

# **Nurturing Growth.** Navigating Uncertainty.



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information, log on to:

[www.aarti-surfactants.com](http://www.aarti-surfactants.com)

### Forward-Looking Statements

This Report and other statements - written and oral - that we periodically make, may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# Corporate Information

## Board of Directors

**Mr. Mulesh Manilal Savla**  
Chairman & Independent Director

**Mr. Nikhil Parimal Desai**  
Managing Director

**Mr. Chandrakant Vallabhaji Gogri**  
Non-Executive Director

**Mr. Dattatray Sidram Galpalli**  
Non-Executive Director

**Mr. Santosh Madhaorao Kakade**  
Whole-Time Director

**Ms. Misha Bharat Gala**  
Independent Director

## Chief Financial Officer

**Mr. Nitesh Harakchand Medh**

## Company Secretary

**Mr. Prashant Balasaheb Gaikwad**

## Auditors

M/s Gokhale & Sathe,  
Chartered Accountants

## Registrar & Transfer Agent

M/s. Link Intime India Private Limited  
C 101, 247 Park,  
L. B. S. Marg,  
Vikhroli (West), Mumbai,  
Maharashtra – 400 083.  
Tel No: +91 22 49186000  
Fax: +91 22 49186060

## Banker

SVC Co-operative Bank Limited

## Registered Office

Plot Nos. 801, 801/23, GIDC Estate,  
Phase - III, Vapi, Dist. Valsad,  
Gujarat - 396 195

## Corporate Office

Unit 202, Plot 71, Udyog Kshetra,  
2<sup>nd</sup> Floor, Mulund-Goregaon Link Road,  
Mulund West,  
Mumbai - 400 080  
Visit us at [www.aarti-surfactants.com](http://www.aarti-surfactants.com)

## Corporate Identity Number

U24100GJ2018PLC102891



# NURTURING GROWTH. **NAVIGATING UNCERTAINTY.**

We continue to nurture our growth by leveraging our manufacturing and technical capabilities, domain expertise, and dedicated marketing and sales team. Our technical prowess and prudent cost management enable us to provide excellent products and services to our distributors and industries worldwide at a competitive price. This gives us a distinct competitive edge in the domestic as well as the global markets.



***The outbreak of Covid-19 offers a moment of grave challenge, but also presents an opportunity, as our health & hygiene vertical continued to generate demand. Our capabilities have enabled us to cater to the expanding addressable market. As we maintained a growth trajectory, we exercised caution on all fronts. We upheld a prudent approach during challenging times and navigated the uncertain times by placing the right buffers in place to capture future growth.***

# Cultivating Growth

We are a renowned producer of high-quality and eco-friendly ionic and anionic surfactants and specialty products. Backed by sophisticated technologies, unwavering focus on R&D, and a wide portfolio of innovative products, we have been fulfilling evolving customer demands. Our esteemed customer base is spread across diverse industries globally that includes Home & Personal Care, Industrial Applications, Agro and Oil Industries, among others.



Our strong manufacturing capabilities, supported by our plants situated at Pithampur (Madhya Pradesh) and Silvassa, enable us to produce surfactants having a best-in-class quality that surpass even the most stringent expectations of our customers. We also manufacture formulated blends that are customised as per our clients' unique needs and ensure timely delivery by leveraging our well-established and agile distribution network.

## Our Vision

To become the Global Partner of Choice for all leading FMCG companies for Surfactants and Specialty Products.

## Our Mission

We aim to be a dependable source of quality surfactants for the home care, personal care, oral care, oil & gas, agro and other industries. We strive to develop trustworthy relationships with our customers, employees, and stakeholders for sustainable growth in the global market. We also strive to be ahead in the market by providing competitive prices with consistent quality and timely deliveries.

## Our Portfolio

Surfactants

UV Blocker

Pearlising Agent

Mild Surfactants

Preservatives

Blends

### Industry Segments That We Cater To



Home  
Care



Hair  
Care



Skin and  
Personal Care



Oral  
Care



Baby  
Care



Industrial  
Applications

### Key Certifications

Surfactant Products



### Key Numbers (₹ in Lakhs)

#### Revenue



#### EBIDTA



#### Net profit/Loss



# From the Desk of the Managing Director

It gives me immense pleasure to present to you the annual performance of Aarti Surfactants Limited for FY 2019-20.

The year in review has witnessed a broad-based slowdown in global manufacturing activity, rising international trade barriers, a sharp decline in domestic consumption, and the outbreak of novel Coronavirus (Covid-19). Despite tough economic conditions, we continued our growth trajectory unabated and exhibited remarkable business resilience. We registered a commendable top-line growth of 23.3% over FY 2018-19 and successfully turned around our business, posting positive net profits of ₹ 209.11 Lakhs this year as against the loss of ₹ 647.94 Lakhs in the previous year.

We further enhanced our business by leveraging our diverse portfolio of high-quality and customised products; long-standing and well-nurtured customer relationships; and technical prowess that makes us globally competitive. Our focus on developing best-in-class products by using the right chemistry has been well-complemented by our agile supply chain and an extensive distribution network. This enabled us to capture unique opportunities presented by our customer industries spread across the globe.

With much pride, I am happy to share that equity shares of your Company got listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on July 14, 2020.

I welcome all new shareholders to our extended family.

## Covid-19 Developments and Opportunities

The outbreak of the Covid-19 pandemic towards the end of the fiscal year upended the Indian economy, suspended business activities, and brought about unprecedented slowdown across the majority of the industries. With the Government imposing lockdowns and travel restrictions, industries across the country struggled to adapt to the volatile markets and rapidly changing consumer expectations. While this impacted our performance marginally in the fourth quarter, we could continue our operations with regulatory approvals even during the lockdown phase, thanks to our product portfolio, the majority of which cater to essential categories. We responsibly focused on leveraging our essential products' portfolio that caters to the health and safety category of the FMCG sector.

Even as we focused on improving our cost efficiencies, our operational expenses have been on the rise as a

direct impact of Covid-19. Nevertheless, we ensured that the health and safety of employees at our plants were not compromised. We revamped our production units once the relaxations in restrictions were announced and implemented standard operating procedures to maintain safety and hygiene at workplaces.

## Growing Presence in the Potential Exports Markets

We strive to strengthen our presence in geographies that hold significant potential owing to their rising consumption of hygiene products, a youthful demographic and a lack of quality local production.

## Strengthening Customer Relationships

We take immense pride in establishing ourselves as a "strategic supplier" to several of our marquee customers. Our commitment to adding value to our esteemed customers by offering innovative and consistent quality products that are backed by extensive market research play a critical role in achieving this recognition. While continuing to deepen our relationship with these customers, we endeavour to increase our customer base in high growth markets by leveraging our strong track record and manufacturing capabilities.

## **Tapping the Emerging Segment of Eco-Friendly Surfactants**

With rising awareness of hazards of harmful chemicals, consumers across the globe are displaying strong preference to the eco-friendly ingredients and are willing to pay a premium for organic personal care products. Even as demand for eco-surfactants is expected to be subdued for the short duration owing to the pandemic-led slowdown, we continue to augment our domain expertise to capture this emerging opportunity as the segment's demand revives.

## **Nurturing Value-based Growth**

We target continuous improvements in production yield, product quality, and cost-efficiency through our sophisticated manufacturing plants that are accredited with quality certifications. Our efficient raw material procuring through data-driven smart purchasing provides us with significant price flexibility in the global markets while maintaining our margins. These efforts are further complemented by our R&D facilities. This coupled with our unwavering focus on customer centricity has bolstered our competitive position globally.

## **Outlook**

We believe we are well-positioned to capitalise on the growth opportunity in the global Home and Personal Care sector by leveraging our competitive strengths which include a strong product portfolio, deep customer relationships, competitive pricing, technical capabilities, and robust business model, among others. Our competitive strengths and structural growth drivers present in our customer industries will ensure sustainable growth.

However, in light of the volatile demand scenario and shrinking economies posed by the pandemic, we will move forward with caution. We will focus on undertaking cost controlling measures to become a leaner and more agile organisation while emphasising on capturing heightened demand for the essential products' category.

## **Conclusion**

I would like to thank all key stakeholders for their support and faith in us. I would also like to thank all our employees for their dedicated efforts throughout these testing times.

We are confident of delivering on our growth objectives while ensuring sustainability and inclusive growth of all our stakeholders.

Be safe and wish all of you and your families the best of health.

With Regards,

**Mr. Nikhil Parimal Desai**  
Managing Director

# Statutory Reports

# Management Discussion & Analysis

## Economic Overview

### Global Economy

The global economy grew by 2.9% in 2019, as against 3.6% in 2018, as per the estimates from the International Monetary Fund (IMF). This subdued growth is a consequence of elevated trade barriers, Brexit-related concerns, geopolitical tensions, and macroeconomic stress in several economies. The slowdown in activity has been even more pronounced across the emerging market economies including Brazil, China, Mexico, Russia, and Turkey. However, the conditions eased in the beginning of 2020 with positive developments in US-China trade negotiations and continued monetary easing.

### Covid-19 Outbreak

The outbreak of novel coronavirus (Covid-19) in the first quarter of 2020, which was declared as a global pandemic, posed fresh challenges to global activities and economies. The severe spread of the virus plunged the world economy into a recession, worse than the financial crisis a decade ago. As a result of the lockdown measures to contain the spread, the global economy is expected to contract to - 4.9% in 2020, due to travel restrictions and business closures to contain the pandemic. Central banks across the world have eased monetary policies to mitigate the effects of the pandemic and stabilise markets. In addition, a series of stimulus packages have been announced by economies and financial institutions to limit the economic damage. IMF estimates that global economic growth will rebound to 5.4% in 2021, expecting a normalisation in economic activity helped by policy support.

### Indian Economy

The IMF estimates India's Gross Domestic Product (GDP) to have grown by 4.2% in FY 2019-20, compared to 6.8% in FY 2018-19. Primary factors responsible for this growth deceleration are the global economic slowdown, subdued consumption and private investment, and liquidity constraints. The unexpected outbreak of Covid-19 has created unprecedented challenges for the Indian economy as well. Steps taken to contain the spread such as the nationwide lockdown have stalled economic activity and are expected to hugely impact consumption and investment. IMF has pegged economic growth at 1.9% for FY 2020-21, with potential downsides.

## Industry Overview

### Surfactants Market – Global

The global surfactants market, estimated to be US\$ 30.64 billion in 2016, is projected to reach US\$ 39.86 billion by 2021, registering a CAGR of 5.4% during this period. Surfactants are surface-active agents that reduce the surface tension of a liquid and increasing its wetting properties. Surfactants are widely used in detergents, cleaners, soaps, shampoos and other related products for removing dirt, oil, stains, and various unwanted foreign particles from the surface they are applied to.

Cosmetics, textile processing, oilfield chemicals, industrial and institutional cleaning, crop protection, food and beverages, emulsifier and foaming agents are other application segments in the global surfactants market.

The surfactants market is likely to maintain healthy growth due to developments in end-user industries, such as detergents and personal care products, especially in the developing economies.

Source: <https://www.marketsandmarkets.com/PressReleases/surfactants.asp>

### Rising Asia-Pacific Demand

Asia-Pacific is the largest market for surfactants owing to the rising demand from household and industrial applications. The Asia Pacific surfactants market, which was valued at US\$ 4.1 billion in 2015, is estimated to be worth US\$ 6.3 billion by 2024, projected to grow at a steady CAGR of 5.0%. Rising demand in the personal care sector is likely to augment the surfactants market in this region. The market will be driven by the demand from the rising population in India, China, Indonesia, and others.



Note: Bubble size represents market size for 2021

## Outlook

Global demand for surfactants in cosmetics and personal care is likely to witness the fastest CAGR of 5.8% during the period 2019-2025. The global market for detergents, soaps and cleaners, which form the largest application for surfactants, is projected to reach US\$14.4 billion by 2025. The growth of surfactants is primarily triggered by the rising demand from the personal care segment.

### Surfactants Market – India

India is one of the largest growing surfactants markets, owing to its rapidly growing applications. The surfactants market in India is forecast to grow from US\$ 1.5 billion a year in 2018 to US\$ 2.5 billion by 2020, growing at a CAGR of 13%. India is expected to be the fastest-growing market for industrial surfactants due to the country's increasing economic growth. The government pays more attention to building infrastructure, leading to growing demand from construction, paints and coatings, and Synthetic Latex Polymer (SLP) applications, the three fastest-growing applications in India. The market for industrial surfactants in India is expected to grow at a CAGR of 10% by 2022, making it the fastest-growing market globally.

### Key Growth Drivers

#### *Rising Disposable Incomes*

The rising disposable income of consumers, along with changing lifestyles, play a significant role in boosting the growth of the surfactants market. The demand for surfactants is propelled by the rising demand for personal care products and increased demand for mild surfactants.

#### *Low Cost and Easy Availability*

Low cost and easy availability of synthetic surfactants are also propelling the market growth. Synthetic surfactants are traditionally produced from petroleum-based substrates and are widely used in different application segments, such as detergents & cleaners, auxiliaries for textiles, personal care, industrial & institutional cleaning, and paints & coatings.

## Company Overview

### Overview

Aarti Surfactants Limited (hereafter referred to as your Company) is a renowned supplier of innovative and high-quality specialty surfactants. Your Company produces both ionic as well as anionic specialty surfactants that find applications in industries such as Home & Personal Care, Agro and Oil industries, and Industrial Applications, among others. It has created a distinctive identity for itself in the global markets backed by its diversified portfolio customised as per the clients' needs.

### Manufacturing Capabilities

Your Company has established two state-of-the-art manufacturing facilities – one situated at Pithampur, Madhya Pradesh, and the other at Silvassa, Dadra and Nagar Haveli.

### Key Competitive Advantages

#### Diversified Geographical Presence

Your Company has established a significant global footprint and exports to multiple regions. This enables your Company to achieve superior revenue growth while minimising the risk of region-specific business cyclicity.

#### Diversified Customer Base

Apart from achieving geographical diversification, your Company has de-risked its business model further by strategically diversifying across multiple customer-industries. It supplies best-in-class surfactants to multiple industries including Home and Personal Care (HPC), Health Care, Baby Care and other industrial applications. Your Company has developed long-standing relationships with the customers by offering products with competitive prices and consistent quality and ensuring timely deliveries.

#### Strong Global Supply Chain

Your Company has developed and nurtured long-standing relationships with global suppliers to ensure stable and efficient supply of high-quality raw material inputs. It has also established an extensive distribution network in domestic as well as overseas markets that ensure timely deliveries of products to our esteemed customers. A strong supply chain coupled with an agile distribution network gives your Company a distinctive competitive edge in the global markets, which helps it achieve profitable growth.

#### Efficient Raw Material Sourcing

Your Company has instituted a competent and dedicated purchasing team which strives to procure raw materials at competitive prices by deploying data-driven "smart purchasing" and "bulk purchasing". By sourcing raw material at optimum prices, your Company is able to offer high-quality products to customers at superior prices while maintaining its margins.

### Key Growth Enablers of the Company

#### Global Competitive Advantage

Your Company with its globally competitive pricing is in the sweet spot as major markets across the world are preferring India as an alternative manufacturing and supply chain hub owing to a low-cost advantage. This is further complimented by your Company's manufacturing and technical capabilities, consistent product quality and ability to address clients' varying demands making it a reliable supplier for leading global customers.

### Growing Demand for Health and Wellness Products

In the wake of the health crisis posed by the onstage of Covid-19, the demand for safety and hygiene products, including handwash, sanitisers, disinfectants, and other personal care products is on the rise. This demand is expected to stay elevated as consumers are undergoing a paradigm shift and making cleanliness as a top priority. Your Company is well poised to capitalise on the significant growth headroom provided by this uniquely growing FMCG segment.

### Covid-19 Response

The prolonged lockdown imposed by the government in response to Covid-19 outbreak disrupted supply chains and impacted your Company's operations in the fourth quarter of FY 2019-20. The lockdown posed logistical constraints on your Company as it faced challenges in the movement of raw materials, finished goods, and manpower. However, with more than 50% of your Company's products being supplied to the essential services category, it could continue its manufacturing operations with regulatory approvals even during the lockdown phase. While normalising supply chains post-lockdown led your Company to resume and ramp up its operations swiftly, it proactively undertook prompt and adequate measures to secure critical resources. Your Company continues to monitor the situation closely to take adequate risk mitigating steps and ensure uninterrupted operations.

Your Company places the utmost importance on the health and well-being of its workers and staff and undertook all necessary safety-related measures while ramping its production units post lockdown relaxations. It responded swiftly in the Covid-19 crisis by establishing a standard operating procedure to maintain low human-to-human contact in the plants by following social-distancing and ensuring strict adherence to the safety guidelines. Furthermore, it adopted work-from-home culture to ensure the safety of its employees and the continuity of the work. In light of the new working culture, your Company has introduced adequate data security measures and additional protocols to safeguard its competitive and sensitive information.

Your Company continues to monitor key business developments closely and aims to optimally utilise its manufacturing capacity along with laying more emphasis on controlling operating costs.

### Business Review

Your Company delivered a commendable performance in FY 2019-20 as it registered revenue growth of 23.3% Year-on-Year (YoY) and stood at ₹ 325.9 Crores. This increased revenue coupled with tight control on operational costs resulted in strong growth in EBIDTA from ₹ 5.2 Crores to ₹ 23.8 Crores and a subsequent turnaround of your Company from a loss-making entity to a profitable organisation.

### Opportunities and Outlook

The long term outlook of your Company continues to be positive owing to the presence of structural growth drivers for its products and. India's rising preference as an alternative supplier hub in the global markets.

However, the advent of the Covid-19 and the ensuing economic crisis has posed certain short-term challenges to your Company's growth objectives. Even as markets all over the world resume their operations, it will take some time before the economic activity picks up to pre-covid conditions. Your Company is expected to face temporary issues such as delayed exports, labour shortages and higher overheads. In light of these developments, your Company will tread cautiously while maintaining strict control over its operating costs.

The demand for the Hygiene segment amidst the virus outbreak is expected to grow. Also, demand from the FMCG sector, particularly for the disinfectant segment, is set to rise due to higher focus on health and safety by consumers. Backed by strong demand momentum for these products, your Company is well-positioned to explore growth opportunities even amidst the prevailing challenging conditions.

Even though the industry is witnessing intensified competition as new players continue to enter the market, your Company remains focused on bolstering its competitive position in the domestic as well as global markets. It is well poised to capitalise emerging opportunities in key customer industries by leveraging its manufacturing capacities, wide product portfolio, and strong R&D capabilities. Its reputation as a reliable supplier of consistent quality surfactants at competitive prices would assist greatly in exploiting opportunities emerging in domestic as well as overseas markets.

### Material Developments in Human Resources / Industrial Relations Front Including the Number of People Employed

Human capital is an indispensable asset of your Company that plays a critical role in executing strategic goals and achieving long-term sustainable growth. Your Company has established a organisational structure that promotes safe and conducive work culture, promotes trust, transparency and a sense of teamwork through comprehensive, well-documented, and employee-friendly HR policies. Your Company, during the year, enjoyed a cordial relationship with its workers and staff while it continues to build and strengthen its human resource capital by conducting various development trainings and providing growth opportunities based on meritocracy. As on March 31, 2020, your Company's total employee strength stood at 337.

## Risk Management

Your Company has established a comprehensive framework for identifying and mitigating internal as well as external risks. It faces internal risks such as operational risks, product risks, key personnel risk, and technology risk, among others. Additionally, it faces external risks such as overall global or country-specific economic slowdown, declining demand in key markets, raw material unavailability, and intensifying competition within the industry players, among others. It also faces rare and novel risks such as prevailing challenges posed by Covid-19 pandemic.

Your Company formulates strategies through appropriate checks and balances to monitor and mitigate identified risks to minimise their impact on the Company's operational and financial performance. This enables your Company to sustain its long-term profitability and maintain its competitive position in the domestic as well as in the overseas markets.

## Environment Health and Safety

Your Company is a responsible care company and is committed to ensuring the highest standards of Safety, Health and Environment (SHE) while performing its business operations. It has been proactively and consistently undertaking initiatives in developing and adopting Safer Process technologies and manufacturing operations. Your Company has been investing in areas such as:

- Process automation to achieve superior worker safety by reducing the chances of human error
- Enhanced level of training on Process and Behaviour-based safety
- Adoption of safe and Good Manufacturing Practices (GMP); environment-friendly production process
- Installation of Bioreactors, Chemical ROs, Multiple effect evaporator, and Incinerator, among others to reduce the discharge of effluents
- Commissioning of Waste Heat recovery systems to ensure the Reduction, Recovery and Reuse of effluents & GMP; other utilities

Your Company undertakes periodic reviews of the designed SHE Management System and initiates preventive/corrective measures based on the findings of the review. It continuously monitors SHE Management System to ensure its adequacy and ensures strict adherence to its guidelines.

## Internal Controls & Their Adequacy

Your Company has developed adequate and well-defined internal control systems for all its operational and financial functions. It authorises, records and reports transactions to safeguard assets against loss from their unauthorised use or disposition. It has established a comprehensive documentation system to ensure proper maintenance of accounting records and reliable financial reporting. The internal controls are reviewed periodically by the internal team, and the management, and appropriate preventive and corrective measures are undertaken to ensure timely compliance with regulations and accurate monitoring of their adequacy.

## Cautionary Statement

The Management Discussion and Analysis contains statements describing the Company's objectives, projections, estimates and expectations, which may be forward-looking in nature. These statements are made within the meaning of applicable laws and regulations and are based on informed judgments and estimates. Past performance of the Company is not necessarily indicative of its future results and actual results could materially differ from those expressed or implied. There cannot be any guarantee of previous performance continuity as future performance also involves risks and uncertainties. These may include but are not limited to the general market, macroeconomic, currency exchange and interest rates movements, competitive pressures, technological and legislative developments and trends, and other key factors that may affect the Company's business and financial performance. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements based on any subsequent development, information or events.

The above estimates presented in the document are prior to the outbreak of the Covid-19 pandemic. The actual performance may differ based on the impact on India's macro-economic environment and the effective containment of the virus.

# Director's Report

To  
**The Members of**  
**Aarti Surfactants Limited**  
*(Formerly known as Arti Surfactants Limited)*

Your Board of Directors ("Board") are pleased to present this Second Annual Report of your Company ("the Company" or "Aarti Surfactants Limited") and the Audited Statement of Accounts for the year ended March 31, 2020.

## Financial Result

(₹ In Lacs)

Particulars	STANDALONE		CONSOLIDATED
	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019	For the Year Ended March 31, 2020
Revenue From Operations	32,586.40	26,432.32	32,586.40
Other Income	20.90	6.82	20.90
Total Income	32,607.30	26,439.14	32,607.30
EBIDTA	2380.52	523.15	2380.02
Depreciation and Amortisation	1057.55	879.73	1,057.55
Profit/(Loss) before Finance Costs	1322.97	(356.58)	1322.47
Finance Costs	1,027.95	241.60	1,027.95
Profit/(Loss) before Tax	295.02	(598.18)	294.52
Net Profit/(Loss) for the period	209.11	(647.94)	208.61
Earnings Per Shares (₹)			
Basic	2.76	(8.54)	2.75
Diluted	2.76	(7.48)	2.75

## Financial Performance

Standalone Basis, Revenue from Operations stood at ₹ 32,586.40 Lacs for FY 2019-20 as against ₹ 26,432.32 Lacs for FY 2018-19. Similarly the exports for the year were at ₹ 5,344.07 Lacs for FY 2019-20 as against ₹ 3,476.93 Lacs for FY 2018-19. Company's Earnings Before Interest Depreciation and Taxes stood at ₹ 2,380.52 Lacs in FY 2019-20 as compared to ₹ 523.15 Lacs in FY 2018-19, registering a growth of 355.04%, Net Profit after Tax for the period was ₹ 209.11 Lacs as compared to Net Loss of ₹ 647.94 Lacs in Financial Year 2018-19.

On consolidated basis, Consolidated Revenue from Operations for FY 2019-20 was at ₹ 32,586.40 Lacs and Consolidated Net Profit after Tax was ₹ 208.61 Lacs.

## Appropriations

- a) Transfer to reserves - During the financial year under review, the Company did not transfer any amount to any reserves.

- b) Dividend - To conserve the funds of the Company, your directors are not recommending Dividend for Financial Year 2019-20.

## Capital Structure

- a) **Authorised share capital** – During the financial year under review, pursuant to the scheme of Arrangement between the Company, Aarti Industries Limited and Nascent Chemical Industries Limited, the Authorised Share Capital of the Company was increased from ₹ 5,00,000 divided into 50,000 Equity Shares of ₹ 10 each to ₹ 16,26,00,000 by creation of additional 80,80,000 Equity Shares of ₹ 10/- each and 81,30,000 Redeemable Preference Shares of ₹ 10/- each.

Additionally, pursuant to ordinary resolution passed by the members on October 21, 2019, the authorised capital was further increased from 16,26,00,000/- divided into 81,30,000 Equity Shares of ₹ 10/- each and 81,30,000

Redeemable Preference Shares of ₹ 10/- each to ₹ 40,00,00,000/- by creation of additional 2,37,40,000 equity shares of ₹ 10/- each. The Authorised Share Capital of the Company as on the close of Financial Year i.e. on March 31, 2020 stood at ₹ 40, 00, 00,000/- consisting of 3,18,70,000 equity shares of ₹ 10/- each and 81,30,000 Preference Shares of ₹ 10/- each.

