Balance Sheet
as at March 31, 2019

(₹ in Lakhs)

	Particulars	Note No.	As at March 31, 2019
A	**ASSETS**		
1	**Non-Current Assets**		
	(a) Property, Plant and Equipment	1	13,787.41
	(b) Capital Work-in-Progress	1	447.01
	(c) Financial Assets		
	Investments	2	3,149.67
	(d) Other Non-Current Assets	3	105.90
	Total Non-Current Assets		**17,489.99**
2	**Current Assets**		
	(a) Inventories	4	5,269.90
	(b) Financial Assets		
	(i) Trade Receivables	5	3,056.23
	(ii) Cash and Cash Equivalents	6	2.01
	(iv) Other Financial Assets	7	21.63
	(c) Other Current Assets	8	2,152.61
	Total Current Assets		**10,502.38**
	TOTAL ASSETS		**27,992.37**
B	**EQUITY AND LIABILITIES**		
1	**EQUITY**		
	(a) Equity Share Capital - Pending cancellation	9	5.00
	(b) Share Capital pending allotment upon scheme of arrangement	9	866.69
	(c) Other Equity	10	12,725.03
	Total Equity		**13,596.72**
3	**LIABILITIES**		
	Non-Current Liabilities		
	(a) Financial Liabilities		
	Borrowings	11	3,000.00
	(b) Deferred Tax Liabilities (Net)	12	727.69
	Total Non-Current Liabilities		**3,727.69**
	Current Liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	13	6,665.29
	(ii) Trade Payables Due to		
	- Micro and Small Enterprises		-
	- Other Than Micro and Small Enterprises		3,844.91
	(b) Other Current Liabilities	14	8.92
	(c) Provisions	15	148.84
	Total Current Liabilities		**10,667.96**
	Total Liabilities		**14,395.65**
	TOTAL EQUITY AND LIABILITIES		**27,992.37**
	Significant Accounting Policies		
	Accompanying Notes to the Financial Statements	1-33	

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

Partner
Tejas Parikh
M. No. 123215

Place: Mumbai
Date: July 8, 2019

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

sd/-
Chandrakant Gogri
Director

sd/-
Nikhil Desai
Managing Director

Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in Lakhs)

	Particulars	Note No.	For the Year Ended March 31, 2019
I	Revenue from Operations	16	31,054.90
II	Other Income	17	6.82
III	**Total Income (I+II)**		**31,061.72**
IV	**EXPENSES**		
	(a) Cost of Materials Consumed	18	27,490.01
	(b) Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	19	-1,584.23
	(c) Employee Benefits Expense	20	1,139.83
	(d) Finance Costs	21	241.60
	(e) Depreciation / Amortisation Expenses	1	879.73
	(f) Other Expenses	22	3,492.96
	Total Expenses (IV)		**31,659.90**
V	**Loss before Exceptional Items and Tax (III-IV)**		**-598.18**
VI	Exceptional Items		-
VII	**Profit/(Loss) before Tax (V-VI)**		**-598.18**
VIII	**TAX EXPENSES**		
	(a) Current Tax		-
	(b) Deferred Tax		49.76
	Total Tax Expenses		**49.76**
IX	**Net Loss for the period After Tax (VII-VIII)**		**-647.94**
X	**OTHER COMPREHENSIVE INCOME**		
	a. Items that will not be reclassified to Statement of Profit and Loss		
	- Fair Value of Investment (Net of Tax)		661.21
	b. Items that will be reclassified to Statement of Profit and Loss		-
XI	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)**		**13.27**
XII	**Earnings Per Equity Share of Face Value ₹ 10 Each (EPS) (in ₹)**	24	
	Basic		N. A.
	Diluted		-7.48
	Significant Accounting Policies		
	Accompanying Notes to the Financial Statements	1-33	

