# B. K. Khare & Co.
Chartered Accountants

706/708, Sharda Chambers, New Marine Lines, Mumbai – 400 020, India


## INDEPENDENT AUDITORS' REPORT

**To the Members of Smartchem Technologies Limited**

**Report on the audit of the Financial Statements**

### Opinion

We have audited the accompanying Financial Statements of **Smartchem Technologies Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "the Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit and total comprehensive income, its changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to the Note 42 to the Financial Statements regarding compliance of notice received in pursuance of the search and seizure operation conducted by the Income Tax Department during an earlier year. During the year, the Company has filed an application with the Income Tax Settlement Commission (ITSC) for the earlier years to conclude the final assessment for these years and offered additional income in its application filed with ITSC and paid tax and interest thereon. The amount of income tax and interest so paid has been provided for in the Financial Statements. Our opinion is not modified in respect of this matter.

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**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

| Key Audit Matters | Response to Key Audit Matter |
|---|---|
| Revenue recognition<br><br>Revenue is measured at the fair value of the consideration received or receivable as reduced by dealer discounts and other similar allowances.<br><br>Subsidy income is booked as revenue when the sale to dealer/retailer is recognised and is subject to the Company ensuring with compliance with relevant regulatory requirements.<br><br>Volume discounts are assessed based on anticipated sales. Further, timing of revenue recognition is dependent on the shipping terms agreed with customers in relation to passing of risk and rewards of ownership.<br><br>The application of Indian accounting standard (Ind AS 115) involves significant judgements /material estimates relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations and the appropriateness of the basis used to measure revenue recognised.<br><br>Refer Note 2(e) to the Financial Statements | Our audit approach was a combination of test of internal controls and substantive procedures which included the following:<br>• Understood the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of controls related to revenue recognition processes.<br>• Analysed and discussed with management significant contracts including contractual terms and conditions related to discounts, incentives, and rebates.<br>• Reviewed the relevant estimates made in connection with volume discounts and its accounting treatment in the books of account.<br>• Performed procedures to ensure that subsidy is correctly and timely booked as revenue at the rates prescribed by the Department of Fertilizers and in the correct period.<br>• Performed cut-off procedures to ensure that revenue is accounted in the correct period.<br>• Selected a sample of contracts and performed the following procedures:<br>(a) Analysed and identified the distinct performance obligations in these contracts.<br>(b) Compared such performance obligations with that identified and recorded by the Company.<br>(c) Reviewed contracts terms to determine the transaction price including any variable consideration to determine the appropriate transaction price for computing revenue and to test the basis of estimation of the variable consideration.<br>• Reviewed disclosures included in the notes to the accompanying Financial Statements. |

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**Information other than the Financial Statements and Auditors' Report thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the Directors' Report and the related annexures, but does not include the Financial Statements and our Auditors' Report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in Annexure B, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account.

   (d) In our opinion, the aforesaid Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.

   (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

   (f) With respect to the adequacy of the internal financial controls with reference to Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure A. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to Financial Statements.

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph (xi) of Annexure B to the Independent Auditors' Report.

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(h) With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

(i) The Company has disclosed the impact of pending litigations on its financial position in its Financial Statements – Refer Note 40 to the Financial Statements;

(ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

(iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

**Himanshu Goradia**
Partner
Membership No. 045668
UDIN: 21045668AAAAEN7883
Place: Mumbai
Date: May 27, 2021

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Chartered Accountants

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

**Report on the Internal Financial Controls with reference to financial statements under Clause (i) of sub-section (3) of Section 143 of the Companies Act, 2013 ("the Act")**

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

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

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

B.K. KHARE & CO. Chartered Accountants

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

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

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

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

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the criteria for internal financial control with reference to financial statements established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

B.K. KHARE & CO. Chartered Accountants

**Himanshu Goradia**
Partner
Membership No. 045668
UDIN: 21045668AAAAEN7883
Place: Mumbai
Date: May 27, 2021

**Annexure B to the Independent Auditors' Report**

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date]

(i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) The Company has a regular programme for physical verification of its property, plant and equipment by which the property, plant and equipment are verified by the management according to a phased programme designed to cover all the items over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its property, plant and equipment. In accordance with the programme, the Company has physically verified certain property, plant and equipment during the year and no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us, the title deeds of immovable properties are held in the name of the Company except as disclosed in Note 3 to the Financial Statements.

(ii) According to the information and explanations given to us, the inventory comprising of raw materials, finished goods and stores and spare parts has been physically verified at reasonable intervals by the management during the year. In our opinion, coverage and procedure of such verification is appropriate and no material discrepancies for each class of inventory were noticed on such verification between the physical inventory and the book records.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the reporting under Clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order is not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act with respect to loans and advances granted, guarantees provided and investments made by the Company. The Company has not provided any security during the year to the parties covered under Sections 185 and 186 of the Act.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under, where applicable. Accordingly, the reporting under Clause 3(v) of the Order is not applicable to the Company.

(vi) The maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act for the products of the Company. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended, prescribed by the Central Government under sub-section (1) of Section 148 of the Act and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

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(vii) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, the amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Goods and Services Tax, Provident Fund, Employees' State Insurance, Income-tax, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. According to the information and explanations given to us and on the basis of our examination of records of the Company, there were no undisputed statutory dues payable in respect of Sales tax, Service tax, Duty of Customs, Duty of Excise and Value Added Tax.

According to the information and explanations given to us and on the basis of our examination of records of the Company, there were no arrears of undisputed statutory dues in respect of Goods and Services tax, Provident fund, Employees' State Insurance, Income-tax, Sales tax, Service tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues as on the last day of the year for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and on the basis of our examination of records of the Company, there are no statutory dues in respect of Goods and Services Tax, Service tax, Duty of Customs and Duty of Excise as at March 31, 2021, which have not been deposited with the appropriate authorities on account of any dispute. The statutory dues in respect of Sales tax, Value Added Tax and Income-tax as at March 31, 2021, which have not been deposited with the appropriate authorities on account of a dispute, are as under:

| Name of the Statute | Amount Demanded Rs. lakhs | Paid under Protest Rs. Lakhs | Unpaid Amount Rs. lakhs | Forum where dispute is pending | Period to which Amount relates |
|---|---|---|---|---|---|
| Central Sales Tax Act, 1956 | 8.24 | 4.12 | 4.12 | AP VAT Tribunal | Financial Year 2012-2013 |
| Central Sales Tax Act, 1956 | 45.29 | 5.79 | 39.50 | AP VAT Tribunal | Financial Year 2014-2015 |
| Central Sales Tax Act, 1956 | 17.02 | 5.23 | 11.79 | Hon'ble High Court, Andhra Pradesh | Financial Years 2008-2009 to 2011-2012 |
| Central Sales Tax Act, 1956 | 18.77 | 2.35 | 16.42 | Joint Commissioner (Appeals) | Financial Year 2013-2014 |
| Central Sales Tax Act, 1956 | 220.99 | 30.52 | 190.47 | AP VAT Tribunal | Financial Years 2015-2016 to 2017-2018 |
| Central Sales Tax Act, 1956 | 3.34 | 3.34 | - | Hon'ble High Court, Andhra Pradesh | Financial Years 2000-2001 to 2003-2004 |
| Central Sales Tax Act, 1956 | 12.03 | 12.03 | - | STAT, Vizag | Financial Year 2005-2006 |
| Andhra Pradesh Value added Tax Act, 2005 | 159.38 | 80.40 | 78.98 | AP VAT Tribunal | Financial Years 2015-2016 to 2017-2018 |

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| | | | | | |
|---|---|---|---|---|---|
| Andhra Pradesh Value added Tax Act, 2005 | 1340.60 | 302.41 | 1038.19 | Hon'ble High Court, Andhra Pradesh | Financial Years 2009-2010 to 2014-2015 |
| Andhra Pradesh Value added Tax Act, 2005 | 39.84 | 19.92 | 19.92 | AP VAT Tribunal | Financial Years 2015-2016 to 2017-2018 |
| Central Sales Tax Act,1956 | 31.00 | 1.55 | 29.45 | Additional Commissioner (CT) | Financial Year 2016-2017 |
| Andhra Pradesh General Sales Tax Act, 1957 | 40.95 | 40.95 | - | Hon'ble High Court, Andhra Pradesh | Financial Years 2000-2001 to 2003-2004 |
| The Income Tax Act, 1961 | 21.09 | - | 21.09 | CIT (Appeals) | Assessment Years 2013-2014 and 2015-2016 |

(viii) According to the information and explanations given to us and on the basis of our examination of records of the Company, the Company has not defaulted in the repayment of loans or borrowings to financial institutions or banks. There are no dues payable to Government and debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the Company has applied the moneys raised by way of term loans for the purposes for which those are raised. According to the information and explanations given to us, the Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.

(xi) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 2(g) of Independent Auditors' Report.

(xii) According to the information and explanations given to us, the Company is not a Nidhi company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the reporting under Clause 3(xii) of the Order is not applicable to the Company.

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(xiii) In our opinion and according to the information and explanations given to us, the Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Financial Statements as required by Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

(xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the reporting under Clause 3(xiv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or directors of its holding company or subsidiary companies or persons connected with them during the year and hence the provisions of Section 192 of the Act are not applicable to the Company. Accordingly, the reporting under Clause 3(xv) of the Order is not applicable to the Company.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the reporting under Clause 3(xvi) of the Order is not applicable to the Company.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

B.K. KHARE & CO. Chartered Accountants

**Himanshu Goradia**
Partner
Membership No. 045668
UDIN: 21045668AAAAEN7883
Place: Mumbai
Date: May 27, 2021

Smartchem Technologies Limited
Balance Sheet as at 31 March 2021
(All amounts in ₹ Lakhs unless otherwise stated)

| | Notes | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 119,481 | 128,287 |
| Capital work-in-progress | 4 | 37,169 | 28,641 |
| Investment property | 5 | 461 | 461 |
| Right of use assets | 6 | 4,692 | 5,427 |
| Other intangible assets | 7 | 143,257 | 148,160 |
| Investment in subsidiaries and associates | 8 | 70,820 | 46,115 |
| Financial assets | | | |
| i. Investments | 9 | 3 | 3 |
| ii. Loans | 11 | 620 | 349 |
| iii. Other financial assets | 14(a) | 586 | 296 |
| Income tax assets (net) | 14(b) | 697 | 1,619 |
| Other non - current assets | 15 | 2,340 | 2,536 |
| **Total non-current assets** | | **380,126** | **361,894** |
| **Current assets** | | | |
| Inventories | 16 | 46,505 | 56,292 |
| Financial assets | | | |
| i. Investments | 8 (a) | 33,793 | - |
| ii. Trade receivables | 10 | 70,699 | 100,668 |
| iii. Cash and cash equivalents | 12 | 7,502 | 3,858 |
| iv. Other bank balances | 13 | - | 374 |
| v. Loans | 11 | 409 | 463 |
| vi. Other financial assets | 14(a) | 1,691 | 1,980 |
| Other current assets | 17 | 10,018 | 8,099 |
| **Total current assets** | | **170,617** | **171,734** |
| **Total assets** | | **550,743** | **533,628** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 18 | 1,705 | 1,705 |
| Other equity | 19 | 282,283 | 261,554 |
| **Total equity** | | **283,988** | **263,259** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial Liabilities | | | |
| i. Borrowings | 20 | 105,783 | 61,063 |
| ii. Lease liabilities | 6 | 3,139 | 3,693 |
| iii. Other financial liabilities | 22 | 5,812 | 170 |
| Provisions | 23 | 3,465 | 3,233 |
| Deferred tax liabilities (net) | 25 | 4,038 | 13,067 |
| **Total non-current liabilities** | | **122,237** | **81,226** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| i. Borrowings | 21 | 12,500 | 54,525 |
| ii. Lease liabilities | 6 | 904 | 926 |
| iii. Trade payables | | | |
| (a) total outstanding dues of micro and small enterprises | 24 | 512 | 369 |
| (b) total outstanding dues of creditors other than micro and small enterprises | 24 | 108,038 | 111,542 |
| iv. Other financial liabilities | 22 | 19,433 | 19,165 |
| Other current liabilities | 26 | 1,928 | 1,479 |
| Provisions | 23 | 673 | 1,039 |
| Current tax liabilities (net) | 14(b) | 530 | 98 |
| **Total current liabilities** | | **144,518** | **189,143** |
| **Total liabilities** | | **266,755** | **270,369** |
| **Total equity and liabilities** | | **550,743** | **533,628** |