- b) Paid-up share capital** - During the financial year under review, pursuant to the approval of NCLT Ahmedabad vide its order dated June 10, 2019 on the Composite scheme of Arrangement between the Company, Aarti Industries Limited and Nascent Chemical Industries Limited, the Board in its meeting held on August 20, 2019 issued / allotted 75,84,477 Equity Shares of ₹ 10 each and 10,82,387 Redeemable Preference Shares of ₹ 10 each. As on March 31, 2020 the paid – up Equity Share Capital of the Company is ₹ 7,58,44,770 and Preference Share Capital of the Company is ₹ 1,08,23,870.

Pursuant to the composite scheme of arrangement, the entire pre-share capital held by Aarti Industries Limited i.e 50,000 Equity shares of ₹ 10 in the Company stood reduced, cancelled and extinguished.

### Annual Return

The extract of the annual return in Form No.MGT-9 in terms of Section 92(3) of the Companies Act, 2013 for the financial year under review has been provided in the form of Annexure - A which forms part of the Directors' Report.

### Meetings

The Board met 5 times during the period from April 1, 2019 to March 31, 2020 viz. on April 4, 2019, June 13, 2019, July 8, 2019, August 20, 2019 & December 7, 2019.

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2)

### Director's Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013.

- a) That in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a

true and fair view of the state of affairs of the company at the end of the Financial Year and of the profit and loss of the company for that period;

- c) That the Directors had taken proper and sufficient care for the 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 fraud and other irregularities;
- d) That Directors have prepared the annual accounts on a going concern basis;
- e) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively;
- f) The directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

### A statement on Declaration Given by Independent Director

In terms of Section 149(7) of the Companies Act, 2013, Mr. Mulesh M. Savla and Ms. Misha B. Gala., the Independent Directors of the Company, have given a declaration to the Company that they meet the criteria of independence as specified under Section 149(6) of the Companies Act, 2013 and the Listing Regulations and there has been no change in the circumstances which may affect their status as Independent Directors. Further, they have also given a declaration that they have complied with the provisions of the Code of Ethics for Directors and Senior Management (including Code of Conduct for Independent Directors prescribed in Schedule IV to the Companies Act, 2013) to the extent applicable, during the financial year under review.

### Auditors and Auditors' Observations

- a) Statutory Auditor** - M/s Gokhale & Sathe (Firm Registration No : 103264W), Chartered Accountants were appointed as the statutory auditors of the Company to hold office from the conclusion of the 1st Annual general meeting till the conclusion of the 6th Annual General meeting of the Company i.e. for a period of five years. As per the provisions of Section 139 of the Act, they have confirmed that they are not disqualified from continuing as Auditors of the Company.

There are no qualifications, reservations or adverse remarks or disclaimer made by the Auditor in their report. The Auditors of the Company have not reported any instances of fraud committed against the Company by its officers or employees as specified under Section 143(12) of the Companies Act, 2013.

**b) Secretarial Auditor** – Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rules made thereunder, M/s. Sunil M. Dedhia & Co., Company Secretaries (Membership No. 3483 and C.P. No. 2031) has been appointed as the secretarial auditor to conduct the secretarial audit for the financial year 2019-20. A secretarial audit report in Form No.MR-3 given by the secretarial auditor has been provided in an Annexure - 'B' which forms part of the Directors Report.

As regards observations made in the Secretarial Audit Report relating to listing and commencement of trading in the equity shares of the Company issued on August 20, 2019 pursuant to Composite Scheme of Arrangement (Scheme) involving the Company on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on July 14, 2020 beyond the period of sixty days of receipt of the order of the Hon'ble National Company Law Tribunal sanctioning the said Scheme on June 10, 2019 required as per SEBI Circulars referred to therein, it is clarified that the approvals for listing were delayed due to clarifications sought by the said Stock Exchanges and representations made to SEBI explaining the genuine difficulties faced in complying with the requirements of the said SEBI circulars. As regards pending listing of Redeemable Preference Shares issued under the said Scheme, we had approached the regulatory authorities for the grant of permission for listing of these Redeemable Preference Shares. While we have complied with all the requirements, there was also a requirement for the Redeemable Preference Shares to be rated by the Credit rating agency with a credit rating of AA-. Since our company had recently been incorporated and does not have its own independent past getting this rating at the initial instance was not possible, inspite of having an absolute clean credit record. Hence there had been the delay in listing of these Redeemable Preference Shares. We are engaged with discussion with the rating agency and the regulators to find a solution to this issue.

During the year under review, the Secretarial Auditor had not reported any fraud under Section 143(12) of the Act and therefore no details are required to be disclosed under Section 134 (3) (ca) of the Act.

**C) Cost Auditor** - The Company is required to maintain cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 and accordingly such accounts and records are made and maintained by the Company for the financial year under review. M/s. PHS & Associates., Cost Accountants, Mumbai (Regn. No. 101038) had been appointed as the cost auditors for conducting audit of cost accounting records of the

Company for the financial year 2019-20. The due date of submitting the cost audit report by the cost auditor to the Company for the financial year 2019-20 is within a period of one hundred eighty days from the end of the financial year, i.e. March 31, 2020. Thereafter, the Company shall file a copy of the cost audit report in Form No.CRA-4 within a period of 30 (thirty) days from the date of its receipt.

Further, in terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and pursuant to the recommendation of the Audit Committee, M/s. PHS & Associates, Cost Accountants, Mumbai (Registration No. 101038) have been appointed as cost auditors for conducting audit of cost accounting records of the Company for the financial year 2020-21 at a remuneration of ₹ 85,000 /- (Rupees Eighty Five Thousand Rupees only), which shall be subject to ratification by the shareholders at the ensuing annual general meeting.

### Particulars of Loans, Guarantees or Investments

The particulars of loans, guarantees and investments in terms of Section 186 of the Companies Act, 2013 for the financial year under review have been provided in the notes to the financial statements which forms part of this Annual Report.

### Particulars of Contracts / Arrangements with Related Parties

Details of related party transactions are given in Note 29 to the Financial Statement. Since all related party transactions entered into by the Company were in ordinary course of business and were on an arm's length's basis, Form AOC-2 is not applicable to Company.

### Environmental, Safety and Health

Your Company is committed to ensure a sound Safety, Health and Environment (SHE) performance related to its activities, products and services. Your Company had been continuously taking various steps to develop and adopt Safer Process technologies and unit operations.

Your Company has been investing in areas such as Process Automation for increased safety and reduction of human error element, Enhanced level of training on Process and Behaviour based safety, adoption of safe & environmental friendly production process, Installation of Bioreactors, Chemical ROs, Multiple effect evaporator and Incinerator, etc to reduce the discharge of effluents, commissioning of Waste Heat recovery systems, and so on to ensure the Reduction, Recovery and Reuse of effluents & other utilities. Monitoring and periodic review of the designed SHE Management System are done on a continuous basis.

## Particulars of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Pursuant to Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014, information on conservation of energy, technology absorption, foreign exchange earnings and out-go is given as below.

<b>1 Conservation for Energy</b>	
a) The Steps Taken or Impact on Conservation of Energy;	Steam recovery from waste heat of sulfonation process has been commissioned.
b) The steps taken by the company for utilising alternate sources of energy;	In Silvassa Plant, Coal as boiler fuel is replaced by Agro Waste.
c) The capital investment on energy conservation equipment	-
<b>2 Technology absorption</b>	
a) The efforts made towards technology absorption	Continuous efforts are going on in plant to improve product quality and process yield. In the Batch Process efforts are made to reduce the batch time.
b) The benefits derived as a result of above efforts	Improved Product Quality and Productivity.
c) Information regarding technology imported during the last 3 years	Nil
<b>3. Expenditure Incurred on Research and Development Expenditure</b>	
	Nil
<b>4. Total foreign exchange earnings and outgo</b>	
	The Foreign Exchange Earnings and outgo were ₹ 5,344.07 Lakhs and ₹ 111.86 Lakhs respectively

### Directors/Key Managerial Personnel Appointed /Resigned During the Year and upto the date of Financials Under Review of this Report

**Appointment Of Non – Executive Directors** – The Company in its Annual General Meeting of the Company held on October 21, 2019 appointed Mr. Chandrakant Vallabhaji Gogri and Mr. Dattatray Sidram Galpalli as Non – Executive Directors of the Company, Directors liable to retire by rotation.

**Appointment Of Independent Directors** – The Company in its Annual General Meeting of the Company held on October 21, 2019 appointed Mr. Mulesh Manilal Savla and Ms. Misha Bharat Gala as Independent Directors of the Company, Directors not – liable to retire by rotation for a period of five year w.e.f. June 13, 2019 & August 20, 2019 respectively.

**Appointment Of Managing Director (Key Managerial Personnel)** – The Company in its Annual General Meeting held on October 21, 2019 appointed Mr. Nikhil Parimal Desai as the Managing Director (Key Managerial Personnel) of the Company, for a period of three years effective from August 20, 2019 to August 19, 2022.

**Appointment Of Whole – Time Director** – The Company in its Annual General Meeting held on October 21, 2019 appointed Mr. Santosh Kakade as the Whole – time Director of the Company, for a period of three years effective from August 20, 2019 to August 19, 2022.

**Appointment of Company Secretary and Chief Financial Officer (Key Managerial Personnel)** – The Board of Directors

in its meeting held on August 20, 2019 appointed Mr. Prashant Balasaheb Gaikwad as Company Secretary and Compliance officer (Key Managerial Personnel) of the Company. Mr. Nitesh Harakchand Medh was appointed as Chief Financial Officer (Key Managerial Personnel) of the Company in the Board Meeting of the Company held on June 04, 2020.

**Re-appointment of directors retiring by rotation** – Mr. Chandrakant V. Gogri, Non – Executive Director of the Company retire by rotation at the ensuing annual general meeting and being eligible offer himself for re-appointment. Profile of the directors seeking re - appointment as required to be given in terms of Regulation 36 of the Listing Regulations forms part of the Notice convening the ensuing annual general meeting of the Company.

**Resignation** - During the Financial year 2019 -20, none of the Directors of the Company has resigned.

### Subsidiaries/Joint Ventures and Associate Companies

**Subsidiary** - During the year Company incorporated one Subsidiary namely Aarti HPC Limited. It was incorporated on December 26, 2019.

**Material Subsidiary** - The Company does not have any material subsidiary whose net worth exceeds 10% of the consolidated net worth of the Company in the immediately preceding accounting year or has generated 10% of the consolidated income of the Company during the previous Financial Year.

**Joint Venture / Associates** - During the year under review, your Company did not have any associate and joint venture company.

### Consolidated financial statements

The consolidated financial statements as required in terms of Section 129(3) of the Companies Act, 2013 have been provided along with standalone financial statements. Further a statement containing, salient features of the financial statements of the subsidiary in Form AOC-1 as required to be given in terms of first proviso to Section 129(3) of the Companies Act, 2013 has been provided in a separate section which forms part of this Annual Report as Annexure - C. The financial statements including the consolidated financial statements, financial statements of the subsidiaries and all other documents have been uploaded on the Company's website ([www.aarti-surfactants.com](http://www.aarti-surfactants.com)).

### Significant and material orders passed by the regulators

There are no significant material orders passed by the Regulators/Courts which would impact the going concern status of the Company and its future operations.

### Internal controls Systems and their adequacy

The details pertaining to internal financial control systems and their adequacy have been disclosed in the Management Discussion and Analysis Report forming part of this Annual Report.

### Personnel

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in an Annexure and forms part of this report.

In terms of Section 136(1) of the Companies Act, 2013, the Report and the Accounts are being sent to the Members excluding the aforesaid Annexure. Any Member interested in obtaining a copy of the Annexure may write to the Company Secretary at the Registered Office of the Company for a copy of it.

### Corporate Social Responsibility

Your Company does not fall in the criteria mentioned under Section 135 of the Companies Act, 2013, for applicability of the provisions of Corporate Social Responsibility. Hence, your Company is not required to constitute CSR Committee and to comply with other provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

### Related party Transactions & Management Discussion and Analysis Report

All related party transactions that were entered into during the FY 2019-20 were on an arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large.

The details of related party transactions are provided in the accompanying financial statements.

Since all related party transactions entered into by the Company were in ordinary course of business and were on an arm's length's basis, Form AOC-2 is not applicable to Company.

Further, the Management Discussion and Analysis Report on the operations and financial position of the Company has been provided in a separate section which forms part of this Annual Report.

### Corporate Governance report

Corporate Governance essentially involves balancing the interests of a Company's stakeholders. The Company is committed to good corporate governance practices and the Corporate Governance practices of the Company are a reflection of its values, policies and relationship with our stakeholders. Corporate Governance Report has been provided in a separate section which forms part of this Annual Report.

### Risk Management

The Company implemented an integrated risk management approach through which it reviews and assesses significant risks on a regular basis to ensure that a robust system on risk controls and mitigation is in place. Senior management periodically reviews this risk management framework to keep update and address emerging challenges.

### Material developments in human resources/ industrial relations front, including number of people employed

The Company enjoyed excellent relationship with workers and staff during the year under review. The Company cares for their people, Customers, suppliers, and community which reflects in company's policy, programs and development efforts. Your Company is committed to build and strengthen our human capital by defining policies that support their growth, goals, and help them achieve excellence. As on March 31, 2020 the Company had 337 permanent employees at its manufacturing plants and administrative office.

### Material changes and commitment if any affecting the financial position of the company occurred between the end of the financial year to which this financial statements relate and the date of the report.

There are no other material changes and commitment affecting the financial position of the company occurred between the end of the Financial Year to which this financial statements relate and the date of the report.

### Vigil Mechanism/Whistle Blower Policy

The Company has established a Vigil Mechanism and Whistle Blower Policy for its Directors and employees to report concerns about unethical behaviour, actual or suspected fraud, actual or suspected leak of UPSI or violation of Company's Code of Conduct. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism, and allows direct access to the chairperson of the audit committee in exceptional cases. The said policy has been posted on the website of the Company - [www.aarti-surfactants.com](http://www.aarti-surfactants.com).

### Other disclosure

- a) During the financial year under review, the Company did not accept any deposits falling within the purview of Section 73 of the Companies Act, 2013.
- b) During the financial year under review, the Company has not issued equity shares with differential voting rights as to dividend, voting or otherwise.
- c) During the financial year under review, the Company has not issued any sweat equity shares.

- d) Details of shares held in trust for the benefit of employees where the voting rights are not exercised directly by the employees in terms of Section 67 of the Companies Act, 2013 – Not applicable
- e) The Company was not required to revise its financial statements or Directors' Report during the financial year under review in terms of Section 131 of the Companies Act, 2013.
- f) The Company has in place an Internal Complaints Committee, constituted under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, which entertains the complaints made by any aggrieved woman. During the financial year under review, there have been no cases reported in this regard.

### Acknowledgement

The Board of Directors places on record its sincere appreciation for the dedicated services rendered by the employees of the Company at all levels and the constructive cooperation extended by them. Your Directors would like to express their grateful appreciation for the assistance and support by all Shareholders, Government Authorities, and Auditors, financial institutions, Customers, employees, suppliers, other business associates and various other stakeholders.

For and on behalf of the Board

Sd/-  
**Nikhil Parimal Desai**  
 Managing Director

Sd/-  
**Chandrakant V. Gogri**  
 Director

Place : Mumbai  
 Date: June 04, 2020

### CAUTIONARY STATEMENT

Statements in the Annual Report describing the Company's objectives, projections, expectations and estimates regarding future performance may be "Forward Looking Statements" and are based on currently available information. The Management believes these to be true to the best of its knowledge at the time of preparation of this Report. However, these statements are subject to certain future events and uncertainties, which could cause actual results to differ materially from those which may be indicated in such statements.

# Annexure 'A'

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**As on the Financial Year ended on March 31, 2020**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. Registration and Other Details:

i) CIN	U24100GJ2018PLC102891
ii) Registration Date	June 18, 2018
iii) Name of the Company	Aarti Surfactants Limited
iv) Category / Sub-Category of the Company	Public Company; Ltd. by Shares / Non - Govt. Company
v) Address of the Registered office and contact details	Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi, Valsad, Gujarat - 396195 Telephone:- 022-6797 6666 Email:- <a href="mailto:investors@aarti-surfactants.com">investors@aarti-surfactants.com</a>
vi) Whether listed company	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400 083. Tel : 022 - 4918 6000   Fax : 022 - 4918 6060 e-mail: <a href="mailto:rnt.helpdesk@linkintime.co.in">rnt.helpdesk@linkintime.co.in</a> website : <a href="http://www.linkintime.co.in">www.linkintime.co.in</a>

## II. Principal Business Activities of the Company

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

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Producers of ionic and non-ionic surfactants and specialty products, serving Home & Personal Care, Industrial Applications, Agro and Oil industries.	20,233	100%

## III. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name and Address of the Company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Aarti HPC Limited Plot Nos. 801, 801/23, GIDC Estate, Phase - III, Vapi, Dist. Valsad, Vapi Valsad Gujarat - 396 195	U24290GJ2019PLC111693	Subsidiary	100%	2(87)

#### IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category wise Share Holding

Category of Shareholders	No. of Shares held (As on April 01, 2019)				No. of Shares held at the end of the year (As on March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	0	0	0	0.00	2251589	2449	2254038	29.72	29.72
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	0	50000	50000	100.00	516501	0	516501	6.81	-93.19
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other - Promoter Trust	0	0	0	0.00	250000	311000	561000	7.40	7.40
<b>Sub-total (A) (1):-</b>	<b>0</b>	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>3018090</b>	<b>313449</b>	<b>3331539</b>	<b>43.93</b>	<b>-56.07</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0.00	13072	0	13072	0.17	0.17
b) Other - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>13072</b>	<b>0</b>	<b>13072</b>	<b>0.17</b>	<b>0.17</b>
<b>Total shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	<b>0</b>	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>3031162</b>	<b>313449</b>	<b>3344611</b>	<b>44.10</b>	<b>- 55.90</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0.00	1288834	0	1288834	16.99	16.99
b) Banks / FI	0	0	0	0.00	1523	0	1523	0.03	0.03
c) Central Govt.	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt.(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	0	0	0	0.00	28794	0	28794	0.38	0.38
g) FIs	0	0	0	0.00	0	0	0	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Other (Specify)									
Alternate Investment Funds	0	0	0	0.00	76938	0	76938	1.01	1.01
Foreign Portfolio Investor	0	0	0	0.00	679080	0	679080	8.95	8.95
<b>Sub-total (B)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>2075169</b>	<b>0</b>	<b>2075169</b>	<b>27.36</b>	<b>27.36</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	0	0	0	0.00	122133	186	122319	1.61	1.61
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	0	0	0	0.00	1128462	84051	1212513	15.99	15.99
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	0	0	0	0.00	679496	0	679496	8.96	8.96
c) Others (specify)									
i) Non Resident Indians (Non - Repat)	0	0	0	0.00	45754	60	45814	0.60	0.60
ii) Non Resident Indians (Repat)	0	0	0	0.00	15419	8	15427	0.20	0.20
iii) IEPF	0	0	0	0.00	29914	0	29914	0.39	0.39
iv) Trusts	0	0	0	0.00	4813	1	4814	0.06	0.06
v) Hindu Undivided Family	0	0	0	0.00	48044	11	48055	0.63	0.63
vi) Clearing Member	0	0	0	0.00	5458	0	5458	0.07	0.07
vii) NBFCs registered with RBI	0	0	0	0.00	4	0	4	0.00	0.00
viii) Trust Employee	0	0	0	0.00	883	0	883	0.01	0.01
<b>Sub-total (B)(2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2080380</b>	<b>84317</b>	<b>2164697</b>	<b>28.54</b>	<b>28.54</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4155549</b>	<b>84317</b>	<b>4239866</b>	<b>55.90</b>	<b>55.90</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total (A+B+C)</b>	<b>0</b>	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>7186711</b>	<b>397766</b>	<b>7584477</b>	<b>100.00</b>	

**Note** - The increase in number of Equity shares was on account of allotment of 7584477 Equity shares of ₹ 10 /- each pursuant to Composite scheme of Arrangement between the Company, Aarti Industries Limited and Nascent Chemical Industries Limited. Further pursuant to the said composite scheme of Arrangement the entire Pre-share capital of 50,000 Equity shares of ₹ 10 /- each stood reduced, cancelled and extinguished.

**ii) Shareholding of Promoters / Promoter Group**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2019)			Shareholding at the end of the year (As on March 31, 2020)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Aarti Industries Limited	49994	99.99	-	0	0.00	0.00	-99.99
2	Chandrakant Vallabhaji Gogri (Nominee Of Aarti Industries Limited)	1		-	0		0.00	
3	Nikhil Parimal Desai (Nominee Of Aarti Industries Limited)	1		-	0		0.00	
4	Dattatray Sidram Galpalli (Nominee Of Aarti Industries Limited)	1		-	0		0.00	
5	Rashesh Chandrakant Gogri (Nominee Of Aarti Industries Limited)	1	0.01	-	0	0.00	0.00	-0.01
6	Parimal Hasmukhlal Desai (Nominee Of Aarti Industries Limited)	1		-	0		0.00	
7	Hetal Gogri Gala (Nominee Of Aarti Industries Limited)	1		-	0		0.00	
8	Jaya Chandrakant Gogri	0	0	0.00	399449	5.27	0.00	5.27
9	Rashesh Chandrakant Gogri	0	0	0.00	383438	5.06	0.00	5.06
10	Mirik Rajendra Gogri	0	0	0.00	350182	4.62	0.00	4.62
11	Renil Rajendra Gogri	0	0	0.00	342973	4.52	0.00	4.52
12	Hetal Gogri Gala	0	0	0.00	261553	3.45	0.00	3.45
13	Rajendra Vallabhaji Gogri	0	0	0.00	155489	2.05	0.00	2.05
14	Chandrakant Vallabhaji Gogri	0	0	0.00	85302	1.12	0.00	1.12
15	Manisha Rashesh Gogri	0	0	0.00	55000	0.73	0.00	0.73
16	Aarnav Rashesh Gogri	0	0	0.00	54999	0.73	0.00	0.73
17	Aashay Rashesh Gogri	0	0	0.00	54999	0.73	0.00	0.73
18	Arti Rajendra Gogri	0	0	0.00	53425	0.70	0.00	0.70
19	Rajendra Vallabhaji Gogri (HUF)	0	0	0.00	30827	0.41	0.00	0.41
20	Indira Madan Dedhia	0	0	0.00	17380	0.23	0.00	0.23
21	Late Dhanvanti Vallabhaji Gogri	0	0	0.00	8984	0.12	0.00	0.12
22	Pooja Renil Gogri	0	0	0.00	38	0.00	0.00	0.00
23	Labdhi Business Trust	0	0	0.00	250000	3.30	0.00	3.30
24	Tulip Family Trust	0	0	0.00	159000	2.10	0.00	2.10
25	Orchid Family Trust	0	0	0.00	152000	2.00	0.00	2.00
26	Anushakti Enterprise Private Limited	0	0	0.00	249250	3.29	0.00	3.29
27	Safechem Enterprises Private Limited	0	0	0.00	146300	1.93	0.00	1.93
28	Alchemie Financial Services Limited	0	0	0.00	67300	0.89	0.00	0.89
29	Alchemie Finserv Private Limited	0	0	0.00	26410	0.35	0.00	0.35
30	Gogri Finserv Private Limited	0	0	0.00	26410	0.35	0.00	0.35
31	Dilesh Roadlines Private Limited	0	0	0.00	831	0.01	0.00	0.01
32	Bhanu Pradip Savla	0	0	0.00	13072	0.17	0.00	0.17

No. of Equity Shares at the beginning of the Year - 50000

No. of Equity shares at the end of the Year - 7584477

**ii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sr. No.	Name	Shareholding as on April 01, 2019		Date	Increase/Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	Aarti Industries Limited	49994	99.99	20.08.2019	(49994)		0	0.00
2	Chandrakant Vallabhaji Gogri (Nominee Of Aarti Industries Limited)	1		20.08.2019	(1)	Cancellation on account of Composite Scheme of Arrangement between Company, Aarti Industries Limited and Nascent Chemical Industries Limited.	0	0.00
3	Nikhil Parimal Desai (Nominee Of Aarti Industries Limited)	1		20.08.2019	(1)		0	0.00
4	Dattatray Sidram Galpalli (Nominee Of Aarti Industries Limited)	1		20.08.2019	(1)		0	0.00
5	Rashesh Chandrakant Gogri (Nominee Of Aarti Industries Limited)	1	0.01	20.08.2019	(1)		0	0.00
6	Parimal Hasumukhlal Desai (Nominee Of Aarti Industries Limited)	1		20.08.2019	(1)		0	0.00
7	Hetal Gogri Gala (Nominee Of Aarti Industries Limited)	1		20.08.2019	(1)		0	0.00
8	Jaya Chandrakant Gogri	0	0	20.08.2019	399449			399449
9	Rashesh Chandrakant Gogri	0	0	20.08.2019	383438		383438	5.06
10	Mirik Rajendra Gogri	0	0	20.08.2019	350182		350182	4.62
11	Renil Rajendra Gogri	0	0	20.08.2019	342973		342973	4.52
12	Hetal Gogri Gala	0	0	20.08.2019	261553		261553	3.45
13	Rajendra Vallabhaji Gogri	0	0	20.08.2019	155489		155489	2.05
14	Chandrakant Vallabhaji Gogri	0	0	20.08.2019	85302		85302	1.12
15	Manisha Rashesh Gogri	0	0	20.08.2019	55000		55000	0.73
16	Aarnav Rashesh Gogri	0	0	20.08.2019	54999	Allotment Pursuant to Composite Scheme of Arrangement between Company, Aarti Industries Limited and Nascent Chemical Industries Limited.	54999	0.73
17	Aashay Rashesh Gogri	0	0	20.08.2019	54999		54999	0.73
18	Arti Rajendra Gogri	0	0	20.08.2019	53425		53425	0.70
19	Rajendra Vallabhaji Gogri (HUF)	0	0	20.08.2019	30827		30827	0.41
20	Indira Madan Dedhia	0	0	20.08.2019	17380		17380	0.23
21	Late Dhanvanti Vallabhaji Gogri	0	0	20.08.2019	8984		8984	0.12
22	Pooja Renil Gogri	0	0	20.08.2019	38		38	0.00
23	Labdhi Business Trust	0	0	20.08.2019	250000		250000	3.30
24	Tulip Family Trust	0	0	20.08.2019	159000		159000	2.10
25	Orchid Family Trust	0	0	20.08.2019	152000		152000	2.00
26	Anushakti Enterprise Private Limited	0	0	20.08.2019	249250	249250	3.29	
27	Safechem Enterprises Private Limited	0	0	20.08.2019	146300	146300	1.93	
28	Alchemie Financial Services Limited	0	0	20.08.2019	67300	67300	0.89	
29	Alchemie Finserv Private Limited	0	0	20.08.2019	26410	26410	0.35	
30	Gogri Finserv Private Limited	0	0	20.08.2019	26410	26410	0.35	
31	Dilesh Roadlines Private Limited	0	0	20.08.2019	831	831	0.01	
32	Bhanu Pradip Savla	0	0	20.08.2019	13072	13072	0.17	

