| <b>Total current tax expense</b>   | <b>1,319.58</b>                 | <b>820.96</b>   |
| <u>Deferred tax</u>  |                                 |   |
| (Decrease)/increase in deferred tax liabilities  | 102.22                          | (60.81)   |
| Decrease/(increase) in deferred tax assets   | (114.20)                        | 11.22   |
| <b>Total deferred tax expense/(benefit)</b>  | <b>(11.97)</b>                  | <b>(49.59)</b>  |
| <b>Income tax expense</b>  | <b>1,307.61</b>                 | <b>771.37</b>   |
| <b>40 b) Reconciliation of tax expense and accounting profit multiplied by statutory tax rates</b> |                                 |   |
| <b>Profit for the year</b>   | <b>5,556.08</b>                 | <b>4,241.78</b>                                       |
| Statutory tax rate   | 25.17%                          | 25.17%  |
| <b>Tax expense at applicable tax rate</b>  | <b>1,398.35</b>                 | <b>1,067.57</b>                                       |
| Tax effects of amounts which are not deductible (taxable) in calculating taxable income:           |                                 |   |
| Amount Exempt from tax   | -                               | (157.30)  |
| Amount not allowable under tax   | 27.41                           | 8.77  |
| Adjustments for current tax of prior periods   | (118.15)                        | 4.11  |
| Adjustments for deferred tax of prior periods  | -                               | 13.21   |
| Effect of change in Income tax rate on Deferred tax  | -                               | (164.99)  |
| <b>Income tax expense</b>  | <b>1,307.61</b>                 | <b>771.37</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

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

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| <b>40 c) Deferred tax liabilities</b>                        |                         |                         |
| The balance comprises temporary differences attributable to: |                         |                         |
| <b><u>Deferred tax liabilities:</u></b>                      |                         |                         |
| On Property, Plant and Equipments                            | 1,341.42                | 1,238.07                |
| Others   | 1.99                    | 3.11                    |
| <b>Total deferred tax liabilities</b>                        | <b>1,343.41</b>         | <b>1,241.18</b>         |
| <b><u>Deferred tax assets:</u></b>                           |                         |                         |
| On Defined Benefit Obligations                               | 67.55                   | 36.66                   |
| Others   | 140.77                  | 41.62                   |
| <b>Total deferred tax assets</b>                             | <b>208.32</b>           | <b>78.28</b>            |
| <b>Net deferred tax liabilities</b>                          | <b>1,135.09</b>         | <b>1,162.90</b>         |

### Movement in deferred tax balances

| Particulars                             | As at<br>March<br>27,<br>2019 | Transferred<br>pursuant<br>to a<br>Scheme of<br>Arrangement<br>(Refer<br>Note 53) | Charged/<br>(credited)<br>to profit<br>and loss | Charged/<br>(credited)<br>to OCI | Charged/<br>(credited)<br>to equity | As at<br>March<br>31, 2020 |
|---|-------------------------------|---|---|----------------------------------|-------------------------------------|----------------------------|
| <b><u>Deferred tax liabilities:</u></b> |                               |   |   |                                  |                                     |                            |
| On Property, Plant and Equipments       | -                             | 1,300.12  | (62.05)   | -                                | -                                   | 1,238.07                   |
| Others                                  | -                             | 1.87  | 1.24  | -                                | -                                   | 3.11                       |
| <b>Total deferred tax liabilities</b>   | <b>-</b>                      | <b>1,301.99</b>   | <b>(60.81)</b>                                  | <b>-</b>                         | <b>-</b>                            | <b>1,241.18</b>            |
| <b><u>Deferred tax assets:</u></b>      |                               |   |   |                                  |                                     |                            |
| On Defined Benefit Obligations          | -                             | 42.82   | (9.41)  | 3.25                             | -                                   | 36.66                      |
| Others                                  | -                             | 43.43   | (1.81)  | -                                | -                                   | 41.62                      |
| <b>Total deferred tax assets</b>        | <b>-</b>                      | <b>86.25</b>  | <b>(11.22)</b>                                  | <b>3.25</b>                      | <b>-</b>                            | <b>78.28</b>               |
| <b>Net deferred tax liabilities</b>     | <b>-</b>                      | <b>1,215.74</b>   | <b>(49.59)</b>                                  | <b>(3.25)</b>                    | <b>-</b>                            | <b>1,162.90</b>            |