Significant accounting policies 1 - 2
The accompanying notes form an integral part of the financial statements 3 - 48

**As per our report of even date attached**

**For and on behalf of the Board of Directors of Smartchem Technologies Limited**

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

**Himanshu Goradia**
Partner
Membership No. 045668

Place: Mumbai
Date: 27 May 2021

**S. C. Mehta**
Chairman
DIN:00128204

**Y. S. Mehta**
Director
DIN:07866312

Place: Pune
Date: 27 May 2021

**Amitabh Bhargava**
CFO

**Pankaj Gupta**
Company Secretary
Membership No: F-9219

B.K. KHARE & CO. Chartered Accountants

Smartchem Technologies Limited

**Smartchem Technologies Limited**
**Statement of Profit and Loss for the year ended 31 March 2021**
(All amounts in ₹ Lakhs unless otherwise stated)

| | Notes | 31 March 2021 | 31 March 2020 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 27 | 390,825 | 315,070 |
| Other income | 28 | 818 | 1,395 |
| **Total income** | | **391,643** | **316,465** |
| | | | |
| **Expenses** | | | |
| Cost of materials consumed | 29 | 211,676 | 182,373 |
| Purchases of stock-in- trade | 30 | 45,798 | 23,894 |
| Changes in inventories of finished goods and stock-in-trade | 31 | 8,902 | 10,551 |
| Employee benefits expense | 32 | 21,225 | 18,975 |
| Finance costs | 33 | 12,424 | 15,861 |
| Depreciation and amortisation expense | 34 | 17,415 | 18,098 |
| Other expenses | 35 | 49,744 | 45,233 |
| **Total expenses** | | **367,184** | **314,985** |
| **Profit before tax** | | **24,459** | **1,480** |
| **Tax expense** | | | |
| Current tax | | 13,333 | 214 |
| Deferred tax (credit)/charge | | (8,915) | 328 |
| **Total tax expense** | | **4,418** | **542** |
| **Profit for the year** | | **20,041** | **938** |
| **Other comprehensive income ('OCI')** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of defined benefit obligations | | (326) | (535) |
| Income tax relating to these items | | 114 | 187 |
| **Other comprehensive income for the year, net of tax liability** | | **(212)** | **(348)** |
| **Total comprehensive income for the year** | | **19,829** | **590** |

| | | | |
|---|---|---|---|
| Earnings per equity share of Rs.10 each | | | |
| i) Basic (in Rs.) | | 117.54 | 5.50 |
| ii) Diluted (in Rs.) | | 117.54 | 5.50 |
| Weighted average number of equity shares of Rs. 10 each | | | |
| i) Basic | | 17,050,000 | 17,050,000 |
| ii) Diluted | | 17,050,000 | 17,050,000 |
| | | | |
| Significant accounting policies | 1 - 2 | | |
| The accompanying notes form an integral part of the financial statements | 3 - 48 | | |

**As per our report of even date attached**

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

**Himanshu Goradia**
Partner
Membership No. 045668

Place: Mumbai
Date: 27 May 2021

B.K. KHARE & CO. Chartered Accountants

**For and on behalf of the Board of Directors of Smartchem Technologies Limited**

**S. C. Mehta**
Chairman
*DIN:00128204*

**Y. S. Mehta**
Director
DIN:07866312

Place: Pune
Date: 27 May 2021

**Amitabh Bhargava**
CFO

**Pankaj Gupta**
Company Secretary
Membership No: F-9219

Smartchem Technologies Limited

**Smartchem Technologies Limited**
**Statement of Cash Flows for the year ended 31 March 2021**
(All amounts in ₹ Lakhs unless otherwise stated)

| | Year ended 31 March 2021 | Year ended 31 March 2020 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 24,459 | 1,480 |
| Adjustments for | | |
| Depreciation and amortisation expense | 17,415 | 18,098 |
| Loss on disposal of property, plant and equipment | 30 | 50 |
| Provision for doubtful trade receivables | 2,441 | 483 |
| Gain on sale of investments | (148) | (140) |
| Changes in fair value of financial assets at fair value through profit or loss | (33) | - |
| Finance cost on financial guarantee | 264 | 265 |
| Unrealised loss on embedded derivative contracts | (686) | 718 |
| Dividend income | - | (164) |
| Interest income | (350) | (315) |
| Finance costs | 12,424 | 15,861 |
| Unrealised foreign exchange fluctuations (gain) / loss (net) | (508) | 830 |
| **Cash generated from operations before working capital changes** | **55,308** | **37,166** |
| Change in trade receivables | 27,528 | 11,740 |
| Change in inventories | 9,787 | 12,355 |
| Change in trade payables | (2,853) | (4,272) |
| Change in other financial liabilities | 3,550 | 833 |
| Change in other financial assets | 1,386 | 128 |
| Change in other non-current assets | (147) | (280) |
| Change in other current assets | (1,919) | 9,653 |
| Change in provisions | (460) | (99) |
| Change in other current liabilities | 449 | (696) |
| **Cash generated from operations** | **92,629** | **66,528** |
| Income taxes paid (net) | (11,979) | (626) |
| **Net cash from operating activities** | **80,650** | **65,902** |
| **Cash flow from investing activities** | | |
| Purchase of property, plant and equipment, intangible assets (including capital work-in-progress) | (8,859) | (8,290) |
| Proceeds from sale of property, plant and equipment | 190 | 89 |
| Payment for acquisition of subsidiary, net of cash acquired | (24,705) | (1,383) |
| Purchase of investments | (203,404) | (133,900) |
| Proceeds from sale of investments | 169,792 | 134,040 |
| Loans to subsidiaries | - | (390) |
| Loans to employees and other loans given | (271) | 1 |
| Repayment of Loans by subsidiaries | 28 | - |
| Repayment of Loan from others | 26 | - |
| Fixed deposit placed | - | (10,720) |
| Fixed deposit matured | 374 | 10,500 |
| Dividends received from a subsidiary | - | 164 |
| Interest received | 286 | 620 |
| **Net cash used in investing activities** | **(66,543)** | **(9,269)** |
| **Cash flow from financing activities** | | |
| Proceeds from borrowings - current | 46,331 | 239,244 |
| Repayment of borrowings - current | (92,541) | (273,870) |
| Repayment of borrowings - non current | (10,373) | (8,239) |
| Proceeds from issue of compulsory convertible debentures | 10,500 | 10,500 |
| Proceeds from borrowings - From related parties | 47,736 | 815 |
| Repayment of borrowings - From related parties | - | (6,000) |
| Payment of lease liability | (1,024) | (997) |
| Interest paid | (11,093) | (17,104) |
| **Net cash used in financing activities** | **(10,463)** | **(55,651)** |
| **Net increase in cash and cash equivalents** | 3,644 | 982 |
| Cash and cash equivalents at the beginning of the year | 3,858 | 2,876 |
| **Cash and cash equivalents at end of the year** | **7,502** | **3,858** |

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

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

**As per our report of even date attached**

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

**Himanshu Goradia**
Partner
Membership No. 045668

Place: Mumbai
Date: 27 May 2021

B.K. KHARE & CO. Chartered Accountants

**For and on behalf of the Board of Directors of Smartchem Technologies Limited**

**S. C. Mehta**
Chairman
DIN:00128204

**Y. S. Mehta**
Director
DIN:07866312

Place: Pune
Date: 27 May 2021

**Amitabh Bhargava**
CFO

**Pankaj Gupta**
Company Secretary
Membership No: F-9219

Smartchem Technologies Limited

**Smartchem Technologies Limited**
**Statement of Changes in Equity for the year ended 31 March 2021**
(All amounts in ₹ Lakhs unless otherwise stated)

**A. Equity Share Capital**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Balance as at the beginning of the year | 1,705 | 1,705 |
| Changes in equity share capital during the year | - | - |
| **Balance as at the end of the year** | **1,705** | **1,705** |

**B. Other Equity**

| | Reserves and surplus | | | | | Other reserves | Total |
|---|---|---|---|---|---|---|---|
| | Securities premium | Retained earnings | General reserve | Capital redemption reserve | Fair value of financial guarantee* | Other Comprehensive Income | |
| **Balance as at 1 April 2019** | **249,807** | **8,639** | **157** | **1,800** | **-** | **(196)** | **260,207** |
| Profit for the year | - | 938 | - | - | - | - | 938 |
| Remeasurements of post-employment benefit obligation (net of tax) | - | - | - | - | - | (348) | (348) |
| **Total comprehensive income for the year** | **-** | **938** | **-** | **-** | **-** | **(348)** | **590** |
| Financial guarantee liability | - | - | - | - | 757 | - | 757 |
| **Balance as at 31 March 2020** | **249,807** | **9,577** | **157** | **1,800** | **757** | **(544)** | **261,554** |
| Profit for the year | - | 20,041 | - | - | - | - | 20,041 |
| Remeasurements of post-employment benefit obligation, net of tax | - | - | - | - | - | (212) | (212) |
| **Total comprehensive income for the year** | **-** | **20,041** | **-** | **-** | **-** | **(212)** | **19,829** |
| Financial guarantee liability | - | - | - | - | 900 | - | 900 |
| **Balance as at 31 March 2021** | **249,807** | **29,618** | **157** | **1,800** | **1,657** | **(756)** | **282,283** |

Note: Refer Note 19 for nature and purpose of other equity.

The accompanying notes form an integral part of the financial statements

**As per our report of even date attached**

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

B.K. KHARE & CO. Chartered Accountants

**Himanshu Goradia**
Partner
Membership No. 045668

Place: Mumbai
Date: 27 May 2021

**For and on behalf of the Board of Directors Smartchem Technologies Limited**

**S.C.Mehta**
Chairman
DIN:00128204

**Y. S. Mehta**
Director
DIN:07866312

Place: Pune
Date: 27 May 2021

**Amitabh Bhargava**
CFO

**Pankaj Gupta**
Company Secretary
Membership No: F-9219

Smartchem Technologies Limited

**Smartchem Technologies Limited**

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

**Note 1: The Company and Nature of its Operations:**

Smartchem Technologies Limited ("the Company") is a Company domiciled in India, having its corporate office in Pune, Maharashtra, India. The Company is a public limited company. The Company is primarily engaged in the business of fertilisers, agri services and mining chemicals

**Note 2: Significant Accounting Policies**

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

**(a) Basis of Preparation:**

**i. Compliance with Ind AS**

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

The financial statements have been prepared on accrual and going concern basis.

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

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

B.K. KHARE & CO. Chartered Accountants

Smartchem Technologies Limited

### ii. Historical cost convention

a) The Financial Statements have been prepared on historical cost basis, except the following:
   - Certain financial assets and liabilities (including derivative instruments) and contingent consideration that is measured at fair value;
   - Assets held for sale – measured at fair value less cost to sell;
   - Defined benefit plans – plan assets measured at fair value; and

b) The financial statements are presented in Indian Rupees ("INR"), which is also the Company's functional currency and all values are rounded off to the nearest lakhs, except when otherwise indicated. Wherever, an amount is presented as INR '0' (zero) it construe value less than Rs 50,000.

### (b) Significant accounting estimates, assumptions and judgements.

The preparation of the financial statements requires management to make estimates, assumptions and judgements that affect the reported balances of assets and liabilities and disclosures, and disclosure of contingent liabilities as at the date of the financial statemetns and the reported amounts of income and expense for the periods presented.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates considering different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Impact on account of revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

**Taxes**

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

**Useful lives of Property, plant and equipment ('PPE') & intangible assets**

The Management reviews the estimated useful lives and residual value of PPE at the end of each reporting period.

The factors such as changes in the expected level of usage, number of shifts of production, technological developments and product life-cycle, could significantly impact the economic useful lives and the residual values of these assets. Consequently, the future depreciation charge could be revised and thereby could have an impact on the profit of the future years.

Intangible assets, including Goodwill are initially measured at cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Finite-life intangible assets are amortised on a straight-line basis over the period of their expected useful lives.