No. of Equity Shares at the beginning of the Year - 50000

No. of Equity shares at the end of the Year - 7584477

**iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. No.	For Each of the Top 10 Shareholders	Shareholding as on April 01, 2019		Date	Increase/Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	HDFC Trustee Company Ltd	0	0.00	20.08.2019	713681	Allotment pursuant to Composite Scheme of Arrangement between Company, Aarti Industries Limited and Nascent Chemical Industries Limited.	713681	9.41
2	DSP Equity & Bond Fund	0	0.00	20.08.2019	137939		137939	1.82
3	L and T Mutual Fund Trustee Ltd	0	0.00	20.08.2019	134320		134320	1.77
4	Tarla Kishorekumar Shah	0	0.00	20.08.2019	83575		83575	1.10
5	Sundaram Mutual Fund	0	0.00	20.08.2019	78670		78670	1.04
6	Smallcap World Fund, Inc	0	0.00	20.08.2019	64380		64380	0.85
7	Manoj Chheda	0	0.00	20.08.2019	63871		63871	0.84
8	Ranjan Pradipkumar Shah	0	0.00	20.08.2019	58645		58645	0.77
9	Axis Mutual Fund Trustee Limited	0	0.00	20.08.2019	56510		56510	0.75
10	Harsha Chandrakant Shah	0	0.00	20.08.2019	54085		54085	0.71

**v) Shareholding of Directors and Key Managerial Personnel:**

Sr. No.	For Each of the the Directors and KMP	Shareholding as on April 01, 2019		Date	Increase/Decrease In shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	Mr. Mulesh Manilal Savla	0	0.00	20.08.2019	9571	Held in the Capacity of Trustee on behalf of Shareholders entitled for Fractional Equity shares. Allotment made pursuant to Composite Scheme of Arrangement between the Company, Aarti Industries Limited and Nascent Chemical Industries Limited	9571	0.13
2	Mr. Nikhil Parimal Desai	0	0.00	-	0	-	0	0.00
3	Mr. Chandrakant V. Gogri	0	0.00	20.08.2019	85302	Allotment pursuant to Composite Scheme of Arrangement between the Company, Aarti Industries Limited and Nascent Chemical Industries Limited	0	0.00
4	Mr. Dattatray Sidram Galpalli	0	0.00	-	0	-	0	0.00
5	Mr. Santosh Kakade	0	0.00	-	0	-	0	0.00
6	Ms. Misha Gala	0	0.00	-	0	-	0	0.00
7	Mr. Prashant B. Gaikwad	0	0.00	-	0	-	0	0.00

## V. Indebtedness

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

(₹ in Crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the Beginning of the Financial Year i.e April 01, 2019</b>				
i) Principal Amount	30.00	66.65	-	96.65
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>30.00</b>	<b>66.65</b>	<b>-</b>	<b>96.65</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	0.09	-	-	0.09
Reduction	-	6.47	-	6.47
Net Change	0.09	(6.47)	-	(6.38)
<b>Indebtedness at the end of the financial year i.e March 31, 2020</b>				
i) Principal Amount	30.09	60.18	-	90.27
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	0.25	-	0.25
<b>Total (i+ii+iii)</b>	<b>30.09</b>	<b>60.43</b>	<b>-</b>	<b>90.52</b>

## VI. Remuneration of Directors and Key Managerial Personnel

### A Remuneration to Managing Director, Whole-time Directors:

(₹ in lakhs)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Mr. Nikhil Parimal Desai	Mr. Santosh Kakade	
1	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	43.80	22.50	66.30
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	2.20	-	2.20
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify...	-	-	-
5.	Others, please specify	-	-	-
	<b>Total (A)</b>	<b>46.00</b>	<b>22.50</b>	<b>68.50</b>
	<b>Ceiling as per the Act</b>	As per Section 197 of the Companies Act, 2013 read with Schedule V to Companies Act, 2013.		

### B Remuneration to other directors:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of the Director		Total
1.	<b>Independent Directors</b>	<b>Mr. Mulesh Savla</b>	<b>Ms. Misha Gala</b>	
	Fee for attending board / committee meetings	12,500	7,500	20,000
	Commission	-	-	-
	Others, please specify	-	-	-
	<b>Total (1)</b>	<b>12,500</b>	<b>7,500</b>	<b>20,000</b>

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of the Director		Total
		Mr. Chandrakant V. Gogri	Mr. Dattatray S. Galpalli	
2	<b>Other Non-Executive Directors</b>			
	Fee for attending board / committee meetings	12,500	5,000	17,500
	Commission	-	-	-
	Others, please specify	-	-	-
	<b>Total (2)</b>	<b>12,500</b>	<b>5,000</b>	<b>17,500</b>
	<b>Overall Ceiling as per the Act</b>	1 % of Net Profits of the Company		

**C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD** (₹ in lakhs)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Company Secretary (w.e.f August 20, 2019)		
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		5.82	5.82
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		-	-
2.	Stock Option		-	-
3.	Sweat Equity		-	-
4.	Commission			
	- as % of profit		-	-
	- others, specify		-	-
5.	Others, please specify		-	-
	<b>Total</b>		<b>5.82</b>	<b>5.82</b>

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

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
<b>B. DIRECTORS</b>					
<b>C. OTHER OFFICERS IN DEFAULT</b>					

For and on behalf of the Board

Sd/-  
**Nikhil Parimal Desai**  
Managing Director

Sd/-  
**Chandrakant V. Gogri**  
Director

Place : Mumbai  
Date: June 04, 2020

# Annexure 'B'

## Form No. MR - 3

### SECRETARIAL AUDIT REPORT

#### FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020

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

To,  
The Members,  
Aarti Surfactants Limited  
(Formerly: Arti Surfactants Limited)  
(CIN: U24100GJ2018PLC102891)  
801, 801/23, GIDC Estate,  
Phase III, Vapi, Dist. Valsad,  
Gujarat 396195

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Aarti Surfactants Limited (hereinafter called "the Company")**. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on **March 31, 2020 ('Audit Period')** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment, External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 which were not applicable to the Company during Audit Period;
  - (b) The Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 which were not applicable to the Company during Audit Period;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 which were not applicable to the Company during Audit Period;
  - (e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which were not applicable to the Company during Audit Period;
  - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 which were not applicable to the Company during Audit Period;
  - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 which were not applicable to the Company during Audit Period;

- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 which were not applicable to the Company during Audit Period; and
- (j) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited;

During the Audit Period under review and as per the representations and clarifications made, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above, except that steps for listing of 75,84,477 equity shares of ₹ 10/- each being specified securities issued by the Company on August 20, 2019 pursuant to Composite Scheme of Arrangement (Scheme) involving the Company was completed and trading commenced in the equity shares on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) only on July 14, 2020 which was beyond the period of sixty days of receipt of the order of the Hon'ble National Company Law Tribunal sanctioning the said Scheme on June 10, 2019 required as per SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended by SEBI Circular No. CFD/DIL3/CIR/2018/2 dated June 3, 2018 and further 10,82,387 Redeemable Preference Shares being designated securities issued by the Company on August 20, 2019 pursuant to the said Scheme are not yet listed on the BSE and NSE as per the requirements of SEBI Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017.

I further report that based on review of compliance system prevailing in the Company and on the basis of the Compliance Certificate(s) issued by the Senior Management officials and taken on record by the Board of Directors at their meetings, we are of the opinion that the Company has adequate systems and processes in place commensurate with its size and nature of operations to monitor and ensure compliance with the following laws applicable specifically to the Company:

- (a) Indian Boiler Act, 1923 & The Indian Boilers Regulations 1950;
- (b) Petroleum Act, 1934;
- (c) Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2016;
- (d) Air (Prevention and Control of Pollution) Act 1981;
- (e) Water (Prevention and Control of Pollution) Act 1974;
- (f) The Noise (Regulation and Control) Rules 2000;

- (g) Environment Protection Act, 1986 and other environmental laws;
- (h) Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008; and
- (i) Public Liability Insurance Act 1991.

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

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

All decisions at the Board Meetings and Committee Meetings were taken unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the Audit Period under review, the Composite Scheme of Arrangement between the Company and Aarti Industries Limited (Aarti) and Nascent Chemical Industries Limited (Nascent) and their respective shareholders for demerger of the Home and Personal Care Undertaking of Aarti into the Company from opening of the business hours on April 1, 2018 and demerger of Manufacturing Undertaking of Nascent into Aarti from opening of the business hours on April 2, 2018 was approved by the Ahmedabad bench of Hon'ble National Company Law Tribunal order dated June 10, 2019, which was effective from June 24, 2019 and, except this, there were no specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. having a major bearing on the Company's affairs.

This report is to be read with Annexure which forms an integral part of this report.

**CS Sunil M. Dedhia**  
Proprietor, Sunil M. Dedhia & Co.  
FCS No: 3483 C.P. No. 2031  
UDIN: F003483B000550722

Place: Mumbai  
Date: August 04, 2020

# Annexure

**To The Members,****Aarti Surfactants Limited**

(Formerly: Arti Surfactants Limited)

(CIN: U24100GJ2018PLC102891)

801, 801/23, GIDC Estate,

Phase III, Vapi, Dist. Valsad,

Gujarat 396195

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

- (1) Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
- (2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
- (3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- (4) Wherever required, I have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events etc.
- (5) The compliance of the provisions of Corporate and Other Applicable Laws, Rules, Regulations, Standard is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
- (6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

**CS Sunil M. Dedhia**

Proprietor, Sunil M. Dedhia & Co.

FCS No: 3483 C.P. No. 2031

UDIN: F003483B000550722

Place: Mumbai

Date: August 04, 2020

# Annexure C

## FORM AOC-1

### Salient Features of Financial Statements of Subsidiary as per Companies Act, 2013.

(Amount in ₹)

Name of Subsidiary Company	Aarti HPC Limited
Reporting Currency	INR
Share Capital	50,000
Reserves & Surplus	(50,000)
Total Assets	1,25,000
Total Liabilities	1,25,000
Investments	NIL
Turnover/ Total Income	NIL
Profit/(Loss) Before Taxation	(50,000)
Provision for Taxation	NIL
Profit / (Loss) After Taxation	(50,000)
Proposed Dividend	NIL
% Of Shareholding	100%

For and on behalf of the Board

Sd/-

**Nikhil Parimal Desai**

Managing Director

Sd/-

**Chandrakant V. Gogri**

Director

Place : Mumbai

Date: June 04, 2020

# Corporate Governance Report

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

Guided by its core values; Care, Integrity and Excellence, the Company is committed to the adoption of and adherence to Corporate Governance Practices that ensure; adequate transparency to take informed decision and building Trust for impactful collaboration.

These Governance Practices help enhancement of long-term shareholders value and interest of other Stakeholders. The Company is committed to maintain high standards of Corporate Governance to achieve business excellence and strengthen the confidence of all stakeholders.

The Board fully appreciates the need of increased awareness for responsibility, transparency and professionalism in management of the Organisation. Our Board believes that Corporate Governance is not an end, it is just beginning towards growth of Company for long term prosperity.

## 2. Board of Directors of the Company (the "Board")

The Board is entrusted and empowered to oversee the management, direction and performance of the Company with a view to protect interest of the stakeholders and enhance value for shareholders.

**Composition** – As on close of business hours of March 31, 2020, the Board comprises of six Directors, out of which two are Executive Directors, two are Non-executive Directors and two are Independent Directors (including one Woman Independent Director). As on March 31, 2020 and as on date of this Report, the Company is in compliance

with the provisions of Section 149(4) of the Companies Act, 2013 read with Regulation 17(1)(a) and 17(1)(b) of the Listing Regulations..

**Independent Directors** – In terms of Section 149(7) of the Companies Act, 2013, Mr. Mulesh Manilal Savla and Ms. Misha Bharat Gala the Independent Directors, have given a declaration to the Company that they meet the criteria of independence as specified under Section 149(6) of the Companies Act, 2013 and the Listing Regulations. The Board confirms that the Independent Directors fulfil the conditions specified in terms of the Companies Act, 2013 and the Listing Regulations and that they are Independent of the management of the Company. All the Directors are in compliance with the limit on independent directorships of listed companies as prescribed under Regulation 17A of the Listing Regulations.

All the Directors are not members of more than ten mandatory committees and do not act as chairman of more than five mandatory committees in terms of the Regulation 26 of the Listing Regulations across all the companies in which they are directors.

### Meetings held during the financial year 2019-20 –

During the financial year 2019-20, the Board met five times on April 4, 2019, June 13, 2019, July 8, 2019, August 20, 2019 & December 07, 2019. The gap between any two Board meetings did not exceed one hundred and twenty days. Apart from the physical meetings, the Board also considered and approved certain matters by circular resolutions, which were noted at the next meeting of the Board as required in terms of the Companies Act, 2013.

**Attendance, directorships and committee positions** – The names and categories of the Directors on the Board, their attendance record, the number of directorships and committee positions etc. as on March 31, 2020, are as under:

Name of the Director	Category	Number Total Directorship* (excluding Aarti Surfactants Limited)	Directorship held in other listed entity	Number of Committee Membership in other Companies** (excluding Aarti Surfactants Limited)		Number of Board Meetings Attended	Attendance at last AGM held on October 21, 2019
				Chairman	Member		
Mr. Mulesh Savla <sup>1</sup>	Chairman & Independent Director	1	Independent Director in Valiant Organics Limited	1	1	2 out of 3	Yes
Mr. Nikhil Parimal Desai	Promoter / Managing Director	1	Nil	Nil	Nil	4 out of 5	Yes

Name of the Director	Category	Number Total Directorship* (excluding Aarti Surfactants Limited)	Directorship held in other listed entity	Number of Committee Membership in other Companies** (excluding Aarti Surfactants Limited)		Number of Board Meetings Attended	Attendance at last AGM held on October 21, 2019
				Chairman	Member		
Mr. Santosh Kakade <sup>2</sup>	Whole –time Director	1	Nil	Nil	Nil	0 out of 1	Yes
Mr. Chandrakant V. Gogri	Promoter, Non-executive Director	1	Nil	Nil	Nil	5 out of 5	Yes
Mr. Dattaray Sidram Galpalli	Non-executive Director	1	Non - Executive Director in Valiant Organics Limited	Nil	Nil	4 out of 5	Yes
Ms. Misha Gala <sup>3</sup>	Independent Director	Nil	Nil	Nil	Nil	1 out of 1	Yes

<sup>1</sup> Appointed as the Independent Director w.e.f. June 13, 2019.

<sup>2</sup> Appointed as Whole – Time Director w.e.f August 20, 2019

<sup>3</sup> Appointed as Independent Director w.e.f August 20, 2019

#### Notes :

\* This excludes Directorships held in Private Limited, Overseas Companies and Companies incorporated under Section 8 of the Companies Act, 2013.

\*\* Includes Audit Committee and the Stakeholders' Relationship Committee only.

#### Directors Competence/ Skills/Expertise Chart

The Board comprises qualified personnel who have the key skills, competencies and expertise required for the Board members' effective contribution to the Board & its Committees and also for the Board to function effectively. Following is the chart / matrix setting out the requisite skills / competencies / expertise of the Board of Directors of the Company and the names of Directors who possess such skills / expertise / competence:

List of core skills/expertise/competencies identified by the board of directors as required in the context of the business(es) and sector(s)		Names of directors who have such skills / expertise / competence.
Industry Experience	The experience in chemical industry is seen as the most significant considering the nature of business of the Company	Mr. Chandrakant V. Gogri, Mr. Nikhil P. Desai, Mr. Dattaray S. Galpalli, Mr. Santosh M. Kakade
Operations, Technology, Sales and Marketing	Experience in sales and marketing management based on understanding of the consumer & consumer goods industry	Mr. Chandrakant V. Gogri, Mr. Nikhil P. Desai & Mr. Santosh M. Kakade
Leadership	Extensive leadership experience of an organization for practical understanding of the organization, its processes, strategic planning, risk management for driving change and long-term growth	Mr. Chandrakant V. Gogri, Mr. Nikhil P. Desai & Mr. Santosh M. Kakade
Understanding of Global Business	Owing to presence across the globe, the understanding of global business & market is seen as pivotal.	Mr. Nikhil P. Desai & Mr. Chandrakant V. Gogri
Governance/Taxation/Accounts	In order to strengthen and maintain the governance levels & practices in the organization	Mr. Mulesh M. Savla & Ms. Misha B. Gala

**KYC of Directors** – Pursuant to Companies (Appointment and Qualification of Directors) fourth Amendment Rules, 2018, all the Directors of the Company have completed the KYC for the Financial Year 2020-21.

**Independent director databank registration** Pursuant to a notification dated October 22, 2019 issued by the Ministry of Corporate Affairs, all directors have completed the registration with the Independent Directors Databank. Requisite disclosures have been received from the directors in this regard.

**Code of ethics** – The Company has prescribed a code of ethics for its Directors and senior management. The code of ethics of the Company has been posted on its website [www.aarti-surfactants.com](http://www.aarti-surfactants.com). As of March 31, 2020 the Board members and the senior management personnel have affirmed the compliance with the code of ethics laid down by the Company.

### 3. Committees of Board

The Board Committees focus on certain specific areas and make informed decisions within the delegated authority. Each Committee of the Board, whether mandatorily required to be constituted or otherwise, functions according to its scope that defines its composition, power and role in accordance with the Companies Act, 2013 and the Listing Regulations.

- i. **Audit Committee** – The Audit Committee of the Board has been constituted as per the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations.

**Composition** – As on March 31, 2020, the Audit Committee comprised of three members all of whom, including the Chairman, are Non – executive Directors. The composition of the Audit Committee was in compliance with the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations as on March 31, 2020.

The Committee was constituted on August 20, 2019 and comprises of below Members :

Name of the member	Chairman / Member	Category of Director
Mr. Mulesh Savla	Chairman	Independent Director
Ms. Misha Gala	Member	Independent Director
Mr. Chandrakant Gogri	Member	Non – Executive Director

**Meeting** - During the financial year 2019-20, Audit Committee met on December 07, 2019. All the members of the Audit Committee attended the said meeting.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on October 21, 2019. All the members of the Audit Committee are financially literate and majority of them have accounting and financial management expertise.

**Terms of Reference:** The broad terms of reference of the Audit Committee include the following :

- i. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii. recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- iii. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv. reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - (b) changes, if any, in accounting policies and practices and reasons for the same;
  - (c) major accounting entries involving estimates based on the exercise of judgment by management;
  - (d) significant adjustments made in the financial statements arising out of audit findings;
  - (e) compliance with listing and other legal requirements relating to financial statements;
  - (f) disclosure of any related party transactions;
  - (g) modified opinion(s) in the draft audit report;
- v. reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- vi. reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate

recommendations to the board to take up steps in this matter;

- vii. reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- viii. approval or any subsequent modification of transactions of the listed entity with related parties;
- ix. scrutiny of inter-corporate loans and investments;
- x. valuation of undertakings or assets of the listed entity, wherever it is necessary;
- xi. evaluation of internal financial controls and risk management systems;
- xii. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- xiii. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xiv. discussion with internal auditors of any significant findings and follow up there on;
- xv. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- xvi. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xvii. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- xviii. to review the functioning of the whistle blower mechanism;
- xix. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- xx. Carrying out any other function as is mentioned in the terms of reference of the audit committee.
- xxi. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

#### **Mandatorily review the following information:**

- i. management discussion and analysis of financial condition and results of operations;
  - ii. statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - iii. management letters / letters of internal control weaknesses issued by the statutory auditors;
  - iv. internal audit reports relating to internal control weaknesses;
  - v. the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
  - vi. statement of deviations:
    - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
    - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).
- ii. Stakeholders Relationship Committee –** The Stakeholders Relationship Committee has been constituted as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations.

**Composition –** As on March 31, 2020, the Stakeholders Relationship Committee comprised of three members out of whom one is Independent Director, one is Executive Director and one is Non – Executive Director. The composition of the Stakeholders Relationship Committee was in compliance with the requirements of Section 178 of the Companies Act, 2013 and Regulation 20 of the Listing Regulations as on March 31, 2020. The Committee was constituted on August 20, 2019 and comprises of below Members:

<b>Name of the member</b>	<b>Chairman / Member</b>	<b>Category of Director</b>
Mr. Dattatray Sidram Galpalli	Chairman	Non – Executive Director
Mr. Mulesh Savla	Member	Independent Director
Mr. Nikhil Parimal Desai	Member	Executive Director

**Meeting –** The Chairman of the Stakeholder Relationship Committee was present at the Annual General Meeting of the Company held on October 21, 2019.

**Terms of Reference** – The broad terms of reference of the Stakeholder Relationship Committee include the following:

- i. resolving the grievances of the security holders including complaints related to transfer / transmission of shares, non-receipt of annual report, non-receipt of declared dividends, and issue of new / duplicate certificates, general meetings, etc.;
- ii. review of measures taken for effective exercise of voting rights by the shareholders;
- iii. review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar and Share Transfer Agent;
- iv. review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the Company; and
- v. such other acts, deeds, matters and things as may be stipulated in terms of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations") and / or such other regulatory provisions, as amended from time to time, as also as the Board of Directors of the Company may consider think fit.

**Name, designation and contact details of the Compliance Officer** – Mr. Prashant B. Gaikwad Company Secretary (M.No.A46480), is the Compliance Officer of the Company. The Compliance Officer can be contacted at the Corporate office of the Company at: Unit 202, Plot 71, Udyog Kshetra, 2nd Floor, Mulund-Goregaon Link Road, Mulund West, Mumbai - 400 080 Tel.: 022 – 6797 6616; Email: [investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com); Website: <https://www.aarti-surfactants.com/>.

**Separate email-id for redressal of investor's complaints** – As per Regulation 6 of the Listing Regulations, the Company has designated a separate email id ([investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com)) exclusively for registering complaints by investors.

**Shareholders' Complaint** – During the year, Nil Complaints were received through SCORE portal of SEBI.

- iii. **Nomination and Remuneration Committee:** The Nomination and Remuneration Committee of the Board has been constituted as per the requirements of Section 178 of the Companies Act, 2013

**Composition** – As on March 31, 2020, the Nomination and Remuneration Committee comprised of three members, out of whom two are Independent Directors and one was a Non-executive Director. The Composition of the Nomination and Remuneration Committee was in compliance with the requirements of Section 178 of the Companies Act, 2013 as on March 31, 2020. The Committee was constituted on August 20, 2019 and comprises of below Members:

Name of the member	Chairman / Member	Category of Director
Mr. Chandrakant Gogri	Chairman	Non – Executive Director
Mr. Mulesh Savla	Member	Independent Director
Ms. Misha Gala	Member	Independent Director

**Meeting** – The Chairman of the Nomination and Remuneration Committee was present at the First Annual General Meeting of the Company held on October 21, 2019.

**Terms of Reference:** The broad terms of reference of the Nomination and Remuneration Committee include the following:

- i. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- ii. formulation of criteria for evaluation of performance of independent directors and the board of directors;
- iii. devising a policy on diversity of board of directors;
- iv. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
- v. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- vi. recommend to the board, all remuneration, in whatever form, payable to senior management.

**Policy** - Your Company has in place a nomination and remuneration policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The policy also lays down criteria for selection and appointment of Board Members. The policy is made available on the website of Company - [www.aarti-surfactants.com](http://www.aarti-surfactants.com).

## Remuneration to Directors

**Executive Directors** – The remuneration paid to Executive Directors during the year under review is as under:

(₹ in Lacs)

Name of Director	Salary and Other Perquisites	Commission	Total Remuneration
Mr. Nikhil Parimal Desai	46.00	-	46.00
Mr. Santosh Kakade	22.50	-	22.50

\*The Directors are appointed under the contract each for a period of three years.

