AARTI SURFACTANTS LIMITED

Consolidated Balance Sheet as at 31st March, 2020

(Rs. in Lakhs)

	Particulars	Note No.	As at 31st March, 2020
A	**ASSETS**		
1	**Non-Current Assets**		
	(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
	Total Non-Current Assets		**16,793.83**
2	**Current Assets**		
	(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
	Total Current Assets		**9,435.88**
	TOTAL ASSETS		**26,229.71**
B	**EQUITY AND LIABILITIES**		
1	**EQUITY**		
	(a) Equity Share Capital	9	758.45
	(b) Other Equity	10	10,336.51
	Total Equity		**11,094.96**
3	**LIABILITIES**		
	Non-Current Liabilities		
	(a) Financial Liabilities		
	Borrowings	11	4,877.93
	(b) Deferred Tax Liabilities (Net)	12	762.06
	Total Non-Current Liabilities		**5,639.99**
	Current Liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	13	6,042.77
	(ii) Trade Payables Due to		
	- Micro and Small Entereprises		-
	- Other Than Micro and Small Entereprises		1,924.40
	(b) Other Current Liabilities	14	1,125.19
	(c) Provisions	15	402.40
	Total Current Liabilities		**9,494.76**
	Total Liabilities		**15,134.75**
	TOTAL EQUITY AND LIBILITIES		**26,229.71**
	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

Sd/-
Partner
Tejas Parikh
M.No.123215
Place: Mumbai
Date: 4th June, 2020

For and on behalf of the Board
For Aarti Surfactants Limited

Sd/-	Sd/-	Sd/-
Chandrakant Gogri	Nikhil Desai	Prashant Gaikwad
Director	**Managing Director**	**Company Secretary**

AARTI SURFACTANTS LIMITED

Consolidated Statement of Profit and Loss for the Year Ended 31st March, 2020

(Rs. in Lakhs)

	Particulars	Note No.	For the Year Ended 31st March, 2020
I	Revenue from Operations	**16**	32,586.40
II	Other Income	**17**	20.90
III	**Total Income (I+II)**		**32,607.30**
IV	**EXPENSES**		
	(a) Cost of Materials Consumed	**18**	24,837.93
	(c) Changes in inventories of finished goods, Stock-in-Trade	**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
	Total Expenses (IV)		**32,312.78**
V	**Profit before Exceptional Items and Tax (III-IV)**		**294.52**
VI	Exceptional Items		**-**
VII	**Profit before Tax (V-VI)**		**294.52**
VIII	**TAX EXPENSES**		
	Current Tax		51.54
	MAT Credit Entitlement		-51.54
	Deferred Tax		85.91
	Total Tax Expenses		**85.91**
IX	**Profit for the year (VII-VIII)**		**208.61**
X	**OTHER COMPREHENSIVE INCOME**		
	a. Items that will not be reclassified to Statement of Profit and Loss		
	- Fair Value Change of Equity Instruments through Other Comprehensive Income (Net of Tax)		-895.20
	b. Items that will be reclassified to Statement of Profit and Loss		-
XI	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)**		**-686.59**
XII	**Earnings Per Equity Share of Face Value of Rs 10 Each (EPS) (in Rs.)**	**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

Sd/-
Partner
Tejas Parikh
M.No.123215
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For and on behalf of the Board
For Aarti Surfactants Limited

Sd/-	Sd/-	Sd/-
Chandrakant Gogri	Nikhil Desai	Prashant Gaikwad
Director	**Managing Directo**	**Company Secretary**

AARTI SURFACTANTS LIMITED

Consolidated Statement of Changes in Equity for the Year Ended 31st March, 2020

A. Equity Share Capital

(Rs. in Lakhs)

As at 1st April, 2019	5.00
Changes in equity share capital during the year 2019-20	753.45
As at 31st March, 2020	758.45

B. Other Equity

(Rs. 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	
As at 1st April, 2019	**9,614.03**	**-**	**3,110.99**	**12,725.02**
Cancellation of pending initial share capital		5.00	-	5.00
Issuance of Redeemable Preferance 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
Balance as at 31st March, 2020	**-**	**10,336.51**	**-**	**10,336.51**

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

Sd/-
Partner
Tejas Parikh
M.No.123215
Place: Mumbai
Date: 4th June, 2020

For and on behalf of the Board
For Aarti Surfactants Limited

Sd/-
Chandrakant Gogri
Director

Sd/-
Nikhil Desai
Managing Director

Sd/-
Prashant Gaikwad
Company Secretary

AARTI SURFACTANTS LIMITED

Consolidated Cash Flow Statement for the Year Ended 31st March, 2020

(Rs. in Lakhs)