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Smartchem Technologies Limited

The amortisation period and the amortisation method for finite-life intangible assets is reviewed at each financial year end and adjusted prospectively, if appropriate.

For indefinite life intangible assets, including goodwill, the assessment of indefinite life is reviewed annually based on the expectancy and estimation of future economic benefits arising from it to determine whether it continues. If not, it is impaired or changed prospectively based on revised estimates.

**Defined benefit plans**

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

**Litigation**

From time to time, the Company is subject to legal proceedings, the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgement is made when evaluating, among other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for the changes in facts and circumstances.

**Fair value measurement of financial instruments**

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

## (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

## (d) Foreign currency translation

The financial statements are presented in functional and presentation currency of the Company. On initial recognition, all foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transaction. As at the reporting date, foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date and the exchange gains or losses are recognised in the Statement of Profit and Loss.

## (e) Revenue recognition

Ind AS 115 specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers

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Smartchem Technologies Limited

Smartchem Technologies Limited

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

**Sale of Goods:**

The Company recognizes revenue from sale of goods measured at the fair value of the consideration received or receivable, upon satisfaction of performance obligation which is at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Depending on the terms of the contract, which differs from contract to contract, the goods are sold on a reasonable credit term. As per the terms of the contract, consideration that is variable, according to Ind AS 115, is estimated at contract inception and updated thereafter at each reporting date or until crystallisation of the amount.

**Sale of Services:**

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

**Interest and dividend income:**

Interest Income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable and dividend income from investments in shares is recognised when the owner's right to receive the payment is established.

**(f) Income Tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction 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 the countries where the company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). 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.

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 utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current 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 realise the asset and settle the liability simultaneously.

B.K. KHARE & CO. Chartered Accountants

Smartchem Technologies Limited

Current and deferred tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income ("OCI") or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

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

**(g) Leases**

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

The Company's lease asset classes primarily consist of leases for Buildings, Furniture and Equipments. The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset
- the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
- the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and leases of low value assets. For these short-term and leases of low value assets, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured upon the occurrence of certain events such as a change in the lease term or a change in an index or rate used to determine lease payments. The remeasurement normally also adjusts the leased assets. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.
On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest on lease liability.

Lease contracts entered by the Company majorly pertains for buildings, furniture & equipments taken on lease to conduct its business in the ordinary course.

B.K. KHARE & CO. Chartered Accountants

Smartchem Technologies Limited

### (h) Business Combinations:

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Company elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share – based payments arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

Business combinations involving entities or businesses under common control are accounted for using the pooling of interest method. The assets and liabilities of combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values or recognize any new assets or liabilities.
Consideration for business combination may consist of securities, cash or other assets. Securities are recorded at nominal value. In determination of the value of consideration, assets other than cash are considered at their fair values. The difference between any consideration given and the aggregate carrying amount of assets and liabilities of the acquired entity is recorded in shareholder's equity.

### (i) Impairment of financial assets

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

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

B.K. KHARE & CO. Chartered Accountants

Smartchem Technologies Limited

### (j) Impairment of non-financial assets

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

### (k) 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### (l) Inventories

- Raw materials are valued at lower of moving weighted average cost and net realisable value. However these items are written down to realisable value if the costs of the related finished goods is not expected to recover the cost of raw materials.
- Stores, regular spares, oil, chemicals, catalysts and packing material are valued at moving weighted average cost.
- Cost of inventory of materials is ascertained net of applicable CENVAT/VAT/ GST credits.
- Finished goods including those held for captive consumption are valued at lower of factory cost or net realisable value.
- Stock-in-trade is valued at lower of cost and net realisable value.
- Value of Work-in-Process of all products is ignored for the purpose of inventory having regard to the concept of materiality and difficulty of quantifying such stocks with exactitude.

### (m) Investments and other financial instruments

#### (i) Classification

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

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those measured 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 OCI. 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

B.K. KHARE & CO. Chartered Accountants

Smartchem Technologies Limited

election 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.

**(ii) 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 profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments:**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

**Equity instruments:**

The Company initially records at cost all equity investments measures them 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.

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Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are carried at cost less impairment as per Ind AS 27 Consolidated and Separate Financial Statements.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognized in the Statement of Profit and Loss.

**(iii) Derecognition**

A financial asset is derecognised only when:

- The Company has transferred the rights to receive cash flows from the financial asset or
- It 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.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

**Derivatives & Hedging:**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

*Cash flow hedges that qualify for hedge accounting:*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income in cash flow hedging reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/ (losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the interest expenditure is recorded).

*Derivatives that are not designated as hedges:*

The Company enters into certain derivative contracts to hedge foreign exchange risks which are not designated as hedges as in case of such transactions, the underlying is re-stated at closing exchange rates. Such contracts are accounted for at fair value through profit or loss and are included in other gains/ (losses).

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

**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 realise 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.

**(n) 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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

**Depreciation methods, estimated useful lives and residual value:**

Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets as prescribed in Schedule – II of the Companies Act, 2013. As per requirements of the Companies Act, 2013 the Company has also identified significant components of the assets and its useful life based on the internal technical evaluation. Depreciation charge on such components is based on its useful life. Estimated useful life adopted in respect of the following assets is different from the useful life prescribed in Schedule – II of the Companies Act, 2013.

| Name of Assets | Estimated Useful Life |
|---|---|
| Computers - Servers and Networks | 3 Years to 6 Years |
| End User Devices such as, desktops, laptops etc. | 3 Years to 6 Years |
| Vehicles | 4 Years for employees vehicles and 6-7 Years for other vehicles |
| Buildings other than Factory Buildings RCC Frame Structure | 61 Years |
| Plant and Machinery | Various estimated life up to 21 years. WNA III plant at the rate of 25.88% on WDV basis |

- Depreciation for assets purchased/sold during a period is proportionately charged.
- Depreciation on exchange rate variances capitalised as part of the cost of Fixed Assets, has been provided prospectively over the residual useful life of the assets.
- Capitalised machinery Spares are depreciated over remaining useful life of the related machinery/equipment. Costs of such spares are charged to the Statement of Profit and Loss when issued for actual use at written down value.
- Cost of Leasehold Land is amortised over the lease period

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### (o) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives.

The useful life has been determined based on technical evaluation performed by the management's expert.

### (p) Intangible assets

**Goodwill:**

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

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

### (q) 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. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. 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.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the 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.

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**(s) Borrowing 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.

**(t) Provisions**

Provisions for legal claims, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(u) Changes in significant accounting policies**

There have been no changes in accounting policies during the Financial year 2020-21

**(v) Employee benefits**

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**Other long-term employee benefit obligations**

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as 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. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

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**Post-employment obligations**

- The Company operates the following post-employment schemes: defined benefit plans such as gratuity, pension, post-employment medical plans; and
- defined contribution plans such as provident fund.

**Gratuity and retirement benefit obligations**

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity and retirement benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.
The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.
Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in OCI. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

**Provident Fund**

The eligible employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employees and the Company make monthly contributions at a specified percentage of the covered employees 'salary (currently 12% of employees 'salary). The contributions as specified under the law are paid to the Regional Provident Fund Commissioner and the Central Provident Fund under the Pension scheme. The Company recognises such contributions as expense of the year in which the liability is incurred.

**(w) Earnings per share**

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

**(x) Cash Dividend**

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

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

## (y) Recent Accounting pronouncements and note on COVID-19

### Recent Accounting pronouncements which are not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from 1st April, 2021. MCA issued notifications dated 24th March, 2021 to amend Schedule III to the Companies Act, 2013 to enhance the disclosures required to be made by the Company in its financial statements. These amendments are applicable to the Company for the financial year starting 1st April, 2021.

### Covid-19 impact analysis

In view of the lockdown across the country due to the outbreak of COVID pandemic, operations in many of the Company's locations (manufacturing, warehouses, offices, etc.) are scaled down or shut down in compliance with the directives/ orders issued by the local Panchayat/Municipal Corporation/State/Central Government authorities.

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

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**Note 3: Property, Plant and Equipment**

| | Freehold land | Leasehold Land | Buildings | Plant and Equipment | Electric Installation | Furniture and Fixtures | Office Equipment | Laboratory Equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | | | | |
| As at 1 April 2019 | 2,593 | 249 | 20,046 | 139,999 | 2,828 | 277 | 985 | 358 | 837 | 168,172 |
| Additions | - | - | 714 | 4,160 | 2 | 9 | 42 | 2 | 189 | 5,118 |
| Disposals | - | - | - | (14) | - | (1) | (9) | - | (158) | (182) |
| Reclassified on account of adoption of Ind AS 116 | | (249) | - | - | - | - | - | - | - | (249) |
| **Gross carrying amount as at 31 March 2020** | 2,593 | - | 20,760 | 144,145 | 2,830 | 285 | 1,018 | 360 | 868 | 172,859 |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at 1 April 2019** | - | (12) | (2,412) | (29,786) | (809) | (137) | (474) | (87) | (356) | (34,073) |
| Depreciation charge for the year | - | - | (874) | (8,919) | (270) | (38) | (251) | (50) | (152) | (10,554) |
| On disposals | - | - | - | 1 | - | - | 7 | - | 35 | 43 |
| Reclassified on account of adoption of Ind AS 116 | | 12 | - | - | - | - | - | - | - | 12 |
| **Accumulated depreciation as at 31 March 2020** | - | - | (3,286) | (38,704) | (1,079) | (175) | (718) | (137) | (473) | (44,572) |
| **Net carrying amount as at 31 March 2020** | **2,593** | **-** | **17,474** | **105,441** | **1,751** | **110** | **300** | **223** | **395** | **128,287** |
| **Gross carrying amount** | | | | | | | | | | |
| As at 1 April 2020 | 2,593 | - | 20,760 | 144,145 | 2,830 | 285 | 1,018 | 360 | 868 | 172,859 |
| Additions | - | - | 47 | 1,698 | - | 5 | 91 | 3 | 150 | 1,994 |
| Disposals | - | - | - | (48) | - | - | (19) | - | (307) | (374) |
| **Gross carrying amount as at 31 March 2021** | 2,593 | - | 20,807 | 145,795 | 2,830 | 290 | 1,090 | 363 | 711 | 174,479 |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at 1 April 2020** | - | - | (3,286) | (38,704) | (1,079) | (175) | (718) | (137) | (473) | (44,572) |
| Depreciation charge for the year | - | - | (878) | (9,107) | (245) | (26) | (138) | (54) | (130) | (10,578) |
| On disposals | - | - | - | 28 | - | - | 16 | - | 108 | 152 |
| **Accumulated depreciation as at 31 March 2021** | - | - | (4,164) | (47,783) | (1,324) | (201) | (840) | (191) | (495) | (54,998) |
| **Net carrying amount as at 31 March 2021** | **2,593** | **-** | **16,643** | **98,012** | **1,506** | **89** | **250** | **172** | **216** | **119,481** |

Note: The above does not include stamp duty on the assets (land and other assets) transferred under a restructuring scheme from Deepak Fertilisers and Petrochemicals Corporation Limited (Holding Company) to the Company for which an application for adjudication has been made to the Collector of Stamps (Enforcement), Mumbai. The order in respect of the same is awaited. After completion of the aforesaid process, title deeds of leasehold and freehold land having gross block of Rs. 3,213 Lakhs (Net Block 3,199 Lakhs) will be transferred in the name of the Company.

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**Note 4: Capital Work -in-Progress**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Projects (Mainly comprising of building and plant and equipment) # | 32,465 | 27,317 |
| Others | 4,704 | 1,324 |
| **Total** | **37,169** | **28,641** |

# Includes borrowing cost of Rs. 8,118 Lakhs (31 March 2020 Rs. 5,485 Lakhs)

**Note 5: Investment Property**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Gross carrying amount** | | |
| Opening gross carrying amount | 461 | 461 |
| Additions | - | - |
| **Closing gross carrying amount** | **461** | **461** |
| **Accumulated depreciation** | | |
| Opening accumulated depreciation | - | - |
| Depreciation charge | - | - |
| **Closing accumulated depreciation** | - | - |
| **Net carrying amount** | **461** | **461** |

(i) Fair value

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Investment properties | 586 | 590 |

**a) Disclosures relating to fair valuation of investment property**
Fair value of the above investment property as at 31 March 2021 is Rs. 586 Lakhs (31 March 2020 : Rs. 590 Lakhs) based on external valuation.

