

Price Waterhouse & Co Chartered Accountants LLP

The Board of Directors
Fairchem Organics Limited
Plot No. A- 71, TTC,
Thane Belapur Road,
Near Kopar Khairane,
Navi Mumbai – 400 709

Report on special purpose financial statements

1. This report is issued in accordance with the terms of our agreement dated August 27, 2020.
2. We have audited the accompanying special purpose financial statements of Fairchem Organics Limited (the “Company”) which comprise the balance sheet as at March 31, 2020, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the period from March 27, 2019 (date of incorporation) to March 31, 2020 and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management’s Responsibility for the Financial Statements

3. Management is responsible for the preparation of these special purpose financial statements in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act, to the extent considered relevant by it for the purpose for which these special purpose financial statements have been prepared. The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

4. Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 (“the Act”) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Registered office and Head office: Plot No. Y-14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar, Kolkata 700 091
Price Waterhouse & Co. (a Partnership Firm) converted into Price Waterhouse & Co Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC 4362) with effect from July 7, 2014. Post its conversion to Price Waterhouse & Co Chartered Accountants LLP, its ICAI registration number is 304026E/E-300009 (ICAI registration number before conversion was 304026E)

Price Waterhouse & Co Chartered Accountants LLP

Opinion

7. Based on our audit, we report that:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b. The Balance Sheet, Statement of Profit and Loss (including other comprehensive income) statement of changes in equity and statement of cash flows dealt with by this report are in agreement with the books of account;
 - c. In our opinion and to the best of our information and according to the explanations given to us, the special purpose financial statements, together with the notes thereon and attached thereto, fairly present, in all material respects, in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, the state of affairs of the Company as at March 31, 2020;
 - (ii) in the case of the Statement of Profit and Loss, the profit for the period from March 27, 2019 to March 31, 2020; and
 - (iii) in the case of the Statement of Cash flows, of the cash flows for the period from March 27, 2019 to March 31, 2020
 - (iv) in the case of the Statement of Changes in Equity, of the equity for the period from March 27, 2019 to March 31, 2020

Emphasis of Matter

8. We draw attention to Note 2(a) to the special purpose financial statements, which describes the basis of its preparation. The special purpose financial statements are not the statutory financial statements of the Company, and are not intended to comply with the disclosure provisions applicable to statutory financial statements prepared under the Companies Act, 2013, as those are considered irrelevant by the Management and the intended users of the special purpose financial statements for the purposes for which those have been prepared.
9. We draw your attention to Note 51 to the special purpose financial statements which requires the Company's accounting in respect of Scheme of Arrangement and Amalgamation approved by the National Company Law Tribunal, in accordance with the applicable accounting standards (Ind AS 103) from the beginning of the preceding year i.e. March 27, 2019; however, the Company has considered the effect of the Scheme from the appointed date i.e. closing of business hours on March 31, 2019. Further, as stated in Note 51, the Scheme was approved on June 30, 2020 and accordingly, the impact of the Scheme was not considered in the statutory financial statements approved by the Board of Directors in their meeting held on June 23, 2020 on which we issued an unmodified opinion vide our report dated June 23, 2020.

Our opinion is not modified in respect of these matters.

Other Matters

10. The special purpose financial statements dealt with by this report, have been prepared for the limited purpose of inclusion in the Draft Information Memorandum and Information Memorandum, to be submitted/filed with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) (together 'the Stock Exchanges') for the proposed listing of equity shares of the Company on the Stock Exchanges.
11. The Company has prepared its statutory financial statements for the period ended March 31, 2020 in accordance with Companies Act 2013 on which we issued an unmodified opinion vide our audit report dated June 23, 2020.

Our opinion is not modified in respect of these matters.

Price Waterhouse & Co Chartered Accountants LLP

Restriction on Use

12. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have (or may have had) as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of any financial statements of the Company.
13. This report is addressed to the Board of Directors of the Company and has been prepared for and only for the purposes set out in paragraph 10 above. This report is not planned or prepared in contemplation of the interest of any other person and may not address items of possible interest to any such person. Accordingly, this report or its content or findings of audit procedures should not be otherwise used or disclosed or distributed or shared or referred with any other party for availing the benefit of the services for use for any other purpose. Our work and findings shall in no way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the proposed listing of equity shares. We neither accepts nor assumes any duty of care or liability for any other purpose or to any other party to whom our this report is shown or into whose hands it may come without our prior consent in writing.

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/E-300009

ARUNKUMAR

Digitally signed by ARUNKUMAR

RAMDAS

RAMDAS

Date: 2020.09.29 19:10:10 +05'30'

Arunkumar Ramdas

Partner

Membership Number: 112433

UDIN: 20112433AAAAIL2103

Place: Mumbai

Date: September 29, 2020

FAIRCHEM ORGANICS LIMITED
BALANCE SHEET AS AT MARCH 31, 2020
(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	As at March 31, 2020
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	4	12,626.66
Capital work-in-progress	5	942.85
Intangible Assets	6	7.46
Financial Assets		
(i) Loans	7	0.53
(ii) Other Financial Assets	8	27.69
Non-current Tax Assets (Net)	9	79.63
Other Non-current Assets	10	653.88
		<u>14,338.70</u>
Current Assets		
Inventories	11	3,771.10
Financial Assets		
(i) Trade receivables	12	3,787.90
(ii) Cash and cash equivalents	13	3.08
(iii) Bank balances other than (ii) above	14	17.87
(iv) Loans	15	1.22
(v) Other Financial Assets	16	1.24
Other current assets	17	149.47
		<u>7,731.88</u>
TOTAL ASSETS		<u>22,070.58</u>
EQUITY AND LIABILITIES		
EQUITY		
Equity Share Capital	18	-
Share Capital Suspense Account	19	1,302.09
Other Equity	20	11,554.43
		<u>12,856.52</u>
LIABILITIES		
Non-Current Liabilities		
Financial Liabilities		
Borrowings	21	1,633.16
Provisions	22	114.33
Deferred Tax Liabilities (Net)	39	1,162.90
		<u>2,910.39</u>
Current Liabilities		
Financial Liabilities		
(i) Borrowings	23	4,437.37
(ii) Trade Payables	24	
(a) Total outstanding dues of micro enterprises and small enterprises		41.29
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		599.86
(iii) Other financial liabilities	25	1,005.84
Other current liabilities	26	87.77
Provisions	27	33.76
Current Tax Liabilities (Net)	28	97.78
		<u>6,303.67</u>
TOTAL EQUITY AND LIABILITIES		<u>22,070.58</u>

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

As per our report of even date attached

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration No.: 304026E/ E-300009

ARUNKUMAR RAMDAS

Digitally signed by ARUNKUMAR
RAMDAS
Date: 2020.09.29 19:02:20 +05'30'