As per our report of even date
For **Gokhale and 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

sd/-
Nikhil Desai
Managing Director

Place: Mumbai
Date: July 8, 2019

Cash Flow Statement

for the year ended March 31, 2019

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31, 2019
A.	**CASH FLOW FROM OPERATING ACTIVITIES**	
	Net loss before Tax as per Statement of Profit and Loss	(598.18)
	Adjusted for:	
	- Finance Costs	241.60
	- Depreciation	879.73
	Operating Profit before Working Capital Changes	**523.15**
	Adjusted for:	
	- Trade and Other Receivables	151.49
	- Inventories	(285.78)
	- Trade Payables and Other Current Liabilities	(1,653.67)
	Cash Generated from Operations	**(1,264.81)**
	Taxes Paid (Net)	(2.99)
	Net Cash Flow used in Operating Activities	**(1,267.80)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**	
	Addition to Property, Plant and Equipment and Capital Work In Progress	(2,825.25)
	Net Cash Flow used in Investing Activities	**(2,825.25)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**	
	Proceeds from Borrowings - Non Current	3,000.00
	Borrowing - Current (Net)	1,334.74
	Finance Costs	(241.60)
	Net Cash Flow from Financing Activities	**4,093.14**
	Net Increase/(Decrease) in Cash and Cash Equivalents	**0.09**
	Opening Balance of Cash Equivalents	1.92
	Closing Balance of Cash and Cash Equivalents	2.01

Change in liability arising from financing activities

(₹ in Lakhs)

	Particulars	As at April 1, 2018	Transferred On Account of Scheme of Arrangement	Cash Flow	As at March 31, 2019
a.	Borrowing - Non-Current	-	-	3,000.00	3,000.00
b.	Borrowing - Current	-	6,665.29	-	6,665.29
	Total	**-**	**6,665.29**	**3,000.00**	**9,665.29**

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

Partner
Tejas Parikh
M. No. 123215

Place: Mumbai
Date: July 8, 2019

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

sd/-
Chandrakant Gogri
Director

sd/-
Nikhil Desai
Managing Director

Statement of Changes in Equity

for the year ended March 31, 2019

A. Equity Share Capital

(₹ in Lakhs)

Balance at the beginning of the reporting period i.e. April 1, 2018	Change in Equity Share Capital during the year 2018-19	Balance at the end of the reporting period i.e. March 31, 2019
-	5.00	5.00

B. Other Equity

(₹ in Lakhs)

Particulars	Reserves Pending Allocation on Account of Pending share Issue	Other Comprehensive Income	Total
Balance at the beginning of the reporting period i.e. April 1, 2018	-	-	-
Transferred On Account of Scheme of Arrangement	10,367.79	2,449.78	12,817.57
Total Comprehensive Income for the year	-647.94	661.21	13.27
Effect of Increase in Share Entitlement due to Increase in share Capital after QIP issue	-52.14	-	-52.14
Effect of Gratuity Provision to be maintained as per NCLT order	-53.69	-	-53.69
Balance at the end of the reporting period i.e. March 31, 2019	**9,614.03**	**3,110.99**	**12,725.03**

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

Partner
Tejas Parikh
M. No. 123215

Place: Mumbai
Date: July 8, 2019

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

sd/-
Chandrakant Gogri
Director

sd/-
Nikhil Desai
Managing Director

Corporate Information and Significant Accounting Policies:

A. Corporate Information

Aarti Surfactants Limited ("the Company")has been newly incorporated by Aarti Industries Limited for demerger and absorption of the Home and Personal Care Business of The Company.

The Honourable NCLT - Ahmedabad Bench has approved the scheme of arrangement between Aarti Industries Limited, Aarti Surfactants Limited and their shareholders on 10th of June, 2019; pursuant to which, the Home and Personal Care Division of Aarti Industries Limited is transferred to Aarti Surfactants Limited from Appointment Date (i.e. with effect from April 1, 2018).

The company's product portfolio includes surfactants, mild surfactants, rheology modifiers, pearlising 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.

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 1, 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 Surfactant Limited has to issue to Equity Shareholder of Aarti Industries Limited,

For every 10 equity shares held in Aarti Industries Limited

(a) 1 Equity Shares of Aarti Surfactants Limited; or

(b) 1 Redeemable Preference Share of Aarti Surfactants Limited."

Holders of equity shares of Aarti Industries Limited have an option to subscribe either 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 Lakhs)
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
Total	**25,248.26**
Working capital Borrowing	5,278.43
Other current liabilities	5,656.33
Deferred Tax Liability	677.93
Total	**11,612.68**
Excess of assets over liabilities	**13,635.57**

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.

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.

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.

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.

The Company 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. In case of land the Company has availed fair value as deemed cost on the date of transition to Ind AS.

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 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 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 usages.