**Fair value Hierarchy**
The fair values of investment properties have been determined by an external, independent property valuer, having appropriate recognised professional qualifications and relevant experience in the category of the land parcel being valued. The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. The investment property constitutes agriculture land at Nashik.

**Description of valuation technique used**
The Company obtains independent valuations of its investment property after every three years as per requirement of Ind AS 40. The fair value of the investment property has been derived using the Direct Comparison Method. The direct comparison approach involves a comparison of the investment property to similar properties that have actually been sold in arms-length transaction or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing price. Given that the comparable instances are located in close proximity to the investment property; these instances have been assessed for their locational comparative advantages and disadvantages while arriving at the indicative price assessment for investment property.

b) The Company has not earned any rental income on the above properties.

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**Note 6: Leases**

A. Right of use assets

| Particulars | Land and Building | Other Equipment | Leasehold Land (refer note 3) | Total |
|---|---|---|---|---|
| Balance as at 1 April 2019 | 1,202 | 3,924 | - | 5,126 |
| Add: Reclassification on account of Ind AS 116 | - | - | 237 | 237 |
| Add: Addition during the year | - | - | 854 | 854 |
| **Gross carrying amount as on 31 March 2020** | **1,202** | **3,924** | **1,091** | **6,217** |
| Add: Amortisation for the year | (237) | (549) | (4) | (790) |
| **Closing accumulated amortisation as at 31 March 2020** | **(237)** | **(549)** | **(4)** | **(790)** |
| **Balance as at 31 March, 2020** | **965** | **3,375** | **1,087** | **5,427** |
| Balance as at 1 April 2020 | 1,202 | 3,924 | 1,091 | 6,217 |
| Add: Addition during the year | - | - | - | - |
| **Gross carrying amount as on 31 March 2021** | **1,202** | **3,924** | **1,091** | **6,217** |
| Accumulated amortisation as at 1 April 2020 | (237) | (549) | (4) | (790) |
| Add: Amortisation for the year | (237) | (483) | (15) | (735) |
| **Closing accumulated amortisation as at 31 March 2021** | **(474)** | **(1,032)** | **(19)** | **(1,525)** |
| **Balance as at 31 March, 2021** | **728** | **2,892** | **1,072** | **4,692** |

**B. Lease liabilities**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Opening Balance | 4,619 | 5,126 |
| Add: Addition during the year | - | - |
| Add: Finance charge for the period | 448 | 490 |
| Less: Lease rental paid | (1,024) | (997) |
| Closing balance | **4,043** | **4,619** |

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Current | 904 | 926 |
| Non Current | 3,139 | 3,693 |
| Total | **4,043** | **4,619** |

**C. Interest expenses on lease liabilities**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Interest on lease liabilities | 448 | 490 |

**D. Expenses on short term leases / low value assets**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Short term lease | 1,605 | 1,328 |
| Low value assets | - | - |

**E. Amounts recognised in the statement of cash flow**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Total cash outflow for leases | 1,024 | 997 |

**F. Maturity analysis – contractual undiscounted cash flows**

| Particulars | As at 31 March 2021 | As at 31 March 2020 |
|---|---|---|
| Less than one year | 904 | 950 |
| One to five years | 3,345 | 5,071 |
| More than five years | 2,438 | 666 |
| Total undiscounted lease liabilities at 31 March, 2021 | **6,687** | **6,687** |

Amortization expense on right of use assets is included under depreciation and amortization expense in the statement of Profit and Loss.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at 31 March, 2019 compared to the lease liability as accounted as at 1 April, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

The company does not face significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

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**Note : 7 Intangible Assets**

| | Computer Software | Technical Know How/ Engineering Fees | License/ Franchise Fees | Other Intangible Asset | Goodwill | Brand | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount as on 31 March 2019** | **542** | **332** | **1,002** | **4,031** | **77,192** | **93,714** | **176,813** |
| Additions | 852 | - | 69 | - | - | - | 921 |
| Disposals/ Transfers/ Adjustments | (16) | (4) | 30 | - | - | (10) | - |
| **Gross carrying amount as on 31 March 2020** | **1,378** | **328** | **1,101** | **4,031** | **77,192** | **93,704** | **177,734** |
| Additions | 8 | - | 8 | - | - | - | 16 |
| Disposals/ Transfers/ Adjustments | - | - | - | - | - | - | - |
| **Gross carrying amount as on 31 March 2021** | **1,386** | **328** | **1,109** | **4,031** | **77,192** | **93,704** | **177,750** |
| | | | | | | | |
| **Accumulated Amortisation** | | | | | | | |
| **Closing accumulated amortisation as at 31 March 2019** | **124** | **128** | **1,031** | **4,031** | **-** | **18,980** | **24,294** |
| Amortisation charge for the year | 481 | 34 | 12 | - | - | 4,753 | 5,280 |
| Disposals | - | - | - | - | - | - | - |
| **Closing accumulated amortisation as at 31 March 2020** | **605** | **162** | **1,043** | **4,031** | **-** | **23,733** | **29,574** |
| Amortisation charge for the year | 124 | 27 | 15 | - | - | 4,753 | 4,919 |
| Disposals | - | - | - | - | - | - | - |
| **Closing accumulated amortisation as at 31 March 2021** | **729** | **189** | **1,058** | **4,031** | **-** | **28,486** | **34,493** |
| **Net Block as at March 31, 2021** | **657** | **139** | **51** | **-** | **77,192** | **65,218** | **143,257** |
| **Net Block as at March 31, 2020** | **773** | **166** | **58** | **-** | **77,192** | **69,971** | **148,160** |

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## FINANCIAL ASSETS

**Note 8: Investment in subsidiaries and associates - non - current**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Investments in equity shares (unquoted) of subsidiaries (fully paid up)** | | |
| 72,800 (31 March 2020 : 72,800) equity shares of Platinum Blasting Services Pty Ltd of AUD 100 each fully paid up | 3,769 | 3,769 |
| 10,000 (31 March 2020 : 10,000 ) equity shares of Mahadhan Farm Technologies Private Limited of Rs 10 each | 1,383 | 1,383 |
| 85,961 (31 March 2020 : 63,956) equity shares of Performance Chemiserve Limited (formerly known as Performance Chemiserve Private Limited) of Rs 10 each | 65,668 | 40,963 |
| **Total (equity instruments)** | **70,820** | **46,115** |
| **Total** | **70,820** | **46,115** |
| Aggregate amount of unquoted investments | 70,820 | 46,115 |

**Note 8 (a): Current investments**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Unquoted** | | |
| Investment in mutual funds (carried at fair value through profit and loss) | 33,793 | - |
| **Total** | **33,793** | **-** |

**Note 9 : Investments**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Investment in equity shares (unquoted) (fully paid up) (fair value through profit and loss)** | | |
| 4,715 (31 March 2020 : 4,715) equity shares of Punjab National Bank | 3 | 3 |
| **Total** | **3** | **3** |

**Note 10: Trade receivables**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Trade Receivables | | |
| Unsecured, considered good | 70,699 | 100,668 |
| Unsecured, credit Impaired | 4,118 | 1,678 |
| Less: Impairment loss allowance | (4,118) | (1,678) |
| **Total** | **70,699** | **100,668** |

**Movement in allowance for expected credit loss:**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Balance at beginning of the year | 1,678 | 1,195 |
| Add: Allowance for expected credit loss | 2,440 | 874 |
| Less: Utilized during the year | - | (391) |
| **Balance as at the end of the year** | **4,118** | **1,678** |

Trade Receivables include Rs. 19,032 lakhs (31 March 2020 Rs. 39,668 Lakhs) towards fertiliser subsidy receivable from the Government of India.

**Note 11: Loans**

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| Unsecured, considered good | | | | |
| Loan to subsidiaries (Refer Note 44) | 362 | - | 390 | - |
| Loan to employees | 44 | - | 66 | - |
| Other loans | 3 | - | 7 | - |
| Security deposits | - | 620 | - | 349 |
| **Total** | **409** | **620** | **463** | **349** |

**Note 12: Cash and cash equivalents**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Balances with banks | | |
| - in current accounts | 5,125 | 3,289 |
| Deposits with original maturity up to three months | 2,371 | 563 |
| Cash on hand | 6 | 6 |
| **Total** | **7,502** | **3,858** |

**Note 13: Other bank balances**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Deposits with maturity up to 12 months from the reporting date | - | 374 |
| Total | - | 374 |

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**Note 14(a): Other financial assets**

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Current | Non Current | Current | Non Current |
| **(i) Derivatives** | | | | |
| Derivatives not designated as hedges | 139 | - | 1,675 | - |
| **(i) Others** | | | | |
| Interest receiveable | 92 | - | 27 | - |
| Deposit with banks with maturity after twelve months from the reporting date | - | 136 | - | 76 |
| Financial Guarantee Asset | 774 | 353 | 278 | 213 |
| Others | 686 | 97 | - | 7 |
| **Total** | **1,691** | **586** | **1,980** | **296** |

**Note 14(b): Tax assets and liabilities**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Non current tax assets (net) | 697 | 1,619 |
| Current tax liabilities (net) | 530 | 98 |

**Note 15: Other non-current assets**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Capital advances | 1,526 | 1,869 |
| Balance with government authorities | 733 | 667 |
| Prepaid expenses | 81 | - |
| **Total** | **2,340** | **2,536** |

**Note 16: Inventories**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Raw materials<br>Includes Rs. 60.36 Lakhs (31 March 2020 Rs 5,739 Lakhs) in transit | 16,427 | 18,169 |
| Finished goods | 7,062 | 20,604 |
| Stock-in-trade | 9,463 | 4,823 |
| Stores and spares Includes Rs. 381 Lakhs (31 March 2020 Rs. 16 Lakhs) in transit. | 11,167 | 10,826 |
| Packing materials | 2,386 | 1,870 |
| **Total** | **46,505** | **56,292** |

**Note 17: Other current assets**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Advances for supply of goods and services | 1,626 | 1,175 |
| Balances with government authorities | 6,975 | 6,215 |
| Prepaid expenses | 742 | 609 |
| Other receivables | 675 | 100 |
| **Total** | **10,018** | **8,099** |

**Note 18: Share capital**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Authorised** | | |
| 35,50,00,000 equity shares of Rs 10/- each.<br>(31 March 2020: 35,50,00,000 equity shares of Rs. 10/- each) | 3,550 | 3,550 |
| | **5,350** | **5,350** |
| **Issued, subscribed and fully paid-up share capital** | | |
| 1,70,50,000 equity shares of Rs. 10 each<br>(31 March 2020: 1,70,50,000 equity shares of Rs 10 each) | 1,705 | 1,705 |
| **Fully paid-up share capital as at year end** | **1,705** | **1,705** |

**(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the year end**

| | 31 March 2021 | | 31 March 2019 | |
|---|---|---|---|---|
| **Equity Shares** | No of Shares | Amount | No of Shares | Amount |
| Balance as at the beginning and at the end of the year | 17,050,000 | 1,705 | 17,050,000 | 1,705 |
| Add: Issued during the year | - | - | - | - |
| | **17,050,000** | **1,705** | **17,050,000** | **1,705** |

**Terms and rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs. 10 per share. Holder of each equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity share will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts in proportion to their shareholding. The distribution will be in proportion to the numbers of equity shares held by the shareholders.

**(ii) Details of shareholders holding more than 5% shares in the company**

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Number of shares | % Holding | Number of shares | % Holding |
| Deepak Fertilisers & Petrochemicals Corporation Limited | 17,049,994 | 100% | 17,049,994 | 100% |

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**Note 19: Other equity**
**Nature and purpose of other equity**

**(a) Securities premium**: Amount received in excess of face value of the equity shares is recognized in Securities Premium. The reserve is eligible for utilisation in accordance with the provisions of the Companies Act, 2013.