Arunkumar Ramdas

Partner

Membership No. 112433

Place: Mumbai

Date: September 29, 2020

For and on behalf of the Board

JARIWALA Digitally signed by
NAHOOSH JARIWALA NAHOOSH
JAYVADAN JAYVADAN
Date: 2020.09.29
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Nahoosh Jariwala

Managing Director

DIN: 00012412

JHAVERI RAJEN Digitally signed by JHAVERI
NIRANJANBHAI RAJEN NIRANJANBHAI
Date: 2020.09.29 18:14:11
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Rajen N. Jhaveri

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: September 29, 2020

FAIRCHEM ORGANICS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD MARCH 27, 2019 (DATE OF INCORPORATION) TO MARCH 31, 2020
(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	For the period March 27, 2019 to March 31, 2020
Income		
Revenue from Operations	30	30,649.26
Other Income	31	658.86
Total Revenue		31,308.12
Expenses		
Cost of materials consumed	32	19,832.24
Changes in Inventories of finished goods and work-in-progress	33	634.00
Employee benefits expense	34	1,550.16
Finance Costs	35	657.90
Depreciation and amortisation expense	4, 6	595.95
Other expenses	36	3,549.60
Total Expenses		26,819.85
Profit Before Tax		4,488.27
Tax Expense		
Current tax		883.00
Deferred tax		(49.59)
		833.41
Profit After Tax		3,654.86
Other Comprehensive Income		
Items that will not be reclassified to profit or loss:		
- Remeasurement (losses) / gains on post employment defined benefit plans		(12.90)
- Income tax effect		3.25
Other comprehensive income for the period, net of tax		(9.65)
Total comprehensive income for the period		3,645.21
Earnings Per Share		
Basic and Diluted earnings per share (in Rupees)	38	28.07
Nominal value per equity share (in Rupees)		10.00

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

As per our report of even date attached

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration No.: 304026E/ E-300009

ARUNKUMAR RAMDAS

Digitally signed by ARUNKUMAR
RAMDAS
Date: 2020.09.29 19:03:23 +05'30'

Arunkumar Ramdas

Partner

Membership No. 112433

For and on behalf of the Board

JARIWALA Digitally signed by
JARIWALA NAHOOSH
NAHOOSH
JAYVADAN
Date: 2020.09.29
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Nahoosh Jariwala
Managing Director
DIN: 00012412

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JHAVERI RAJEN
NIRANJANBHAI
NIRANJANBHAI
Date: 2020.09.29
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Rajen N. Jhaveri
Chief Financial Officer and Company Secretary

Place: Mumbai
Date: September 29, 2020

Place: Ahmedabad
Date: September 29, 2020

FAIRCHEM ORGAINCS LIMITED
STATEMENT OF CASH FLOWS FOR PERIOD MARCH 27, 2019 (DATE OF INCORPORATION) TO MARCH 31, 2020
(All amounts in Rs. Lakhs, unless otherwise stated)

	Notes	For the period March 27, 2019 to March 31, 2020
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit Before Taxation		4,488.27
Adjustments for:		
Depreciation and Amortisation	4, 6	595.95
Finance Cost	35	657.90
Interest Income	31	(12.54)
Dividend Income	31	(625.00)
Unrealised Foreign Exchange (Gain)		(4.02)
Credit Impairment Loss Reversal on Receivables	31	(7.06)
Loss on assets sold / discarded (Net)	36	31.28
Operating Profit Before Working Capital Changes		5,124.78
Adjustments For Changes In Working Capital:		
(Increase) In Inventories		(370.48)
Decrease In Non Current Loans		0.98
(Increase) In Other Non Current Financial Assets		(13.91)
(Increase) In Trade receivables		(563.69)
(Increase) In Current Loans		(0.48)
Decrease In Other current assets		175.02
(Decrease) In Trade and Other Payables		(359.27)
Increase In Non Current Liabilities - Provisions		24.79
(Decrease) In Current Liabilities - Provisions		(36.64)
Increase In Other Current Financial Liabilities		0.81
Increase In Other Current Liabilities		4.58
Cash Generated From Operations		3,986.49
Direct Taxes Refund / (Paid) (Net)		(868.89)
A. Net Cash Generated From Operating Activities		3,117.60
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant and Equipments		(3,032.93)
Proceeds from Sale of Property, Plant and Equipments		5.07
Purchase of Investments		-
Interest Income		12.54
Dividend Income		625.00
B. Net Cash Used In Investing Activities		(2,390.32)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Long Term Borrowings (net)		1,499.57
Repayment of Long Term Borrowings (net)		(909.97)
Net Proceeds from Short Term Borrowings (net)		388.37
Proceeds from Issue of Share Capital		1.00
Dividend Paid (including tax on dividend)		(1,048.83)
Interest Paid		(655.98)
C. Net Cash Used In Financing Activities		(725.84)
Net Increase in cash and cash equivalents (A+B+C)		1.44
Cash and Cash Equivalents as at March 27, 2019		-
Cash and Cash Equivalents pursuant to a Scheme of Arrangement (Refer Note 51)		1.64
Cash and Cash Equivalents as at the end of the period		3.08

In terms of our report attached

FAIRCHEM ORGAINCS LIMITED
STATEMENT OF CASH FLOWS FOR PERIOD MARCH 27, 2019 (DATE OF INCORPORATION) TO MARCH 31, 2020
(All amounts in Rs. Lakhs, unless otherwise stated)

Reconciliation of cash and cash equivalent as per the statement of cash flows

As at
March 31, 2020

Cash and Cash Equivalents :	
Cash on hand	1.77
Bank Balances :	
- In Current Accounts	1.31
	3.08

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.
- 3 Amount paid towards CSR activities Rs. 4.83 lakhs.
- 4 For non-cash transactions pursuant to Scheme of Arrangement refer note 51.

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

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration No.: 304026E/ E-300009

ARUNKUMAR RAMDAS

Digitally signed by ARUNKUMAR
RAMDAS
Date: 2020.09.29 19:04:15 +05'30'

Arunkumar Ramdas

Partner

Membership No. 112433

For and on behalf of the Board,

JARIWALA Digitally signed by
NAHOOSH JARIWALA NAHOOSH
JAYVADAN
Date: 2020.09.29
18:15:21 +05'30'

Nahoosh Jariwala

Managing Director

DIN: 00012412

Digitally signed by
JHAVERI RAJEN JHAVERI RAJEN
NIRANJANBHAI
NIRANJANBHAI
Date: 2020.09.29
18:15:39 +05'30'

Rajen N. Jhaveri

Chief Financial Officer and Company Secretary

Place: Mumbai

Date: September 29, 2020

Place: Ahmedabad

Date: September 29, 2020

FAIRCHEM ORGANICS LIMITED
STATEMENT OF CHANGES IN EQUITY FOR PERIOD MARCH 27, 2019 (DATE OF INCORPORATION) TO MARCH 31, 2020
(All amounts in Rs. Lakhs, unless otherwise stated)