Sr. No.	Particulars	For the Year Ended 31st March, 2020
A.	**CASH FLOW FROM OPERATING ACTIVITIES**	
	Profit/(loss) before Tax as per Statement of Profit and Loss	294.52
	Adjusted for:	
	- Finance Costs	1,027.95
	- Depreciation/Amortisation	1,057.55
	Operating Profit before Working Capital Changes	**2,380.02**
	Adjusted for:	
	- Trade and Other Receivables	1,390.06
	- Inventories	-378.94
	- Trade Payables and Other Current Liabilities	-1,582.30
	Cash Generated from Operations	**1,808.84**
	Taxes Paid (Net)	2.25
	Net Cash Flow from/(used in) Operating Activities	**1,811.09**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**	
	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
	Net Cash Flow used in Investing Activities	**-214.92**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**	
	Proceeds from Borrowings - Non Current	0.00
	Proceeds/(Repayment) from Current Borrowing (Net)	-613.86
	Finance Costs	-973.84
	Net Cash Flow from/(used in) Financing Activities	**-1,587.70**
	Net Increase in Cash and Cash Equivalents	**8.47**
	Opening Balance of Cash and Cash Equivalents	**2.01**
	Closing Balance of Cash and Cash Equivalents	**10.48**

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

Sd/-
Partner
Tejas Parikh
M.No.123215
Place: Mumbai
Date: 4th June, 2020

For and on behalf of the Board
For Aarti Surfactants Limited

Sd/-	Sd/-	Sd/-
Chandrakant Gogri	Nikhil Desai	Prashant Gaikwad
Director	**Managing Director**	**Company Secretary**

AARTI SURFACTANTS LIMITED

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 31st March 2020.

The Parent is a Public Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The registered office of the Group is located at Plot Nos. 801, 801/23, GIDC Estate, Phase - Ill, 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 Group 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, the Group has disclosed only such Policies and Notes from the individual financial statements, 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 4th June 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 31st March, 2020

The consolidation of financial statements of the Parent Company and its Subsidiaries is done on line by 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.

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.

The Group classifies all other liabilities 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 Group and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits avalied, 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 the 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 convertilbe 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 unresticted for withdrawals and usages.

(f) Revenue Recognition

(i) Revenue from Sale of Goods to customers is recognised when control of the goods are 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 Group 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 Group'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 conditions attaching 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 Shchedule 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 Equipments
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) Impairnment 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 assets 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 the transaction. The exchange rate differences arising out of such transactions are approriately 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.

(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, 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 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.

Current tax assets and Current tax liabilities are ofsetted, 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 Group 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 Group has 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 Group's Balance Sheet, when the obligation specified in the contractis 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.

D. 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.

E. 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***

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 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 chnage. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

AARTI SURFACTANTS LIMITED

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lakhs)

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

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 operatve Bank limited.

(Rs. in Lakhs)

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

- 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.

(Rs. in Lakhs)

	Particulars	As at 31st March, 2020
3	**Other Non-Current Assets**	
	Deposits	166.77
	Income Tax Assets (Net of Provisions)	0.74
	Capital Advance	95.62
	Total	**263**
4	**Inventories**	
	Raw Materials and Components (incl of In-transit stock)	2330.9
	Work-in-progress Finished Goods	103.17
	Finished Goods (incl of In-transit stock)	3083.29
	Stores and spares	80.14
	Fuel (incl of In-transit stock)	17.31
	Packing Materials	34.03
	Total	**5,648.84**
	*Mode of Valuation is stated in note : (d) Valuation of Inventories in Significant Accouting Policy	
	*The Holding Company has availed credit facilities from banks which are secured interalia by hypothecation of inventories	
5	**Trade Receivables**	
	Less than six months (unsecured and considered good)	1751.21
	More Than six months	
	-Unsecured and Considered Good	40.78
	-Unsecured Doubtful Debts	69.97
	-Provision on Doubtful Debts	-69.97
	Total	**1791.99**
	*The Holding Company has availed credit facilities from banks which are secured interalia by hypothecation of Trade Receivables	
6	**Cash and Cash Equivalents**	
	Cash on Hand	1.63
	Balances with Banks	8.85
	Total	**10.48**
7	**Other Financial Assets**	
	Loans & Advances:	
	(i) Employees	36.45
	Total	**36.45**
8	**Other Current Assets**	
	Balance with Customs, Central Excise, GST and State Authorities	1698.73
	Others Receivable	0.28
	Prepaid Expenses	37.06
	Advance to Supplier of Material, Engineering Items	212.05
	Total	**1,948.12**