**(b) Capital redemption reserve**: The Company had issued redeemable preference shares and as per the provisions of the Act where preference shares are redeemed out of divisible profits, an amount equal to the nominal value of shares so redeemed must be transferred to capital redemption reserve, out of divisible profits. Accordingly this reserve is created and utilisation will be as per the provisions of Companies Act, 2013

**(c) General reserve**: This represents appropriation of profits by the Company to General Reserve and is available for distribution of dividend.

**(d) Retained earnings**: Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

**(e) Fair value of financial guaranteee:**The Holding Company has provided the guarantee for the funds raised by the Company for which guarantee commission is neither planned nor likely to be settled in near future and accordingly fair value of the guarantee commission is recorded as a component of equity.

**Financial Liabilities**
**Note 20: Non-current borrowings**

| | Terms of repayment and Maturity date | Coupon/ Interest rate | 31 March 2021 | 31 March 2020 |
|---|---|---|---|---|
| **Secured** | | | | |
| **Term loans** | | | | |
| State Bank of India | Repayable in 28 quarterly instalments starting from June 2017 onwards. | 10.25% per annum | 18,073 | 25,405 |
| Export Import Bank Of India (Loan 1) | | 9.60% to 9.80% per annum | 4,288 | 5,716 |
| Export Import Bank Of India (Loan 2) | Repayable in 28 quarterly instalments starting from June 2020 onwards. | 9.55% to 9.75% per annum | 27,049 | 28,662 |
| **Unsecured** | | | | |
| Compulsory convertible debentures - International Finance Corporation | | 8% per annum (IRR - 15.25%) | 22,180 | 10,638 |
| From related parties | | | 43,551 | - |
| **Total non-current borrowings** | | | **115,141** | **70,421** |
| **Less: Current maturities of long-term debt (included in Note 22)** | | | 9,358 | 9,358 |
| **Total** | | | **105,783** | **61,063** |

The term loans from State Bank of India and Export Import Bank of India have been availed for financing NPK project. The term loans are secured by pari passu first charge to be created on the entire fixed assets pertaining to Nitro phosphate plant (NPK project). All present and future immovable and movable fixed assets pertaining to NPK project from Plot K1 to Plot K5., MIDC Industrial Area, Taloja, Dist. Raigad.
The term loan from Export Import Bank of India (Loan 2) are secured by hypothecation of movable fixed assets i.e Plant and machinery located at Plot no 7 Haryana Industrial development corporation Panipat and original title deeds of Panipat land having surrendered to Export Import Bank of India (Loan 2). Further term loan are secured by pari passu charge to be created on the fixed assets located at Plot K7, K8 MIDC Taloja.

**Note 21: Current borrowings**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Loans repayable on demand | | |
| Secured | | |
| -Short term loan | 7,500 | 52,300 |
| -Cash credit facilities | - | 1,410 |
| | **7,500** | **53,710** |
| Unsecured | | |
| From related parties | 5,000 | 815 |
| **Total current borrowings** | **5,000** | **815** |
| **Total** | **12,500** | **54,525** |

Short term loan from various banks amounting to Rs. 7,500 Lakhs (31.03.2020 : Rs 52,300 Lakhs) is due within 180 days from the draw down date, carrying interest rate of 9.14% at 31 March 2021 (31 March 2020 – 9.14%) and is secured by a first charge by way of hypothecation of stocks of raw materials, stock-in-process, consumable stores and book debts.

Cash credit amounting - Nil ( 31 March 2020 Rs 1,410 Lakhs) is repayable on demand carrying interest rate of - Nil (31 March 2020 : 9.75%) and is secured by a first charge by way of hypothecation of stocks of raw materials, stock-in-process, consumable stores and book debts.

Loan from related party carries average interest rate 9.79% (31 March 20 - 9.34%)

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(All amounts in ₹ Lakhs unless otherwise stated)

**Note 22: Other financial liabilities**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Non-current** | | |
| Security deposits | 4,292 | - |
| Embedded Derivative | 100 | 170 |
| Financial Guarantee Liability | 1,420 | - |
| **Total** | **5,812** | **170** |
| **Current** | | |
| Current maturities of non-current borrowings | 9,358 | 9,358 |
| Interest accrued | 3,072 | 597 |
| Security deposits | 1,690 | 5,118 |
| Capital creditors | 1,452 | 1,567 |
| Due to directors | 1,108 | 19 |
| Embedded Derivative | - | 548 |
| Financial Guarantee Liability | 729 | - |
| Salary payables | 1,979 | 1,461 |
| Others | 45 | 497 |
| **Total** | **19,433** | **19,165** |

**Note 23: Provisions**

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Current | Non - Current | Current | Non - Current |
| **Provision for employee benefits** | | | | |
| Gratuity | 317 | 2,697 | 717 | 2,275 |
| Compensated absences | 227 | 630 | 234 | 940 |
| Defined pension benefits | 129 | 138 | 88 | 18 |
| Post-employment medical benefits | - | - | - | - |
| **Total (A)** | **673** | **3,465** | **1,039** | **3,233** |

**(A) Defined Contribution Plans**

The Company has certain defined contribution plans such as provident fund, employee state insurance, employee pension scheme, employee superannuation fund wherein specified percentage is contributed to them. During the year, the Company has contributed following amounts to:

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Employer's contribution to provident fund | 583 | 587 |
| Employer's contribution to employee's pension scheme | 198 | 179 |
| Employer's contribution to superannuation fund | 688 | 864 |
| Employer's contribution to employee state insurance | 6 | 7 |

**(B) Defined Benefit Plans**

**i. Gratuity**

In accordance with Ind AS 19 "Employee Benefits", an actuarial valuation has been carried out in respect of gratuity. The discount rate assumed is 6.60% p.a. (31 March 2020: 6.40% p.a.) which is determined by reference to market yield at the Balance Sheet date on Government bonds. The retirement age has been considered at 60 years (31 March 2020: 60 years) and mortality table is as per IALM (2012-14) (31 March 2020: IALM (2012-14)).

The estimates of future salary increases, considered in actuarial valuation is 8% p.a. (31 March 2020: 8% p.a.), taking into account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The plans assets are maintained with Life Insurance Corporation of India and India First Life Insurance in respect of gratuity scheme of the Company. The details of investments maintained by Life Insurance Corporation are not available with the Company, hence not disclosed. The expected rate of return on plan assets is 6.40% p.a. (31 March 2020: 7.50% p.a.).

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Present value of obligation at the beginning of the year | 3,607 | 2,965 |
| Current service cost | 278 | 220 |
| Interest cost | 221 | 210 |
| Actuarial loss | 185 | 550 |
| Benefits paid | (303) | (338) |
| Present value of obligation at the end of the year | 3,988 | 3,607 |

**Reconciliation of the present value of defined benefit obligation and the fair value of the plan assets:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Present value of obligation at the end of the year | 3,988 | 3,607 |
| Fair value of plan assets at the end of the year | 973 | 614 |
| Net (asset)/liabilities recognised in the Balance Sheet | 3,015 | 2,993 |

**Fair value of Plan assets :**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Plan assets at the beginning of the year | 614 | 293 |
| Interest Income | 49 | 33 |
| Expected return on plan assets | 4 | (9) |
| Contribution by employer | 306 | 297 |
| Actual benefits paid | - | - |
| Actuarial gain/(loss) | - | - |
| Plan assets at the end of the year | 973 | 614 |

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**Expense recognised in the Statement of Profit and Loss under employee benefits expense:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Current service cost | 278 | 220 |
| Interest cost | 172 | 177 |
| Expense recognised in the Statement of Profit and Loss | 450 | 397 |

**Amount recognised in the other comprehensive income:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Remeasurements Cost / (Credit ) | 185 | 550 |
| Actuarial (gain)/loss on plan assets | (4) | 9 |
| Amount recognised in the Other Comprehensive Income | 181 | 559 |

**Sensitivity analysis :**

| Particulars | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| Assumptions | Discount rate | | Discount rate | |
| Sensitivity level | 1.00% increase | 1.00% decrease | 1.00% increase | 1.00% decrease |
| Impact on defined benefit (decrease)/increase | (224) | 248 | (159) | 172 |

| Particulars | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| Assumptions | Future salary increase | | Future salary increase | |
| Sensitivity level | 1.00% increase | 1.00% decrease | 1.00% increase | 1.00% decrease |
| Impact on defined benefit (decrease)/increase | (205) | 189 | (139) | 151 |

The sensitivity analysis above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant.

**ii. Defined pension benefits**

The Company has a Post Retirement Benefit plan, which is a defined benefit retirement plan, according to which executives superannuating from the service after ten years of service are eligible for certain benefits like medical, fuel expenses, telephone reimbursement, club membership etc. for specified number of years. The liability is provided for on the basis of an independent actuarial valuation.

In accordance with Ind AS 19 "Employee Benefits", an actuarial valuation has been carried out in respect of post retirement benefits. The discount rate assumed is 6.60% p.a. (31 March 2020: 6.40% p.a) which is determined by reference to market yield at the Balance Sheet date on Government bonds. The retirement age has been considered at 60 years (31 March 2020: 60 years) and mortality table is as per IALM (2012-14) (31 March 2020: IALM (2012-14).

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Present value of obligation at the beginning of the year | 106 | 101 |
| Current service cost | 22 | 25 |
| Past service cost | - | - |
| Interest cost | 6 | 7 |
| Actuarial loss | 145 | (24) |
| Benefits paid | (12) | (3) |
| Present value of obligation at the end of the year | 267 | 106 |

**Expense recognised in the Statement of Profit and Loss under employee benefits expense:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Current service cost | 22 | 25 |
| Past service cost | - | - |
| Interest cost | 6 | 7 |
| Expense recognised in the Statement of Profit and Loss | 28 | 32 |

**Amount recognised in the other comprehensive income:**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Remeasurements Cost / (Credit ) | 145 | (24) |
| Actuarial (gain)/loss on plan assets | - | - |
| Amount recognised in the Other Comprehensive Income | 145 | (24) |

**Sensitivity analysis :**

| Particulars | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| Assumptions | Discount rate | | Discount rate | |
| Sensitivity level | 1.00% increase | 1.00% decrease | 1.00% increase | 1.00% decrease |
| Impact on defined benefit | (66) | (94) | (24) | 32 |

**Note 24: Trade payables**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Trade payables | | |
| (a) total outstanding dues of micro and small enterprises | 512 | 369 |
| (b) total outstanding dues of creditors other than micro and small enterprises | 108,038 | 111,542 |
| **Total** | **108,550** | **111,911** |

Trade payables as stated above includes trade creditors related to materials for Rs. 101,829 Lakhs (31 March 2020 – Rs. 72,199 Lakhs)

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Details of dues to micro small and medium enterprises as defined under the Micro,

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year | | |
| - Principal amount outstanding (whether due or not) to micro and small enterprises | 512 | 369 |
| - Interest due thereon | 15 | 41 |
| The amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| The amount of payment made to the supplier beyond the appointed day during the year | 5,388 | 1,730 |
| Amount of interest due and payable on delayed payments | 89 | 67 |
| Amount of interest accrued and remaining unpaid as at year end | 172 | 67 |
| The amount of further interest remaining due and payable even in the succeeding year | - | - |

**Details of Micro and Small Enterprises as define under the MSMED ACT, 2006**
To comply with the requirements of the Micro, Small And Medium Enterprises Development Act, 2006, the Company requested its suppliers to confirm whether they are covered as Micro, Small or Medium enterprise as is defined in the said Act. Based on the communications received from such suppliers confirming their coverage as such enterprise, the Company has recognised them for the necessary treatment as provided under the Act, from the date of receipt of such confirmations.