## NOTES TO THE FINANCIAL STATEMENTS

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

### Movement in deferred tax balances

| Particulars                           | As at March 31, 2020 | Charged/ (credited) to profit and loss | Charged/ (credited) to OCI | Charged/ (credited) to equity | As at March 31, 2021 |
|---------------------------------------|----------------------|--|----------------------------|-------------------------------|----------------------|
| <b>Deferred tax liabilities:</b>      |                      |  |                            |                               |                      |
| On Property, Plant and Equipments     | 1,238.07             | 103.35                                 | -                          | -                             | 1,341.42             |
| Others                                | 3.11                 | (1.12)                                 | -                          | -                             | 1.99                 |
| <b>Total deferred tax liabilities</b> | <b>1,241.18</b>      | <b>102.23</b>                          | <b>-</b>                   | <b>-</b>                      | <b>1,343.41</b>      |
| <b>Deferred tax assets:</b>           |                      |  |                            |                               |                      |
| On Defined Benefit Obligations        | 36.66                | 15.05                                  | 15.84                      | -                             | 67.55                |
| Others                                | 41.62                | 99.15                                  | -                          | -                             | 140.77               |
| <b>Total deferred tax assets</b>      | <b>78.28</b>         | <b>114.20</b>                          | <b>15.84</b>               | <b>-</b>                      | <b>208.32</b>        |
| <b>Net deferred tax liabilities</b>   | <b>1,162.90</b>      | <b>(11.97)</b>                         | <b>(15.84)</b>             | <b>-</b>                      | <b>1,135.09</b>      |

### 41 Fair value measurements

#### Financial instruments by category

|  | As at March 31, 2021 |                 | As at March 31, 2020 |                 |
|--|----------------------|-----------------|----------------------|-----------------|
|  | Carrying Value       | Fair Value      | Carrying Value       | Fair Value      |
| <b>Financial assets</b>                                  |                      |                 |                      |                 |
| (Measured at amortised cost)                             |                      |                 |                      |                 |
| Security Deposits  | 0.36                 | 0.36            | 0.74                 | 0.74            |
| Margin Money Deposits                                    | -                    | -               | 27.69                | 27.69           |
| Trade Receivables  | 4,676.73             | 4,676.73        | 3,787.90             | 3,787.90        |
| Cash and cash equivalents                                | 2.60                 | 2.60            | 3.08                 | 3.08            |
| Bank balances other than cash and cash equivalents above | 35.60                | 35.60           | 17.87                | 17.87           |
| Loans to Employees                                       | 0.17                 | 0.17            | 1.01                 | 1.01            |
| Interest Accrued but not due                             | 0.50                 | 0.50            | 1.24                 | 1.24            |
| <b>Total financial assets</b>                            | <b>4,715.96</b>      | <b>4,715.96</b> | <b>3,839.53</b>      | <b>3,839.53</b> |
| <b>Financial liabilities</b>                             |                      |                 |                      |                 |
| (Measured at amortised cost)                             |                      |                 |                      |                 |
| Borrowings   | 5,680.34             | 5,680.34        | 6,667.26             | 6,667.26        |
| Trade payables   | 1,091.47             | 1,091.47        | 641.15               | 641.15          |
| Interest accrued but not due on borrowings               | 20.46                | 20.46           | 14.39                | 14.39           |
| Unclaimed dividends                                      | 16.10                | 16.10           | 17.87                | 17.87           |
| Creditors for Capital Goods                              | 170.67               | 170.67          | 176.77               | 176.77          |
| <b>Total financial liabilities</b>                       | <b>6,979.04</b>      | <b>6,979.04</b> | <b>7,517.44</b>      | <b>7,517.44</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### **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 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, because their carrying amount are reasonable approximation of their fair values.

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



## NOTES TO THE FINANCIAL STATEMENTS

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

- Maintain market risks within acceptable parameters, while optimising returns; and
- Protect the Company's financial investments, while maximising returns.

The Treasury department provides funding and foreign exchange management services for the Company's operations. In addition to guidelines and exposure limits, a system of authorities and extensive independent reporting covers all major areas of treasury's activity.

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.

|                               | Carrying amount         |                         |
|-------------------------------|-------------------------|-------------------------|
|                               | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
| Neither past due nor impaired | 3,696.19                | 3,009.50                |
| Past due 0-90 days            | 960.81                  | 762.50                  |
| Past due 90-180 days          | 12.68                   | 0.10                    |
| Past due 180-270 days         | 7.05                    | 15.43                   |
| Past due 270-360 days         | -                       | 0.02                    |
| More than 360 days            | 42.00                   | 42.35                   |

### (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 treasury 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, 2021 and March 31, 2020.