A. Equity Share Capital

	Notes	
Balance as at March 27, 2019	18	-
Issue of Share Capital during the period		1.00
Shares cancelled pursuant to a Scheme of Arrangement (Refer Note 51)		(1.00)
Balance as at March 31, 2020	18	<u>-</u>

B. Share Capital Suspense Account

Balance as at March 27, 2019	19	-
Addition pursuant to a Scheme of Arrangement (Refer Note 51)		1,302.09
Balance as at March 31, 2020	19	<u>1,302.09</u>

C. Other Equity

	Reserves and Surplus		Total
	Capital Reserves	Retained Earnings	
Balance as at March 27, 2019	-	-	-
Addition pursuant to a Scheme of Arrangement (Refer Note 51)	8,958.05	-	8,958.05
Profit for the period	-	3,654.86	3,654.86
Other Comprehensive Income	-	(9.65)	(9.65)
Total Comprehensive Income for the period	<u>-</u>	<u>3,645.21</u>	<u>3,645.21</u>
Transactions with owners in their capacity as owners:			
Dividends Paid (including Dividend Distribution Tax)	-	(1,048.83)	(1,048.83)
Balance as at March 31, 2020	<u>8,958.05</u>	<u>2,596.38</u>	<u>11,554.43</u>

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

As per our report of even date attached

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration No.: 304026E/ E-300009

ARUNKUMAR

RAMDAS

Arunkumar Ramdas

Partner

Membership No. 112433

Digitally signed by ARUNKUMAR

RAMDAS

Date: 2020.09.29 19:05:07 +05'30'

For and on behalf of the Board

JARIWALA

NAHOOSH

JAYVADAN

Nahoosh Jariwala

Managing Director

DIN: 00012412

Digitally signed by

JHADERI RAJEN

NIRANJANBHAI

Date: 2020.09.29

18:16:20 +05'30'

Rajen N. Jhaveri

Chief Financial Officer and Company Secretary

Place: Mumbai

Date: September 29, 2020

Place: Ahmedabad

Date: September 29, 2020

1 Background of the Company

Fairchem Organics Limited (the 'Company') was incorporated on March 27, 2019. These Special purpose financial statements of the Company have been prepared for the period from March 27, 2019 (date of incorporation) to March 31, 2020. Pursuant to the Scheme of arrangement, the Oleo Chemical and Nutraceutical business of Fairchem Speciality Limited was demerged and merge into the Company (Refer note 51). The manufacturing facility is set up at Village Chekhala, Ta. Sanand, Dist. Ahmedabad, Gujarat.

2 Significant accounting policies

This Note provides a list of the significant accounting policies adopted by the Company in the preparation of these Special Purpose Financial Statements. These policies have been consistently applied during current period, unless otherwise stated.

a) Basis of preparation

i) Compliance with Ind AS

These Special Purpose Financial Statements of the Company comprising the Balance Sheet as at March 31, 2020, Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity, and Cash Flow Statement for the period from March 27, 2019 (Date of incorporation) to March 31, 2020, and a summary of significant accounting policies and other explanatory information have been prepared by the Company in accordance with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (the 'Act'), for inclusion in draft Information Memorandum and Information Memorandum, to be submitted / filed with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) (together 'the Stock Exchanges') for the proposed listing of equity shares of the Company on the Stock Exchanges. These Special Purpose Financial Statements have been prepared by giving effect to the Scheme of Arrangement and Amalgamation (Refer note 51) with effect from closing of business hours on March 31, 2019, the appointed date, consequent upon receipt of approval to the Scheme from National Company Law Tribunal (NCLT), Mumbai Bench.

The Special Purpose Financial Statements are not the statutory financial statements of the Company, and hence, the disclosure provisions applicable to statutory financial statements prepared under the Act, are considered irrelevant for the purposes for which these have been prepared.

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

The principles of measurement, recognition and disclosures (to the extent considered relevant) followed for preparation of these Special Purpose Financial Statements are consistent with the accounting policies followed by the Company in its statutory financial statements for the period ended March 31, 2020.

ii) New standards or interpretations adopted by the Company

The Company has applied the following amendment for the first time for its annual reporting period commencing April 1, 2019:
Ind AS 116 – Leases

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

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

Other amendments:

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

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

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

iii) Historical cost convention

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

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

iv) Current versus non-current classification

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

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

A liability is current when:

- It is expected to be settled in normal operating cycle, or
- It is held primarily for the purpose of trading, or
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period, all other liabilities are classified as non-current.

b) Foreign currency transactions and translations

(i) Functional and presentation currency

Items included in the special purpose 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.

(ii) Transactions and balances

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

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

c) Revenue recognition

Sale of products

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

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

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

d) Income tax

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

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

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

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

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

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

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

e) Leases

As Lessee

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

Company as a lessee:

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

Lease liabilities:

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

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

The lease payments are discounted using the lessee's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets:

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

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

f) Impairment of assets

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

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

q) Cash and cash equivalents

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

h) Trade receivables

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

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

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

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 EIR and loss or gains arising from impairment, if any is recognised in the Statement of Profit and Loss.

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

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

Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at Fair Value through Other Comprehensive Income (FVOCI) are not reported separately from other changes in fair value.

4. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115 only, the Company follows 'simplified approach' for recognition of impairment loss and always measures the loss allowance at an amount equal to lifetime expected credit losses.

Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109 i.e. expected credit loss allowance as computed based on historical credit loss experience.

5. Derecognition

A financial asset is de-recognised only when the Company

- has transferred the rights to receive cash flows from the financial asset or,
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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.

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 depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/expense.

Depreciation methods, estimated useful lives and residual value

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life as per technical evaluation. Estimated useful life of the assets/significant component thereof are as under:

Assets class	Useful life in years
· Buildings	10 to 30
· Plant and Equipment	10 to 25
· Electrical Installations	10
· Office Equipments and Computers	3 to 5
· Furniture and Fixtures	10
· Vehicles	6 to 8

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

Amortisation of leased assets are over the Lease period.

m) Intangible Assets and amortisation

Intangible assets with finite useful life are stated at cost of acquisition, less accumulated depreciation/ amortisation and impairment loss, if any. Cost includes taxes, duties and other incidental expenses related to acquisition and other incidental expenses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of respective intangible assets.

Assets class	Useful life in years
· Computer software	3

n) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

o) Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income/expenses.

p) Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

q) Provisions and Contingencies

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

r) Employee Benefits

(i) Defined contribution plans

Contributions to retirement benefit plans in the form of provident fund, employee state insurance scheme and pension scheme as per regulations are charged as an expense on an accrual basis when employees have rendered the service. The Company has no further payment obligations once the contributions have been paid.