**Note 25: Deferred tax liabilities (net)**
The balance comprises temporary differences attributable to:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| (a) Deferred tax assets | (45,905) | (37,777) |
| (b) Deferred tax liabilities | 49,943 | 50,844 |
| **Net deferred tax liabilities** | **4,038** | **13,067** |

Movements in deferred tax liabilities:

Movements during the year ended 31 March 2021:

| | 1 April 2020 | Credit/(charge) in the statement of Profit and Loss | Credit/(charge) in the Other Comprehensive Income | 31 March 2021 |
|---|---|---|---|---|
| Property, plant and equipment and investment property and Intangible assets | 50,844 | (901) | - | 49,943 |
| Financial assets at fair value through profit or loss/FVOCI | (369) | - | (114) | (483) |
| MAT credit | (3,460) | 3,460 | - | - |
| Expenses allowable in the year of payment (Section 43B of Income Tax Act 1961) | (1,189) | 103 | - | (1,086) |
| Business loss | (32,753) | (10,764) | - | (43,517) |
| Others (include provision for doubtful debts) | (6) | (813) | - | (819) |
| **Net deferred tax liabilities** | **13,067** | **(8,915)** | **(114)** | **4,038** |

Movements during the year ended 31 March 2020:

| | 1 April 2019 | Credit/(charge) in the statement of Profit and Loss | Credit/(charge) in the Other Comprehensive Income | 31 March 2020 |
|---|---|---|---|---|
| Property, plant and equipment and investment property and Intangible assets | 47,971 | 2,873 | - | 50,844 |
| Financial assets at fair value through profit or loss | (182) | - | (187) | (369) |
| MAT credit | (3,295) | (165) | - | (3,460) |
| Provisions | (998) | (191) | - | (1,189) |
| Business loss | (30,504) | (2,249) | - | (32,753) |
| Others | (66) | 60 | - | (6) |
| **Net deferred tax liabilities** | **12,926** | **328** | **(187)** | **13,067** |

**Note 26: Other current liabilities**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Advances from customers | 1,099 | 828 |
| Statutory dues payable | 815 | 651 |
| Other payables | 14 | - |
| **Total** | **1,928** | **1,479** |

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**Note 27: Revenue from operations**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Sale of products | | |
| Finished goods | 278,681 | 235,645 |
| Traded goods | 44,220 | 30,494 |
| Subsidy on manufactured fertilisers | 60,515 | 45,026 |
| Subsidy on traded fertilisers | 7,016 | 3,708 |
| Other operating revenues | 393 | 197 |
| **Total** | **390,825** | **315,070** |

**Note 28: Other income**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Dividend income from subsidiary | - | 164 |
| Interest income from financial assets measured at amortized cost | 350 | 315 |
| Net gain on sale of investments | 181 | 140 |
| Other non-operating income | 287 | 776 |
| **Total** | **818** | **1,395** |

**Note 29: Cost of materials consumed**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Raw materials as at the beginning of the year | 18,169 | 22,497 |
| Add: Purchases during the year | 209,934 | 178,045 |
| Less: Raw material as at the end of the year | 16,427 | 18,169 |
| **Total** | 211,676 | 182,373 |

**Note 30: Purchase of stock-in-trade**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Purchases of stock-in-trade | 45,798 | 23,894 |
| **Total** | 45,798 | 23,894 |

**Note 31: Changes in inventories of stock-in-trade and finished goods**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Opening balance** | | |
| Finished goods | 20,604 | 28,281 |
| Stock-in-trade | 4,823 | 7,697 |
| **Total opening balance** | **25,427** | **35,978** |
| **Closing balance** | | |
| Finished goods | 7,062 | 20,604 |
| Stock-in-trade | 9,463 | 4,823 |
| **Total closing balance** | **16,525** | **25,427** |
| Total | **8,902** | **10,551** |

**Note 32: Employee benefits expense**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Salaries, wages and bonus | 18,322 | 15,962 |
| Contribution to provident fund and other funds | 1,475 | 1,637 |
| Gratuity | 450 | 397 |
| Post-employment pension benefits | 29 | 32 |
| Staff welfare expenses | 949 | 947 |
| **Total** | **21,225** | **18,975** |

**Note 33: Finance costs**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Interest and finance charges | 14,034 | 15,866 |
| Finance charges on finance leases | 448 | 490 |
| Interest others | 575 | 547 |
| Less: Interest capitalised | (2,633) | (1,042) |
| **Total** | **12,424** | **15,861** |

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**Note 34: Depreciation and amortisation expense**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Depreciation on property, plant and equipment* | 11,761 | 12,028 |
| Amortisation of right of use assets | 735 | 790 |
| Amortisation on intangible assets | 4,919 | 5,280 |
| **Total** | **17,415** | **18,098** |

*Depreciation amounting to Rs 1,182 Lakhs transferred from holding company Deepak Fertilisers & Petrochemicals Corporation Limited as common sharing cost. (31 March 2020 Rs 1,473 Lakhs)

**Note 35: Other expenses**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Consumption of stores and spares | 6,001 | 4,835 |
| Power, fuel and water | 6,393 | 5,295 |
| Repairs to : | | |
| - Building | 521 | 489 |
| - Plant and machinery | 4,606 | 4,012 |
| - Others | 993 | 760 |
| Rent | 1,054 | 1,458 |
| Insurance | 1,087 | 948 |
| Rates, taxes and duties | 1,271 | 1,432 |
| Travelling and conveyance | 299 | 892 |
| Legal and professional fees | 2,045 | 2,735 |
| Payments to auditors [Refer Note 35(a) below] | 46 | 39 |
| Directors' fees | 18 | 17 |
| Carriage outward (net) | 18,129 | 14,480 |
| Warehouse and handling charges | 139 | 324 |
| Loss on disposal of property, plant and equipment | 30 | 50 |
| Commission on sales | 282 | 267 |
| Sales and promotion expenses | 983 | 1,011 |
| Utility services | 1,075 | 995 |
| Communication expenses | 100 | 222 |
| Corporate social responsibility expenditure [Refer Note 35(b) below] | 80 | 5 |
| Foreign exchange fluctuations loss (net) | - | 2,505 |
| Provision for doubtful debts | 2,441 | 482 |
| Miscellaneous expenses | 2,151 | 1,980 |
| **Total** | **49,744** | **45,233** |

**Note 35(a): Details of payments to auditors**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **Payment to auditors** | | |
| **As auditor:** | | |
| Audit fee | 27 | 27 |
| Tax audit fee | 3 | 3 |
| Certification fees/Other Matters | 10 | 7 |
| **In other capacities** | | |
| Taxation matters | 6 | 1 |
| Reimbursement of expenses | - | 1 |
| **Total** | **46** | **39** |

**Note 35(b): Corporate social responsibility expenditure**

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Contributions to Ishanya Foundation | 53 | - |
| Others | 27 | 5 |
| **Total** | **80** | **5** |
| Amount required to be spent as per Section 135 of the Act | 78 | 67 |
| *Amount spent during the year on* | | |
| (i) Construction/acquisition of an asset | - | - |
| (ii) On purposes other than (i) above | 80 | 5 |

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**Note 36: Fair value measurements**
**(i) Financial instruments by category**

| | 31 March 2021 | | | 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | **FVPL** | **FVOCI** | **Amortised cost** | **FVPL** | **FVOCI** | **Amortised cost** |
| **Financial assets** | | | | | | |
| Investments | | | | | | |
| - Equity instruments at fair value | 3 | - | - | 3 | - | - |
| - Mutual funds | 33,793 | - | - | - | - | - |
| Trade receivables | - | - | 70,699 | - | - | 100,668 |
| Cash and cash equivalents | - | - | 7,502 | - | - | 3,858 |
| Other bank balances | - | - | - | - | - | 374 |
| Loans | - | - | 1,029 | - | - | 812 |
| Other financial assets | | | | | | |
| - Security deposits | - | - | - | - | - | - |
| - Derivative financial assets, not designated as hedges | 139 | | - | 1,675 | - | - |
| - Interest receivable | - | - | 92 | - | - | 27 |
| - Deposit with banks | - | - | 136 | - | - | 76 |
| - Financial Guarantee Asset | - | - | 1,127 | - | - | 491 |
| - Others | - | - | 783 | - | - | 7 |
| **Total financial assets** | **33,935** | **-** | **81,368** | **1,678** | **-** | **106,313** |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | 127,641 | - | - | 124,946 |
| Lease Liabilities | - | - | 4,043 | - | - | 4,619 |
| Trade payables | - | - | 108,550 | - | - | 111,911 |
| Other financial liabilities | | | | | | |
| - Capital creditors | - | - | 1,452 | - | - | 1,567 |
| - Security deposits | - | - | 5,982 | - | - | 5,118 |
| - Interest accrued | - | - | 3,072 | - | - | 597 |
| - Embedded derivative | 100 | - | - | 718 | - | - |
| - Financial Guarantee Liability | | | 2,149 | | | - |
| - Others | - | - | 3,132 | - | - | 1,977 |
| **Total financial liabilities** | **100** | **-** | **256,021** | **718** | **-** | **250,735** |

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**(ii) Fair value hierarchy**

The following table summarises financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required) :

The different levels have been defined as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level-1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

| **Financial assets and liabilities measured at fair value** | **31 March 2021** | | | | **31 March 2020** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial Investments at FVPL*** | | | | | | | | |
| Equity shares | 3 | - | - | **3** | 3 | - | - | **3** |
| Mutual funds | 33,793 | - | - | **33,793** | - | - | - | - |
| **Derivatives not designated as hedges** | | | | | | | | |
| Foreign exchange forward contracts/options | - | 139 | - | **139** | - | 1,675 | - | **1,675** |
| **Total financial assets** | **33,796** | **139** | **-** | **33,935** | **3** | **1,675** | **-** | **1,678** |
| **Financial liabilities** | | | | | | | | |
| **Derivatives** | | | | | | | | |
| Foreign exchange forward contracts/option contracts | - | 100 | - | **100** | - | 718 | - | **718** |
| **Total financial liabilities** | **-** | **100** | **-** | **100** | **-** | **718** | **-** | **718** |
| | - | - | - | | | | | |

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2021 and 31 March 2020

**(iii) Valuation process to determine fair value**

The following methods and assumptions were used to estimate the fair values of financial instruments:

i) The fair values of investments in debt and government securities is based on the current bid price of respective investment as at the Balance Sheet date.

ii) The fair values of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date, NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from investors.

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**Note 37(a): Financial risk management**

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company, through three layers of defence namely policies and procedures, review mechanism and assurance aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Audit committee of the Board with top management oversee the formulation and implementation of the Risk management policies. The risk are identified at business unit level and mitigation plans are identified, deliberated and reviewed at appropriate forums.

The Company has exposure to the following risks arising from financial instruments:
(i) credit risk;

(ii) liquidity risk; and

(iii) market risk.

**i. Credit risk**
Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans and investments.

The carrying amount of financial assets represents the maximum credit risk exposure.

**Trade receivables and other financial assets**

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and business intelligence. Sale limits are established for each customer and reviewed annually. Any sales exceeding those limits require approval from the appropriate authority as per policy.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a institutional, dealers or end-user customer, their geographic location, industry, trade history with the Company and existence of previous financial difficulties.

Expected credit loss for trade receivables:

The Company based on internal assessment which is driven by the historical experience/ current facts available in relation to default and delays in collection thereof, the credit risk for trade receivables is considered low. The Company estimates its allowance for trade receivable using lifetime expected credit loss. The balance past due for more than 6 month (net of expected credit loss allowance), excluding receivable from group companies is Rs. 2,993 Lakhs (31 March 2020: Rs. 503 Lakhs)

Movement in the expected credit loss allowance of trade receivables are as follows:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Balance at the beginning of the year | 1,678 | 1,195 |
| Add: Provided during the year (net of reversal) | 2,440 | 874 |
| Less: Amount written off/reversed | - | (391) |
| Balance at the end of the year | 4,118 | 1,678 |

Expected credit loss on financial assets other than trade receivables:

With regards to all financial assets with contractual cash flows other than trade receivable, management believes these to be high quality assets with negligible credit risk. The management believes that the parties from which these financial assets are recoverable, have strong capacity to meet the obligations and hence the risk of default is negligible and accordingly no provision for excepted credit loss has been provided on these financial assets.

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**ii. Liquidity Risk**
Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's treasury department is responsible for managing the short term and long term liquidity requirements. Short term liquidity situation is reviewed daily by treasury. Longer term liquidity position is reviewed on a regular basis by the Board of Directors and appropriate decisions are taken according to the situation.