## NOTES TO THE FINANCIAL STATEMENTS

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

### Financing Arrangement

The Company has access to the following undrawn borrowing facilities at the end of the reporting period.

|                        | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|------------------------|-------------------------|-------------------------|
| <b>Floating rate</b>   |                         |                         |
| Current Borrowings     | 3,526.68                | 1,262.63                |
| Non current Borrowings | -                       | 500.43                  |

### 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:

| Contractual maturities of financial liabilities<br>As at March 31, 2021 | Notes      | Carrying<br>amount | Less than<br>12 months | More than<br>12 months | Total           |
|---|------------|--------------------|------------------------|------------------------|-----------------|
| Borrowings *  | 21, 23, 25 | 5,680.34           | 3,082.14               | 2,598.20               | 5,680.34        |
| Trade payables  | 24         | 1,091.47           | 1,091.47               | -                      | 1,091.47        |
| Interest accrued but not due on borrowings                              | 25         | 20.46              | 20.46                  | -                      | 20.46           |
| Unclaimed dividends   | 25         | 16.10              | 16.10                  | -                      | 16.10           |
| Creditors for Capital Goods   | 25         | 170.67             | 170.67                 | -                      | 170.67          |
| <b>Total liabilities</b>  |            | <b>6,979.04</b>    | <b>4,380.84</b>        | <b>2,598.20</b>        | <b>6,979.04</b> |

| Contractual maturities of financial liabilities<br>As at March 31, 2020 | Notes      | Carrying<br>amount | Less than<br>12 months | More than<br>12 months | Total           |
|---|------------|--------------------|------------------------|------------------------|-----------------|
| Borrowings *  | 21, 23, 25 | 6,667.26           | 5,034.10               | 1,633.16               | 6,667.26        |
| Trade payables  | 24         | 641.15             | 641.15                 | -                      | 641.15          |
| Interest accrued but not due on borrowings                              | 25         | 14.39              | 14.39                  | -                      | 14.39           |
| Unclaimed dividends   | 25         | 17.87              | 17.87                  | -                      | 17.87           |
| Creditors for Capital Goods   | 25         | 176.77             | 176.77                 | -                      | 176.77          |
| <b>Total liabilities</b>  |            | <b>7,517.44</b>    | <b>5,884.28</b>        | <b>1,633.16</b>        | <b>7,517.44</b> |

\* After considering unamortised expenses of Rs. 7.91 Lakhs as at March 31, 2021 (March 31, 2020: Rs. 12.33 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

### 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.

### Foreign currency exposure

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
|   | USD in Lakhs            | USD in Lakhs            |
| <u>Financial Assets</u>                         |                         |                         |
| Trade Receivables                               | 5.13                    | 0.98                    |
| <b>Exposure to foreign currency assets</b>      | <b>5.13</b>             | <b>0.98</b>             |
| <u>Financial Liabilities</u>                    |                         |                         |
| Packing credit                                  | 5.17                    | 0.43                    |
| <b>Exposure to foreign currency liabilities</b> | <b>5.17</b>             | <b>0.43</b>             |

### 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<br>March 31, 2021 | For the year ended<br>March 31, 2020 |
| <u>USD Sensitivity</u>  |                                      |                                      |
| INR/USD increase by 5%* | (0.15)                               | 2.07                                 |
| INR/USD decrease by 5%* | 0.15                                 | (2.07)                               |

\* 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<br>March 31, 2021 | As at<br>March 31, 2020 |
|--------------------------|-------------------------|-------------------------|
| Variable Rate Borrowings | 5,680.34                | 6,667.26                |

## NOTES TO THE FINANCIAL STATEMENTS

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

### 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<br>March 31, 2021 | For the year ended<br>March 31, 2020 |
| Interest Rates - increase by 0.5%* | (3.34)                               | (3.24)                               |
| Interest Rates - decrease by 0.5%* | 3.34                                 | 3.24                                 |

\* Holding all other variables constant

### 43. Capital management

#### (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, capital reserve, 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<br>March 31, 2021 | As at<br>March 31, 2020 |
|--------------------------|-------------------------|-------------------------|
| Net Debts                | 5,680.34                | 6,667.26                |
| Total Equity             | 16,873.45               | 12,672.07               |
| Net Debt to Equity Ratio | 0.34                    | 0.53                    |

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.

## NOTES TO THE FINANCIAL STATEMENTS

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

### (b) Dividend

|   | For the year ended<br>March 31, 2021 | For the year ended<br>March 31, 2020 |
|---|--------------------------------------|--------------------------------------|
| <b>Equity shares</b>  |                                      |                                      |
| Final dividend for the year ended March 31, 2020 - Nil per fully paid up share  | -                                    | -                                    |
| <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 3.50 per fully paid equity share (March 31, 2020 – Nil per fully paid up share). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. | <b>455.73</b>                        | -                                    |

### 44 Related party disclosures

#### (a) Relationships

Privi Speciality Chemicals Limited (formerly known as Fairchem Speciality Limited), India [Holding Company up to August 12, 2020]