9 SHARE CAPITAL:

Particulars	No. of Shares	As at 31st March, 2020
Authorised Share Capital		
Equity Shares of Rs 10/- each	3,18,70,000	3,187
Redeemable Preference Shares of Rs 10/- each	81,30,000	813
	4,00,00,000	4,000.00
Issued, Subscribed & Paid up		
Equity Shares of ` 10/- each	75,84,477	758.45
TOTAL	**75,84,477**	**758.45**

The Company has only one class of equity shares having par value of Rs. 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.

9.1 Reconciliation of the number of Shares outstanding as on 31st Mar, 2020:

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

9.2 Details of shareholders holding more than 5% shares:

Name of the Shareholders	As at 31st March, 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

(Rs. in Lakhs)

Particulars		As at 31st March, 2020
10	**Other Equity**	
a.	**Reserves Pending Allocation**	
	As per last Balance Sheet	9,614.03
	Add: Balance transferred on account of scheme of arrangment	-
	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 Preferance 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
	Closing Balance	**-**
b.	**Retained Earnings**	
	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
	Closing Balance	**10,336.51**
c.	**Other Comprehensive Income**	
	As per last Balance Sheet	3,110.99
	Add: Balance transferred on account of scheme of arrangment	-
	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
	Closing Balance	**-**
	Total	**10,336.51**

(Rs. in Lakhs)

	Particulars	As at 31st March, 2020
11	**Borrowings - Non Current**	
	Secured - At Amortised Cost	
	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
	Total	**4,877.93**

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

b). (i) Pursuant to Scheme of Arrangement become affective and subsequent excercise of Option by Equity Shareholders of Demerged Entity Aarti Indutries 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 option Redeemable Preference shares valued at fair value Rs 167 per share as per scheme.

b). (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 Share are Redeemable at the option of Holding Company such that shareholder will get 4% annualised return on fair value of Rs 167 declared in Scheme of Arrangement

11.2	**Repayment Terms (SVC Term Loan)**	
	Repayment Tenor	**Amount**
	1-2 Years	900.00
	2-3 Years	1,200.00
	3-4 Years	900.00
	Beyond 4 Years	-
12	**Deferred Tax Liability (Net)**	
	At the start of the year	727.69
	Transfered Pursuant to Scheme of Arrangment (Dep.)	-
	Charge/(credit) to the Statement of Profit and Loss	85.91
	MAT Credit Entitlement	-51.54
	At the end of the year	**762.06**
12.1	**Components of Deferred Tax Liability/(Asset)**	
	Deferred tax liabilities/(assets) in relation to:	
	Property, Plant and Equipment	1,265.17
	Carried Forward Tax Losses	-451.57
	Mat Credit Entitlement	-51.54
	Total	**762.06**
13	**Borrowings - Current - At Amortised Cost**	
	Secured - Working capital Loan From SVC Co Operative Bank	6,017.89
	Interest Accrued but not due on Term Loan from Banks	24.88
	Total	**6,042.77**

13.1 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**	
	Other Payables (Statutory Dues)	86.34
	Creditors for Capital Expenditure	980.05
	Income Received in Advance	58.79
	Total	**1,125.18**
15	**Provisions - Current**	
	Provision for Employee Benefits	158.14
	Other Provisions	244.26
	Total	**402.40**

(Rs. in Lakhs)

Particulars		As at 31st March, 2020
16	**Revenue from Operations**	
	Local Sale	31,510.32
	Export Sale.	5,344.07
	Sale of Products	36,854.39
	Less GST Collected on Sale	-4,812.19
	Net Sale	**32,042.20**
	Other Operating Revenues (Refer Note No. 16.1)	544.20
	Total	**32,586.40**
16.1	**Other Operating Revenues**	
	Export Benefits/Incentives Received	90.09
	Scrap Sales	36.24
	State Government Grant - Industry Promotion Incentive	417.88
	Total	**544.21**
17	**Other Income**	
	Dividend Received	-
	Interest Received	6.83
	Insurance Claim Received	14.07
	Profit on Sale of Assets/Investment	-
	Other Income	-
	Total	**20.90**
18	**Cost of Material Consumed**	
	Raw Material	22,894.62
	Packing Material	804.86
	Fuel	554.05
	Stores & Spares	584.40
	Total	**24,837.93**
19	**Changes in inventories of finished goods, Stock-in-Trade and work-in-progress**	
	Inventories (at commencement)	
	Finished Goods	2,935.79
	Work-in-Progress	143.28
		3,079.07
	Inventories (at Close)	
	Finished Goods	3,083.29
	Work-in-Progress	103.17
		3,186.46
	Total	**-107.39**