(ii) Defined benefit plans

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan") covering eligible employees, which is funded. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The Company's liability is actuarially determined using the Projected Unit Credit method at the end of each year. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Gratuity Fund contributions are made to a trust administered by the Company which has further invested in Life Insurance Corporation. The contributions made to the trust are recognised as plan assets. The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

(iii) Other employee benefits

Compensated Absences: Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year end are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

Accumulated compensated absences, which are expected to be availed or encashed beyond 12 months from the end of the year end are treated as other long term employee benefits. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of each year. Actuarial losses/ gains are recognised in the Statement of Profit and Loss in the year in which they arise.

Termination Benefits: Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Directors who are identified as the chief operating decision makers. The managing directors assess the financial performance and position of the company, and make strategic decisions.

t) 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.

u) Rounding off

All amounts disclosed in the special purpose financial statements and notes have been rounded off to the nearest lakhs, or decimal thereof as per the requirement of Schedule III, unless otherwise stated.

3 Critical estimates and judgements

The preparation of special purpose financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 29
- Impairment of trade receivables – Note 41
- Estimation of useful life of tangible assets – Note 4

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company.

4 Property, Plant and Equipment

Particulars	Gross Carrying Amount					Accumulated Depreciation/Amortisation					Net Carrying Amount
	Opening as on March 27, 2019	Addition pursuant to a Scheme of Arrangement (Refer note 51)	Additions	Deductions/ Adjustments	As at March 31, 2020	Opening as on March 27, 2019	Addition pursuant to a Scheme of Arrangement (Refer note 51)	For the period	Deductions/ Adjustments	As at March 31, 2020	As at March 31, 2020
Freehold Land	-	63.10	-	-	63.10	-	-	-	-	-	63.10
Right of use asset	-	459.40	-	-	459.40	-	18.51	6.46	-	24.97	434.43
Building	-	2,235.32	29.00	-	2,264.32	-	237.39	85.43	-	322.82	1,941.50
Plant and Machinery	-	9,443.77	1,658.23	44.05	11,057.95	-	904.86	413.68	9.64	1,308.90	9,749.05
Electric Installation	-	349.68	-	-	349.68	-	146.14	34.20	-	180.34	169.34
Air Conditioners	-	49.18	0.93	0.52	49.59	-	20.22	6.46	0.47	26.21	23.38
Office Equipments and Computers	-	78.78	11.30	4.18	85.90	-	39.57	14.02	3.22	50.37	35.53
Furniture and Fixtures	-	178.04	23.90	-	201.94	-	41.41	20.80	-	62.21	139.73
Vehicles	-	113.66	10.74	3.44	120.96	-	38.58	14.29	2.51	50.36	70.60
Total	-	12,970.93	1,734.10	52.19	14,652.84	-	1,446.68	595.34	15.84	2,026.18	12,626.66

(i) Refer to note 46 for information on property, plant and equipment hypothecated and / or mortgaged as security by the Company.

(ii) Contractual obligations - Refer to note 44 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iii) Refer to note 48 - Leasehold land has been classified as Right of use asset as per Ind AS 116.

5 Capital Work in Progress

	As at March 31, 2020
Opening Balance	-
Addition pursuant to a Scheme of Arrangement (Refer Note 51)	87.91
Addition during the period	2,542.17
Transfer during the period	1,687.23
Closing Balance	942.85

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

6 Intangible Assets

Particulars	Gross Carrying Amount					Accumulated Amortisation					Net Carrying Amount
	Opening as on March 27, 2019	Addition pursuant to a Scheme of Arrangement (Refer note 51)	Additions	Deductions/ Adjustments	As at March 31, 2020	Opening as on March 27, 2019	Addition pursuant to a Scheme of Arrangement (Refer note 51)	For the period	Deductions/ Adjustments	As at March 31, 2020	As at March 31, 2020
Computer Software	-	-	8.07	-	8.07	-	-	0.61	-	0.61	7.46
Total	-	-	8.07	-	8.07	-	-	0.61	-	0.61	7.46

In terms of our report attached

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

		As at
		March 31, 2020
7	<u>Loans</u> (Unsecured, Considered Good) Security Deposits	0.53
		0.53
8	<u>Other Financial Assets</u> Margin Money Deposit *	27.69
		27.69
* Pledged with the bank for non cash limit		
9	<u>Non Current Tax Assets (Net)</u> Advance Income Tax and Tax deducted at source (Net of Provision)	79.63
		79.63
10	<u>Other Non Current Assets</u> (Unsecured and Considered Good) Capital advances	653.88
		653.88
11	<u>Inventories</u> [Refer note 2 (i) - valued at lower of cost and net realisable value] Raw Materials Packing Materials Stores and Fuel Semi-finished Goods Finished Goods	2,673.36 4.89 370.89 664.14 57.82
		3,771.10
<u>Of the above includes Goods in transit :</u>		
	Raw Materials	37.31
	Stores and Fuel	0.05
	Finished Goods	57.82
The cost of stores and spares inventories recognised as an expense includes Rs. 44.92 lakhs in respect of write-downs of inventory determined based on evaluation of slow and non moving inventories.		
12	<u>Trade Receivables</u> Trade Receivables considers good - Unsecured Trade Receivables - credit impaired	3,787.90 42.00
		3,829.90
	Less: Credit impairment loss	(42.00)
		3,787.90

Refer Note 41 (A) for credit risk related disclosures.

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

		As at
		March 31, 2020
13	<u>Cash and cash equivalents</u>	
	Balances with banks:	
	- In Current Accounts	1.31
	Cash on Hand	1.77
		<u>3.08</u>
	There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior periods.	
14	<u>Bank balances other than note 13 above</u>	
	Unpaid Dividend Accounts	17.87
		<u>17.87</u>
15	<u>Loans</u>	
	(Unsecured, Considered Good)	
	Loans to Employees	1.01
	Security Deposits	0.21
		<u>1.22</u>
16	<u>Other Current Financial Assets</u>	
	Interest Accrued but not Due	1.24
		<u>1.24</u>
17	<u>Other Current Assets</u>	
	Balances with Government Authorities	24.66
	Export Incentive Receivable	53.46
	Advance to vendors	40.83
	Prepaid Expenses	27.55
	Excess deposit in Gratuity Fund	2.44
	Others	0.53
		<u>149.47</u>

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in Rs. Lakhs, unless otherwise stated)