#### **Promoter Group having joint control**

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)

Nahoosh Tradelink LLP

Jariwala Tradelink LLP

#### **Related Parties with whom transactions have taken place during the year**

Privi Organics India Limited, India ( Entity under common control )

Fairfreight Lines Private Limited, India (Interest or concern by Director)

#### **Key Management Personnel**

|                            |  |
|----------------------------|--|
| Mr. Nahoosh Jariwala       | Director (up to August 12, 2020)<br>Managing Director (w.e.f. August 13, 2020) |
| Mr. Rajen Jhaveri          | Director (up to August 26, 2020)   |
| Mr. Kaushik Bhatt          | Director (up to August 26, 2020)   |
| Mr. Darius Pandole         | Independent Director (w.e.f. August 26, 2020)                                  |
| Mr. Venkatraman Srinivasan | Independent Director (w.e.f. August 26, 2020)                                  |
| Ms. Sonal Ambani           | Independent Director (w.e.f. August 26, 2020)                                  |
| Mr. Utkarsh B. Shah        | Non-Executive Director (w.e.f. August 26, 2020)                                |
| Mr. Sumit Maheshwari       | Non-Executive Director (w.e.f. August 26, 2020)                                |

## NOTES TO THE 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   | For the year ended<br>March 31, 2021 | For the period<br>March 27, 2019<br>to March 31, 2020 |
|---|--------------------------------------|---|
| <b>Reimbursement of Expenses</b>  |                                      |   |
| Privi Speciality Chemicals Limited (formerly known as Fairchem Speciality Limited)  | -                                    | 0.01  |
| <b>Dividend Income</b>  |                                      |   |
| Privi Organics India Limited  | -                                    | 625.00  |
| <b>Freight Expenses</b>   |                                      |   |
| Fairfreight Lines Private Limited   | -                                    | 1.54  |
| <b>Dividend Paid</b>  |                                      |   |
| FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)                     | -                                    | 476.07  |
| FIH Private Investments Limited, Mauritius  | -                                    | 0.08  |
| Nahoosh Tradelink LLP   | -                                    | 16.58   |
| Jariwala Tradelink LLP  | -                                    | 8.42  |
| <b><u>Key Management Personnel</u></b>  |                                      |   |
| <b><u>Remuneration (+)</u></b>  |                                      |   |
| Mr. Nahoosh Jariwala (*)  | <b>213.34</b>                        | 144.00  |
| Mr. Rajen Jhaveri (#)   | <b>34.02</b>                         | 74.84   |
| Mr. Kaushik Bhatt (#)   | -                                    | 24.77   |
| <b>Reimbursement of Expenses</b>  |                                      |   |
| Mr. Rajen Jhaveri   | <b>1.20</b>                          | 1.20  |
| Mr. Kaushik Bhatt   | -                                    | 0.42  |
| <b><u>Independent Directors</u></b>   |                                      |   |
| Sitting Fees  |                                      |   |
| Mr. Darius Pandole  | <b>1.40</b>                          | -   |
| Mr. Venkatraman Srinivasan  | <b>1.40</b>                          | -   |
| Ms. Sonal Ambani  | <b>1.40</b>                          | -   |
| <b><u>Shares issued</u></b>   |                                      |   |
| FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)                     | <b>634.79</b>                        | -   |
| FIH Private Investments Limited, Mauritius  | <b>0.11</b>                          | -   |
| (FMIL is wholly owned and controlled by Fairfax India Holdings Corporation, Canada) |                                      |   |
| Nahoosh Tradelink LLP   | <b>22.10</b>                         | -   |
| Jariwala Tradelink LLP  | <b>11.23</b>                         | -   |

(\*) Remuneration does not include charge for gratuity and privilege leave as employee-wise break up is not available. Further, it includes Rs. 48 lakhs (March 31, 2020: Rs. 144.00 lakhs) paid otherwise than as a capacity of Key Management Personnel of the Company.

(#) Remuneration does not include charge for gratuity and privilege leave as employee-wise break up is not available. Further, the said amount paid otherwise than as a capacity of Key Management Personnel of the Company.

(+) It is entirely in the nature of short term employee benefits.

## NOTES TO THE FINANCIAL STATEMENTS

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

### Balances

| Name of the related party and nature of the relationship                           | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| <b><u>Payable to Key Management Personnel:</u></b>                                 |                         |                         |
| Mr. Nahoosh Jariwala (+)   | 28.75                   | 8.25                    |
| Mr. Rajen Jhaveri (*)<br>(Net of Tax Deducted at Source)                           | 4.56                    | 12.03                   |
| <b><u>Payable to Other Related Parties</u></b>                                     |                         |                         |
| Privi Speciality Chemicals Limited (formerly known as Fairchem Speciality Limited) | 0.56                    | -                       |

(+) The amount as at March 31, 2020 is payable otherwise than as a capacity of Key Management personnel of the Company.