**Non-executive Directors** – The Non-executive Directors are not paid any remuneration except sitting fees for attending the meetings of the Board and / or Committees thereof which is within the limits prescribed by the Companies Act, 2013. The details of the sitting fees paid, stock options granted and shares held by the Non-executive Directors during the financial year 2019-20 are as under:

Name of Director(s)	Sitting Fee (Amount in ₹)	Stock Options Granted	Shareholding in the Company
Mr. Mulesh M. Savla	12,500	-	9571 Equity Shares and 30 Preference Shares are held in the capacity of trustee on behalf of Shareholders entitled for Fractional Equity shares and Preference Shares. Allotment made pursuant to Composite scheme of Arrangement between Aarti Industries Limited, Aarti Surfactants Limited and Nascent Chemical Industries Limited.
Ms. Misha B. Gala	7,500	-	Nil
Mr. Chandrakant V. Gogri	12,500	-	85302 Equity Shares
Mr. Dattatray Sidram. Galpalli	5,000	-	Nil

**Transactions with the Non-executive Directors** – The Company does not have material pecuniary relationship or transactions with its Non-executive Directors except the payment of sitting fees Board / Committees, as disclosed in this Report.

## 4. General Body Meetings

i. **Details of last Annual General Meetings (“AGM”)** – The details of the last AGM of the Company are noted below :

Year & AGM No.	Venue	Day, date and time	Special Resolution Passed
2018 - 2019 And 1 <sup>st</sup> Annual General Meeting	Plot Nos. 806, 807 GIDC Estate, Phase III, Vapi, Valsad, Gujarat - 396195,	Monday, October 21, 2019 at 11:00 a.m	a) Appointment of Mr. Nikhil Parimal Desai as Managing Director. b) Appointment of Mr. Santosh Kakade as Whole – time Director. c) Approval for raising of funds by way of issue of securities by way of public and/or private placement, through Qualified Institutional Placement (QIP)/ Rights Issue or through any other permissible mode under applicable laws and/or combination thereof d) Approval under Section 180(1)(c) of the Companies Act, 2013 for borrowing funds upto ₹ 125 crore.

ii. **Details of resolutions passed by way of postal ballot** – No postal ballot was conducted during the financial year 2019-20. There is no immediate proposal for passing any resolution through postal ballot.

## 5. General Shareholders Information

### i. The Day, date, time and venue of the 2<sup>nd</sup> Annual General Meeting:

Day	Date	Time
Tuesday	September 22, 2020	4.00 P.M

\* Deemed Venue for the meeting shall be registered office of the Company.

### ii. Registrar and Transfer Agent

M/s. Link Intime India Private Limited  
C 101, 247 Park,  
L B S Marg, Vikhroli West,  
Mumbai 400 083  
Tel No: +91 22 49186000  
Fax: +91 22 49186060  
e-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

The shareholders are requested to address all their communications/suggestions/ grievances to the Registrar and Transfer Agents at the above address.

### iii. Shareholding Pattern of Equity Shareholding as on March 31, 2020

Category	No. of shares	%
Promoter & Promoter Group	3344611	44.10
Institutions	2075169	27.37
Non-Institutions	2164697	28.53
<b>Total</b>	<b>7584477</b>	<b>100.00</b>

**Note:** Institutions holding includes holding of Mutual Funds, Alternate Investment Funds, Foreign Portfolio Investor, Financial Institutions / Banks & Insurance Companies.

### iv. Shareholding Pattern of Preference Shareholding as on March 31, 2020

Category	No. of shares	%
Promoter & Promoter Group	899111	83.07
Institutions	2910	0.27
Non-Institutions	180366	16.66
<b>Total</b>	<b>1082387</b>	<b>100.00</b>

Note: Institutions holding includes holding of Alternate Investment Funds.

### v. Dematerialization of shares

94.75% of the Paid-up Equity Share Capital and 99.99% of Preference Share Capital is held in Dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as on March 31, 2020 under ISIN No: INE09E001013 and INE09E004017 respectively.

### vi. ADRs/GDRs/Warrants

The Company has not issued any ADRs/GDRs/Warrants or any other convertible instruments.

### vii. Plant Locations

- a) Plot no 57, 61 to 64, 62A, Sector-3, Sagore Village, Pithampur Industrial Area, District Dhar, Madhya Pradesh-454775.
- b) Survey No. 193/1/4, 193/1/5, 193/1/6, Village Kherdi, Khanvel Udhva Road, Village, Kherdi, Dadra & Nagar Haveli – 396 230.

### viii. Address for correspondence

**Corporate and Head office:** Unit 202, Plot 71, Udyog Kshetra, 2nd Floor, Mulund-Goregaon Link Road, L.B.S. Marg, Mulund (West), Mumbai-400 080

**Registered office:** Plot Nos. 801, 801/23, GIDC Estate, Phase III, Vapi-396 195, Dist. Valsad, Gujarat.

### ix. Compliance Officer

Mr. Prashant Gaikwad,  
Company Secretary,  
Unit 202, Plot 71 Udyog Kshetra, 2nd Floor,  
Mulund–Goregaon Link Road,  
L.B.S. Marg, Mulund (West),  
Mumbai-400 080.

## 6. Disclosures

- i. To determine 'Material Subsidiary', the Company has adopted a 'Policy for Determining Material Subsidiary' and the same has been hosted under "Investor" section of the website of the Company at weblink <https://www.aarti-surfactants.com/assets/investors/policy-for-determination-of-material-subsidiary.pdf>.
- ii. During the year, there were no material related party transactions i.e. transactions of the Company of a material nature with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have a potential conflict with the interests of the Company at large. All related party transactions are mentioned in the notes to the accounts. The Audit Committee of the Board of Directors of the Company has approved 'Policy on materiality of related party transactions and dealing with related party transactions'. The said Policy has been placed on the website of the Company [www.aarti-surfactants.com](http://www.aarti-surfactants.com) and the weblink for the same is <https://www.aarti-surfactants.com/assets/investors/policy-on-related-party-transactions.pdf>.
- iii. The Management Discussion and Analysis Report on the operations and financial position of the Company has been provided in a separate section which forms part of this Annual Report.

- iv. Profile of the Directors seeking appointment / reappointment as required to be given in terms of Regulation 36 of the Listing Regulations forms part of the Notice convening the ensuing Annual General Meeting of the Company.
- v. There were no penalties imposed or strictures passed on the Company by the stock exchanges, SEBI or any other statutory authority on any matter related to the capital markets, during last two years.
- vi. Pursuant to Section 177(9) and (10) of the Companies Act, 2013, Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has formulated Whistle Blower Policy for Vigil Mechanism for Directors and Employees to report to the Management about the unethical behaviour, fraud or violation of Company's code of conduct. The same has been put up on the website of the Company on following web-link: <https://www.aarti-surfactants.com/code-of-conduct-and-policies.htm>

The mechanism provides for adequate safeguards against victimisation of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the person has been denied access to the Audit Committee.

- vii. During the financial year 2019-20, there has been no instance where the Board of Directors had not accepted any recommendation of any of its committees.
- viii. Total fees for all the services paid by the Company and its subsidiaries, on consolidated basis to the statutory auditor is 6.23 Lacs.
- ix. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal), Act, 2013 –The details have been disclosed in the Directors' Report forming part of this Annual Report.

For and on behalf of the Board

Sd/-  
**Nikhil Parimal Desai**  
Managing Director

Sd/-  
**Chandrakant V. Gogri**  
Director

Place : Mumbai  
Date: June 04, 2020

**Note -** Corporate Governance report is given voluntarily. Part C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 was not applicable to the Company as Company was not listed on March 31, 2020.

# Financial Statements

# Independent Auditors' Report

**TO THE MEMBERS OF  
AARTI SURFACTANTS LIMITED**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the Standalone Financial Statements of Aarti Surfactants Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Standalone Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the 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, 2020, and its profit and other comprehensive loss, changes in equity and its cashflows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements Section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Standalone Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the Other Information. The other information comprises the information included in the Board's Report including Annexures to Board's Report thereon, Directors Report, Management and Discussion Analysis, but does not include Standalone Financial Statements and our auditor's report thereon.

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

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

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

### Management's Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the Ind AS and 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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 standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Materiality is the magnitude of misstatements in the standalone 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.

### 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 in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit 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, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid Standalone Financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 (Refer Note No 26 to the financial statements)
  - ii. The Company did not have any long-term contracts including derivative contracts for which there are any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Reg. No.: 103264W

Sd/-

**TEJAS. J. PARIKH**

Partner

Place: Mumbai

Date: June 4, 2020

Membership No: 123215  
UDIN:- 20123215AAAABB7974

# Annexure A to the Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Aarti Surfactants Limited of even date)

- i. In respect of the Company's fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - b) The Company has phased programme of physical verification of fixed assets by which all fixed assets are verified over a period of three years and no material discrepancy was noted on such physical verification. In our opinion, periodicity of physical verification is reasonable having regard to the size of the Company and nature of the assets.
  - c) According to the information and explanation given to us and on the basis of examination of the records of the Company, title deeds of immovable properties (other than properties where the company is the lessee and the lease agreements are duly executed in favour of the lessee) are held in the name of the Company except Plot No 62,63,64,57,61 and 62A at Pithampur, Madhya Pradesh (Aggregate book value ₹ 274.51 Lakhs) are in the name of demerged Company. According to explanation obtained from management, in view of demerger through court scheme, leasehold rights are deemed to be transferred to the Company and procedure for transferring in the name of the Company is yet to be completed.
- ii. The stock of inventory has been physically verified during the year by the Management at reasonable intervals, except stock lying with third parties, confirmation of such stocks with the third parties has been obtained by the Company. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been dealt with the books of account.
- iii. According to the information and explanations given to us, the Company has not granted loans to any parties / entities covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information and explanation given to us, the Company has complied with provisions of Section 185 and 186 of the Act in respect of grant of loans, making investments, and providing guarantees and securities, where applicable.
- v. The Company has not accepted any deposits from public during the year.
- vi. The Company has maintained cost records as required under sub section 1 of section 148 of the Companies Act, 2013. We have not, however, carried out a detailed examination of such records.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - a) The Company is regular in depositing undisputed statutory dues including the Provident Fund, Employees state insurance, Income tax, GST, duty of Customs, GST, cess and any other statutory dues applicable, to appropriate authorities. Further, no undisputed amounts payable in respect thereof were in arrears as at 31.3.2020 for a period of more than six months from the date they become payable.
  - b) There are no dues of income tax, sales tax, GST, custom duty which have not been deposited on account of any dispute.
- viii. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues for loan taken from financial institutions or bank or debenture holders.
- ix. In our opinion and according to the information and explanation given to us, the Company has utilized the monies raised by way of term loans for the purpose for which they were raised. The Company did not raise any money by way of public offer or further public offer (including debt instruments) during the year.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- xi. According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals

mandated by the provisions of section 197 read with schedule V to the Companies Act, 2013.

- xii. In our opinion and according to information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanation given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. However, the

Company has allotted equity shares and non-convertible redeemable preference shares pursuant to scheme of demerger to the shareholders of the demerged company.

- xv. According to the information and explanation given to us, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934

For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Reg. No.: 103264W

Sd/-

**TEJAS. J. PARIKH**

Partner

Place: Mumbai  
Date: June 4, 2020

Membership No: 123215  
UDIN:- 20123215AAAABB7974

# Annexure B to the Independent Auditor's Report

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Aarti Surfactants Limited of even date)

We have audited the internal financial controls over financial reporting of Aarti Surfactants Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the Standalone Financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting 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 Companies Act, 2013, 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 over financial reporting 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 over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 internal financial controls system over financial reporting of the Company.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting 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 over financial reporting 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.

## Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting

criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Reg. No.: 103264W

Sd/-

**TEJAS. J. PARIKH**

Partner

Place: Mumbai  
Date: June 4, 2020

Membership No: 123215  
UDIN:- 20123215AAAABB7974

# Standalone Balance Sheet

as at March 31, 2020

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>A ASSETS</b>			
<b>1 Non-Current Assets</b>			
(a) Property, Plant and Equipment	1	15,013.97	13,787.41
(b) Capital Work-in-Progress	1	1,395.26	447.01
(c) Other Intangible Assets	1	121.44	-
(d) Financial Assets			
Investments	2	0.53	3,149.67
(e) Other Non-Current Assets	3	263.13	105.90
<b>Total Non-Current Assets</b>		<b>16,794.33</b>	<b>17,489.99</b>
<b>2 Current Assets</b>			
(a) Inventories	4	5,648.84	5,269.90
(b) Financial Assets			
(i) Trade Receivables	5	1,791.99	3,056.23
(ii) Cash and Cash Equivalents	6	9.23	2.01
(iv) Other Financial Assets	7	37.20	21.63
(c) Other Current Assets	8	1,948.12	2,152.61
<b>Total Current Assets</b>		<b>9,435.38</b>	<b>10,502.38</b>
<b>TOTAL ASSETS</b>		<b>26,229.71</b>	<b>27,992.37</b>
<b>B EQUITY AND LIABILITIES</b>			
<b>1 EQUITY</b>			
(a) Equity Share Capital	9	758.45	5.00
(b) Share Capital pending allotment upon scheme of arrangement	9.3	-	866.69
(c) Other Equity	10	10,337.01	12,725.02
<b>Total Equity</b>		<b>11,095.46</b>	<b>13,596.71</b>
<b>3 LIABILITIES</b>			
Non-Current Liabilities			
(a) Financial Liabilities			
Borrowings	11	4,877.93	3,000.00
(b) Deferred Tax Liabilities (Net)	12	762.06	727.69
<b>Total Non-Current Liabilities</b>		<b>5,639.99</b>	<b>3,727.69</b>
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	13	6,042.77	6,665.29
(ii) Trade Payables Due to			
- Micro and Small Enterprises		-	-
- Other Than Micro and Small Enterprises		1,924.40	3,844.91
(b) Other Current Liabilities	14	1,125.19	8.93
(c) Provisions	15	401.90	148.84
<b>Total Current Liabilities</b>		<b>9,494.26</b>	<b>10,667.97</b>
<b>Total Liabilities</b>		<b>15,134.25</b>	<b>14,395.66</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,229.71</b>	<b>27,992.37</b>
Significant Accounting Policies			
Accompanying Notes to the Financial Statements	1-31		

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

Partner  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Standalone Statement of Profit and Loss

for the Year Ended March 31, 2020

(₹ in Lakhs)

Particulars	Note No.	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
I Revenue from Operations	16	32,586.40	26,432.32
II Other Income	17	20.90	6.82
III <b>Total Income (I+II)</b>		<b>32,607.30</b>	<b>26,439.14</b>
IV <b>EXPENSES</b>			
(a) Cost of Materials Consumed	18	24,837.93	22,867.43
(c) Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	19	-107.39	-1,584.23
(d) Employee Benefits Expense	20	1,430.34	1,139.83
(e) Finance Costs	21	1,027.95	241.60
(f) Depreciation / Amortisation Expenses	1	1,057.55	879.73
(g) Other Expenses	22	4,065.90	3,492.96
<b>Total Expenses (IV)</b>		<b>32,312.28</b>	<b>27,037.32</b>
V <b>Profit/(Loss) before Exceptional Items and Tax (III-IV)</b>		<b>295.02</b>	<b>-598.18</b>
VI Exceptional Items		-	-
VII <b>Profit/(Loss) before Tax (V-VI)</b>		<b>295.02</b>	<b>-598.18</b>
VIII <b>TAX EXPENSES</b>			
Current Tax		51.54	-
MAT Credit Entitlement		-51.54	-
Deferred Tax		85.91	49.76
<b>Total Tax Expenses</b>		<b>85.91</b>	<b>49.76</b>
IX <b>Profit/(Loss) for the year (VII-VIII)</b>		<b>209.11</b>	<b>-647.94</b>
X <b>OTHER COMPREHENSIVE INCOME</b>			
<b>a. Items that will not be reclassified to Statement of Profit and Loss</b>			
- Fair Value Change of Equity Instruments through Other Comprehensive Income (Net of Tax)		-895.20	661.21
<b>b. Items that will be reclassified to Statement of Profit and Loss</b>		-	-
XI <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)</b>		<b>-686.09</b>	<b>13.27</b>
XII <b>Earnings Per Equity Share of Face Value of ₹ 10 Each (EPS) (in ₹)</b>	23		
Basic		2.76	-8.54
Diluted		2.76	-7.48
Significant Accounting Policies			
Accompanying Notes to the Financial Statements	1-31		

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Standalone Statement of Changes in Equity

for the Year Ended March 31, 2020

## A. Equity Share Capital

(₹ in Lakhs)

As at April 1, 2018	-
Changes in equity share capital during the year 2018-19	5.00
As at March 31, 2019	5.00
Changes in equity share capital during the year 2019-20	753.45
<b>As at March 31, 2020</b>	<b>758.45</b>

## B. Other Equity

(₹ in Lakhs)

Particulars	Reserves and Surplus		Other Comprehensive Income	Total Other Equity
	Reserves Pending Allocation on Account of Pending share Issuance	Retained Earnings	Equity Instruments through Other Comprehensive Income	
<b>As at April 1, 2018</b>	-	-	-	-
Transferred On Account of Scheme of Arrangment	10,367.80	-	2,449.78	12,817.58
Effect of Increase in Share Entitlement due to Increase in share Capital after QIP issue	-52.14	-	-	-52.14
Effect of Gratuity Provison to be maintained as per NCLT order	-53.69	-	-	-53.69
Total Comprehensive Income for the year	-647.94	-	661.21	13.27
<b>Balance as at March 31, 2019</b>	<b>9,614.03</b>	<b>-</b>	<b>3,110.99</b>	<b>12,725.02</b>
Cancellation of pending initial share capital	-	5.00	-	5.00
Issuance of Redeemable Preference Shares out of opening balance of Unallocated Reserves received on account of Demerger	-1,706.92	-	-	-1,706.92
Balance of Unallocated Reserves transferred to Retained Earnings	-7,907.11	7,907.11	-	-
Gain on Disposal of Investment in Equity Shares through OCI transferred to Retained Earnings	-	2,215.79	-2,215.79	-
Total Comprehensive Income for the year	-	209.11	-895.20	-686.09
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>10,337.01</b>	<b>-</b>	<b>10,337.01</b>

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

Partner  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Standalone Cash Flow Statement

for the Year Ended March 31, 2020

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31, 2020	For the Year Ended March 31, 2019
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Profit/(loss) before Tax as per Statement of Profit and Loss	295.02	(598.18)
	<b>Adjusted for:</b>		
	- Finance Costs	1,027.95	241.60
	- Depreciation/Amortisation	1,057.55	879.73
	<b>Operating Profit before Working Capital Changes</b>	<b>2,380.52</b>	<b>523.15</b>
	<b>Adjusted for:</b>		
	- Trade and Other Receivables	1,389.31	151.49
	- Inventories	(378.94)	(285.78)
	- Trade Payables and Other Current Liabilities	(1,582.79)	(1,653.67)
	<b>Cash Generated from Operations</b>	<b>1,808.10</b>	<b>(1,264.81)</b>
	Taxes Paid (Net)	2.25	(2.99)
	<b>Net Cash Flow from /(used in) Operating Activities</b>	<b>1,810.35</b>	<b>(1,267.80)</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Addition to Property, Plant and Equipment and Capital Work In Progress	(2,469.35)	(2,825.25)
	Investment in Aarti HPC Limited 100% Subsidiary	(0.50)	0.00
	Other Investments	(0.03)	0.00
	Proceeds from Sale of Investments	2,254.47	0.00
	<b>Net Cash Flow used in Investing Activities</b>	<b>(215.43)</b>	<b>(2,825.25)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from Borrowings - Non Current	-	3,000.00
	Proceeds/(Repayment) from Current Borrowing (Net)	(613.86)	1,334.74
	Finance Costs	(973.84)	(241.60)
	<b>Net Cash Flow from /(used in) Financing Activities</b>	<b>(1,587.70)</b>	<b>4,093.14</b>
	<b>Net Increase in Cash and Cash Equivalents</b>	<b>7.22</b>	<b>0.09</b>
	<b>Opening Balance of Cash and Cash Equivalents</b>	<b>2.01</b>	<b>1.92</b>
	<b>Closing Balance of Cash and Cash Equivalents</b>	<b>9.23</b>	<b>2.01</b>

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Corporate Information and Significant Accounting Policies

## A. Corporate Information

Aarti Surfactants Limited ("the Company") is a Public Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The same had been formed as a result of Demerger of Home and Personal Care Division of Aarti Industries Limited. The registered office of the Company is located at Plot Nos. 801, 801/23, GIDC Estate, Phase - III, Vapi, Dist. Valsad, Gujarat - 396 195, India.

The Honourable NCLT - Ahmedabad Bench had approved the scheme of arrangement between Aarti Industries Limited, Aarti Surfactants Limited and shareholders of both the companies on 10<sup>th</sup> of June, 2019; pursuant to which, the Home and Personal Care Division of Aarti Industries Limited is transferred to Aarti Surfactants Limited from Appointed Date (i.e. April 1, 2018).

The company's product portfolio includes surfactants, mild surfactants, rheology modifiers, pearlizing agents, UV filters, syndet and soap bases, and active ingredients, as well as conditioning agents, blends, proteins, and quats. It serves skin care, oral, hair, cosmetics, bath and shower, sun care, fabric/laundry care, dishwashing, toilet care, and surface care segments.

Manufacturing Units of the Company are located at Pithampur in the state of Madhya Pradesh and Silvassa in the Union Territory of Dadra and Nagar Haveli and Daman and Diu.

The Equity as well as Redeemable Preference Shares of the Company are in the process of listing on the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") in India.

## B. Explanatory Note on the Composite Scheme of Arrangement

The Scheme of Arrangement under sections 391 to 394 of the Companies Act, 1956 read with section 230 to 232 Companies Act, 2013 (the Scheme) between the Company and Aarti Industries Limited (the Demerged Company) and their respective shareholders and the creditors of the two companies for demerger of Home and Personal Care Undertaking as a going concern into the Aarti Surfactants Limited on the Appointed Date at the opening of business hours on April 01, 2018, has been sanctioned by the Hon'ble National Company Law Tribunal, Ahmedabad Bench, vide its Order dated June 10, 2019.

Certified copies of the order of the Hon'ble National Company Law Tribunal have been filed with the Registrar of Companies at Vapi, Gujarat on June 24, 2019 and the scheme has become effective from June 24, 2019.

The Scheme has accordingly been given effect to in the accounts effective from the Appointed Date being opening of business hours on April 1, 2018.

Pursuant to the Scheme of arrangement, Aarti Surfactants Limited has to issue to Equity Shareholder of Aarti Industries Limited,

For every 10 equity shares held in Aarti Industries Limited

- 1 Equity Shares of Aarti Surfactants Limited; or
- 1 Redeemable Preference Share of Aarti Surfactants Limited.

Holders of equity shares of Aarti Industries Limited had an option to subscribe either to Equity or Redeemable Preference shares as above.

Pursuant to the Scheme, the excess of ₹ 13,635.57 Lakhs of the assets over liabilities of Home and Personal Care Division of Aarti Industries Limited has been transferred and vested into the Company at the values appearing in the books of the Demerged Company, Aarti Industries Limited as on opening of business hours on April 1, 2018. The particulars of assets and liabilities transferred are as follows:

Particular	Amount (₹ In Lacs)
Property, Plant and Equipment	12,288.90
Investments	2,488.46
Other Non Current Assets	140.61
Trade Receivable	3,509.10
Inventories	4,984.12
Other Current Assets	1,837.06
<b>Total</b>	<b>25,248.26</b>
Working capital Borrowing	5,278.43
Other current liabilities	5,656.33
Deferred Tax Liability	677.93
<b>Total</b>	<b>11,612.68</b>
<b>Excess of assets over liabilities</b>	<b>13,635.57</b>

Pursuant to the Scheme, the surplus of the assets over liabilities, after adjusting for issuance of new share capital and cancellation of existing share capital has to be credited to the Free Reserves of the Company.

# Corporate Information and Significant Accounting Policies

Demerged Company is deemed to have been carrying on all business activities relating to the demerged undertaking with effect from opening of business hours on April 1, 2018 and on account of and in trust of the Company. All profits or losses, income and expenses accruing or arising or incurred after opening of business hours on April 1, 2018 relating to the said undertaking shall get vested to the Company. During the year, till all licenses and approvals were in place, Demerged Company continued the business on account and in trust of the Company.

Ind AS 103 - Business Combination requires that acquirer shall record all assets and liabilities acquired under business combinations at Fair Value. Ind AS are applicable to Demerged Company Aarti Industries Limited and hence assets and liabilities were already at Fair Value in the books of Demerged Company at the time of Demerger. Accordingly, the management has considered these book values as fair value for the purpose of recording of assets and liabilities in the books of the Company. The same is also in accordance with the Scheme of arrangement approved by NCLT.

## C. Significant Accounting Policies

### C.1 Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis except for following assets and liabilities which have been measured at fair value amount:

- a. Certain financial assets and liabilities; and
- b. Defined benefit plans.

The Financial Statements of the Company have been prepared to comply with the Indian Accounting standards ('Ind AS'), including the rules notified under the relevant provisions of the Companies Act, 2013.

Company's Financial Statements are presented in Indian Rupees (₹), which is also its functional currency and all values are rounded to the nearest Lakhs (₹ 00,000), except when otherwise indicated.

The financial statements of the Company for the year ended 31.3.2020 were approved for issue in accordance with a resolution of the Board of Directors in its meeting held on June 4, 2020.