		As at
		March 31, 2020
18	Equity Share Capital	
	Authorised:	
	10,000 Equity Shares of Rs. 10 each	1.00
		<u>1.00</u>
	Issued, Subscribed and Paid-up:	
	Nil Equity Shares of Rs. 10 each, fully paid-up (Refer Note 18.1)	-
		<u>-</u>
18.1	Movement in Equity Share Capital	
		No. of Equity Shares
		Amount
	Balance as at March 27, 2019	-
	Shares issued during the period	10,000
	Shares cancelled pursuant to a Scheme of Arrangement (Refer Note 51)	<u>(10,000)</u>
	Balance as at the end of the period	<u>-</u>
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.	
19	Equity Shares Suspense Account	As at
	Equity Shares to be issued pursuant to a Scheme of Arrangement (Refer Note 51)	March 31, 2020
		1,302.09
		<u>1,302.09</u>
20	Other Equity	As at
	Capital Reserve	March 31, 2020
	Retained Earnings	8,958.05
		2,596.38
		<u>11,554.43</u>
	Movement of Capital Reserve	
	Balance as at March 27, 2019	-
	Addition pursuant to a Scheme of Arrangement (Refer Note 51)	8,958.05
	Balance as at the end of the period	<u>8,958.05</u>
	Movement of Retained Earnings	
	Balance as at March 27, 2019	-
	Profit for the period	3,654.86
	Other Comprehensive Income	<u>(9.65)</u>
		3,645.21
	Less : Dividend paid including Dividend distribution tax	1,048.83
	Balance as at the end of the period	<u>2,596.38</u>
	Capital Reserve	
	Capital Reserve was created pursuant to a Scheme of Arrangement (Refer Note 51).	
	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.	
21	Borrowings - Non-Current	As at
	Secured - at amortized cost	March 31, 2020
	Term Loan from Bank *	1,633.16
		<u>1,633.16</u>

* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020.

Security Details

Term Loans from banks are secured by hypothecation by way of first and exclusive charges on all present and future stocks, book debts and collaterals security by way of Equitable mortgage of industrial property bearing Survey No. 253/P and 312 situated at village Chekhala, Sanand-Kadi Road and Hypothecation of plant and machinery installed at the factory premises.

Name of bank	Maturity Date	Terms of Repayment	Outstanding as at March 31, 2020
HDFC Bank (Term Loans)	December 2021	Repayment in 63 monthly instalments	791.41
	October 2020	Repayment in 39 monthly instalments	48.09
	January 2025	Repayment in 64 monthly instalments	1,402.72

The carrying amount of financial and non-financials assets hypothecated and / or mortgaged as security for current and non-current borrowings are disclosed in note 46.

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

		As at March 31, 2020
22	Non-Current Provisions	
	Provision for Employee Benefits [Refer Note 29(a)]	
	Provision for compensated absences	114.33
		114.33

		As at March 31, 2020
23	Borrowings - Current	
	Secured:	
	Working Capital Loans from Bank	4,405.09
	Packing credit in Foreign Currency	32.28
		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. Packing credit from bank are due for repayment within 120 days.

		As at March 31, 2020
24	Trade Payables	
	(a) Total outstanding dues of micro enterprises and small enterprises *	41.29
	(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	599.86
		641.15

	* Total outstanding dues of Micro, Small and Medium Enterprises (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 period end.	74.60
b)	Interest due to suppliers registered under MSMED Act and remaining unpaid as at the period end.	-
c)	The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	72.27
d)	The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	0.32
e)	The amount of interest accrued and remaining unpaid at the end of each accounting year.	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.	2.41

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in Rs. Lakhs, unless otherwise stated)

25 Other Financial Liabilities

Current

Current maturities of long term debt (Refer Note 21)	
Term Loan from Bank	596.73
Interest accrued but not due on borrowings	14.39
Unclaimed dividend #	17.87
Creditors for capital goods *	176.77
Employee benefit payable	200.08
	1,005.84

* Including dues to Micro and Small Enterprises for Rs. 36.04 Lakhs - Refer Note 24.

There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Act as at the period end.

**As at
March 31, 2020**

Net Debt Reconciliation

Cash and cash equivalents	3.08
Current borrowings	(4,437.37)
Non-current borrowing (includes current maturity of long term borrowings)	(2,229.89)
	(6,664.18)

	Cash and Cash equivalents	Non-current Borrowings	Current Borrowings	Total
Net Debt as of March 27, 2019	-	-	-	-
Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	1.64	(1,640.29)	(4,049.00)	(5,687.65)
Cash flow (Net)	1.44	(589.60)	(388.37)	(976.53)
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)
Net Debt as of March 31, 2020	3.08	(2,229.89)	(4,437.37)	(6,664.18)

**As at
March 31, 2020**

26 Other current liabilities

Advances from customers (Refer Note 49)	19.80
Statutory liabilities	67.81
Other liabilities	0.16
	87.77

27 Current Provisions

Provision for employee benefits [Refer Note 29 (a)]	-
Provision for gratuity	-
Provision for compensated absences	33.76
	33.76

28 Current Tax Liabilities (Net)

Income tax provision net of Advance Tax	97.78
	97.78

29 (a) Provision for Employee Benefits

	As at March 31, 2020	
	Current	Non-current
Compensated absences	33.76	114.33
Gratuity	-	-
Total Provision for Employee Benefits	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.

	As at March 31, 2020
Current leave obligations expected to be settled within the next 12 months	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 Finchem Limited Employees Group Gratuity Assurance Scheme which in-turn, has taken Group Gratuity Scheme of the Life Insurance Corporation of India in the form of a qualifying insurance policy.

Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and ESI which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to statement of profit and loss as they accrue.

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

	For the period March 27, 2019 to March 31, 2020
Employer's Contribution to Provident Fund	38.58
Employer's Contribution to Employees' State Insurance	3.36
Employer's Contribution to Employees' Pension Scheme 1995	24.93
	66.87

	Present value of obligation	Fair value of plan assets	Net amount
As at March 27, 2019	-	-	-
Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	233.23	(207.82)	25.41
Current service cost	26.12	-	26.12
Interest expense/(income)	15.44	(14.51)	0.93
Total amount recognised in statement of profit and loss	41.56	(14.51)	27.05
<i>Remeasurements</i>			
Return on plan assets, excluding amount included in interest expense/(income)	-	0.11	0.11
(Gain)/loss from change in demographic assumptions	0.02	-	0.02
(Gain)/loss from change in financial assumptions	17.79	-	17.79
Experience (gains)/losses	(5.02)	-	(5.02)
Total amount recognised in other comprehensive income	12.79	0.11	12.90
Employer contributions	-	(67.80)	(67.80)
Benefit payments	(13.33)	13.33	-
As at March 31, 2020	274.25	(276.69)	(2.44)

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

	As at March 31, 2020
Fair value of plan assets	(276.69)
Present value of funded obligations	274.25
(Surplus)/ Deficit of gratuity plan	(2.44)

Categories of plan assets are as follows:

	As at March 31, 2020
Insurer managed funds	(276.69)
Total	(276.69)

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

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

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
	As at March 31, 2020	As at March 31, 2020	As at March 31, 2020
Discount Rate	0.50%	(13.86)	15.15
Salary growth Rate	0.50%	14.87	(13.19)
Withdrawal Rate	10.00%	(0.47)	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 period ending March 31, 2021 are INR 29.27 lakhs.