(\*) The said amount is payable otherwise than as a capacity of Key Management personnel of the Company.

### Terms and Conditions

- 1) All related party transactions entered during the year were in ordinary course of the business and are on arm's length basis
- 2) All outstanding balances are unsecured and payable in cash.

## 45 Contingent Liabilities and commitments

### (a) Contingent liabilities

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| Claims against the Company not acknowledged as debt      | 15.00                   | 15.00                   |
| Disputed excise and service tax liability                | 25.97                   | 25.97                   |
| Disputed Value added tax and Central Sales Tax liability | 14.92                   | 12.93                   |
| Disputed GST liability                                   | 7.64                    | -                       |
| <b>Total</b>   | <b>63.53</b>            | <b>53.90</b>            |

The Company has evaluated the impact of Supreme Court ("SC") judgement 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 for the period before June 30, 2019.

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 does not expect any reimbursements in respect of the above contingent liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

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

### (b) Capital Commitments

|  | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|--|-------------------------|-------------------------|
| Estimated value of contracts in capital account remaining to be executed | 1,175.89                | 1,506.14                |
| <b>Total</b>   | <b>1,175.89</b>         | <b>1,506.14</b>         |

### 46 Events occurring after reporting period

The Company evaluated subsequent events through June 07, 2021, 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<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------|-------------------------|-------------------------|
| <b>Non-Current</b>  |       |                         |                         |
| <u>Non-financial assets</u>   |       |                         |                         |
| Land (Freehold)   | 4 (a) | 63.10                   | 63.10                   |
| Building  | 4 (a) | 2,005.91                | 1,941.50                |
| Plant and Machinery   | 4 (a) | 9,713.61                | 9,749.05                |
| <b>Total non-current assets hypothecated and / or mortgaged as security</b> |       | <b>11,782.62</b>        | <b>11,753.65</b>        |
| <b>Current</b>  |       |                         |                         |
| <u>Non-financial assets</u>   |       |                         |                         |
| Inventories   | 11    | 4,529.49                | 3,524.61                |
| <u>Financial assets</u>   |       |                         |                         |
| Trade receivables   | 12    | 4,676.73                | 3,787.90                |
| <b>Total current assets hypothecated and / or mortgaged as security</b>     |       | <b>9,206.22</b>         | <b>7,312.51</b>         |



## NOTES TO THE FINANCIAL STATEMENTS

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

### 48 Segment reporting

The Company is engaged in the business of manufacturing of speciality chemicals viz. Oleo Chemicals and Intermediate Nutraceuticals. Considering the nature of Company's business, as well as based on review of operating results by the chief operating decision maker to make decisions about resource allocation and performance measurement, there is only one reportable business segment in accordance with the requirements of IND AS 108 – "Operating Segments".

Thus 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 period are all as reflected in the financial statements for the period ended March 31, 2021 and March 31, 2020. For geography wise revenue, refer note no. 50 C - Disaggregation of Revenue from contract with customers.

### 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 significant impact on the transition to Ind AS 116.

### 50 Ind AS 115 – Revenue from Contracts with Customers

(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 (Advance from Customers):

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
| Opening Contract liability                          | 19.80                   | 35.42                   |
| Less: Recognised as revenue during the year         | (1,868.37)              | (916.05)                |
| Add: Addition to contract liability during the year | 1,864.26                | 900.43                  |
| Closing Contract liability                          | 15.69                   | 19.80                   |

(C) Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

|   | As at<br>March 31, 2021 | As at<br>March 31, 2020 |
|---|-------------------------|-------------------------|
| Revenue from contract with customer as per Contract price               | 39,827.99               | 30,628.96               |
| Less: Discounts and incentives  | (22.20)                 | (16.73)                 |
| Less:- Sales Returns /Credits / Reversals                               | (226.78)                | (33.14)                 |
| Revenue from contract with customer as per statement of profit and loss | 39,579.01               | 30,579.09               |

## NOTES TO THE FINANCIAL STATEMENTS

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

### Disaggregation of Revenue from contract with customers

|               | For the year<br>ended<br>March 31, 2021 | For the year<br>ended<br>March 31, 2020 |
|---------------|---|---|
| India         | 38,265.63                               | 29,494.45                               |
| East Asia     | 95.14                                   | -                                       |
| Middle East   | 54.08                                   | 63.59                                   |
| North America | 1,014.41                                | 1,021.05                                |
| South America | 149.75                                  | -                                       |
|               | <b>39,579.01</b>                        | <b>30,579.09</b>                        |