### C.2 Summary of Significant Accounting Policies

#### (a) Current and Non-Current Classification

The Company presents assets and liabilities in the Balance Sheet based on Current/ Non-Current classification.

An asset is treated as Current when it is –

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

All other assets are classified as non-current.

A liability is considered as 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.

All other liabilities are classified as non-current.

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

#### (b) Property, Plant and Equipment (PPE)

Property, Plant and Equipment are stated at cost, net of recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any. Such cost includes purchase price, borrowing cost and any cost directly attributable to bringing the assets to its working condition for its intended use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the assets.

## Corporate Information and Significant Accounting Policies

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 entity and the cost can be measured reliably.

Property, Plant and Equipment which are significant to the total cost of that item of Property, Plant and Equipment and having different useful life are accounted separately.

### (c) Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of intangible assets.

### (d) Valuation of Inventories

Inventories are valued at Cost or Net Realizable Value whichever is lower.

Inventories have been valued on the following basis:

- a. Raw Materials, Packing Material, Stores and Spares - At cost on Weighted Average basis.
- b. Work-in-Process - At cost plus appropriate allocation of overheads.
- c. Finished Goods - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower.

### (e) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents consist of balances with banks which are unrestricted for withdrawals and usage.

### (f) Revenue Recognition

- (i) Revenue from Sale of Goods to customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transferred upon shipment of goods to the customer or when the goods are made available to the customer, provided transfer of title to the customer occurs and the Company has not retained any significant risks of ownership or future obligations with respect to the goods shipped. Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest is recognized on the time proportion method.
- (iv) Industrial Promotion Incentive granted by State Government is recognised when claim in respect of Entitlement is made & admitted after close of yearly Sales Tax Assessment.
- (v) Dividend Income is recognised when the Company's right to receive the amount has been established.

### (g) Government Grants

- (i) Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.
- (ii) Government grants are recognised in Profit and Loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and transferred to Profit and Loss on a systematic and rational basis over the useful lives of the related assets.

## Corporate Information and Significant Accounting Policies

- (iii) In the unlikely event that a grant previously recognised is ultimately not received, it is treated as a change in estimate and the amount cumulatively recognised is expensed in the Statement of Profit and Loss.

### (h) Depreciation/Amortization

Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II;

Sr. No.	Particulars	Depreciation or Amortisation
1.	Leasehold Land	Over the remaining tenure of lease
2.	Building	Over a period of 19 years
3.	Plant & Machinery	Over its useful life as technically assessed, i.e over a period of 9-19 years, based on the type of Equipment
4.	Furniture and Fixtures	Over a period of 10 years
5.	Vehicles	Over a period of 7 years
6.	Intangible Assets (Product Registration Rights)	Over a period of 5 years

### (i) Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of net selling price of an asset or its value in use. Value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

### (j) Foreign Currency Transactions

Foreign currency transactions are accounted at the rates prevailing on the date of transactions. The exchange rate differences arising out of such transactions are appropriately dealt in the financial statements in accordance with the applicable accounting standards.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss.

### (k) Operating Leases

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the leased assets are consumed.

### (l) Finance Costs

Borrowing Costs other than those directly attributable to Qualifying Assets are recognised as expenses in profit or loss in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the asset.

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

### (m) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities may arise from litigation, taxation and other claims against the Company. Where it is management's assessment that the outcome is uncertain or cannot be reliably quantified, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote such contingent liabilities are disclosed in the notes but are not provided for in the financial statements.

## Corporate Information and Significant Accounting Policies

Contingent assets are not recognised but are disclosed in the notes where an inflow of economic benefits is probable.

### (n) Employee Benefits

#### *Short-term Benefits*

Short term employee benefits including accumulating compensated absences are recognised at an undiscounted amount in the Statement of Profit and Loss for the year in which the related services are rendered.

#### *Post-retirement Benefits*

##### *Defined Contribution Plans*

Retirement Benefits in the form of Provident Fund which is a defined contribution schemes is charged to the statement of profit and loss for the period in which the contributions to the fund accrue as per the relevant statute.

##### *Defined Benefit Plans*

The Company pays gratuity to the employees who have completed five years of service with the Company at the time of resignation/superannuation. The gratuity is paid @ 15 days salary for every completed year of service as per the Payment of Gratuity Act, 1972.

The gratuity liability amount is contributed by the Company to the gratuity fund maintained with Life Insurance Corporation of India, exclusively for gratuity payment to the employees.

The liability in respect of gratuity and other post-employment benefits is calculated using Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employees' services.

Re-measurements of Defined Benefit Plans in respect of post-employment are charged to the Other Comprehensive Income.

### (o) Taxes on Income

The tax expense for the period comprises of current tax and deferred income tax. Tax is recognised in Statement of Profit and Loss, except to the extent

that it relates to items recognised in the Other Comprehensive Income or in Equity, in which case, the tax is also recognised in Other Comprehensive Income or Equity.

#### *Current Tax*

Tax on income for the current period is determined on the basis on estimated taxable income and tax credits computed in accordance with the provisions of the relevant tax laws and based on the expected outcome of assessments / appeals. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date.

The company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *Deferred Tax*

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss, either in other comprehensive income or directly in equity. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

## Corporate Information and Significant Accounting Policies

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

### *Minimum Alternate Tax (MAT)*

Minimum Alternate tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period i.e., the period for which MAT Credit is allowed to be carried forward. The Company reviews the same at each balance sheet date.

### (p) Financial Instruments

#### **Financial Assets**

##### *I Initial recognition and measurement*

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at Fair Value Through Profit or Loss, are adjusted to the fair value on initial recognition. Purchase and sale of financial assets are recognised using trade date accounting.

##### *II Subsequent Measurement*

##### *(i) Financial assets measured at Amortised Cost (AC)*

A financial asset is measured at Amortised Cost, if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### *(ii) Financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)*

A financial asset is measured at FVTOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### *(iii) Financial assets measured at Fair Value Through Profit or Loss (FVTPL)*

A financial assets, which are not classified in any of the above categories are measured at FVTPL.

##### *III Equity Investments*

All equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the value changes in 'Other Comprehensive Income'. Equity Investments in Subsidiaries are carried individually at cost less accumulated impairment, if any.

##### *IV Impairment of Financial Assets*

In accordance with Ind AS 109, the Company uses, 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at Fair Value Through Profit and Loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

- The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For Trade Receivables, the Company applies 'simplified approach', which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date, these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Company uses 12 months ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk, full lifetime ECL is used.

# Corporate Information and Significant Accounting Policies

## Financial Liabilities

### I Initial Recognition and Measurement

All financial liabilities are recognised at fair value and in case of borrowings, net of directly attributable cost. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

### II Subsequent Measurement

Financial liabilities are carried at amortised cost using the effective interest method.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to short maturity of these instruments.

## Derecognition of Financial Instruments

The Company derecognises a financial asset, when the contractual rights to the cash flows from the financial asset expires, or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognised from the Company's Balance Sheet, when the obligation specified in the contract is discharged or cancelled or expires.

## Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legally enforceable right to set off the amount and it intends, either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## (q) Earnings Per Shares

Basic earnings per share are calculated by dividing the Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Profit or Loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

## D. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the Company's financial statements requires management to make judgement, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in subsequent financial years.

### I Depreciation/Amortisation and useful lives of Property, Plant and Equipment/Intangible Assets

Property, Plant and Equipment/Intangible Assets are depreciated/amortised over their estimated useful lives, after taking into account estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Company's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation for future periods is revised if there are significant changes from previous estimates.

### II Recoverability of Trade Receivables

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

### III Provisions

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

# Notes Forming Part of Standalone Financial Statements

## 1 Property, Plant and Equipment FY 2019-20

(₹ in Lakhs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Balance as at April 1, 2019	Additions/ Adjustments	Deduction/ Adjustments	Balance as at April 1, 2019	Depreciation charge for the Period	Deduction/ Adjustments	Balance as at Mar 31, 2020	Balance as at Mar 31, 2019
<b>I Tangible Assets</b>								
Freehold Land	47.62	-	-	-	-	-	47.62	47.62
Leasehold Land	177.83	-	-	41.90	6.72	-	129.22	135.94
Buildings	2,027.54	-	-	497.75	107.05	-	1,422.74	1,529.79
Plant and Machinery	17,175.33	2,207.63	-	5,187.97	857.54	-	13,337.45	11,987.36
Furniture and Fixtures	116.03	2.66	-	90.62	6.95	-	21.13	25.41
Vehicles	125.56	8.42	-	64.27	13.90	-	55.81	61.29
<b>Total</b>	<b>19,669.91</b>	<b>2,218.71</b>	-	<b>5,882.50</b>	<b>992.16</b>	-	<b>15,013.97</b>	<b>13,787.41</b>
<b>II In Tangible Assets</b>								
Product Registration Rights	-	186.84	-	-	65.39	-	121.44	-
<b>Total</b>	-	<b>186.84</b>	-	-	<b>65.39</b>	-	<b>121.44</b>	-
<b>III Gross Total</b>	<b>19,669.91</b>	<b>2,405.55</b>	-	<b>5,882.50</b>	<b>1,057.55</b>	-	<b>15,135.41</b>	<b>13,787.41</b>
<b>III Capital Work-in-Progress</b>							<b>1,395.26</b>	<b>447.01</b>

### NOTES -

- a. Entire movable and immovable assets of the Company are given as a security for the working capital and term loan obtained from SVC Co operative Bank limited.

# Notes Forming Part of Standalone Financial Statements

FY 2018-19

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as at April 1, 2018	Additions On A/C of Scheme of Arrangement	Deduction/ Adjustments	Balance as at Mar 31, 2019	Balance as at April 1, 2018	Additions On A/C of Scheme	Depreciation charge for the Period	Deduction/ Adjustments	Balance as at Mar 31, 2019	Balance as at Mar 31, 2019
<b>1 Property, Plant and Equipment</b>										
I Tangible Assets										
Freehold Land	-	47.62	-	47.62	-	-	-	-	-	47.62
Leasehold Land	-	150.20	27.64	177.84	-	36.18	5.72	-	41.90	135.94
Buildings	-	1,860.41	167.13	2,027.54	-	393.49	104.26	-	497.75	1,529.79
Plant and Machinery	-	13,786.71	3,392.26	17,175.32	-	4,436.50	752.08	0.62	5,187.96	11,987.36
Furniture and Fixtures	-	102.95	13.08	116.03	-	84.74	5.88	-	90.62	25.41
Vehicles	-	59.06	66.50	125.56	-	52.47	11.80	-	64.27	61.29
<b>Total</b>	-	<b>16,006.95</b>	<b>3,666.61</b>	<b>19,669.91</b>	-	<b>5,003.38</b>	<b>879.74</b>	<b>0.62</b>	<b>5,882.50</b>	<b>13,787.41</b>
<b>II Capital Work-in-Progress</b>										<b>447.01</b>

## NOTES -

- a. Entire movable and immovable assets of the Company are given as a security for the working capital and term loan obtained from SVC Co operative Bank limited.

# Notes Forming Part of Standalone Financial Statements

## 2 Investments - Non Current

(₹ in Lakhs)

Particulars	Number of Units/Shares (all fully paid up)				As at March 31, 2020	As at March 31, 2019
	Opening Balance	Acquisition	Disposal	Closing Balance		
<b>Investments measured at Fair Value through Other Comprehensive Income</b>						
<b>In Quoted Equity Shares</b>						
Aarti Drugs Ltd.	4,91,790	-	4,91,790	-	-	3,149.67
<b>In UnQuoted Equity Shares</b>						
SVC Co Operative Bank Limited	-	25	-	25	0.03	-
<b>In UnQuoted Equity Shares (Subsidiary)</b>						
<b>At Cost</b>						
Aarti HPC Limited	-	5,000	-	5,000	0.50	-
<b>Total</b>	<b>4,91,790</b>	<b>5,025</b>	<b>4,91,790</b>	<b>5,025</b>	<b>0.53</b>	<b>3,149.67</b>

- During the year the company has sold its investment in Aarti Drugs Limited to fund its ongoing capex at its manufacturing plant at Pithampur, Madhya Pradesh and Silvassa, Dadra Nagar Haveli and Daman and Diu.

## 3 Other Non-Current Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Deposits	166.77	102.91
Income Tax Assets (Net of Provisions)	0.74	2.99
Capital Advance	95.62	-
<b>Total</b>	<b>263.13</b>	<b>105.90</b>

## 4 Inventories

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Raw Materials and Components (incl of In-transit stock)	2,330.90	2,063.94
Work-in-progress	103.17	143.28
Finished Goods (incl of In-transit stock)	3,083.29	2,935.79
Stores and spares	80.14	78.96
Fuel (incl of In-transit stock)	17.31	23.41
Packing Materials	34.03	24.52
<b>Total</b>	<b>5,648.84</b>	<b>5,269.90</b>

\*Mode of Valuation is stated in note : (d) Valuation of Inventories in Significant Accounting Policy.

\*The Company has availed credit facilities from banks which are secured interalia by hypothecation of inventories.

# Notes Forming Part of Standalone Financial Statements

## 5 Trade Receivables

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Less than six months (unsecured and considered good)	1,751.21	3,056.23
More than six months		
- Unsecured and Considered Good	40.78	-
- Unsecured Doubtful Debts	69.97	69.97
- Provision for Doubtful Debts	-69.97	-69.97
<b>Total</b>	<b>1,791.99</b>	<b>3,056.23</b>

\*The Company has availed credit facilities from banks which are secured inter alia by hypothecation of Trade Receivables.

## 6 Cash and Cash Equivalents

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Cash on Hand	1.63	0.84
Balances with Banks	7.60	1.17
<b>Total</b>	<b>9.23</b>	<b>2.01</b>

## 7 Other Financial Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Loans & Advances:		
(i) Employees	36.45	21.63
(ii) Related Party	0.75	-
<b>Total</b>	<b>37.20</b>	<b>21.63</b>

## 8 Other Current Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balance with Customs, Central Excise, GST and State Authorities	1698.73	2,149.95
Others Receivable	0.28	-
Prepaid Expenses	37.06	2.66
Advance to Supplier of Material, Engineering Items	212.05	-
<b>Total</b>	<b>1,948.12</b>	<b>2,152.61</b>

# Notes Forming Part of Standalone Financial Statements

## 9 Share Capital

(₹ in Lakhs)

Particulars	No. of Shares	As at	
		March 31, 2020	March 31, 2019
<b>Authorised Share Capital</b>			
Equity Shares of ₹ 10/- each	3,18,70,000	3,187.00	813.00
Redeemable Preference Shares of ₹ 10/- each	81,30,000	813.00	813.00
	<b>4,00,00,000</b>	<b>4,000.00</b>	<b>1,626.00</b>
<b>Issued, Subscribed &amp; Paid up</b>			
Equity Shares of ₹ 10/- each	75,84,477	758.45	5.00
<b>Total</b>	<b>75,84,477</b>	<b>758.45</b>	<b>5.00</b>

### 9.1 Reconciliation of number of Equity Shares outstanding:

Particulars	As at	
	March 31, 2020	March 31, 2019
	No' Of Shares	No' Of Shares
Equity Shares at the beginning of the year	50,000	50,000
Add: Shares issued during the year Pursuant to the Scheme of Arrangement	75,84,477	-
Less: Shares Cancelled Pursuant to the Scheme of Arrangement	-50,000	-
<b>Equity Shares at the end of the year</b>	<b>75,84,477</b>	<b>50,000</b>

### 9.2 Details of shareholders holding more than 5% shares:

Name of the Shareholders	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	% held	No. of Shares	% held
Aarti Industries Limited	-	-	50,000	100.00
HDFC Trustee Company Ltd.	7,13,681	9.41	-	-
Jaya Chandrakant Gogri	3,99,449	5.27	-	-
Rashesh Chandrakant Gogri	3,83,438	5.06	-	-

### 9.3 Share Capital pending allotment upon scheme of Arrangement:

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Share capital as per Scheme of Arrangement	-	813.00
Increase in Share entitlement due to Fresh share issue during the year, under QIP by Demerged Co.	-	53.69
<b>Total</b>	<b>-</b>	<b>866.69</b>

\*\* Pursuant to the Composite Scheme of Arrangement becoming effective and subsequent exercise of option by Equity share holders of Demerged entity, company has allotted 75,84,477 No of Equity Shares and 10,82,387 No of Non Convertible Redeemable Preference Shares to the shareholders of Demerged company Aarti Industries limited against Share capital Pending allotment as at March 31, 2020. Upon allotment, pre-scheme paid up capital of ₹ 5 Lakhs, held by Aarti Industries Limited, shall stand reduced, cancelled and extinguished in terms of the said Scheme.

\*\* The Company has only one class of equity shares having par value of ₹ 10 each and the holder of the equity share is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the Company in proportion to the number of equity shares held.

# Notes Forming Part of Standalone Financial Statements

## 10 Other Equity

### a. Reserves Pending Allocation

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
As per last Balance Sheet	9,614.03	-
Add: Balance transferred on account of scheme of arrangement	-	10,367.80
Less: Effect of Increase in Share Entitlement due to Increase in share Capital after QIP issue	-	-52.14
Less: Effect of Gratuity Provison to be maintained as per the order of arrangement	-	-53.69
Less: Loss for the year	-	-647.94
Issuance of Redeemable Preference Shares out of opening balance of Unallocated Reserves received on account of Demerger	-1,706.92	
Balance of Unallocated Reserves transferred to Retained Earnings	-7,907.11	
<b>Closing Balance</b>	<b>-</b>	<b>9,614.03</b>

### b. Retained Earnings

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
As per last Balance Sheet	-	-
Balance of Unallocated Reserves transferred to Retained Earnings	7,907.11	-
Gain on Disposal of Investment in Equity Shares through OCI	2,215.79	
Add: Cancellation of Share Capital on Issuance of Fresh Share Capital as per the Scheme of Arrangement	5.00	
Add: Profit for the year	209.11	
<b>Closing Balance</b>	<b>10,337.01</b>	<b>-</b>

### c. Other Comprehensive Income

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
As per last Balance Sheet	3,110.99	-
Add: Balance transferred on account of scheme of arrangement	-	2,449.78
Fair Value Gain/(Loss) on Investment in Equity Shares through OCI	-895.20	661.21
Gain on Disposal of Investment in Equity Shares through Other Comprehensive Income transferred to Retained Earnings	-2,215.79	-
<b>Closing Balance</b>	<b>-</b>	<b>3,110.99</b>
<b>Total</b>	<b>10,337.01</b>	<b>12,725.02</b>

# Notes Forming Part of Standalone Financial Statements

## 11 Borrowings - Non Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Secured - At Amortised Cost</b>		
Term loans from Banks/Financial Institutions (Refer note 11.1.a)	3,000.00	3,000.00
Car Loan from Banks/Financial Institutions	8.66	-
0% Non Convertible Redeemable Preference Shares of ₹ 10/- each (Refer note 11.1.b)	1,869.27	-
<b>Total</b>	<b>4,877.93</b>	<b>3,000.00</b>

11.1 a). 'Rupee term loan from Bank aggregating to ₹ 3000 Lakhs is secured by first charge on all movable and immovable assets of the Company, including current assets.

b). (i) Pursuant to the Scheme of Arrangement becoming effective and subsequent exercise of Option by Equity Shareholders of Demerged Entity Aarti Industries Limited, 10,82,387 Nos of 0% Convertible Redeemable Preference Shares of ₹ 10/- each issued to the shareholders of Demerged Entity Aarti Industries Limited who has opted for Redeemable Preference shares valued at fair value of ₹ 167 per share as per the Scheme.

(ii) Terms of preference shares:

The Company has only one class of Preference Shares being 0% Redeemable, Cumulative, Non-convertible and Non-participating Preference Shares. The shareholders have right to vote only on resolutions which directly affect their interest.

The Preference Shares are Redeemable at the option of the Company such that shareholders will get 4% annualised return on fair value of ₹ 167 declared in the Scheme of Arrangement

## 11.2 Repayment Terms (SVC Term Loan)

(₹ in Lakhs)

Repayment Tenor	As at March 31, 2020 Amount	As at March 31, 2019 Amount
1-2 Years	900.00	300.00
2-3 Years	1,200.00	1,200.00
3-4 Years	900.00	1,200.00
Beyond 4 Years	-	300.00

# Notes Forming Part of Standalone Financial Statements

## 12 Deferred Tax Liability (Net)

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
At the start of the year	727.69	-
Transferred Pursuant to the Scheme of Arrangement	-	677.93
Charge/(credit) to the Statement of Profit and Loss	85.91	49.76
MAT Credit Entitlement	-51.54	-
<b>At the end of the year</b>	<b>762.06</b>	<b>727.69</b>

### 12.1 Components of Deferred Tax Liability/(Asset)

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Deferred tax liabilities/(assets) in relation to:</b>		
Property, Plant and Equipment	1,265.17	999.52
Carried Forward Tax Losses	-451.57	-271.83
MAT Credit Entitlement	-51.54	-
<b>Total</b>	<b>762.06</b>	<b>727.69</b>

## 13 Borrowings - Current - At Amortised Cost

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Secured - Working capital Loan From SVC Co Operative Bank	6,017.89	6,639.47
Interest Accrued but not due on Term Loan from Banks	24.88	25.82
<b>Total</b>	<b>6,042.77</b>	<b>6,665.29</b>

13.2 Working capital Loan from SVC bank is secured by first charge on all movable and immovable assets of the Company, including current assets.

## 14 Other Current Liabilities

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Other Payables (Statutory Dues)	86.34	8.92
Creditors for Capital Expenditure	980.05	-
Income Received in Advance	58.79	-
<b>Total</b>	<b>1,125.18</b>	<b>8.92</b>

## 15 Provisions - Current

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits	158.14	145.70
Other Provisions	243.76	3.14
<b>Total</b>	<b>401.90</b>	<b>148.84</b>

# Notes Forming Part of Standalone Financial Statements

## 16 Revenue from Operations

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Local Sales	31,510.32	27,391.53
Export Sales	5,344.07	3,476.93
<b>Sales of Products</b>	<b>36,854.39</b>	<b>30,868.46</b>
Less GST Collected on Sales	-4,812.19	-4,622.58
<b>Net Sales</b>	<b>32,042.20</b>	<b>26,245.88</b>
Other Operating Revenues (Refer Note No. 16.1)	544.20	186.44
<b>Total</b>	<b>32,586.40</b>	<b>26,432.32</b>

Sales Figures reported during previous financial year were inclusive of GST. However, during the current financial year, sales are shown exclusive of GST. Previous year comparative numbers are restated to that extent. Such restatement, however, have no impact on Loss reported for the previous financial year.

### 16.1 Other Operating Revenues

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Export Benefits/Incentives Received	90.09	0.55
Scrap Sales	36.24	46.61
State Government Grant - Industry Promotion Incentive	417.88	139.28
<b>Total</b>	<b>544.21</b>	<b>186.44</b>

## 17 Other Income

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Dividend Received	-	4.92
Interest Received	6.83	-
Insurance Claim Received	14.07	-
Profit on Sale of Assets/Investment	-	1.57
Other Income	-	0.33
<b>Total</b>	<b>20.90</b>	<b>6.82</b>

## 18 Cost of Material Consumed

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Raw Material	22,894.62	21,283.24
Packing Material	804.86	545.32
Fuel	554.05	597.66
Stores & Spares	584.40	441.21
<b>Total</b>	<b>24,837.93</b>	<b>22,867.43</b>

## Notes Forming Part of Standalone Financial Statements

### 19 Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Inventories (at commencement)</b>		
Finished Goods	2,935.79	1,437.78
Work-in-Progress	143.28	57.06
	<b>3,079.07</b>	<b>1,494.84</b>
<b>Inventories (at Close)</b>		
Finished Goods	3,083.29	2,935.79
Work-in-Progress	103.17	143.28
	<b>3,186.46</b>	<b>3,079.07</b>
<b>Total</b>	<b>-107.39</b>	<b>-1,584.23</b>

### 20 Employee Benefits

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Directors' Remuneration	64.99	43.79
Salaries, Wages & Bonus	1,212.26	1,017.56
Contribution to PF and other Funds	84.37	18.03
Workmen & Staff Welfare Expenses	68.72	60.45
<b>Total</b>	<b>1,430.34</b>	<b>1,139.83</b>

20.1 As per Indian Accounting Standard 19 - "Employee Benefits", the disclosures as defined are given below:

Particulars	Gratuity (funded) 2019-20	Gratuity (funded) 2018-19
<b>a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation</b>		
Defined Benefit Obligation at beginning of the Year	69.66	-
Transferred Pursuant to Scheme of Arrangment	-	52.14
Current Service Cost	18.65	14.60
Interest Cost	5.41	3.91
Past Service Cost	-	-
Liability Transferred In/ Acquisitions	-	-
(Liability Transferred Out/ Divestments)	-	-
(Gains)/ Losses on Curtailment	-	-
(Liabilities Extinguished on Settlement)	-	-
(Benefit Paid Directly by the Employer)	-	-
(Benefit Paid From the Fund)	-	-
The Effect Of Changes in Foreign Exchange Rates	-	-
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	-	0.28
Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions	9.67	-2.30
Actuarial (Gains)/Losses on Obligations - Due to Experience	-1.75	1.03
Defined Benefit Obligation at year end	101.64	69.66

## Notes Forming Part of Standalone Financial Statements

Particulars	Gratuity (funded) 2019-20	Gratuity (funded) 2018-19
<b>b. Reconciliation of opening and closing balances fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	69.66	-
Transferred Pursuant to Scheme of Arrangment	-	68.06
Interest Income	5.41	5.10
Contributions by the Employer	-	-
Expected Contributions by the Employees	-	-
Assets Transferred In/Acquisitions	-	-
(Assets Transferred Out/ Divestments)	-	-
(Benefit Paid from the Fund)	-	-
(Assets Distributed on Settlements)	-	-
Effects of Asset Ceiling	-	-
The Effect of Changes In Foreign Exchange Rates	-	-
Return on Plan Assets, Excluding Interest Income	3.20	-3.51
Fair Value of Plan Assets at the End of the Period	78.27	69.66
<b>c. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets	78.27	69.66
Present value of obligation	-101.64	-69.66
Amount Recognized in Balance Sheet	-23.37	-
<b>d. Expenses recognized during the period</b>		
Current Service Cost	18.65	14.60
Net Interest Cost	-	-1.19
Past Service Cost	-	-
Expected contribution by employees	-	-
(Gains)/Losses on Curtailments and Settlements	-	-
Net Effect of Changes in Foreign Exchange Rates	-	-
Net Cost	18.65	13.41
<b>e. Investment Details</b>		
L.I.C Group Gratuity (Cash Accumulation) Policy	100.00%	100.00%
<b>f. Actuarial assumptions</b>		
Mortality Table (L.I.C.)	<b>Indian Assured Lives Mortality (2006-08) Ult</b>	<b>Indian Assured Lives Mortality (2006-08) Ult</b>
Expected rate of return on plan assets (per annum)	6.84%	7.77%
Discount rate (per annum)	6.84%	7.77%
Rate of escalation in Salary (per annum)	7.00%	7.00%
Rate of employee turnover	5.00%	5.00%

The estimate of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion, other relevant factor's including supply and demand in the employment market. The above information is certified by the actuary.