The weighted average duration of the defined benefit obligation is 11 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
As at March 31, 2020					
Defined benefit obligation (gratuity)	49.56	5.02	30.88	188.79	274.25

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

	For the period March 27, 2019 to March 31, 2020
30 Revenue from Operations	
Sale of finished goods (Refer Note 49)	30,579.09
Other operating revenues	
- Scrap sales	25.41
- Export incentives	44.76
	30,649.26
31 Other Income	
Net Gain on Foreign Currency Transactions and Translation	2.38
Interest income from financial assets measured at amortised cost	
- Deposits	3.07
- Others	9.47
Dividend from Non-current equity investment measured at cost	625.00
Compensation received	11.67
Credit Impairment Loss Reversal on Receivables	7.06
Miscellaneous income	0.21
	658.86
32 Cost of materials consumed	
Raw Materials :	
Inventory at the beginning of the period	-
Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	1,628.04
Add: Purchases	20,722.21
	22,350.25
Less: Inventory at the end of the period	2,673.36
	19,676.89
Packing Materials :	
Inventory at the beginning of the period	-
Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	3.94
Add: Purchases	156.30
	160.24
Less: Inventory at the end of the period	4.89
	155.35
	19,832.24
33 Changes in Inventories of finished goods and work-in-progress	
Opening Stock	
Finished Goods	-
Semi Finished Goods	-
	-
Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	
Finished Goods	74.53
Semi Finished Goods	1,281.43
	1,355.96
Closing Stock	
Finished Goods	57.82
Semi Finished Goods	664.14
	721.96
(Increase) / Decrease in Inventories of finished goods and work-in-progress	634.00
34 Employee benefits expense	
Salaries, wages and bonus	1,436.62
Contribution to Provident Fund and other funds	66.87
Gratuity	27.05
Staff welfare expenses	19.62
	1,550.16

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in Rs. Lakhs, unless otherwise stated)

For the period
March 27, 2019 to
March 31, 2020

35 Finance Costs

Interest on Long Term Borrowings	186.93
Interest and other borrowing cost	461.21
Interest on Income Tax	9.76

657.90

36 Other Expenses

Consumption of Stores and Spares	413.11
Power and Fuel	1,883.98
Laboratory expenses	43.07
Research & Development Expenses	25.98
Rent, rates and taxes	9.18
Insurance	28.18
Repairs and maintenance :	
- Machinery	57.04
- Buildings	23.74
- Others	6.49
Travelling and conveyance	12.61
Telephone and advertisement expense	16.37
Directors' sitting fees	13.00
Remuneration to Auditors for:	
Statutory Audit and Limited Reviews	27.10
Others	2.90
Out of pocket expenses	0.62
Commission on sales	50.62
Freight and forwarding	332.13
Legal and professional fees	189.31
Vehicle expenses	21.90
Loss on assets sold / discarded (Net)	31.28
Corporate Social Responsibility expenditure	4.85
Solid waste disposal charges	210.17
Miscellaneous expenses	145.97

3,549.60

37 Expenditure towards Corporate Social Responsibility (CSR) activities

(a) Gross amount required to be spent by the Company during the period: Rs. 47.06 lakhs.

(b) Amount spent during the period :

	In Cash	Yet to be paid in Cash	Total
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	4.83	0.02	4.85

38 Earnings per Share (EPS)

Basic

Net Profit available to Equity Shareholders	3,654.86
Weighted Average Number of Equity Shares (Refer Note 51)	13,020,900
Basic EPS (Rs.)	28.07

Diluted

Net Profit before tax as per Statement of Profit and Loss	3,654.86
Weighted Average Number of Equity Shares (Refer Note 51)	13,020,900
Diluted EPS (Rs.)	28.07

Nominal value of an equity share	10.00
----------------------------------	-------

39 Taxation

39 a) - Income tax expense

	For the period March 27, 2019 to March 31, 2020
<u>Current tax</u>	
Current tax on profits for the period	883.00
Total current tax expense	883.00
<u>Deferred tax</u>	
(Decrease)/increase in deferred tax liabilities	(60.81)
Decrease/(increase) in deferred tax assets	11.22
Deferred tax on Other Comprehensive Income	(3.25)
Total deferred tax expense/(benefit)	(52.84)
Income tax expense	830.16

39 b) - Reconciliation of tax expense and accounting profit multiplied by statutory tax rates

Profit for the period	4,488.27
Statutory tax rate	25.17%
Tax expense at applicable tax rate	1,129.61
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:	
Amount Exempt from tax	(157.30)
Amount not allowable under tax	22.84
Effect of change in Income tax rate on Deferred tax (Refer note below)	(164.99)
Income tax expense	830.16

Note:

The Company has elected to exercise the option under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 from the current financial year. Accordingly, the provision for income tax and deferred tax balances have been recorded/ remeasured using the new tax rate and the Company has reversed deferred tax liabilities amounting to Rs. 164.99 Lakhs.

39 c)- Deferred tax liabilities

The balance comprises temporary differences attributable to:

	As at March 31, 2020
Deferred tax liabilities:	
On Property, Plant and Equipments	1,238.07
Others	3.11
Total deferred tax liabilities	1,241.18
Deferred tax assets:	
On Defined Benefit Obligations	36.66
Others	41.62
Total deferred tax assets	78.28
Net deferred tax liabilities	1,162.90

Movement in deferred tax balances

Particulars	As at March 27, 2019	Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	Charged/ (credited) to equity	As at March 31, 2020
On Property, Plant and Equipments	-	1,300.12	(62.05)	-	-	1,238.07
Others	-	1.87	1.24	-	-	3.11
Total deferred tax liabilities	-	1,301.99	(60.81)	-	-	1,241.18
Deferred tax assets:						
On Defined Benefit Obligations	-	42.82	(9.41)	3.25	-	36.66
Others	-	43.43	(1.81)	-	-	41.62
Total deferred tax assets	-	86.25	(11.22)	3.25	-	78.28
Net deferred tax liabilities	-	1,215.74	(49.59)	(3.25)	-	1,162.90

40 Fair value measurements

Financial instruments by category

	As at March 31, 2020	
	Carrying Value	Fair Value
Financial assets		
(Measured at amortised cost)		
Security Deposits	0.74	0.74
Margin Money Deposits	27.69	27.69
Trade Receivables	3,787.90	3,787.90
Cash and cash equivalents	3.08	3.08
Bank balances other than cash and cash equivalents above	17.87	17.87
Loans to Employees	1.01	1.01
Interest Accrued but not due	1.24	1.24
Total financial assets	3,839.53	3,839.53
Financial liabilities		
(Measured at amortised cost)		
Borrowings	6,667.26	6,667.26
Trade payables	641.15	641.15
Interest accrued but not due on borrowings	14.39	14.39
Unclaimed dividends	17.87	17.87
Creditors for Capital Goods	176.77	176.77
Employee benefit payable	200.08	200.08
Total financial liabilities	7,717.52	7,717.52

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, due to their current nature.