### 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 had resumed production with effect from May 21, 2020 and achieved normal business operations from June, 2020 onwards. The Company has evaluated the impact of this pandemic on its business operations, liquidity and financial position and based on the management's assessment of current indicators and economic conditions there is no material impact on its financial results as at March 31, 2021. 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 May 22, 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 FSL 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. National Company Law Tribunal (NCLT) has sanctioned the scheme on June 30, 2020. The Company has received certified copy of the scheme on August 3, 2020. The said scheme has been adopted by the Board of Directors of FSL, FOL and POIL in their meeting held on August 12, 2020. Further, the Company has also filed form INC 28 with Registrar of Companies on August 12, 2020. As a consequence, the scheme has been made effective with effect from August 12, 2020.

Pursuant to the Scheme of Arrangement, FOL has debited its share capital account, with the aggregate face value of its cancelled shares (Rs. 1 lakh) and the capital reserve in its books has been increased to the extent of the amount of its cancelled shares. FOL has to issue and allot Equity Shares to the Shareholders of FSL in the following proportion.

1 fully paid up equity share of Rs. 10/- each fully paid up of Fairchem Organics Limited for every 3 fully paid up equity shares of Rs. 10/- each fully paid up held by them in Fairchem Speciality Limited on the Record date i.e., August 24, 2020.

Accordingly, FOL has issued and allotted 13,020,902 Equity shares of Rs. 10/- each to the Equity Shareholders of FSL during the year ended March 31, 2021.

For the year ended March 31, 2020, pending allotment of Equity shares to the Shareholders of FSL, Rs. 1,302.09

## NOTES TO THE FINANCIAL STATEMENTS

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

Lakhs has been shown as "Shares pending issuance" and accordingly Earnings Per Share (both Basic and Diluted) has been calculated considering the balance in Shares pending issuance for the year ended March 31, 2020.

Further, as per the Scheme, the difference, if any, between the carrying value of assets and liabilities transferred to FOL (i.e Rs. 10,259.14 lakhs) and the consideration discharged by way of the New Equity Shares issued to the shareholders of the FSL (i.e. Rs. 1,302.09 lakhs) in lieu of the Demerged Undertaking, has been recorded as 'Capital Reserves' (i.e. Rs. 8,958.05 lakhs) in the books of FOL.

As per the applicable Indian Accounting Standard Ind AS 103 ('standard'), since this demerger is a common control business combination, the financial statements are prepared by the Company at carrying amounts not from the appointed date but from the beginning of the preceding period in the financial statements which happens to be the date of incorporation i.e. March 27, 2019. However, the Company has recognised the impact of the business combination only from closing of business hours on March 31, 2019 (i.e. the appointed date specified in the scheme). The management believes that the transactions between March 27, 2019 and closing of business hours on March 31, 2019 would not have any material impact on the net assets. Thus, the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the period do not contain the impact of the transactions of the demerged undertaking from March 27, 2019 to March 31, 2019. However, there is no impact of the same on the Company's balance sheet as at March 31, 2020.

Pursuant to the Scheme of Arrangement, the following assets and liabilities have been taken over by the Company:

|   | Closing of<br>Business Hours<br>As at March 31, 2019 |
|---|--|
| <b>Assets</b>                             |  |
| Property, Plant and Equipment             | 11,524.25  |
| Capital work-in-progress                  | 87.91  |
| Loans                                     | 2.25   |
| Other Financial Assets                    | 15.02  |
| Non-current Tax Assets (Net)              | 59.55  |
| Other Non-current Assets                  | 125.67   |
| Inventories                               | 3,400.62   |
| Trade receivables                         | 3,213.13   |
| Cash and cash equivalents                 | 1.64   |
| Bank balances other than above            | 16.53  |
| Other current assets                      | 324.49   |
| <b>Total Assets</b>                       | <b>18,771.06</b>                                     |
| <b>Liabilities</b>                        |  |
| Borrowings                                | 4,878.14   |
| Provisions                                | 147.04   |
| Deferred Tax Liabilities (Net)            | 1,215.74   |
| Trade Payables                            | 1,000.42   |
| Other financial liabilities               | 1,123.80   |
| Other current liabilities                 | 83.19  |
| Current Tax Liabilities (Net)             | 63.59  |
| <b>Total Liabilities</b>                  | <b>8,511.92</b>                                      |
| <b>Net Assets acquired by the Company</b> | <b>10,259.14</b>                                     |

## NOTES TO THE FINANCIAL STATEMENTS

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

### 53 Change in method of inventory valuation

During the year, the Company has changed its method of valuing inventory to the Weighted Average Cost method (WAC) as against First-In-First-Out method (FIFO) followed in earlier year. The Company believes that the WAC method of inventory valuation is preferable because (1) the WAC method results in the valuation of inventories at moving average costs on the balance sheet, which provides a more meaningful presentation, and (2) the change conforms to the industry best practices. In accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the comparative financial statements of prior years have been adjusted to apply the new method retrospectively. Since the Company was incorporated on March 27, 2019 and financial statement for the year ended March 31, 2020 was the first financial statement, the presentation of third balance sheet is not applicable in accordance with the requirements of Ind AS 1, Presentation of Financial Statements.