20	**Employee Benefits**	
	Directors Remunderation	64.99
	Salaries, Wages & Bonus	1,212.26
	Contribution to PF and other Funds	84.37
	Workmen & Staff Welfare Expenses	68.72
	Total	**1,430.34**

21	**Finance Cost**	
	Interest Expense	983.81
	Other Borrowing Costs	44.14
	Total	**1,027.95**
22	**Other Expenses**	
	Manufacturing Expenses	
	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
	Other Manufacturing Expenses	63.93
	Repairs & Maintenance	301.00
	Insurance Charges	44.09
	Factory Administrative Expenses	171.10
	Sub-Total (A)	3,348.45
	Office Administrative Expenses	
	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 Filling Fees	47.28
	Other Administrative Expenses	9.24
	Sub-Total (B)	**159.79**
	Selling and Distribution Expenses	
	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
	Sub-Total (C)	**556.66**
	Non-Operating Expenses	
	Donations and CSR Expenses	1.50
	Sub-Total (D)	1.50
	Total (A+B+C+D)	**4,066.40**

(Rs. in Lakhs)

	Particulars	As at 31st March, 2020
23	**Earning Per Share (EPS)**	
	Face Value Per Equity Share (in Rs.)	**10**
	Basic Earnings Per Share (in Rs.)	**2.75**
	Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (Rs. in Lakhs)	208.61
	Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	**75.84**
	Diluted Earnings Per Share (in Rs.)	**2.75**
	Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (Rs. in Lakhs)	208.61
	Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	75.84
	Reconciliation of weighted average number of equity shares outstanding	
	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 7584477 equity shares on 20th August, 2019 pursuant to the scheme of dermerger for 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**	
a.	Statutory Audit Fees	6.15
b.	Certification and Consultation Fees	0.08
	Total	**6.23**
25	**Contingent Liabilities and Commitments**	
(i)	**Contingent Liabilities**	
	- Claims against the company not acknowledged as Debt - Unpaid	158.20
	- Claims against the company not acknowledged as Debt - Paid (under dispute)	225.32
(ii)	**Commitments**	
	Estimated amount of contracts remaining to be executed on Capital Account and not provided for, net of advances	75.00
	Total	**458.52**

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 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 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 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 Product 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	FY 2019-20
Segment Revenue - External Turnover	
Within India	26,698.13
Outside India	5,344.07
Total	**32,042.20**
Non-Current Assets*	
Within India	16,793.80
Outside India	-
Total	**16,793.80**

* includes property plant and equipments, intangible assets, capital working 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 amount to 10 per cent or more of company’s total Revenue. Company’s total Revenue of Rs. 32,042.20 Lakhs (P.Y. Rs. 26,245.88 Lakhs) include sales of Rs.19,385.00 Lakhs (P.Y. Rs. 16,963.00 Lakhs) to two large customers with whom the company is having long standing Relationship.

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

(Rs. in Lakhs)

Sr. No.	Name of the Related Party	Remuneration Paid
1	Mr. Nikhil Parimal Desai	44.17
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 Group'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 overall strategy of the Group remains unchanged from previous year.

The Group 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 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 able to meet all its current liabilities and interest obligation on timely manner.

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

(Rs. in Lakhs)

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

31 Financial Instruments

A. Fair Value Measurement Hierarchy

(Rs. in Lakhs)

Particulars	As at 31st March, 2020			
	Carrying Amount	Level of Input Used		
		Level 1	Level 2	Level 3
Financial Assets				
At Amortised Cost				
Trade Receivables	1,791.99	-	-	-
Cash and Cash Equivalents	10.48	-	-	-
Loans	36.45	-	-	-
At Cost				
Investments	0.03	0.03	-	-
Financial Liabilities				
At Amortised Cost				
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 Borrowing, trade payble and other unsecred Lendings. The main purpose of these financial liabilities is to finance the operations. The principal financial assets includes Customer Receivable, Investment and cash equivalents that derive 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.

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 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 31st March, 2020

(Rs. 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
Total	**7,967.17**	**4,877.93**	**-**	**12,845.10**

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 26th December, 2019.