The fair values of borrowings have been calculated based on cash flows discounted using a current lending rate. They are classified as level 3 in the hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For Level 3 financial instruments, the fair value has been based on present values and the discount rates used, are adjusted for counterparty or own risk.

41 Financial risk management

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The key risks and mitigating actions are also placed before the Board of directors of the Company. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and to control and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management framework of the Company is supported by the Finance team and experts of respective business divisions that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The activities are designed to:

- protect the Company's financial results and position from financial risks
- maintain market risks within acceptable parameters, while optimising returns; and
- protect the Company's financial investments, while maximising returns.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

(A) Management of Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations.

Cash and cash equivalents & bank balances

The Company is also exposed to credit risk on cash and cash equivalents and bank balances other than cash and cash equivalents. These balances (other than cash on hand) are with high credit rating banks which are governed by Reserve Bank of India. The company believes its credit risk in such bank balances is immaterial.

Security deposits and other receivables

With respect to other financial assets namely security and other deposits and other receivables, the maximum exposure to credit risk is the carrying amount of these classes of financial assets presented in the balance sheet.

Trade receivables

The Company measures the expected credit loss of trade receivables from customers based on historical trend, industry practices and the business environment in which the entity operates. Loss rates are based on actual credit loss experience and past trends which is very negligible.

	Carrying amount
	As at March 31, 2020
Neither past due nor impaired	3,009.50
Past due 0-90 days	762.50
Past due 90-180 days	0.10
Past due 180-270 days	15.43
Past due 270-360 days	0.02
More than 360 days	42.35

Movement in impairment provision

	Amount
Balance as at March 27, 2019	-
Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	49.06
Impairment loss reversed	(7.06)
Balance as at March 31, 2020	42.00

(B) Management of Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, company maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. Material and sustained shortfall in cash flow could undermine the company's credit rating and impair investor confidence.

The company maintained a cautious funding strategy, with a positive cash generation from operating activities for the period ended March 31, 2020.

Financing Arrangement

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

	As at March 31, 2020
Floating rate	
Current Borrowings	1,262.63
Non current Borrowings	500.43

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in Rs. Lakhs, unless otherwise stated)

Maturities of financial liabilities

The following table shows the maturity analysis of the company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance sheet date:

Contractual maturities of financial liabilities As at March 31, 2020	Notes	Carrying amount	Less than 12 months	More than 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
Employee benefit payable	25	200.08	200.08	-	200.08
Total liabilities		7,717.52	6,084.36	1,633.16	7,717.52

* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020.

(C) Management of Market Risk

Market risk comprises of foreign currency risk and interest rate risk. Foreign currency risk arises from transactions that are undertaken in a currency other than the functional currency of the company. Further, the financial performance and financial position of the company is exposed to foreign currency risk that arises on outstanding receivable and payable balances at a reporting year end date. Interest rate risk arises from variable rate borrowings that expose the company's financial performance, financial position and cash flows to the movement in market rates of interest.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US\$. The Company imports capital goods and raw materials and exports finished goods. The company also pays interest, legal and professional fees and travelling and conveyance in foreign currency.

Foreign currency exposure

	As at March 31, 2020
	USD in Lakhs
Financial Assets	
Trade Receivables	0.98
Exposure to foreign currency assets	0.98
Financial Liabilities	
Packing credit	0.43
Trade Payable	-
Exposure to foreign currency liabilities	0.43

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 period March 27, 2019 to March 31, 2020
USD Sensitivity	
INR/USD increase by 5%*	2.07
INR/USD decrease by 5%*	(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 March 31, 2020
Variable Rate Borrowings	6,667.26

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 period March 27, 2019 to March 31, 2020
Interest Rates - increase by 0.5%*	(3.24)
Interest Rates - decrease by 0.5%*	3.24

* Holding all other variables constant

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in Rs. Lakhs, unless otherwise stated)

42 Capital management

Risk management

The Company considers the following components of its Balance Sheet as managed capital:
Total equity as shown in the balance sheet includes share capital and retained earnings.

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to day needs. The Company considers the amount of capital in proportion to risk and manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, reduce capital or issue new shares.

Consistent with others in the industry, the company monitors capital on the basis of the following gearing ratios:

Net debts (Total borrowings net of cash and cash equivalents)
divided by
Total 'equity' (as shown in the Balance Sheet)

The gearing ratios were as follows:

	As at March 31, 2020
Net Debts *	6,664.18
Total Equity	12,856.52
Net Debt to Equity Ratio	0.52

* After considering unamortised expenses of Rs. 12.33 Lakhs as at March 31, 2020.

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.

43 Related party disclosures

(a) Relationships

Promoter Group

FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)

FIH Private Investments Limited, Mauritius

(FMIL is wholly owned and controlled by Fairfax India Holdings Corporation, Canada)

Other Related Parties with whom transactions have taken place during the period

Privi Organics India Limited, India

Fairchem Speciality Limited, India

Fairfreight Lines Private Limited, India

Key Management Personnel

Mr. Nahoosh Jariwala

Director (up to August 26, 2020)

Managing Director (w.e.f. August 27, 2020)

Mr. Rajen Jhaveri

Director (up to August 26, 2020)

Mr. Kaushik Bhatt

Director (up to August 26, 2020)

Post employment benefit plan

Adi Finechem Limited Employees Group Gratuity Assurance Scheme

(b) The nature and volume of transactions carried out and balances with related parties in the ordinary course of business are as follows:

Transactions

Name of the related party and nature of the relationship	For the period March 27, 2019 to March 31, 2020
<u>Other Related Parties</u>	
Reimbursement of Expenses	
Fairchem Speciality Limited	0.01
Dividend Income	
Privi Organics India Limited	625.00
Freight Expenses	
Fairfreight Lines Private Limited	1.54
<u>Key Management Personnel</u>	
Remuneration	
Mr. Nahoosh Jariwala	144.00
Mr. Rajen Jhaveri	69.02
Mr. Kaushik Bhatt	25.31
Reimbursement of Expenses	
Mr. Rajen Jhaveri	1.20
Mr. Kaushik Bhatt	0.42
<u>Balances</u>	
Name of the related party and nature of the relationship	
<u>Payable to Key Management Personnel:</u>	
Mr. Nahoosh Jariwala	8.25
Mr. Rajen Jhaveri	24.74
(Net of Tax Deducted at Source)	

Terms and Conditions

- 1) Transactions with related parties are at normal commercial terms.
- 2) All outstanding balances are unsecured and payable in cash.