Leave Encashment liability amounting to ₹ 100.31 lakhs (Previous Year - ₹ 35.96 lakhs) has been provided in the Books of Accounts.

## Notes Forming Part of Standalone Financial Statements

### 21 Finance Cost

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Interest Expense	983.81	207.02
Other Borrowing Costs	44.14	34.58
<b>Total</b>	<b>1,027.95</b>	<b>241.60</b>

### 22 Other Expenses

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Manufacturing Expenses</b>		
Freight, Cartage & Transport	632.49	535.64
Power	1,172.00	1,020.85
Water Charges	60.16	48.95
Processing Charges	221.26	266.51
Labour/Helper Charges, Security Services	509.78	440.24
Effluent Treatment Cost	172.65	30.21
Repairs & Maintenance	301.00	300.30
Insurance Charges	44.09	14.63
Factory Administrative Expenses	171.09	172.89
Other Manufacturing Expenses	63.93	99.43
<b>Sub-Total (A)</b>	<b>3,348.45</b>	<b>2,929.65</b>
<b>Office Administrative Expenses</b>		
Rent, Rates and Taxes	11.01	8.05
Travelling and Conveyance	45.43	29.87
Auditor's Remuneration	6.00	2.41
Legal & Professional Charges	29.45	0.66
Postage, Telegraph & Telephone	6.40	0.67
Printing & Stationery Expenses	4.48	0.01
ROC & Other Filing Fees	47.28	-
Other Administrative Expenses	9.24	8.33
<b>Sub-Total (B)</b>	<b>159.29</b>	<b>50.00</b>
<b>Selling and Distribution Expenses</b>		
Advertisement & Sales Promotion	44.04	40.47
Export Freight Expenses, Outward Freights	484.62	451.32
Commission on Sales	9.35	21.02
Sample Testing & Analysis Charges	2.98	0.45
Other Selling Expenses	15.67	-
<b>Sub-Total (C)</b>	<b>556.66</b>	<b>513.26</b>
<b>Non-Operating Expenses</b>		
Donations and CSR Expenses	1.50	0.05
<b>Sub-Total (D)</b>	<b>1.50</b>	<b>0.05</b>
<b>Total (A+B+C+D)</b>	<b>4,065.90</b>	<b>3,492.96</b>

# Notes Forming Part of Standalone Financial Statements

## 23 Earning Per Share (EPS)

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Face Value Per Equity Share (in ₹)</b>	<b>10.00</b>	<b>10.00</b>
<b>Basic Earnings Per Share (in ₹)</b>	<b>2.76</b>	<b>-8.54</b>
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	209.11	-647.94
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	75.84	75.84
<b>Diluted Earnings Per Share (in ₹)</b>	<b>2.76</b>	<b>-7.48</b>
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	209.11	-647.94
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	75.84	86.67(Refer Note 23.3)
<b>Reconciliation of weighted average number of equity shares outstanding</b>		
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	75.84	75.84(Refer Note 23.2)
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	75.84	86.67(Refer Note 23.3)

**23.1** Pursuant to the scheme of arrangement, the company has to issue Equity shares / Redeemable preference shares to the holders of equity of Aarti Industries Limited. Equity Share holders of Aarti Industries Limited had the option to either apply to Equity or Redeemable Preference shares of the Company.

**23.2** The Company allotted 75,84,477 equity shares on August 20, 2019 pursuant to the scheme of arrangement. Since effective date of demerger is April 1, 2018, 75,84,477 equity shares have been considered for calculation of Basic EPS for FY 2018-19 and FY 2019-20. Basic EPS for FY 2018-19 has been restated as per Ind AS 33 - Earning Per Share.

**23.3** As per the Scheme of Arrangement, upon the scheme becoming effective, existing share capital of ₹ 5 Lakhs stands automatically cancelled. As at March 31, 2019, the allotment of share capital was pending as the shareholders were yet to exercise the option. Accordingly, exact number of equity shares (opted by the shareholders of Demerged Company were not known as on that date). Considering this, Diluted Earning Per Share for FY 2018-19 was arrived at assuming that all shareholders of Aarti Industries Limited will opt for Equity Shares. Diluted EPS for FY 2018-19 has not been restated as per Ind AS 33, Earning Per Share.

## 24 Payment to Auditors

(₹ in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
a. Statutory Audit Fees	6.00	2.35
b. Certification and Consultation Fees	0.08	0.06
<b>Total</b>	<b>6.08</b>	<b>2.41</b>

# Notes Forming Part of Standalone Financial Statements

## 25 Contingent Liabilities and Commitments

Particulars	(₹ in Lakhs)	
	As at March 31, 2020	As at March 31, 2019
<b>(i) Contingent Liabilities</b>		
- Claims against the company not acknowledged as Debt - Unpaid	158.20	191.82
- Claims against the company not acknowledged as Debt - Paid (under dispute)	225.32	225.32
<b>(ii) Commitments</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for, net of advances	75.00	-
<b>Total</b>	<b>458.52</b>	<b>417.14</b>

**26** There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

**27** In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to the amounts at which they are stated in the Balance Sheet.

## 28 Segment Information

The operating segments have been reported in a manner consistent with the internal reporting provided to the Board of Directors, who are the Chief Operating Decision Makers. They are responsible for allocating resources and assessing the performance of operating segments. Accordingly, the reportable segment is only one segment i.e. Home and personal care ingredients.

### Revenue from Type of Products and Services

There is only one operating segment of the company which is based on nature of product. Hence the revenue from external customers shown under geographical information is representative of revenue based on product and services.

### Secondary Segment Information

Particulars	(₹ in Lakhs)	
	FY 2019-20	FY 2018-19
Segment Revenue - External Turnover		
Within India	26,698.13	22,768.95
Outside India	5,344.07	3,476.93
<b>Total</b>	<b>32,042.20</b>	<b>26,245.88</b>
Non-Current Assets*		
Within India	16,793.80	14,340.32
Outside India	-	-
<b>Total</b>	<b>16,793.80</b>	<b>14,340.32</b>

\* includes property plant and equipment, intangible assets, capital work-in-progress and other non-financial non-current assets

### Information about major customers

Ind As 108 Segment Reporting Requires Disclosure of reliance on its Major customers if Revenue from transactions with single external customer amounts to 10 per cent or more of company's total Revenue. Company's total Revenue of ₹ 32,042.20 Lakhs (P.Y. ₹ 26,245.88 Lakhs) include sales of ₹ 19,385.00 Lakhs (P.Y. ₹ 16,963.00 Lakhs) to two large customers with whom the company is having long standing Relationship.

# Notes Forming Part of Standalone Financial Statements

## 29 Related Party Disclosures

As per Ind AS 24, the disclosures of transactions with the Related Parties are given below:

### 29.1 Subsidiary company

Sr. No.	Name of the Related Party	Relationship
1	Aarti HPC Limited (w.e.f December 26, 2019)	100% Subsidiary

### 29.2 List of Related Parties where control exists and also other Related Parties with whom transactions have taken place and relationships:

Sr. No.	Name of the Related Party	Relationship
1	Mr. Chandrakant Vallabhaji Gogri	Non-Executive Director
2	Mr. Nikhil Parimal Desai	Executive Director
3	Mr. Dattatray Sidram Galpalli	Non-Executive Director
4	Mr. Santosh Madhaorao Kakade	Executive Director
5	Mr. Mulesh Manilal Savla	Independent Director
6	Ms. Misha Bharat Gala	Independent Director
7	Mr. Prashant Gaikwad	Company Secretary

### 29.3 Transactions during the year with Related Parties

Sr. No.	Name of the Related Party	Remuneration Paid	
		FY 2019-20	FY 2018-19
1	Mr. Nikhil Parimal Desai	44.17	43.79
2	Mr. Santosh Madhaorao Kakade	20.82	-
3	Mr. Prashant Gaikwad	4.80	-
4	Investment in Aarti HPC Limited	0.50	-
5	Advance to Aarti HPC Limited	0.75	-

## 30 Capital Management

The Company's objectives for managing capital is to safeguard continuity and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth. The Company's overall strategy remains unchanged from previous year.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments.

The funding requirements are met through a mixture of equity, internal fund generation, and other non - current/current borrowings. The Company's policy is to use current and non - current borrowings to meet anticipated funding requirements. The Company monitors capital on the basis of the net debt to equity ratio.

The Management believes that it will be able to meet all its current liabilities and interest obligations on timely manner.

## Notes Forming Part of Standalone Financial Statements

### 30.1 The Net Gearing Ratio at the end of the reporting period was as follows -

(₹ in Lakhs)

Particulars	As at	
	March 31, 2020	March 31, 2019
Gross Debt	10,920.70	9,665.29
Cash and Marketable Securities	9.76	3,151.68
<b>Net Debt (A)</b>	<b>10,910.94</b>	<b>6,513.61</b>
<b>Total Equity (As per Balance Sheet) (B)</b>	<b>11,095.46</b>	<b>13,596.71</b>
<b>Net Gearing Ratio (A/B)</b>	<b>0.98</b>	<b>0.48</b>

## 31 Financial Instruments

### A. Fair Value Measurement Hierarchy

(₹ in Lakhs)

Particulars	As at March 31, 2020			
	Carrying Amount	Level of Input Used		
		Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>At Amortised Cost</b>				
Trade Receivables	1,791.99	-	-	-
Cash and Cash Equivalents	9.23	-	-	-
Loans	37.20	-	-	-
<b>At Cost</b>				
Investments	0.53	-	-	-
<b>Financial Liabilities</b>				
<b>At Amortised Cost</b>				
Borrowings - Non Current	4,877.93	-	-	-
Borrowings - Current	6,042.77	-	-	-
Trade Payables	1,924.40	-	-	-

(₹ in Lakhs)

Particulars	As at March 31, 2019			
	Carrying Amount	Level of Input Used		
		Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>At Amortised Cost</b>				
Trade Receivables	3,056.23	-	-	-
Cash and Cash Equivalents	2.01	-	-	-
Loans	21.63	-	-	-
<b>At FVTOCI</b>				
Investments	3,149.67	3,149.67	-	-
<b>Financial Liabilities</b>				
<b>At Amortised Cost</b>				
Borrowings - Non Current	3,000.00	-	-	-
Borrowings - Current	6,665.29	-	-	-
Trade Payables	3,844.91	-	-	-

## Notes Forming Part of Standalone Financial Statements

The financial instruments are categorised into three levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Input other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs based on unobservable market data.

### B. Financial Risk Management

The Company's principal financial liabilities comprise borrowings, trade payables and other unsecured Lendings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Customer Receivables, Investments and cash and cash equivalents that it derives directly from its operations.

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks.

#### a. Market Risk

##### (i) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities in exports and imports which is majorly in US dollars.

In case of Long term Contract with Large Customer, Currency Fluctuation is to Customer's Account.

##### (ii) Commodity Price Risk

The Company has a risk management framework aimed at prudently managing the risk arising from the volatility in commodity prices and freight costs.

#### b. Credit Risk

The company is exposed to credit risk from its operating activities (primarily for trade receivables).

Credit risk is the risk that a customer or counterparty to a financial instrument fails to perform or pay the amounts due causing financial loss to the company. Credit risk arises from company's activities in investments and outstanding receivables from customers.

#### c. Liquidity Risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. For the Company, liquidity risk arises from obligations on account of financial liabilities such as trade payables and other financial liabilities.

The Company's corporate treasury department is responsible for liquidity and funding as well as settlement. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows.

## Notes Forming Part of Standalone Financial Statements

### Maturity profile of non-derivative financial liabilities as on March 31, 2020

(₹ in Lakhs)

Particulars	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Borrowings - Non Current		4,877.93	-	4,877.93
Borrowings - Current	6,042.77	-	-	6,042.77
Trade Payables	1,924.40	-	-	1,924.40
<b>Total</b>	<b>7,967.17</b>	<b>4,877.93</b>	<b>-</b>	<b>12,845.10</b>

### Maturity profile of non-derivative financial liabilities as on March 31, 2019

(₹ in Lakhs)

Particulars	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Borrowings - Non Current	-	3,000.00	-	3,000.00
Borrowings - Current	6,665.29	-	-	6,665.29
Trade Payables	3,844.91	-	-	3,844.91
<b>Total</b>	<b>10,510.20</b>	<b>3,000.00</b>	<b>-</b>	<b>13,510.20</b>

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Independent Auditors' Report

**TO THE MEMBERS OF  
AARTI SURFACTANTS LIMITED**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the Consolidated Financial Statements of Aarti Surfactants Limited ("the Holding Company") and its one subsidiary company (the Holding Company and its subsidiary together referred as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the 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 Group as at March 31, 2020, and its consolidated profit and consolidated other comprehensive loss, consolidated changes in equity and its consolidated cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements Section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the Other Information. The other information comprises the information included in the Board's Report including Annexures to Board's Report thereon, Directors Report, Management and Discussion Analysis, but does not include Consolidated Financial Statements and our auditor's report thereon.

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

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

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

## Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income and consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and 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 of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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 Consolidated Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group'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.

The Board of Directors are responsible for overseeing the Company's financial reporting process of the Group.

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

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

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 Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company and its Subsidiary 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 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone 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.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit 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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), and the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid Standalone Financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors of the Company and its subsidiary incorporated in India, none of the directors of the Group are disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure A.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of

the Companies (Audit and 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 Group has disclosed the impact of pending litigations on its consolidated financial position in its Consolidated Financial Statements (Refer Note 26 to the Consolidated Financial Statements).
- ii. The Group did not have any long-term contracts including derivative contracts for which there are any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

For **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Reg. No.: 103264W

Sd/-

**TEJAS. J. PARIKH**  
Partner

Place: Mumbai  
Date: June 4, 2020

Membership No: 123215  
UDIN:- 20123215AAAABC1130

# Annexure A to the Independent Auditor's Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Aarti Surfactants Limited of even date)

We have audited the internal financial controls over financial reporting of Aarti Surfactants Limited (the Holding Company and its subsidiary, together referred as "the Group") as of March 31, 2020 in conjunction with our audit of the Consolidated Financial Statements of the Group for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company and its subsidiary company which are incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies 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, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company and its subsidiary company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal

Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting 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 over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the Consolidated 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 internal financial controls system over financial reporting of the Company and its subsidiary company, which are companies incorporated in India.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 Consolidated Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Consolidated Financial Statements.

## Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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 and to the best of information and according to the explanations given to us, the Holding Company and its subsidiary company, have in all material respects, an adequate

internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the respective companies 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 **GOKHALE & SATHE**  
CHARTERED ACCOUNTANTS  
Firm Reg. No.: 103264W

Sd/-  
**TEJAS. J. PARIKH**

Partner

Place: Mumbai  
Date: June 4, 2020

Membership No: 123215  
UDIN:- 20123215AAAABC1130

# Consolidated Balance Sheet

as at March 31, 2020

Particulars		Note No.	(₹ in Lakhs) As at March 31, 2020
<b>A</b>	<b>ASSETS</b>		
<b>1</b>	<b>Non-Current Assets</b>		
(a)	Property, Plant and Equipment	1	15,013.97
(b)	Capital Work-in-Progress	1	1,395.26
(c)	Other Intangible Assets	1	121.44
(d)	Financial Assets		
	Investments	2	0.03
(e)	Other Non-Current Assets	3	263.13
	<b>Total Non-Current Assets</b>		<b>16,793.83</b>
<b>2</b>	<b>Current Assets</b>		
(a)	Inventories	4	5,648.84
(b)	Financial Assets		
	(i) Trade Receivables	5	1,791.99
	(ii) Cash and Cash Equivalents	6	10.48
	(iv) Other Financial Assets	7	36.45
(c)	Other Current Assets	8	1,948.12
	<b>Total Current Assets</b>		<b>9,435.88</b>
	<b>TOTAL ASSETS</b>		<b>26,229.71</b>
<b>B</b>	<b>EQUITY AND LIABILITIES</b>		
<b>1</b>	<b>EQUITY</b>		
(a)	Equity Share Capital	9	758.45
(b)	Other Equity	10	10,336.51
	<b>Total Equity</b>		<b>11,094.96</b>
<b>3</b>	<b>LIABILITIES</b>		
	Non-Current Liabilities		
(a)	Financial Liabilities		
	Borrowings	11	4,877.93
(b)	Deferred Tax Liabilities (Net)	12	762.06
	<b>Total Non-Current Liabilities</b>		<b>5,639.99</b>
	Current Liabilities		
(a)	Financial Liabilities		
	(i) Borrowings	13	6,042.77
	(ii) Trade Payables Due to		
	- Micro and Small Enterprises		-
	- Other Than Micro and Small Enterprises		1,924.40
(b)	Other Current Liabilities	14	1,125.19
(c)	Provisions	15	402.40
	<b>Total Current Liabilities</b>		<b>9,494.76</b>
	<b>Total Liabilities</b>		<b>15,134.75</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,229.71</b>
	Significant Accounting Policies		
	Accompanying Notes to the Financial Statements	1-32	

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Consolidated Statement of Profit and Loss

for the Year Ended March 31, 2020

(₹ in Lakhs)

Particulars	Note No.	For the Year Ended March 31, 2020
I Revenue from Operations	16	32,586.40
II Other Income	17	20.90
III <b>Total Income (I+II)</b>		<b>32,607.30</b>
IV <b>EXPENSES</b>		
(a) Cost of Materials Consumed	18	24,837.93
(c) Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	19	-107.39
(d) Employee Benefits Expense	20	1,430.34
(e) Finance Costs	21	1,027.95
(f) Depreciation / Amortisation Expenses	1	1,057.55
(g) Other Expenses	22	4,066.40
<b>Total Expenses (IV)</b>		<b>32,312.78</b>
V <b>Profit before Exceptional Items and Tax (III-IV)</b>		<b>294.52</b>
VI Exceptional Items		-
VII <b>Profit before Tax (V-VI)</b>		<b>294.52</b>
VIII <b>TAX EXPENSES</b>		
Current Tax		51.54
MAT Credit Entitlement		-51.54
Deferred Tax		85.91
<b>Total Tax Expenses</b>		<b>85.91</b>
IX <b>Profit for the year (VII-VIII)</b>		<b>208.61</b>
X <b>OTHER COMPREHENSIVE INCOME</b>		
<b>a. Items that will not be reclassified to Statement of Profit and Loss</b>		
- Fair Value Change of Equity Instruments through Other Comprehensive Income (Net of Tax)		-895.20
<b>b. Items that will be reclassified to Statement of Profit and Loss</b>		-
XI <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)</b>		<b>-686.59</b>
XII <b>Earnings Per Equity Share of Face Value of ₹ 10 Each (EPS) (in ₹)</b>	23	
Basic		2.75
Diluted		2.75
Significant Accounting Policies		
Accompanying Notes to the Financial Statements	1-32	

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
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DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Consolidated Statement of Changes in Equity

for the Year Ended March 31, 2020

## A. Equity Share Capital

	(₹ in Lakhs)
As at April 1, 2019	5.00
Changes in equity share capital during the year 2019-20	753.45
<b>As at March 31, 2020</b>	<b>758.45</b>

## B. Other Equity

Particulars	Reserves and Surplus		Other Comprehensive Income	Total Other Equity
	Reserves Pending Allocation on Account of Pending share Issuance	Retained Earnings	Equity Instruments through Other Comprehensive Income	
<b>As at April 1, 2019</b>	9,614.03	-	3,110.99	12,725.02
Cancellation of pending initial share capital		5.00	-	5.00
Issuance of Redeemable Preference Shares out of opening balance of Unallocated Reserves received on account of Demerger	-1,706.92		-	-1,706.92
Balance of Unallocated Reserves transferred to Retained Earnings	-7,907.11	7,907.11	-	-
Gain on Disposal of Investment in Equity Shares through OCI transferred to Retained Earnings	-	2,215.79	-2,215.79	-
Total Comprehensive Income for the year		208.61	-895.20	-686.59
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>10,336.51</b>	<b>-</b>	<b>10,336.51</b>

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Consolidated Cash Flow Statement

for the Year Ended March 31, 2020

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31, 2020
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
	Profit/(loss) before Tax as per Statement of Profit and Loss	294.52
	<b>Adjusted for:</b>	
	- Finance Costs	1,027.95
	- Depreciation/Amortisation	1,057.55
	<b>Operating Profit before Working Capital Changes</b>	<b>2,380.02</b>
	<b>Adjusted for:</b>	
	- Trade and Other Receivables	1,390.06
	- Inventories	(378.94)
	- Trade Payables and Other Current Liabilities	(1,582.30)
	<b>Cash Generated from Operations</b>	<b>1,808.84</b>
	Taxes Paid (Net)	2.25
	<b>Net Cash Flow from Operating Activities</b>	<b>1,811.09</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
	Addition to Property, Plant and Equipment and Capital Work In Progress	(2,469.36)
	Other Investments	(0.03)
	Proceeds from Sale of Investments	2,254.47
	<b>Net Cash Flow used in Investing Activities</b>	<b>(214.92)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
	Proceeds/(Repayment) from Current Borrowing (Net)	(613.86)
	Finance Costs	(973.84)
	<b>Net Cash Flow (used in) Financing Activities</b>	<b>(1,587.70)</b>
	<b>Net Increase in Cash and Cash Equivalents</b>	<b>8.47</b>
	<b>Opening Balance of Cash and Cash Equivalents</b>	<b>2.01</b>
	<b>Closing Balance of Cash and Cash Equivalents</b>	<b>10.48</b>

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Corporate Information and Significant Accounting Policies

## A. Corporate Information

The Consolidated Financial Statements comprise financial statements of Aarti Surfactants Limited ("The Holding Company") and subsidiaries (collectively referred to as "the Group") for the year ended March 31, 2020.

The Parent is a Public Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The registered office of the Holding Company is located at Plot Nos. 801, 801/23, GIDC Estate, Phase - III, Vapi, Dist. Valsad, Gujarat - 396 195, India.

The Group is engaged in manufacturing of surfactants and other speciality ingredients for the personal care and home care industries. The products of the group find application in a host of consumer-centric personal care and home care products, including, inter alia, skin care, oral care, hair care, cosmetics, toiletries and detergent products.

The Equity as well as Redeemable Preference Shares of the Holding Company are in the process of listing on the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE") in India.

## B. Significant Accounting Policies

### B.1 Background

Name of The Subsidiary	Country Of Incorporation	Percentage of Holding
Aarti HPC limited	India	100%

### B.2 Basis of Preparation and Presentation

Significant Accounting policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosures and a guide to better understanding of the consolidated position of the Companies. Recognizing this purpose, only such Policies and Notes from the individual financial statements are disclosed here, which fairly present the needed disclosures.

The Consolidated Financial Statements of the Group have been prepared in accordance with Indian Accounting Standards (IND AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The Consolidated Group's Financial Statements are presented in Indian Rupees (₹), which is also its functional currency and all values are rounded to the nearest Lakhs (₹ 00,000), except when otherwise indicated.

The Consolidated Financial Statements of the Group for the year ended 31.3.2020 were approved for issue in accordance with a resolution of the Board of Directors in its meeting held on June 4, 2020

### B.3 Principles of Consolidation :

The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standard (Ind AS) 110 - Consolidated Financial Statements & Indian Accounting Standard (Ind AS) 28 - Accounting for Investments in Associates in Consolidated Financial Statements.

The Consolidated Financial Statements are prepared using the Financial Statements of the Parent Company and Subsidiary Companies drawn up to the same reporting date i.e March 31, 2020

The consolidation of financial statements of the Parent Company and its Subsidiaries is done on line-by-line basis adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances, intra-group transactions and unrealized profit or loss, except where cost cannot be recovered. The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.

Non-Controlling Interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Group. Their share of net assets is identified and presented in the Consolidated Balance sheet separately.