**Exposure to liquidity risk**
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

| 31 March 2021 | Carrying Amount | Payable within 1 year | Between 1 and 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| **Non-derivatives financial liabilities** | | | | | |
| Borrowings | 127,641 | 21,858 | 77,054 | 28,729 | 127,641 |
| Obligations under finance lease | 4,043 | 904 | 3,139 | - | 4,043 |
| Trade payables | 53,573 | 53,573 | - | - | 53,573 |
| Interest accrued | 3,026 | 3,026 | - | - | 3,026 |
| Security deposits | 5,982 | 5,982 | - | - | 5,982 |
| Other financial liabilities | 4,584 | 4,484 | 100 | - | 4,584 |
| **Total non-derivative liabilities** | **198,849** | **89,827** | **80,293** | **28,729** | **198,849** |
| **Derivatives financial liabilities** | | | | | |
| Embedded derivative | 100 | - | - | 100 | 100 |
| Financial Guarantee Liability | 2,149 | 729 | 1,420 | - | 2,149 |
| Interest accrued | 46 | 46 | - | - | 46 |
| Trade payables | 54,977 | 54,977 | - | - | 54,977 |
| **Total derivative liabilities** | **57,272** | **55,752** | **1,420** | **100** | **57,272** |

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| 31 March 2020 | Carrying Amount | Payable within 1 year | More than 1 year | More than 5 years | Total |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| Borrowings | 124,946 | 63,883 | 46,401 | 14,662 | 124,946 |
| Obligations under finance lease | 4,619 | 926 | 3,693 | - | 4,619 |
| Trade payables | 62,598 | 62,598 | - | - | 62,598 |
| Interest accrued | 597 | 597 | | - | 597 |
| Security deposits | 5,118 | 5,118 | | - | 5,118 |
| Other financial liabilities | 4,262 | 4,092 | 170 | - | 4,262 |
| **Total non-derivative liabilities** | **202,140** | **137,214** | **50,264** | **14,662** | **202,140** |
| **Derivatives financial liabilities** | | | | | |
| Embeded Derivative | 718 | 548 | - | 170 | 718 |
| Trade payables | 49,313 | 49,313 | - | - | 49,313 |
| **Total derivative liabilities** | **50,031** | **49,861** | **-** | **170** | **50,031** |

**iii. Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The currencies in which the Company is exposed to risk are USD, GBP and EUR.

The Company follows a natural hedge driven currency risk mitigation policy to the extent possible. Any residual risk is evaluated and appropriate risk mitigating steps are taken, including but not limited to, by entering into forward contracts.

**Exposure to currency risk**

(i) The Company's exposure to foreign currency risk at the end of the reporting period is presented in Note No. 46.
(ii) The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and forward contracts.

| | Impact on profit after tax | |
|---|---|---|
| | 31 March 2021 | 31 March 2020 |
| **USD sensitivity** | | |
| INR/USD -appreciated by 1% (31 March 2020-1%) | 554 | 506 |
| INR/USD -depreciated by 1% (31 March 2020-1%) | (554) | (506) |
| **EURO sensitivity** | | |
| INR/EURO -appreciated by 1% (31 March 2020-1%) | 1 | 3 |
| INR/EURO -depreciated by 1% (31 March 2020-1%) | (1) | (3) |
| **AED sensitivity** | | |
| INR/GBP-appreciated by NIL (31 March 2020-1%) | 0 | - |
| INR/GBP-depreciated by NIl (31 March 2020-1%) | (0) | - |

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**Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The borrowings of the Company are principally denominated in rupees and US dollars with a mix of fixed and floating rates of interest. The Company has exposure to interest rate risk, arising principally on changes in base lending rate and LIBOR rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

**Exposure to interest rate risk**
The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

The following table provides a break-up of the Company's fixed and floating rate borrowings:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Variable rate borrowings | 49,410 | 59,783 |
| Fixed rate borrowings | 78,231 | 65,163 |
| **Total borrowings** | **127,641** | **124,946** |

**(ii) Sensitivity**
The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate liabilities assuming the amount of the liability outstanding at the year-end was outstanding for the whole year.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 31 March 2021 would decrease / increase by Rs. 247 Lakhs (for the year ended 31 March 2020: decrease / increase by Rs. 299 Lakhs). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**Note 38. Capital Management**

**(a) Risk Management**
The Company's objectives when managing capitai are to:
- safeguard its ability to continue as a going concern, so that its can continue to provide returns for its shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents and other bank balances) and divided by Total 'equity' (as shown in the Balance Sheet).
The gearing ratios were as follows:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Net debt | 120,139 | 120,714 |
| Total equity | 283,988 | 263,259 |
| **Net debt to equity ratio** | **0.42** | **0.46** |

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## Note 39 (a) : Names of the related parties and relationships

### A. Holding Company

1 Deepak Fertilisers and Petrochemicals Corporation Limited

### B. Subsidiary Companies

1 Platinum Blasting Services Pty Ltd.[PBS] (Subsidiary)
2 Australian Mining Explosives Pty Ltd (100% Subsidiary of PBS)
3 Performance Chemiserve Limited (till 2nd May'2019 known as Performance Chemiserve Private Limited)
4 Mahadhan Farm Technologies Private Limited (w.e.f 1 October 2019)

### C Fellow Subsidiaries

1 Complete Mining Solution Private Limited (till 18 November 2019 known as Runge Pincock Minarco India Private Limited)
2 Yerrowda Investments Limited
3 Deepak Mining Services Private Limited
4 Deepak Nitrochem Pty.Ltd.
5 SCM Fertichem Limited
6 Ishanya Brand Services Limited (w.e.f 16 March 2020, previously associate)

### D Key Management Personnel

(a) **Executive directors**
Mr. Yeshil Mehta

(b) **Non-executive directors**
Mr Sailesh Chimanlal Mehta
Ms Parul Sailesh Mehta
Mr Tapan Kumar Chatterjee
Mr Madhumilan Parshuram Shinde

('c) **Non-executive Independent directors**
Mr Partha Sarathi Bhattacharya
Mr Sewak Ram Wadhwa
Mr Urmilkumar Purushottamdas Jhaveri
Mr Ashok Kumar Purwaha

(d) **Company Secretary**
Mr. Pankaj Gupta

('e) **Chief Finance Officer**
Mr Amitabh Bhargava

### E Entities over which Key Managerial Personnel are able to exercise significant influence:

1 Robust Marketing Services Private Limited
2 Nova Synthetic Limited
3 Blue Shell Investments Private Limited
4 The Lakaki Works Private Limited
5 Superpose Credits and Capital Private Limited
6 Storewell Credits and Capital Private Limited
7 High Tide Investments Private Limited
8 Deepak Asset Reconstruction Private Limited
9 Mahadhan Investment and Finance Private Limited
10 Ishanya Foundation
11 Deepak Foundation

### F Relatives of Key Management Personnel

Ms. Rajvee Mehta

### G Entities over which relatives of key management personnel are able to exercise significant influence:

1 Deepak Nitrite Limited.
2 Deepak Phenolics Limited
3 Sofotel Infra Private Limited

### H Associates of Holding Company

1 Ishanya Realty Corporation Limited

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**Note 39 (b) Related Party transactions:**

| | | 31 March 2021 | | | | | | 31 March 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sr. No.** | **Nature of Transactions** | **Holding Company** | **Subsidiaries** | **Key Management Personnel** | **Entities over which Key Management Personnel are able to exercise significant Influence** | **Enterprises over which relatives of Key Management Personnel are able to exercise significant influence** | **Total** | **Holding Company** | **Subsidiaries** | **Key Management Personnel** | **Entities over which Key Management Personnel are able to exercise significant Influence** | **Enterprises over which relatives of Key Management Personnel are able to exercise significant influence** | **Total** |
| 1 | **Sale of goods** | | | | | | | | | | | | |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | 11,446 | - | - | - | - | 11,446 | 14,564 | - | - | - | - | 14,564 |
| | Deepak Nitrite Limited | - | - | - | - | 138 | 138 | - | - | - | - | 152 | 152 |
| | Mahadhan Farm Technologies Limited* | - | 1,417 | - | - | - | 1,417 | - | 1,053 | - | - | - | 1,053 |
| | | | | | | | | | | | | | - |
| 2 | **Rendering of services/reimbursement of expenses** | | | | | | | | | | | | - |
| | SCM Fertichem Limited | - | - | - | - | - | - | - | 21 | - | - | - | 21 |
| | | | | | | | | | | | | | - |
| 3 | **Purchase of goods and services** | | | | | | | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | (40,358) | - | - | - | - | (40,358) | (58,140) | - | - | - | - | (58,140) |
| | Mahadhan Farm Technologies Limited* | - | (2,506) | - | - | - | (2,506) | - | (2,275) | - | - | - | (2,275) |
| | | | | | | | | | | | | | - |
| 4 | **Receiving of services/reimbursement of expenses** | | | | | | | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | (14,238) | - | - | - | - | (14,238) | (13,736) | - | - | - | - | (13,736) |
| | Platinum Blasting Services Pty Ltd | | - | (5) | - | - | (5) | - | (95) | - | - | - | (95) |
| | M P Shinde | | (14) | - | - | - | (14) | - | - | (7) | - | - | (7) |
| | | | | | | | | | | | | | - |
| 5 | **Interest on loan taken** | | | | | | | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | (2,426) | - | - | - | - | (2,426) | (98) | - | - | - | - | (98) |
| | | | | | | | | | | | | | - |
| 6 | **Interest on loan given** | | | | | | | | | | | | - |
| | Mahadhan Farm technologies Limited* | - | 32 | - | - | - | 32 | - | 27 | - | - | - | 27 |
| | | | | | | | | | | | | | - |
| 7 | **Dividend received** | | | | | | | | | | | | - |
| | Platinum Blasting Services Pty Ltd | - | - | - | - | - | - | - | 164 | - | - | - | 164 |
| | | | | | | | | | | | | | - |
| 8 | **Donation given** | | | | | | | | | | | | - |
| | Ishanya foundation | - | - | - | (53) | - | (53) | - | - | - | - | - | - |
| | | | | | | | | | | | | | - |
| 9 | **Remuneration (including perquisites)**** | | | | | | | | | | | | - |
| | Mr Yeshil Mehta | - | - | (1,077) | - | - | (1,077) | - | - | (102) | - | - | (102) |
| | Mr Pankaj Gupta | - | - | (53) | - | - | (53) | - | - | (44) | - | - | (44) |
| | Other Directors Commission | - | - | (135) | - | - | (135) | - | - | - | - | - | - |
| | | | | | | | | | | | | | - |
| 10 | **Loan and Advances taken** | | | | | | | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | 47,736 | - | - | - | - | 47,736 | 815 | - | - | - | - | 815 |
| | | | | | | | | | | | | | - |
| 11 | **Loan and Advances given** | | | | | | | | | | | | - |
| | Mahadhan Farm Technologies Limited* | - | - | - | - | - | - | - | (700) | - | - | - | (700) |
| | | | | | | | | | | | | | - |
| 12 | **Loan and Advances repaid** | | | | | | | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | - | - | - | - | - | - | (6,000) | - | - | - | - | (6,000) |
| | | | | | | | | | | | | | - |