The following financial statement line items for the years ended March 31, 2020 were affected by the change in accounting policy.

Impacts on financial statements for the year ended March 31, 2020:

(i) Balance Sheet as at 31 March 2020:

| Particulars                               | As reported      | Adjustments for change in accounting policy | Amounts without change in accounting policy |
|---|------------------|---|---|
| <b>ASSETS</b>                             |                  |   |   |
| <b>Non-Current Assets</b>                 |                  |   |   |
| Property, Plant and Equipment             | 12,192.23        | -   | 12,192.23                                   |
| Right to use asset                        | 434.43           | -   | 434.43                                      |
| Capital work-in-progress                  | 942.85           | -   | 942.85                                      |
| Intangible Assets                         | 7.46             | -   | 7.46  |
| Financial Assets                          |                  |   |   |
| (i) Loans                                 | 0.53             | -   | 0.53  |
| (ii) Other Financial Assets               | 27.69            | -   | 27.69                                       |
| Non-current Tax Assets (Net)              | 141.67           | 62.04                                       | 79.63                                       |
| Other Non-current Assets                  | 653.88           | -   | 653.88                                      |
| Total Non-Current Assets                  | 14,400.74        | 62.04                                       | 14,338.70                                   |
| <b>Current Assets</b>                     |                  |   |   |
| Inventories                               | 3,524.61         | (246.50)                                    | 3,771.11                                    |
| Financial Assets                          |                  |   |   |
| (i) Trade receivables                     | 3,787.90         | -   | 3,787.90                                    |
| (ii) Cash and cash equivalents            | 3.08             | -   | 3.08  |
| (iii) Bank balances other than (ii) above | 17.87            | -   | 17.87                                       |
| (iv) Loans                                | 1.22             | -   | 1.22  |
| (v) Other Financial Assets                | 1.24             | -   | 1.24  |
| Other current assets                      | 149.47           | -   | 149.47                                      |
| Total Current Assets                      | 7,485.39         | (246.50)                                    | 7,731.89                                    |
| <b>TOTAL ASSETS</b>                       | <b>21,886.13</b> | <b>(184.46)</b>                             | <b>22,070.59</b>                            |

## NOTES TO THE FINANCIAL STATEMENTS

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

| Particulars  | As reported      | Adjustments<br>for change<br>in accounting<br>policy | Amounts<br>without change<br>in accounting<br>policy |
|--|------------------|--|--|
| <b>EQUITY AND LIABILITIES</b>  |                  |  |  |
| <b>EQUITY</b>  |                  |  |  |
| Equity Share Capital   | -                | -  | -  |
| Shares pending issuance  | 1,302.09         | -  | 1,302.09   |
| Other Equity   | 11,369.98        | (184.46)   | 11,554.44  |
| Total Equity   | 12,672.07        | (184.46)   | 12,856.53  |
| <b>LIABILITIES</b>   |                  |  |  |
| <b>Non-Current Liabilities</b>   |                  |  |  |
| Financial Liabilities  |                  |  |  |
| (i) Borrowings   | 1,633.16         | -  | 1,633.16   |
| Provisions   | 114.33           | -  | 114.33   |
| Deferred Tax Liabilities (Net)   | 1,162.90         | -  | 1,162.90   |
| Total Non-Current Liabilities  | 2,910.39         | -  | 2,910.39   |
| <b>Current Liabilities</b>   |                  |  |  |
| Financial Liabilities  |                  |  |  |
| (i) Borrowings   | 4,437.37         | -  | 4,437.37   |
| (ii) Trade Payables  |                  |  |  |
| (a) Total outstanding dues of micro enterprises<br>and small enterprises                     | 41.29            | -  | 41.29  |
| (b) Total outstanding dues of creditors other<br>than microenterprises and small enterprises | 599.86           | -  | 599.86   |
| (iii) Other financial liabilities  | 805.76           | -  | 805.76   |
| Other current liabilities  | 287.85           | -  | 287.85   |
| Provisions   | 33.76            | -  | 33.76  |
| Current Tax Liabilities (Net)  | 97.78            | -  | 97.78  |
| Total Current Liabilities  | 6,303.67         | -  | 6,303.67   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>21,886.13</b> | <b>(184.46)</b>                                      | <b>22,070.59</b>                                     |