As far as possible, the consolidated financial statements have been prepared using uniform Accounting Policies for like transactions and other events in similar circumstances. Differences in Accounting Policies if any will be disclosed separately.

# Corporate Information and Significant Accounting Policies

## C Summary of Significant Accounting Policies

### (a) Current and Non-Current Classification

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

An asset is treated as Current when it is –

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

All other assets are classified as non-current.

A liability is considered as 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.

All other liabilities are classified as non-current.

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

### (b) Property, Plant and Equipment (PPE)

Property, Plant and Equipment are stated at cost, net of recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any. Such cost includes purchase price, borrowing cost and any cost directly attributable to bringing the assets to its working condition for its intended use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the assets.

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 entity and the cost can be measured reliably.

Property, Plant and Equipment which are significant to the total cost of that item of Property, Plant and Equipment and having different useful life are accounted separately.

### (c) Intangible Assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the respective entities in the Group and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of intangible assets.

### (d) Valuation of Inventories

Inventories are valued at Cost or Net Realizable Value whichever is lower.

Inventories have been valued on the following basis:

- a. Raw Materials, Packing Material, Stores and Spares - At cost on Weighted Average basis.
- b. Work-in-Process - At cost plus appropriate allocation of overheads.
- c. Finished Goods - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower.

### (e) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and Cash Equivalents consist of balances with banks which are unrestricted for withdrawals and usage.

## Corporate Information and Significant Accounting Policies

### (f) Revenue Recognition

- (i) Revenue from Sale of Goods to customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. Generally, control is transferred upon shipment of goods to the customer or when the goods are made available to the customer, provided transfer of title to the customer occurs and any significant risks of ownership or future obligations with respect to the goods shipped is not retained. Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest is recognized on the time proportion method.
- (iv) Industrial Promotion Incentive granted by State Government is recognised when claim in respect of Entitlement is made & admitted after close of yearly Sales Tax Assessment.
- (v) Dividend Income is recognised when the right to receive the amount has been established.

### (g) Government Grants

- (i) Government grants are not recognised until there is reasonable assurance that the conditions attached to them will be complied and that the grants will be received.
- (ii) Government grants are recognised in Profit and Loss on a systematic basis over the periods in which the related costs for which the grants are intended to compensate are recognised. Specifically, government grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and transferred to Profit and Loss on a systematic and rational basis over the useful lives of the related assets.

- (iii) In the unlikely event that a grant previously recognised is ultimately not received, it is treated as a change in estimate and the amount cumulatively recognised is expensed in the Statement of Profit and Loss.

### (h) Depreciation/Amortization

Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II;

Sr. No.	Particulars	Depreciation or Amortisation
1.	Leasehold Land	Over the remaining tenure of lease
2.	Building	Over a period of 19 years
3.	Plant & Machinery	Over its useful life as technically assessed, i.e over a period of 9-19 years, based on the type of Equipment
4.	Furniture and Fixtures	Over a period of 10 years
5.	Vehicles	Over a period of 7 years
6.	Intangible Assets (Product Registration Rights)	Over a period of 5 years

### (i) Impairment of Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of net selling price of an asset or its value in use. Value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

### (j) Foreign Currency Transactions

Foreign currency transactions are accounted at the rates prevailing on the date of transactions. The exchange rate differences arising out of such transactions are appropriately dealt in the financial statements in accordance with the applicables accounting standards.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss.

## Corporate Information and Significant Accounting Policies

### (k) Operating Leases

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the leased assets are consumed.

### (l) Finance Costs

Borrowing Costs other than those directly attributable to Qualifying Assets are recognised as expenses in profit or loss in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the asset.

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

### (m) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities may arise from litigation, taxation and other claims against the Group. Where it is management's assessment that the outcome is uncertain or cannot be reliably quantified, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote such contingent liabilities are disclosed in the notes but are not provided for in the financial statements.

Contingent assets are not recognised but are disclosed in the notes where an inflow of economic benefits is probable.

### (n) Employee Benefits

#### *Short-term Benefits*

Short term employee benefits including accumulating compensated absences are recognised at an undiscounted amount in the Statement of Profit and Loss for the year in which the related services are rendered.

#### *Post-retirement Benefits*

##### *Defined Contribution Plans*

Retirement Benefits in the form of Provident Fund which is a defined contribution scheme are charged to the statement of profit and loss for the period in which the contributions to the fund accrue as per the relevant statute.

##### *Defined Benefit Plans*

The gratuity is paid to the employees who have completed five years of service with the respective entities at the time of resignation/superannuation. The gratuity is paid @ 15 days salary for every completed year of service as per the Payment of Gratuity Act, 1972.

The gratuity liability amount is contributed by the respective entities to the gratuity fund maintained with Life Insurance Corporation of India, exclusively for gratuity payment to the employees.

The liability in respect of gratuity and other post-employment benefits is calculated using Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employees' services.

Re-measurements of Defined Benefit Plans in respect of post-employment plans are charged to the Other Comprehensive Income.

### (o) Taxes on Income

The tax expense for the period comprises of current tax and deferred income tax. Tax is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in the Other

# Corporate Information and Significant Accounting Policies

Comprehensive Income or in Equity, in which case, the tax is also recognised in Other Comprehensive Income or Equity.

## *Current Tax*

Tax on income for the current period is determined on the basis on estimated taxable income and tax credits computed in accordance with the provisions of the relevant tax laws and based on the expected outcome of assessments / appeals. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date.

Current tax assets and Current tax liabilities are offsetted, where there is a legally enforceable right to set off the recognised amounts and where the respective entities intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## *Deferred Tax*

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the statement of profit and loss, either in other comprehensive income or directly in equity. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

## *Minimum Alternate Tax (MAT)*

Minimum Alternate tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the respective entities will pay normal income tax during the specified period i.e., the period for which MAT Credit is allowed to be carried forward. The same is reviewed at each balance sheet date.

## (p) Financial Instruments

### **Financial Assets**

#### *I Initial recognition and measurement*

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at Fair Value Through Profit or Loss, are adjusted to the fair value on initial recognition. Purchase and sale of financial assets are recognised using trade date accounting.

#### *II Subsequent Measurement*

##### (i) Financial assets measured at Amortised Cost (AC)

A financial asset is measured at Amortised Cost, if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### (ii) Financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI)

A financial asset is measured at FVTOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Corporate Information and Significant Accounting Policies

- (iii) Financial assets measured at Fair Value Through Profit or Loss (FVTPL)

A financial assets, which are not classified in any of the above categories are measured at FVTPL.

### III Equity Investments

All equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which it is elected to present the value changes in 'Other Comprehensive Income'.

### IV Impairment of Financial Assets

In accordance with Ind AS 109, the Group uses, 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at Fair Value Through Profit and Loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

- The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For Trade Receivables, the Group applies 'simplified approach', which requires expected lifetime losses to be recognised from initial recognition of the receivables. the Group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date, these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Group uses 12 months ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk, full lifetime ECL is used.

### Financial Liabilities

#### I Initial Recognition and Measurement

All financial liabilities are recognised at fair value and in case of borrowings, net of directly attributable cost. Fees of recurring nature are directly recognised in the Statement of Profit and Loss as finance cost.

#### II Subsequent Measurement

Financial liabilities are carried at amortised cost using the effective interest method.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to short maturity of these instruments.

### Derecognition of Financial Instruments

the Group derecognises a financial asset, when the contractual rights to the cash flows from the financial asset expires, or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognised from the Balance Sheet, when the obligation specified in the contract is discharged or cancelled or expires.

### Offsetting

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

### q. Earnings per share

Basic earnings per share are calculated by dividing the Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Profit or Loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

# Notes Forming Part of Consolidated Financial Statements

## D. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in subsequent financial years.

### I Depreciation/Amortisation and useful lives of Property, Plant and Equipment/Intangible Assets

Property, Plant and Equipment/Intangible Assets are depreciated/amortised over their estimated useful lives, after taking into account estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation to be recorded during any reporting period. The useful lives and residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation for future

periods is revised if there are significant changes from previous estimates.

### II Recoverability of Trade Receivables

Judgements is required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

### III Provisions

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

# Notes Forming Part of Consolidated Financial Statements

## 1 Property, Plant and Equipment

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Balance as at April 1, 2019	Additions/ Adjustments	Deduction/ Adjustments	Balance as at Mar 31, 2020	Balance as at April 1, 2019	Depreciation charge for the Period	Deduction/ Adjustments	Balance as at Mar 31, 2020	Balance as at Mar 31, 2020	Balance as at Mar 31, 2020
<b>I Tangible Assets</b>										
Freehold Land	47.62	-	-	47.62	-	-	-	-	-	47.62
Leasehold Land	177.83	-	-	177.83	41.90	6.72	-	48.61	48.61	129.22
Buildings	2,027.54	-	-	2,027.54	497.75	107.05	-	604.80	604.80	1,422.74
Plant and Machinery	17,175.33	2,207.63	-	19,382.96	5,187.97	857.54	-	6,045.51	6,045.51	13,337.45
Furniture and Fixtures	116.03	2.66	-	118.70	90.62	6.95	-	97.56	97.56	21.13
Vehicles	125.56	8.42	-	133.97	64.27	13.90	-	78.16	78.16	55.81
<b>Total</b>	<b>19,669.91</b>	<b>2,218.71</b>	-	<b>21,888.63</b>	<b>5,882.50</b>	<b>992.16</b>	-	<b>6,874.66</b>	<b>6,874.66</b>	<b>15,013.97</b>
<b>II Intangible Assets</b>										
Product Registration Rights	-	186.84	-	186.84	-	65.39	-	65.39	65.39	121.44
<b>Total</b>	<b>-</b>	<b>186.84</b>	-	<b>186.84</b>	<b>-</b>	<b>65.39</b>	-	<b>65.39</b>	<b>65.39</b>	<b>121.44</b>
<b>III Gross Total</b>	<b>19,669.91</b>	<b>2,405.55</b>	-	<b>22,075.46</b>	<b>5,882.50</b>	<b>1,057.55</b>	-	<b>6,940.05</b>	<b>6,940.05</b>	<b>15,135.41</b>
<b>III Capital Work-in-Progress</b>										<b>1,395.26</b>

### NOTES -

- a. Entire movable and immovable assets of the Holding Company are given as a security for the working capital and term loan obtained from SVC Co operative Bank limited.

# Notes Forming Part of Consolidated Financial Statements

## 2 Investments - Non Current

(₹ in Lakhs)

Particulars	Number of Units/Shares (all fully paid up)				As at March 31, 2020	As at March 31, 2019
	Opening Balance	Acquisition	Disposal	Closing Balance		
<b>Investments measured at Fair Value through Other Comprehensive Income</b>						
<b>In Quoted Equity Shares</b>						
Aarti Drugs Ltd.	4,91,790	-	4,91,790	-	-	3,149.67
<b>In UnQuoted Equity Shares</b>						
SVC Co Operative Bank Limited	-	25	-	25	0.03	-
<b>Total</b>	<b>4,91,790</b>	<b>25</b>	<b>4,91,790</b>	<b>25</b>	<b>0.03</b>	<b>3,149.67</b>

- During the year the HOLDING company has sold its investment in Aarti Drugs Limited to fund its ongoing capex at its manufacturing plant at Pithampur, Madhya Pradesh and Silvassa, Dadra Nagar Haveli and Daman and Diu.

## 3 Other Non-Current Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020
Deposits	166.77
Income Tax Assets (Net of Provisions)	0.74
Capital Advance	95.62
<b>Total</b>	<b>263.13</b>

## 4 Inventories

(₹ in Lakhs)

Particulars	As at March 31, 2020
Raw Materials and Components (incl of In-transit stock)	2330.90
Work-in-progress	103.17
Finished Goods (incl of In-transit stock)	3,083.29
Stores and spares	80.14
Fuel (incl of In-transit stock)	17.31
Packing Materials	34.03
<b>Total</b>	<b>5,648.84</b>

\*Mode of Valuation is stated in note : (d) Valuation of Inventories in Significant Accounting Policy.

\*The Holding Company has availed credit facilities from banks which are secured inter alia by hypothecation of inventories.

# Notes Forming Part of Consolidated Financial Statements

## 5 Trade Receivables

(₹ in Lakhs)

Particulars	As at March 31, 2020
Less than six months (unsecured and considered good)	1,751.21
More Than six months	
-Unsecured and Considered Good	40.78
-Unsecured Doubtful Debts	69.97
-Provision for Doubtful Debts	-69.97
<b>Total</b>	<b>1,791.99</b>

\*The Holding Company has availed credit facilities from banks which are secured interalia by hypothecation of Trade Receivables.

## 6 Cash and Cash Equivalents

(₹ in Lakhs)

Particulars	As at March 31, 2020
Cash on Hand	1.63
Balances with Banks	8.85
<b>Total</b>	<b>10.48</b>

## 7 Other Financial Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020
Loans & Advances:	
(i) Employees	36.45
<b>Total</b>	<b>36.45</b>

## 8 Other Current Assets

(₹ in Lakhs)

Particulars	As at March 31, 2020
Balance with Customs, Central Excise, GST and State Authorities	1,698.73
Others Receivable	0.28
Prepaid Expenses	37.06
Advance to Supplier of Material, Engineering Items	212.05
<b>Total</b>	<b>1,948.12</b>

# Notes Forming Part of Consolidated Financial Statements

## 9 Share Capital:

(₹ in Lakhs)

Particulars	No. of Shares	As at March 31, 2020
<b>Authorised Share Capital</b>		
Equity Shares of ₹ 10/- each	3,18,70,000	3,187.00
Redeemable Preference Shares of ₹ 10/- each	81,30,000	813.00
	<b>4,00,00,000</b>	<b>4,000.00</b>
<b>Issued, Subscribed &amp; Paid up</b>		
Equity Shares of ₹ 10/- each	75,84,477	758.45
<b>Total</b>	<b>75,84,477</b>	<b>758.45</b>

The Company has only one class of equity shares having par value of ₹ 10 each and the holder of the equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the Company in proportion to the number of equity shares held.

### 9.1 Reconciliation of number of Equity Shares outstanding:

Particulars	As at March 31, 2020
	No' Of Shares
Equity Shares at the beginning of the year	50,000
Add: Shares issued during the year Pursuant to the Scheme of Arrangement	75,84,477
Less: Shares Cancelled Pursuant to the Scheme of Arrangement	-50,000
<b>Equity Shares at the end of the year</b>	<b>75,84,477</b>

### 9.2 Details of shareholders holding more than 5% shares:

Name of the Shareholders	As at March 31, 2020	
	No. of Shares	% held
HDFC Trustee Company Ltd.	7,13,681	9.41
Jaya Chandrakant Gogri	3,99,449	5.27
Rashesh Chandrakant Gogri	3,83,438	5.06

# Notes Forming Part of Consolidated Financial Statements

## 10 Other Equity

### a. Reserves Pending Allocation

(₹ in Lakhs)

Particulars	As at March 31, 2020
As per last Balance Sheet	9,614.03
Add: Balance transferred on account of scheme of arrangement	-
Less: Effect of Increase in Share Entitlement due to Increase in share Capital after QIP issue	-
Less: Effect of Gratuity Provison to be maintained as per the order of arrangement	-
Less: Loss for the year	-
Issuance of Redeemable Preference Shares out of opening balance of Unallocated Reserves received on account of Demerger	-1,706.92
Balance of Unallocated Reserves transferred to Retained Earnings	-7,907.11
<b>Closing Balance</b>	<b>-</b>

### b. Retained Earnings

(₹ in Lakhs)

Particulars	As at March 31, 2020
As per last Balance Sheet	-
Balance of Unallocated Reserves transferred to Retained Earnings	7,907.11
Gain on Disposal of Investment in Equity Shares through OCI	2,215.79
Add: Cancellation of Share Capital on Issuance of Fresh Share Capital as per the Scheme of Arrangement	5.00
Add: Profit for the year	208.61
<b>Closing Balance</b>	<b>10,336.51</b>

### c. Other Comprehensive Income

(₹ in Lakhs)

Particulars	As at March 31, 2020
As per last Balance Sheet	3,110.99
Add: Balance transferred on account of scheme of arrangement	-
Fair Value Gain/(Loss) on Investment in Equity Shares through OCI	-895.20
Gain on Disposal of Investment in Equity Shares through Other Comprehensive Income transferred to Retained Earnings	-2,215.79
<b>Closing Balance</b>	<b>-</b>
<b>Total</b>	<b>10,336.51</b>

# Notes Forming Part of Consolidated Financial Statements

## 11 Borrowings - Non Current

(₹ in Lakhs)

Particulars	As at March 31, 2020
<b>Secured - At Amortised Cost</b>	
Term loans from Banks/Financial Institutions (Refer note 11.1.a)	3,000.00
Car Loan from Banks/Financial Institutions	8.66
0% Non Convertible Redeemable Preference Shares of ₹ 10/- each (Refer note 11.1.b)	1,869.27
<b>Total</b>	<b>4,877.93</b>

11.1 a). Rupee term loan from Bank aggregating to ₹ 3000 Lakhs is secured by first charge on all movable and immovable assets of the Holding Company, including current assets.

b). (i) Pursuant to the Scheme of Arrangement becoming effective and subsequent exercise of Option by Equity Shareholders of Demerged Entity Aarti Industries Limited, 10,82,387 Nos of 0% Convertible Redeemable Preference Shares of ₹ 10/- each issued to the shareholders of Demerged Entity Aarti Industries Limited who had opted for Redeemable Preference shares valued at fair value of ₹ 167 per share as per the Scheme..

(ii) Terms of preference shares:

The Company has only one class of Preference Shares being 0% Redeemable, Cumulative, Non-convertible and Non-participating Preference Shares. The shareholders have right to vote only on resolutions which directly affect their interest.

The Preference Shares are Redeemable at the option of the Holding Company such that shareholders will get 4% annualised return on fair value of ₹ 167 declared in the Scheme of Arrangement.

## 11.2 Repayment Terms (SVC Term Loan)

(₹ in Lakhs)

Repayment Tenor	As at March 31, 2020 Amount
1-2 Years	900.00
2-3 Years	1,200.00
3-4 Years	900.00
Beyond 4 Years	-

# Notes Forming Part of Consolidated Financial Statements

## 12 Deferred Tax Liability (Net)

(₹ in Lakhs)

Particulars	As at March 31, 2020
At the start of the year	727.69
Transferred Pursuant to the Scheme of Arrangement	-
Charge/(credit) to the Statement of Profit and Loss	85.91
MAT Credit Entitlement	-51.54
<b>At the end of the year</b>	<b>762.06</b>

### 12.1 Components of Deferred Tax Liability/(Asset)

(₹ in Lakhs)

Particulars	As at March 31, 2020
<b>Deferred tax liabilities/(assets) in relation to:</b>	
Property, Plant and Equipment	1,265.17
Carried Forward Tax Losses	-451.57
MAT Credit Entitlement	-51.54
<b>Total</b>	<b>762.06</b>

## 13 Borrowings - Current - At Amortised Cost

(₹ in Lakhs)

Particulars	As at March 31, 2020
Secured - Working capital Loan From SVC Co Operative Bank	6,017.89
Interest Accrued but not due on Term Loan from Banks	24.88
<b>Total</b>	<b>6,042.77</b>

13.2 Working capital Loan from SVC bank is secured by first charge on all movable and immovable assets of the Holding Company, including current assets.

## 14 Other Current Liabilities

(₹ in Lakhs)

Particulars	As at March 31, 2020
Other Payables (Statutory Dues)	86.34
Creditors for Capital Expenditure	980.05
Income Received in Advance	58.79
<b>Total</b>	<b>1,125.18</b>

## 15 Provisions - Current

(₹ in Lakhs)

Particulars	As at March 31, 2020
Provision for Employee Benefits	158.14
Other Provisions	244.26
<b>Total</b>	<b>402.40</b>

# Notes Forming Part of Consolidated Financial Statements

## 16 Revenue from Operations

(₹ in Lakhs)

Particulars	As at March 31, 2020
Local Sales	31,510.32
Export Sales	5,344.07
<b>Sales of Products</b>	<b>36,854.39</b>
Less GST Collected on Sales	-4,812.19
<b>Net Sales</b>	<b>32,042.20</b>
Other Operating Revenues (Refer Note No. 16.1)	544.20
<b>Total</b>	<b>32,586.40</b>

### 16.1 Other Operating Revenues

(₹ in Lakhs)

Particulars	As at March 31, 2020
Export Benefits/Incentives Received	90.09
Scrap Sales	36.24
State Government Grant - Industry Promotion Incentive	417.88
<b>Total</b>	<b>544.21</b>

## 17 Other Income

(₹ in Lakhs)

Particulars	As at March 31, 2020
Interest Received	6.83
Insurance Claim Received	14.07
<b>Total</b>	<b>20.90</b>

## 18 Cost of Material Consumed

(₹ in Lakhs)

Particulars	As at March 31, 2020
Raw Material	22,894.62
Packing Material	804.86
Fuel	554.05
Stores & Spares	584.40
<b>Total</b>	<b>24,837.93</b>

## Notes Forming Part of Consolidated Financial Statements

### 19 Changes in inventories of finished goods, Stock-in-Trade and work-in-progress

(₹ in Lakhs)

Particulars	As at March 31, 2020
<b>Inventories (at commencement)</b>	
Finished Goods	2,935.79
Work-in-Progress	143.28
	<b>3,079.07</b>
<b>Inventories (at Close)</b>	
Finished Goods	3,083.29
Work-in-Progress	103.17
	<b>3,186.46</b>
<b>Total</b>	<b>-107.39</b>

### 20 Employee Benefits

(₹ in Lakhs)

Particulars	As at March 31, 2020
Directors' Remuneration	64.99
Salaries, Wages & Bonus	1,212.26
Contribution to PF and other Funds	84.37
Workmen & Staff Welfare Expenses	68.72
<b>Total</b>	<b>1,430.34</b>

#### 20.1 As per Indian Accounting Standard 19 - "Employee Benefits", the disclosures as defined are given below

(₹ in Lakhs)

Particulars	Gratuity (funded) 2019-20
<b>a. Reconciliation of Opening and Closing balances of Defined Benefit Obligation</b>	
Defined Benefit Obligation at beginning of the Year	69.65
Transferred Pursuant to Scheme of Arrangement	-
Current Service Cost	18.65
Interest Cost	5.41
Past Service Cost	-
Liability Transferred In/ Acquisitions	-
(Liability Transferred Out/ Divestments)	-
(Gains)/ Losses on Curtailment	-
(Liabilities Extinguished on Settlement)	-
(Benefit Paid Directly by the Employer)	-
(Benefit Paid From the Fund)	-
The Effect Of Changes in Foreign Exchange Rates	-
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	-
Actuarial (Gains)/Losses on Obligations - Due to Change in Financial Assumptions	9.67
Actuarial (Gains)/Losses on Obligations - Due to Experience	-1.75
Defined Benefit Obligation at year end	101.63

## Notes Forming Part of Consolidated Financial Statements

(₹ in Lakhs)

Particulars	Gratuity (funded) 2019-20
<b>b. Reconciliation of opening and closing balances fair value of plan assets</b>	
Fair value of plan assets at beginning of the year	69.65
Transferred Pursuant to Scheme of Arrangement	-
Interest Income	5.41
Contributions by the Employer	-
Expected Contributions by the Employees	-
Assets Transferred In/Acquisitions	-
(Assets Transferred Out/ Divestments)	-
(Benefit Paid from the Fund)	-
(Assets Distributed on Settlements)	-
Effects of Asset Ceiling	-
The Effect of Changes In Foreign Exchange Rates	-
Return on Plan Assets, Excluding Interest Income	3.20
Fair Value of Plan Assets at the End of the Period	78.26
<b>c. Reconciliation of fair value of assets and obligations</b>	
Fair value of plan assets	78.26
Present value of obligation	-101.63
Amount Recognized in Balance Sheet	-23.36
<b>d. Expenses recognized during the year</b>	
Current Service Cost	18.65
Interest Cost	5.41
Interest Income	-5.41
Expected return on plan assets	-
Actuarial(gain)/ loss	-
Net Cost	18.65
<b>e. Investment Details 100% Invested</b>	
L.I.C Group Gratuity (Cash Accumulation) Policy with L.I.C.	
<b>f. Actuarial assumptions 2006-08</b>	
Mortality Table (L.I.C.) (Ultimate)	
Discount rate (per annum)	6.84%
Expected rate of return on plan assets (per annum)	6.84%
Rate of escalation in Salary (per annum)	7.00%
Rate of employee turnover	5.00%

The estimate of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion, other relevant factor's including supply and demand in the employment market. The above information is certified by the actuary.

Leave Encashment liability amounting to ₹ 100.31 lakhs has been provided in the Books of Accounts.