44 Contingent Liabilities and commitments

(a) Contingent liabilities

	As at March 31, 2020
Claims against the Company not acknowledged as debt	15.00
Disputed excise and service tax liability	25.97
Disputed Value added tax and Central Sales Tax liability	12.93
Total	53.90

The company is contesting the demands and the management believes that its position is likely to be upheld in the appellate process. It is not practicable to estimate the timing of cash outflows, if any in respect of legal matters, pending resolution of the proceedings with the appellate authorities.

The Company has evaluated the impact of Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. Based on such evaluation, management has concluded that effect of the aforesaid judgement on the Company is not material and accordingly, no provision has been made in the special purpose financial statements.

(b) Capital Commitments

	As at March 31, 2020
Estimated value of contracts in capital account remaining to be executed	1,506.14
Total	1,506.14

45 Events occurring after reporting period

The Company evaluated subsequent events through September 29, 2020, the date the special purpose financial statements were available for issuance, and determined that there were no additional material subsequent events requiring disclosure except as disclosed under Note 51.

46 Assets hypothecated and / or mortgaged as security

The carrying amounts of assets hypothecated and / or mortgaged as security for borrowings are:

	Notes	As at March 31, 2020
Non-Current		
<u>Non-financial assets</u>		
Land (Freehold)	4	63.10
Building	4	1,941.50
Plant and Machinery	4	9,749.05
Total non-current assets hypothecated and / or mortgaged as security		11,753.65
Current		
<u>Non-financial assets</u>		
Inventories	11	3,771.10
<u>Financial assets</u>		
Trade receivables	12	3,787.90
Total current assets hypothecated as security		7,559.00

47 Segment reporting

In accordance with the requirements of Ind AS 108 – "Operating Segments" the Company has determined its business segment as Specialty Chemicals (which includes Oleo Chemicals and Intermediate Neutraceuticals). Since 100% of the Company's business is in this segment, there are no other primary reportable 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 special purpose financial statements for the period ended March 31, 2020 and as on that date.

Segment	For the period March 27, 2019 to March 31, 2020	
	Revenue from external Customers	Total segment revenue
Total Segment revenue	<u>30,579.09</u>	<u>30,579.09</u>
	30,579.09	30,579.09
		For the period March 27, 2019 to March 31, 2020
Revenue from external customers		
India		29,494.88
Outside India		1,084.21
Total		<u>30,579.09</u>
		30,579.09

All the non-current assets of the Company are located within India.

48 Leases

Company as lessee

The entity has reclassified leasehold land under Property, Plant & Equipments as Right of use assets on the date of initial application of Ind AS 116 - Leases. There are no other lease arrangements entered into by the Company. Hence, there is no impact on the transition to Ind AS 116.

In terms of our report attached

49 Ind AS 115 – Revenue from Contracts with Customers

The Company has opted for modified retrospective approach in accordance with Ind-AS 115 "Revenue from Contracts with Customers".

Management has used judgement in respect of matters such as identification of performance obligations; allocation of consideration to identified performance obligations and recognition of revenue over a period of time or at a point in time based on timing when control is transferred to customer.

(A) The Company is primarily in the Business of manufacture and sale of Speciality Oleo Chemicals. All sales are made at a point in time and revenue recognised upon satisfaction of the performance obligations which is typically upon dispatch or delivery. The Company has a credit evaluation policy based on which the credit limits for the trade receivables are established. The Company does not give significant credit period resulting in no significant financing component.

(B) Reconciliation of revenue recognised from Contract liability:

	As at March 31, 2020
Opening Contract liability	-
Add: Transferred pursuant to a Scheme of Arrangement (Refer Note 51)	35.42
Less: Recognised as revenue during the period	(916.05)
Add: Addition to contract liability during the period	900.43
Add: Other Adjustments	-
Closing Contract liability	19.80

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

	As at March 31, 2020
Revenue from contract with customer as per Contract price	30,628.96
Less: Discounts and incentives	(16.73)
Less:- Sales Returns /Credits / Reversals	(33.14)
Revenue from contract with customer as per statement of profit and loss	30,579.09

Disaggregation of Revenue from contract with customers

	For the period March 27, 2019 to March 31, 2020
India	29,494.45
Middle East	63.59
North America	1,021.05
	30,579.09

50 Impact of Covid 19

The COVID-19 pandemic has disrupted many business operations globally due to lockdown and other directives imposed by the governments. The sole manufacturing plant of the Company closed its operations from March 25, 2020. The Company has resumed production with effect from May 21, 2020 and is expected to achieve normal business operations from June, 2020. The Company has evaluated the impact of this pandemic on its business operations, liquidity and financial position and based on management's assessment of current indicators and economic conditions there is no material impact on its special purpose financial statements as at March 31, 2020. However, the impact assessment of COVID-19 is a continuing process and the Company will continue to monitor any material changes to future economic conditions.

51 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 and hence, the impact of the scheme was not considered in the statutory financial statements approved by the Board of Directors in their meeting held on June 23, 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 shall debit its share capital account, with the aggregate face value of its cancelled shares (Rs. 1 lakh) and the capital reserve in its books shall be increased to the extent of the amount of its cancelled shares. FOL shall also 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 shall be issued and allotted 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 is required to issue and allot 13,020,900 Equity shares of Rs. 10/- each to the Equity Shareholders of FSL.

Pending allotment of Equity shares to the Shareholders of FSL, Rs. 1,302.09 Lakhs has been shown as "Share Capital Suspense Account" and accordingly Earnings Per Share (both Basic and Diluted) has been calculated considering the balance in Share Capital Suspense Account.

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.

In terms of our report attached

FAIRCHEM ORGANICS LIMITED
NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
(All amounts in Rs. Lakhs, unless otherwise stated)

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

	Closing of Business Hours As at March 31, 2019
Assets	
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
Total Assets	18,771.06
Liabilities	
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
Total Liabilities	8,511.92
Net Assets acquired by the Company	10,259.14

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration No.: 304026E/ E-300009

ARUNKUMAR RAMDAS

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RAMDAS
Date: 2020.09.29 19:07:25 +05'30'

Arunkumar Ramdas

Partner

Membership No. 112433

Place: Mumbai

Date: September 29, 2020

For and on behalf of the Board

JARIWALA Digitally signed by
NAHOOSH JARIWALA NAHOOSH
JAYVADAN
Date: 2020.09.29
18:17:17 +05'30'

Nahoosh Jariwala

Managing Director

DIN: 00012412

JHAVERI RAJEN Digitally signed by JHAVERI RAJEN
NIRANJANBHAI
Date: 2020.09.29 18:17:36 +05'30'

Rajen N. Jhaveri

Chief Financial Officer and Company Secretary

Place: Ahmedabad

Date: September 29, 2020