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**Note 39 (b) Related Party transactions:**

| | | 31 March 2021 | | | | | | 31 March 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No. | Nature of Transactions | Holding Company | Subsidiaries | Key Management Personnel | Entities over which Key Management Personnel are able to exercise significant Influence | Enterprises over which relatives of Key Management Personnel are able to exercise significant influence | Total | Holding Company | Subsidiaries | Key Management Personnel | Entities over which Key Management Personnel are able to exercise significant Influence | Enterprises over which relatives of Key Management Personnel are able to exercise significant influence | Total |
| 13 | **Loan and Advances repaid** | | | | | | | | | | | | - |
| | Mahadhan Farm Technologies Limited* | - | - | - | - | - | - | - | 310 | - | - | - | 310 |
| | | | | | | | | | | | | | - |
| 14 | **Equity Share Purchase** | | | | | | | | | | | | - |
| | Performance Chemiserve Limited | - | 22,499 | - | - | - | 22499 | - | - | (1,382) | - | - | (1,382) |
| | Parul Mehta | - | - | - | - | - | - | - | - | (1) | - | - | (1) |
| | | | | | | | | | | | | | - |
| 15 | **Asset Purchase** | | | | | | | | | | | | - |
| | Smartchem Technologies Limited | - | - | - | - | - | - | (686) | - | - | - | - | (686) |
| | | | | | | | | | | | | | - |
| 16 | **Amount outstanding** | | | | | | | | | | | | - |
| | **Trade payables/(Receivables)** | | | | | | - | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | (8,086) | - | - | - | - | (8,086) | (15,775) | - | - | - | - | (15,775) |
| | Mahadhan Farm Technologies Limited* | - | 47 | - | - | - | 47 | - | (254) | - | - | - | (254) |
| | Deepak Nitrite Ltd. | - | - | - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | | | | - |
| | **Remunerations payable** | | | | | | - | | | | | | - |
| | Mr Yeshil Mehta | - | - | (973) | - | - | (973) | - | - | - | - | - | - |
| | Mr Pankaj Gupta | - | - | - | - | - | - | - | - | - | - | - | - |
| | Other directors commission | - | - | (135) | - | - | (135) | - | - | - | - | - | - |
| | | | | | | | | | | | | | - |
| | **Trade receivables** | | | | | | | | | | | | - |
| | Deepak Nitrite Limited | - | - | - | - | 30 | 30 | - | - | - | - | 33 | 33 |
| | | | | | | | | | | | | | - |
| | **Interest payable** | | | | | | - | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | (2,426) | - | - | - | - | (2,426) | (98) | - | - | - | - | (98) |
| | | | | | | | | | | | | | - |
| | **Interest receivable** | | | | | | | | | | | | - |
| | Mahadhan Farm Technologies Limited* | - | - | - | - | - | - | - | 9 | - | - | - | 9 |
| | | | | | | | | | | | | | - |
| | **Loan receivable** | | | | | | | | | | | | - |
| | Mahadhan Farm Technologies Limited* | - | 362 | - | - | - | 362 | - | 390 | - | - | - | 390 |
| | | | | | | | | | | | | | - |
| | **Loan repayable** | | | | | | | | | | | | - |
| | Deepak Fertilisers and Petrochemicals Corporation Limited | (48,551) | - | - | - | - | (48,551) | (815) | - | - | - | - | (815) |

Note : Figures in bracket are outflows.
All Transactions are in ordinary course and on an arm's length basis.
* Mahadhan Farm Technologies Private Limited (w.e.f 01 October 2019 subsidiary)
**Remuneration does not include sitting fees paid to non-executive directors of Rs. 18 Lakhs (31 March 2020 : Rs. 17 Lakhs).

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**Note 40: Contingent liabilities and Commitments**

| Particulars | 31 March 2021 | 31 March 2020 |
|---|---|---|
| **A. Contingent liabilities** | | |
| Claims against the Company not acknowledged as debts | 6,322 | 5,669 |
| Income Tax demands | 21 | 21 |
| Sales Tax/VAT Demands | 1,937 | 1,928 |
| Local Body Tax | 633 | 633 |
| | **8,913** | **8,251** |
| **B. Commitments** | | |
| Related to Projects | 10,366 | 10,811 |
| Other capital commitments | 3,247 | 2,038 |
| **Total** | **13,613** | **12,849** |

**Note 41**
GAIL has claimed a sum of Rs. 357 crores in respect of supply of domestic natural gas for the period July 2006 to May 2014 (inclusive of interest till 2016), alleging usage for manufacture of products other than Urea. As per two contracts entered into 2006 and 2010 between the Company and GAIL, the purchase of gas was clearly intended, supplied and utilised for industrial applications. It has been in the full knowledge of the Department of Fertilisers, Government of India that the Company; as per the industrial license, since its inception was never engaged in the manufacture of Urea and the dispute was referred to Arbitration.

Claims by GAIL were divided into two parts by Company while challenging arbitration. Claim under Gas Sales and Transportation Agreement of 2006 is non-arbitrable. Similarly, the claim for the period from 2011 to 2013; are barred by limitation. Accepting Company's stand, the Arbitration Tribunal has rejected the claims of GAIL vide orders dated 05.09.2017 and 13.12.2017. Thereafter GAIL filed Arb Appeal (COMM) NO. 3/2018 challenging the order dated 05.09.2017 and OMP (COMM) No. 31/2018 before Hon'ble Delhi High Court, which dismissed both the appeals vide its order dated 20.12.2018 and upheld the order of Arbitrator.

Consequently, GAIL has preferred a Special Leave petition before the Hon'ble Supreme Court against dismissal of Arb Appeal (COMM) 3/2018 and also preferred an appeal before Divisional bench of Hon'ble Delhi High Court against dismissal of OMP (COMM) No 31/2018. Both the petitions are pending adjudication as at the reporting date.

**Note 42**
Pursuant to the provisions of Section 132 and 133A of the Income-tax Act, 1961, a search operation was conducted by the Income Tax Department during the period from 15 November 2018 to 21 November 2018. During the year, the Company has filed the application with the Income Tax Settlement Commission (ITSC) for the earlier years to conclude the final assessment and to avoid protracted and expensive litigation for these years. The applicable tax on additional income offered and interest paid has been provided for in the financial statements.

**Note 43: Leases**
The Company has taken premises on operating lease for a period of one to five years. The future lease payment of such operating lease is as follows:

| | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Minimum Lease rental payable | | |
| Not later than 1 year | 904 | 926 |
| Later than 1 year and not later than 5 years | 3,139 | 3,693 |
| Later than 5 years | - | - |
| **Total** | **4,043** | **4,619** |

**Note 44: DISCLOSURE REQUIRED UNDER SECTION 186(4) OF COMPANIES ACT, 2013**
Loans and advances to related parties includes loan given to a subsidiary. The particulars of which are disclosed below as required.

| Name of the party | Rate of interest | Purpose, Due date and amount payable | 31 March 2021 | 31 March 2020 |
|---|---|---|---|---|
| Mahadhan Farm Technologies Limited | 8.29% | The loan has been granted to the subsidiary for repayment of shareholder's loan. The loan is repayable on demand. | 362 | 390 |

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**Note 45: Foreign currency balances outstanding**

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| | Amount in Foreign Currency Lakhs | Equivalent Amount in INR Lakhs | Amount in Foreign Currency Lakhs | Equivalent Amount in INR Lakhs |
| **Hedged Position*** | | | | |
| Creditors (in USD) | 752 | 54,977 | 652 | 49,313 |
| Interest accrued (in USD) | 1 | 46 | - | - |
| **Total** | **753** | **55,023** | **652** | **49,313** |
| **Un-hedged Position** | | | | |
| Creditors (in USD) | - | - | 14 | 1,060 |
| Creditors (in EURO) | - | 41 | 1 | 83 |
| Interest accrued (in EURO) | - | 19 | 2 | 171 |
| Creditors (in GBP) | - | 1 | - | - |
| Exports (in USD) | (5) | (414) | (3) | (210) |
| **Total** | **(5)** | **(353)** | **14** | **1,104** |

*The above transactions are hedged by the following derivative contracts:

| | 31 March 2021 | | 31 March 2020 | |
|---|---|---|---|---|
| **Particulars** | Amount in Foreign Currency Lakhs | Equivalent Amount in INR Lakhs | Amount in Foreign Currency Lakhs | Equivalent Amount in INR Lakhs |
| Forward Contracts - USD | 283 | 20,671 | - | - |
| Options Contracts - USD | 471 | 34,353 | 652 | 49,313 |
| **Total** | **754** | **55,024** | **652** | **49,313** |

The Company has chosen to not designate the foreign exchange forward contracts and options contracts as hedges under IND AS 109.

**Note 46: Income Taxes**

| **A. Components of Income Tax Expenses** | **31 March 2021** | **31 March 2020** |
|---|---|---|
| **I. Tax expense recognised in the statement of profit and loss** | | |
| Current Tax | | |
| Current Year | 13,333 | 214 |
| **Total (A)** | **13,333** | **214** |
| Deferred tax charge/(credit) | (8,915) | 328 |
| **Total (B)** | **(8,915)** | **328** |
| **Total (A+B)** | **4,418** | **542** |

| | | |
|---|---|---|
| **II. Tax on Other Comprehensive Income** | | |
| Deferred Tax | | |
| (Gain)/Loss on remeasurement of net defined benefit plans | (114) | (187) |
| **Total** | **(114)** | **(187)** |

**Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate 31 March 2021 and 31 March 2020**

| **Particulars** | **31 March 2021** | **31 March 2020** |
|---|---|---|
| Accounting profit before tax | 24,459 | 1,480 |
| **At India's statutory income tax rate of 34.944% (31 March 2020: 34.944%) (A)** | 8,547 | 517 |
| Impact on current and deferred tax of earlier years (Refer Note 42) | 1,259 | - |
| Deferred tax recognized on reasonable certainity | (5,652) | - |
| Others | 264 | 25 |
| **Total (B)** | **(4,129)** | **25** |
| **Income Tax expense reported in the statement of profit or loss (A+B)** | **4,418** | **542** |

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**Note 47: Segment Reporting**

| Sr No | PARTICULARS | CHEMICALS | FERTILISERS | OTHERS | COMMON | TOTAL |
|---|---|---|---|---|---|---|
| 1 | **Revenue** | | | | | |
| | a) **External Sales** | | | | | |
| | i) **Manufactured** | **122,598** | **217,051** | - | - | **339,649** |
| | *Previous Year* | *122,315* | *158,553* | - | - | *280,868* |
| | ii) **Traded** | **3,145** | **48,031** | - | - | **51,176** |
| | *Previous Year* | *1,369* | *32,833* | - | - | *34,202* |
| | b) **Other operating income** | - | - | **818** | - | **818** |
| | *Previous Year* | - | - | *1,395* | - | *1,395* |
| | c) **Unallocated Corporate other income** | - | - | - | - | - |
| | *Previous Year* | - | - | - | - | - |
| | **Total Revenue** | **125,743** | **265,082** | **818** | - | **391,643** |
| | *Previous Year* | *123,684* | *191,386* | *1,395* | - | *316,465* |
| 2 | **Segment Result** | **30,871** | **19,557** | - | - | **50,428** |
| | *Previous Year* | *31,277* | *3,336* | - | - | *34,613* |
| 3 | **Unallocated Corporate expenses** | - | - | - | **25,969** | **25,969** |
| | *Previous Year* | - | - | - | *33,133* | *33,133* |
| 4 | **Net profit** | - | - | - | - | **24,459** |
| | *Previous Year* | - | - | - | - | *1,480* |
| 5 | **Other Information** | | | | | |
| | a) **Segment Assets** | **274,173** | **227,900** | - | **48,670** | **550,743** |
| | *Previous Year* | *255,250* | *262,442* | - | *15,936* | *533,628* |
| | b) **Segment Liabilities** | **23,129** | **119,452** | - | **124,174** | **266,755** |
| | *Previous Year* | *35,345* | *158,626* | - | *76,398* | *270,369* |
| | c) **Capital Expenditure incurred during the year** | **7,578** | **2,740** | - | - | **10,318** |
| | *Previous Year* | *2,474* | *3,266* | - | - | *5,740* |
| | d) **Depreciation/ Amortisation** | **8,964** | **8,451** | - | - | **17,415** |
| | *Previous Year* | *8,227* | *9,871* | - | - | *18,098* |

**Segment information**

1. Primary segment reporting (by business segments)
   *Composition of business segment*

| Segment | Products covered |
|---|---|
| a) Chemicals | Ammonia, TAN |
| b) Bulk Fertilisers | NP, MOP, DAP, Ammonium Sulphate, Mixtures, SSP, Sulphur, Micronutrients, SSF, Bio Fertilisers. |

2 Secondary Segment Information: There are no reportable geographical segments since the Company caters mainly to needs of Indian Markets.

**Note 48** Previous year figures are given in bracket/italics.

**Note Nos. 1 to 48 form an integral part of the financial statements**

**As per our report of even date attached**

**For B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Himanshu Goradia
Partner
Membership No. 045668

Place: Mumbai
Date: 27 May 2021

B.K. KHARE & CO. Chartered Accountants

**For and on behalf of the Board of Directors of Smartchem Technologies Limited**

**S. C. Mehta**
Chairman
DIN:00128204

**Y. S. Mehta**
Director
DIN:07866312

Place: Pune
Date: 27 May 2021

**Amitabh Bhargava**
CFO

**Pankaj Gupta**
Company Secretary
Membership No: F-9219

Smartchem Technologies Limited ★