## Notes Forming Part of Consolidated Financial Statements

### 21 Finance Cost

(₹ in Lakhs)

Particulars	As at March 31, 2020
Interest Expense	983.81
Other Borrowing Costs	44.14
<b>Total</b>	<b>1,027.95</b>

### 22 Other Expenses

(₹ in Lakhs)

Particulars	As at March 31, 2020
<b>Manufacturing Expenses</b>	
Freight, Cartage & Transport	632.49
Power	1,172.00
Water Charges	60.16
Processing Charges	221.26
Labour/Helper Charges, Security Services	509.78
Effluent Treatment Cost	172.65
Repairs & Maintenance	301.00
Insurance Charges	44.09
Factory Administrative Expenses	171.09
Other Manufacturing Expenses	63.93
<b>Sub-Total (A)</b>	<b>3,348.45</b>
<b>Office Administrative Expenses</b>	
Rent, Rates and Taxes	11.01
Travelling and Conveyance	45.43
Auditor's Remuneration	6.15
Legal & Professional Charges	29.80
Postage, Telegraph & Telephone	6.40
Printing & Stationery Expenses	4.48
ROC & Other Filing Fees	47.28
Other Administrative Expenses	9.24
<b>Sub-Total (B)</b>	<b>159.79</b>
<b>Selling and Distribution Expenses</b>	
Advertisement & Sales Promotion	44.04
Export Freight Expenses, Outward Freights	484.62
Commission on Sales	9.35
Sample Testing & Analysis Charges	2.98
Other Selling Expenses	15.67
<b>Sub-Total (C)</b>	<b>556.66</b>
<b>Non-Operating Expenses</b>	
Donations and CSR Expenses	1.50
<b>Sub-Total (D)</b>	<b>1.50</b>
<b>Total (A+B+C+D)</b>	<b>4,066.40</b>

# Notes Forming Part of Consolidated Financial Statements

## 23 Earning Per Share (EPS)

(₹ in Lakhs)

Particulars	As at March 31, 2020
<b>Face Value Per Equity Share (in ₹)</b>	<b>10.00</b>
<b>Basic Earnings Per Share (in ₹)</b>	<b>2.75</b>
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	208.61
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	75.84
<b>Diluted Earnings Per Share (in ₹)</b>	<b>2.75</b>
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	208.61
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	75.84
<b>Reconciliation of weighted average number of equity shares outstanding</b>	
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	75.84
Total weighted average potential equity shares (in Lakhs)	-
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	75.84

**23.1** During FY 2019-20, the Company allotted 75,84,477 equity shares on August 20, 2019 pursuant to the scheme of demerger. For the purpose of calculation of Basic and Diluted EPS, all equity shares were considered as outstanding at the beginning of FY 2019-20.

## 24 Payment to Auditors

(₹ in Lakhs)

Particulars	As at March 31, 2020
a. Statutory Audit Fees	6.15
b. Certification and Consultation Fees	0.08
<b>Total</b>	<b>6.23</b>

## 25 Contingent Liabilities and Commitments

(₹ in Lakhs)

Particulars	As at March 31, 2020
<b>(i) Contingent Liabilities</b>	
- Claims against the company not acknowledged as Debt - Unpaid	158.20
- Claims against the company not acknowledged as Debt - Paid (under dispute)	225.32
<b>(ii) Commitments</b>	
Estimated amount of contracts remaining to be executed on Capital Account and not provided for, net of advances	75.00
<b>Total</b>	<b>458.52</b>

## Notes Forming Part of Consolidated Financial Statements

- 26** There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006, to whom the respective entities owe dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the respective entities.
- 27** In the opinion of the Board of the Holding Company, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to the amounts at which they are stated in the Balance Sheet.

### 28 Segment Information

The operating segments have been reported in a manner consistent with the internal reporting provided to the Board of Directors, who are the Chief Operating Decision Makers. They are responsible for allocating resources and assessing the performance of operating segments. Accordingly, the reportable segment is only one segment i.e. Home and personal care ingredients.

#### Revenue from Type of Products and Services

There is only one operating segment of the company which is based on nature of product. Hence the revenue from external customers shown under geographical information is representative of revenue based on product and services.

#### Secondary Segment Information

(₹ in Lakhs)	
Particulars	FY 2019-20
<b>Segment Revenue - External Turnover</b>	
Within India	26,698.13
Outside India	5,344.07
<b>Total</b>	<b>32,042.20</b>
<b>Non-Current Assets*</b>	
Within India	16,793.80
Outside India	-
<b>Total</b>	<b>16,793.80</b>

\* includes property plant and equipment, intangible assets, capital work-in-progress and other non-financial non-current assets

#### Information about major customers

Ind As 108 Segment Reporting Requires Disclosure of reliance on its Major customers if Revenue from transactions with single external customer amounts to 10 per cent or more of company's total Revenue. Company's total Revenue of ₹ 32,042.20 Lakhs (P.Y. ₹ 26,245.88 Lakhs) include sales of ₹ 19,385.00 Lakhs (P.Y. ₹ 16,963.00 Lakhs) to two large customers with whom the company is having long standing Relationship.

# Notes Forming Part of Consolidated Financial Statements

## 29 Related Party Disclosures

As per Ind AS 24, the disclosures of transactions with the Related Parties are given below:

### 29.1 List of Related Parties where control exists and also other Related Parties with whom transactions have taken place and relationships:

Sr. No.	Name of the Related Party	Relationship
1	Mr. Chandrakant Vallabhaji Gogri	Non-Executive Director
2	Mr. Nikhil Parimal Desai	Executive Director
3	Mr. Dattatray Sidram Galpalli	Non-Executive Director
4	Mr. Santosh Madhaorao Kakade	Executive Director
5	Mr. Mulesh Manilal Savla	Independent Director
6	Ms. Misha Bharat Gala	Independent Director
7	Mr. Prashant Gaikwad	Company Secretary

### 29.2 Transactions during the year with Related Parties

Sr. No.	Name of the Related Party	Remuneration Paid	
		FY 2019-20	
1	Mr. Nikhil Parimal Desai	44.17	
2	Mr. Santosh Madhaorao Kakade	20.82	
3	Mr. Prashant Gaikwad	4.80	

## 30 Capital Management

The objectives for managing capital is to safeguard continuity and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth. The overall strategy of the Group remains unchanged from previous year.

The amount of capital required is set on the basis of annual business and long-term operating plans which include capital and other strategic investments.

The funding requirements are met through a mixture of equity, internal fund generation, and other non - current/current borrowings. The Groups's policy is to use current and non - current borrowings to meet anticipated funding requirements. The Group monitors capital on the basis of the net debt to equity ratio.

The Management believes that it will be able to meet all its current liabilities and interest obligations on timely manner.

# Notes Forming Part of Consolidated Financial Statements

## 30.1 The Net Gearing Ratio at the end of the reporting period was as follows -

(₹ in Lakhs)

Particulars	As at March 31, 2020
Gross Debt	10,920.70
Cash and Marketable Securities	10.51
<b>Net Debt (A)</b>	<b>10,910.19</b>
<b>Total Equity (As per Balance Sheet) (B)</b>	<b>11,094.96</b>
<b>Net Gearing Ratio (A/B)</b>	<b>0.98</b>

## 31 Financial Instruments

### A. Fair Value Measurement Hierarchy

(₹ in Lakhs)

Particulars	As at March 31, 2020			
	Carrying Amount	Level of Input Used		
		Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>At Amortised Cost</b>				
Trade Receivables	1,791.99	-	-	-
Cash and Cash Equivalents	10.48	-	-	-
Loans	36.45	-	-	-
<b>At Cost</b>				
Investments	0.03	-	-	-
<b>Financial Liabilities</b>				
<b>At Amortised Cost</b>				
Borrowings - Non Current	4,877.93	-	-	-
Borrowings - Current	6,042.77	-	-	-
Trade Payables	1,924.40	-	-	-

The financial instruments are categorised into three levels based on the inputs used to arrive at fair value measurements as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Input other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs based on unobservable market data.

### B. Financial Risk Management

The principal financial liabilities comprise Borrowings, trade payables and other unsecured Lendings. The main purpose of these financial liabilities is to finance the operations. The principal financial assets include Customer Receivables, Investments and cash and cash equivalents that it derives directly from its operations.

The Group is exposed to credit risk, market risk and liquidity risk. The senior management oversees the management of these risks.

# Notes Forming Part of Consolidated Financial Statements

## a. Market Risk

### (i) Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities of the Group in exports and imports which is majorly in US dollars.

In case of Long term Contract with Large Customer, Currency Fluctuation is to Customer's Account.

### (ii) Commodity Price Risk

The Group has a risk management framework aimed at prudently managing the risk arising from the volatility in commodity prices and freight costs.

## b. Credit Risk

The Group is exposed to credit risk from its operating activities (primarily for trade receivables).

Credit risk is the risk that a customer or counterparty to a financial instrument fails to perform or pay the amounts due causing financial loss to the company. Credit risk arises from Group's activities in investments and outstanding receivables from customers.

## c. Liquidity Risk

Liquidity risk is defined as the risk that the entities of the Group will not be able to settle or meet its obligations on time or at a reasonable price. For the Group, liquidity risk arises from obligations on account of financial liabilities such as trade payables and other financial liabilities.

The corporate treasury department of the Group is responsible for liquidity and funding as well as settlement. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows.

### Maturity profile of non-derivative financial liabilities as on March 31, 2020

Particulars				(₹ in Lakhs)
	Upto 1 year	Between 1 and 5 years	Beyond 5 years	Total
Borrowings - Non Current		4,877.93	-	4,877.93
Borrowings - Current	6,042.77	-	-	6,042.77
Trade Payables	1,924.40	-	-	1,924.40
<b>Total</b>	<b>7,967.17</b>	<b>4,877.93</b>	<b>-</b>	<b>12,845.10</b>

## 32 Additional Information

This is the first year of preparation of Consolidated Financial Statements, as Aarti HPC Limited become wholly owned subsidiary with effect from December 26, 2019.

As per our report of even date  
For **Gokhale & Sathe**  
Chartered Accountants  
Firm Registration Number: 103264W

For and on behalf of the Board  
For **Aarti Surfactants Limited**

**Partner**  
**Tejas Parikh**  
M.No.123215

Sd/-  
**Chandrakant Gogri**  
Director  
DIN : 00005048

Sd/-  
**Nikhil Desai**  
Managing Director  
DIN : 01660649

Sd/-  
**Prashant Gaikwad**  
Company Secretary  
ICSI M. No - A46480

Place: Mumbai  
Date: June 4, 2020

# Notice

To  
**The Members**  
**Aarti Surfactants Limited**  
*(Formerly known as Arti Surfactants Limited)*

Notice is hereby given that the Second Annual General Meeting of the Members of **AARTI SURFACTANTS LIMITED** will be held on Tuesday, 22nd day of September, 2020 at 4:00 p.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following Business:

## ORDINARY BUSINESS:

- To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements for the financial year ended March 31, 2020 together with the Reports of the Auditors and the Board of Directors' thereon.
- To appoint Shri Chandrakant Vallabhaji Gogri, who retires by rotation as a Director and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Shri Chandrakant Vallabhaji Gogri (DIN: 00005048), who retires by rotation at this meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation."

## SPECIAL BUSINESS:

### 3. Variation in terms of Remuneration of Executive Directors.

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

**"RESOLVED THAT** pursuant to provisions of Sections 197, 198 and all other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 ("the Act"), the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, and in accordance with the recommendation of Nomination and Remuneration committee of the Board, and subject to other approvals, if any, the consent of the Company be and is hereby given to the revised terms of Remuneration payable to Executive Directors with effect from April 1, 2020 for the remainder of their tenure as under :

Sr. No.	Name of Directors	Designation	Remuneration Per Annum (₹ in Lakhs)
1.	Nikhil Parimal Desai	Managing Director	60.00
2.	Santosh Kakade	Whole - Time Director	28.00

**RESOLVED FURTHER THAT** Nomination and Remuneration Committee and Board be and hereby authorised to vary, from time to time, the remuneration payable to Shri Nikhil Parimal Desai to a maximum amount up to ₹ 75 Lac per annum and to Shri Santosh Kakade to a maximum amount up to ₹ 42 Lacs per annum provided that the revised remuneration is within the ceiling limits for the managerial remuneration prescribed under the Companies Act, 2013 read with Schedule V thereto as amended from time to time.

**RESOLVED FURTHER THAT** except the change as stated hereinabove, other terms & conditions of the appointment shall remain unchanged.

**RESOLVED FURTHER THAT** the Key Managerial Personnel be and are hereby severally authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

### 4. Approval under Section 180(1)(c) of the Companies Act, 2013 for borrowing funds upto ₹ 150 Crores.

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

**"RESOLVED THAT** pursuant to Section 180(1)(c) and any other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board") to borrow any sum or sums of money/ies, from time to time, notwithstanding that money so borrowed together with the money/ies already borrowed by the Company

(apart from temporary loans obtained/to be obtained from the Company's bankers, including and not limited to working Capital Loans, in the ordinary course of business), and outstanding at any point of time, may exceed the aggregate of the paid-up share capital of the Company and its free reserves including Securities premium, that is to say, reserves not set apart for any specified purpose, provided that the total amount so borrowed by the Board shall not exceed ₹ 150 Crores (Rupees One Hundred Fifty Crores only).

**RESOLVED FURTHER THAT** the Board of Directors & Key Managerial Personnel be and are hereby severally authorized to arrange and finalise the terms and conditions of all such monies to be borrowed from time to time and to do all such acts, matter, deeds and things as may be necessary or expedient for implementing and for giving effect to the above resolution in the best interest of the Company."

**5. Ratification of remuneration of Cost Auditor for FY 2020 – 21.**

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

**"RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions, if any,

of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Company hereby ratifies and confirms the remuneration of ₹ 85,000 (Rupees Eighty Five Thousand per annum plus GST as applicable and reimbursement of actual travel and out-of-pocket expenses payable to M/s. PHS & Associates, Cost Accountants, (Regn. No. 101038) as the Cost Auditor appointed by the Board of Directors of the Company to conduct the audit of the cost records of the Company for the Financial Year ending March 31, 2021.

**RESOLVED FURTHER THAT** the Executive Directors & Key Managerial Personnel be and are hereby severally authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**Registered Office:**  
Plot Nos. 801, 801/23,  
GIDC Estate, Phase III  
Vapi- 396 195,  
Dist. Valsad, Gujarat

Place: Mumbai  
Date: August 20, 2020

By order of the Board  
**Prashant B. Gaikwad**  
Company Secretary  
ICSI. M. No. A46480

**NOTES:**

1. In view of the restrictions placed due to Covid-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as 'MCA Circulars') allowed to hold the Annual General Meeting (AGM) through Video Conferencing (VC) / Other Audio Visual Means (OAVM), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('Act'), Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and MCA Circulars, the AGM of the Company is being held through VC / OAVM. The deemed venue for the 2nd AGM shall be the Registered Office of the Company.
2. In terms of the MCA Circulars, the physical attendance of Members has been dispensed with and there is no requirement of appointment of proxies. Accordingly, the facility for appointment of proxies by the Members will not be available for the Annual General Meeting and hence the

Proxy Form and Attendance Slip are not annexed to this Notice. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

3. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) attending the meeting through VC / OAVM are required to send a scanned copy (PDF/ JPG Format) of its Board or governing body Resolution/ Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/ Authorization shall be sent to the Scrutinizer by email to its registered email address to [sunil@sunildedhia.com](mailto:sunil@sunildedhia.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
4. The Company is concerned about the environment. We request you to update your email address with your Depository Participants to enable us to send you communications via email. Members who have not registered their e-mail addresses, so far, are requested

to register their email addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to provide their email addresses to the M/s. Link Intime India Private Limited sending an e-mail at [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in) or to the Company at [investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com).

5. As per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed from April 1, 2019 unless the securities are held in the dematerialized form with the depositories. With the proposed change coming into effect from April 1, 2019, Equity Shares of the Company shall be eligible for transfer only in Dematerialized form. Therefore, the Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.
6. In terms of Section 72 of the Companies Act, 2013, Nomination facility is available to individual shareholders holding shares in the physical form. The shareholders who are desirous of availing this facility, may kindly write to RTA of the Company, M/s. Link Intime India Private Limited, M/s. Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai 400 083. Ph. No.: (022) 49186000.
7. Members holding shares in physical form are requested to inform the Company's Registrars and Transfer Agents, M/s. Link Intime India Private Limited (RTA), immediately of any change in their address and bank details. Members holding shares in dematerialised form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the Members.
8. Members holding shares in dematerialized form are requested to register their latest Bank Account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) and Permanent Account Number (PAN) with their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company's RTA as the same is mandated by the Securities and Exchange Board of India.
9. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with

the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.aarti-surfactants.com](http://www.aarti-surfactants.com), websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively, and on the website of NSDL, [www.evoting.nsdl.com](http://www.evoting.nsdl.com).

10. Since the AGM will be held through VC / OAVM, the Route Map does not form part of the Notice. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Business at item nos. 3 to 5 above is annexed hereto and forms part of the Notice.
11. All documents referred to in the accompanying notice and the explanatory statements are open for inspection by the members at the registered office of the Company on all working days during 11:00 AM to 1:00 PM and through electronic means. Members can request the same by sending an email to [investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com).
12. Members seeking any information with regards to accounts or any matters to be placed at the AGM, are requested to write to the Company in advance through email at [investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com). The same will be replied by the Company suitably.

### 13 Voting through Electronic Means

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorised e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by NSDL.

The Members, whose names appear in the Register of Members /list of Beneficial Owners as on Tuesday, September 15, 2020 are entitled to vote on the Resolutions, set forth in this Notice. The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the 'cut-off date' of Tuesday, September 15, 2020.

Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, i.e. September 15, 2020 may obtain the login ID and password by sending a request at [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in) / [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/ her existing User ID and password for casting the vote.

CS Sunil M. Dedhia, Practicing Company Secretary (ICSI M. No. F3483) has been appointed as the Scrutiniser to scrutinise the e-voting process in a fair and transparent manner.

The Scrutiniser shall, immediately after the conclusion of voting at general meeting, count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. Scrutiniser shall within forty eight hours of conclusion of the meeting submit a consolidated scrutiniser report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing.

The results along with the Scrutinisers Report shall be placed on the website of the Company and on the website of NSDL and shall be communicated to BSE Limited and National Stock Exchange of India Limited.

#### I. THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING ARE AS UNDER:-

**The remote e-voting period begins on Saturday, September 19, 2020 at 9:00 a.m. (IST) and ends on Monday, September 21, 2020 at 5:00 p.m.(IST).**

Those members, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

**The instructions for shareholders voting electronically are as under:**

**Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>**

**Step 2: Cast your vote electronically on NSDL e-Voting system.**

**Details on Step 1 is mentioned below:**

**How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below :
  - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
  - b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter

the 'initial password' and the system will force you to change your password.

- c) How to retrieve your 'initial password'?
  - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
  - (ii) If your email ID is not registered, please follow steps mentioned below in process for those Shareholders whose email ids are not registered.
6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:
  - a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com).
  - b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com).
  - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
  - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

#### **Details on Step 2 is given below:**

#### **How to cast your vote electronically on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

#### **General Guidelines for shareholders :**

1. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsd.com](http://www.evoting.nsd.com) to reset the password.
2. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsd.com](http://www.evoting.nsd.com) or call on toll free no.: 1800-222-990 or can contact NSDL on

[evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or contact Further, please find below details of NSDL officials for queries.

Mr. Amit Vishal, Senior Manager, NSDL, 022-2499 4360 or email at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in)

Ms. Pallavi Mhatre, Manager, NSDL, 022-2499 4545 or email at [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in)

## **II. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER :**

1. Members will be able to attend the AGM through VC / OAVM at <https://www.evoting.nsdl.com> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM. The link for VC/OAVM will be available in shareholder/ members login where the EVEN of Company will be displayed.
2. Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.
3. Members are encouraged to join the AGM through Laptops for better experience.
4. Members connecting from mobile devices or tablets or through Laptop connecting via Mobile Hotspot may experience Audio / Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
5. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and

Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

6. Members who need assistance before or during the AGM, can contact NSDL on [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)/ 1800- 222-990. Further, please find below details of NSDL officials for queries. Mr. Amit Vishal, Senior Manager, NSDL, 022-2499 4360 or email at [amitv@nsdl.co.in](mailto:amitv@nsdl.co.in) / Ms. Pallavi Mhatre, Manager, NSDL, 022-2499 4545 or email at [pallavid@nsdl.co.in](mailto:pallavid@nsdl.co.in).
7. Members who would like to express their views or ask questions during the meeting may register themselves as a speaker by sending their request from their registered email ID mentioning their name, demat account number/ folio number, PAN, mobile number at [investors@aarti-Surfactants.com](mailto:investors@aarti-Surfactants.com) atleast 5 days before the date of AGM. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.
8. Members can raise questions at the AGM through a chat box and they are requested to frame their questions precisely. Once the Member clicks the link for VC/OAVM in shareholder/members login where the EVEN of Company will be displayed, Members will be able to view AGM VC/OAVM proceedings along with the chat box. The questions raised by the Members will be replied by the Company suitably.

## **III. THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER :**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

3. Members who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

**Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password for e-voting for the resolutions set out in this notice:**

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to [investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com).

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to [investors@aarti-surfactants.com](mailto:investors@aarti-surfactants.com).
3. Alternatively member may send an e-mail request to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) for obtaining User ID and Password by providing the details mentioned in Point (1) or (2) as the case may be.

**Registered Office:**

Plot Nos. 801, 801/23,  
GIDC Estate, Phase III  
Vapi- 396 195,  
Dist. Valsad, Gujarat

Place: Mumbai

Date: August 20, 2020

By order of the Board  
**Prashant B. Gaiwad**  
Company Secretary  
ICSI. M. No. A46480

## Annexure to the Notice

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

#### ITEM NO. 3

Based upon the Performance of the Company and the Executive Directors, Nomination & Remuneration Committee and Board approved the revised remuneration payable to the Executive Directors with effect from April 1, 2020 for the remainder of their tenure as such as set out in the resolution at Item No. 3 of the accompanying Notice subject to the approval of the shareholders.

All other terms & conditions of the appointment of Shri Nikhil Parimal Desai, Managing Director and Shri Santosh Kakade, Whole – time Director shall remain same.

Your Directors recommend the resolution for your approval as an Ordinary Resolution.

Shri Nikhil Parimal Desai & Shri Santosh Kakade are interested in the said resolution pertaining to their remuneration. None of the other Directors and Key Managerial Personnel of the Company or their relatives is, in any way, concerned or interested, financially or otherwise, in the said resolution.

#### ITEM NO. 4

Pursuant to Section 180 of the Companies Act, 2013 prior consent of the Company is required by way of a special resolution to borrow funds, apart from temporary loans obtained from the company's bankers in the ordinary course of business, exceeding aggregate of the paid up share capital and free reserves including Securities Premium Account of the Company. With a view to augment long term funds which may be required for growth opportunities in the existing operations, various products under development and other corporate requirement it is, therefore, proposed to obtain consent of the members by way of a Special Resolution under Section 180 and other applicable provisions of the Companies Act, 2013, to increase the borrowing powers of the Board of Directors as set out in the resolution proposed at Item No. 4 of the

accompanying Notice to ₹ 150 Crores (Rupees One Hundred and Fifty Crores only).

Your Board thus recommend the said resolution for your approval as a Special Resolution.

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

#### ITEM NO. 5

Pursuant to Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, read with Companies (Cost Records and Audit) Rules, 2014, a proposal for appointment of Cost Auditor to audit the Cost records for the financial year 2020 - 21 was considered by the Board in its meeting held on June 04, 2020. The Board thereby appointed M/s PHS & Associates, (Membership Number 101038) Cost Accountant, as Cost Auditor at a remuneration of ₹ 85,000/- plus GST as applicable and reimbursement of actual travel and out-of-pocket expenses taxes as applicable.

As per Rule 14 of Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is to be ratified by the Shareholders. Hence this resolution is put for the consideration of the Shareholders.

Your Directors recommend the said resolution for your approval as an ordinary Resolution.

None of the Directors and Key Managerial Personnel of the Company or their relatives is, in anyway concerned or interested, financially or otherwise, in the said Resolution.

**Registered Office:**  
Plot Nos. 801, 801/23,  
GIDC Estate, Phase III  
Vapi- 396 195,  
Dist. Valsad, Gujarat

Place: Mumbai  
Date: August 20, 2020

By order of the Board  
**Prashant B. Gaikwad**  
Company Secretary  
ICSI. M. No. A46480

# Annexure A

## Brief resume of Directors seeking appointment/ Re-appointment are as under:

Particulars	<b>Shri Chandrakant V. Gogri (DIN : 00005048)</b>
Date of birth and age	16.08.1946 (74 Years)
Appointed on	18.06.2018
Qualifications	B.E. (Chem), (UDCT, Mumbai), DBM
Experience and expertise in specific functional areas	He started his career with job and later created a massive business empire of his own by mastering the alchemy of Success. He is the founder of Aarti Group of Industries. His experience in areas of encompassing Projects, Operations, Process Development, Local & International Marketing in the Chemical Industry is remarkable. He is the Chairman Emeritus of Speciality Chemical Leader Aarti Industries Limited. Mr. Chandrakant V. Gogri has been awarded the prestigious "DISTINGUISHED ALUMNUS AWARD" from UDCT (ICT) in the year 1995 for excellent performance as Entrepreneurs in Chemical Industry
Disclosure of Relationships between Director Inter-se	None
Name(s) of other listed entities in which the person holds the directorship and the membership of Committees of the Board	None
No. of shares held in the Company as on the date of Notice	185302 Equity Shares





**AARTI SURFACTANTS LIMITED**

**Registered Address:**

Plot Nos. 801, 801/23, GIDC Estate,  
Phase - III, Vapi, Dist. Valsad,  
Gujarat - 396 195.

**Corporate/HO Address:**

Unit 202, Plot 71, Udyog Kshetra, 2nd  
Floor, Mulund-Goregaon Link Road,  
Mulund West, Mumbai - 400 080

CIN : U24100GJ2018PLC102891