## NOTES TO THE FINANCIAL STATEMENTS

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

(ii) Statement of Profit and Loss for the period March 27, 2019 to March 31, 2020 :

| Particulars  | As reported      | Adjustments<br>for change<br>in accounting<br>policy | Amounts without<br>change in<br>accounting<br>policy |
|--|------------------|--|--|
| <b>Income</b>  |                  |  |  |
| Revenue from Operations  | 30,649.26        | -  | 30,649.26  |
| Other Income   | 658.86           | -  | 658.86   |
| <b>Total Income</b>  | <b>31,308.12</b> | <b>-</b>   | <b>31,308.12</b>                                     |
| <b>Expenses</b>  |                  |  |  |
| Cost of material consumed  | 20,086.93        | 254.70   | 19,832.23  |
| Purchase of Stock-in-Trade   | -                | -  | -  |
| Changes in Inventories of finished goods<br>and work-in-progress             | 625.80           | (8.20)   | 634.00   |
| Employee benefits expense  | 1,401.35         | -  | 1,401.35   |
| Finance Costs  | 657.90           | -  | 657.90   |
| Depreciation and amortisation expense  | 595.95           | -  | 595.95   |
| Other expenses   | 3,698.41         | -  | 3,698.41   |
| <b>Total Expenses</b>  | <b>27,066.34</b> | <b>246.50</b>  | <b>26,819.84</b>                                     |
| <b>Profit Before Tax</b>   | <b>4,241.78</b>  | <b>(246.50)</b>                                      | <b>4,488.28</b>                                      |
| Tax Expense  |                  |  |  |
| Current tax  | 816.85           | (62.04)  | 878.89   |
| (Excess) / short provision of income tax of<br>earlier years (net)           | 4.11             | -  | 4.11   |
| Deferred tax   | (49.59)          | -  | (49.59)  |
|  | 771.37           | (62.04)  | 833.41   |
| <b>Profit After Tax</b>  | <b>3,470.41</b>  | <b>(184.46)</b>                                      | <b>3,654.87</b>                                      |
| <b>Other Comprehensive Income</b>  |                  |  |  |
| <b>Items that will not be reclassified to profit or loss:</b>                |                  |  |  |
| - Remeasurement (losses) / gains on post employment<br>defined benefit plans | (12.90)          |  | (12.90)  |
| - Income tax effect  | 3.25             |  | 3.25   |
| <b>Other comprehensive income for the year /<br/>period, net of tax</b>      | <b>(9.65)</b>    | <b>-</b>   | <b>(9.65)</b>  |
| <b>Total comprehensive income for the year / period</b>                      | <b>3,460.76</b>  | <b>(184.46)</b>                                      | <b>3,645.22</b>                                      |
| <b>Earnings Per Share</b>  |                  |  |  |
| Basic and Diluted earnings per share (in Rupees)                             | 26.65            | (1.42)   | 28.07  |

## NOTES TO THE FINANCIAL STATEMENTS

### 54 Specified Bank Notes

The disclosures regarding details of specified bank notes held and transacted during 8th November, 2016 to 30th December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31st March 2021 and further the Company was incorporated on 27th March 2019 accordingly this note is not applicable to the Company.

### 55 Previous year comparative

The previous year figures have been regrouped and reclassified, wherever required .

#### For B S R & Co. LLP

Chartered Accountants

Firm's Registration No.: 101248W/W-100022

#### Rupen Shah

Partner

Membership No. 116240

Mumbai

June 07, 2021

#### For and on behalf of the Board of Directors of Fairchem Organics Limited

#### Utkarsh Shah

Chairman

DIN: 00101663

#### Nahoosh Jariwala

Managing Director

DIN: 00012412

#### Rajen N. Jhaveri

Chief Financial Officer and Company Secretary

Chekhala, Taluka Sanand, Dist. AHMEDABAD

June 07, 2021







**FAIRCHEM**

A FAIRFAX COMPANY

## **FAIRCHEM ORGANICS LIMITED**

**Registered Office :** Plot No. A- 71, TTC, Thane Belapur Road  
Near Kopar Kharaine, Navi Mumbai – 400 709, Maharashtra, India

**Works & Office** 253/P & 312, Village Chekhala, Sanand - Kadi Highway  
Tal. Sanand, Dist. Ahmedabad – 382115, Gujarat, India

Phone No(s) +91 2717-687900, 687901  
E-mail : [cs@fairchem.in](mailto:cs@fairchem.in)

C.I.N. : U24200MH2019PLC323176

Website : [www.fairchem.in](http://www.fairchem.in)