(f) Revenue Recognition

Ind AS 115 is effective from 1st April 2018 and it replaces Ind AS 18. It applies, with limited exceptions, to all revenue arising from contracts with its customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Ind AS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Revenue from contract with customer

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government

(i) Sale of goods: Revenue from sale of goods is recognized on dispatch (in respect of exports on the date of the bill of lading or airway bill) which coincides with transfer of significant risks and rewards to customer and is net of trade discounts, sales returns, where applicable and recognized based on the terms of the agreements entered into with the customers.

(ii) Interest Income: Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Dividend income: Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(iv) Export benefits: Export incentives are recognized as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(i) Subsidy received: Industrial Promotion State Incentive Is recognised when claim in respect of Entitlement is made & admitted after close of yearly Sales Tax Assessment.

(g) Depreciation/Amortisation

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's
4	Furniture and Fixtures	Over a period of 10 years
5	Vehicles	Over a period of 7 years

(h) 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 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.

(i) 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 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.

(j) 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.

(k) 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.

(l) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company 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.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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.

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

(m) 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.

Long-term Benefits

Other long-term employee benefits comprise of leave encashment and are provided for based on the independent actuarial valuation. The classification between current and non-current liabilities are based on actuarial valuation. The actuarial valuation is done as per the projected unit credit method as at the reporting date.

Post-retirement Benefits

Defined Contribution Plans

Retirement Benefits in the form of Provident Fund and Superannuation Fund which are defined contribution schemes are charged to the statement of profit and loss for the period in which the contributions to the respective funds accrue as per relevant statues.

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.

(n) Taxes on Income

Income tax expense comprises of current tax expense and deferred tax expenses.

Current and deferred taxes are recognized in Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Current income tax:

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act of the respective jurisdiction. The current tax is calculated using tax rates that have been enacted or substantively enacted, at the reporting date.

Deferred tax

Deferred tax is recognized using the Balance Sheet approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences.

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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

Minimum Alternate Tax (MAT) :

MAT credit is recognised as an asset only when and to the extent it is reasonably certain that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

(o) 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 chnages 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'.

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.

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 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 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.

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 Financial Statements

1 Property, Plant and Equipment

(₹ in Lakhs)

Particulars	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Balance as at April 1, 2018	Addition on Account of Scheme of Arrangement	Additions/ Adjustments	Deduction/ Adjustments	Balance as at March 31, 2019	Balance as at April 1, 2018	Addition on Account of Scheme of Arrangement	Depreciation charge for the year	Deduction/ Adjustments	Balance as at March 31, 2019	Balance as at March 31, 2019	Balance as at March 31, 2018
I Tangible Assets												
Freehold Land	-	47.62	-	-	47.62	-	-	-	-	-	47.62	-
Leasehold Land	-	150.20	27.64	-	177.83	-	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	3,392.27	3.65	17,175.33	-	4,436.51	752.08	0.62	5,187.97	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	-
Total	**-**	**16,006.95**	**3,666.61**	**3.65**	**19,669.91**	**-**	**5,003.39**	**879.73**	**0.62**	**5,882.50**	**13,787.41**	**-**
Previous Year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
II Capital Work-in-Progress											**447.01**	**-**

NOTES -

a. Pursuant to the Scheme of Arrangement between Aarti Industries Limited, Aarti Surfactants Limited and their shareholders, the demerged Home and personal Care segment of Aarti Industries Limited is being transferred to Aarti surfactants Limited with effect from 1st of April 2018, being the Appointed Date. Property, Plant and Equipment transfered to Aarti Surfactants Limited are shown as addition during the year on account of scheme of Arrangement.

b. 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. Entire moveable and immoveable assets of the Company are given as a security for the working capital and term loan obtained from SVC Co-opt Bank Limited.

2 Investments - Non Current

(₹ in Lakhs)

Particulars	Number of Units/Shares (all fully paid up)				As at
	Opening Balance	Acquisition	Disposal	Closing Balance	March 31, 2019
Investments measured at Fair Value through Other Comprehensive Income					
In Quoted Equity Shares					
Aarti Drugs Ltd.	-	491,790	-	491,790	3,149.67
Total	**-**	**491,790**	**-**	**491,790**	**3,149.67**

- 4,91,790 number of Equity Shares of Aarti Drugs Limited transferred pursuant to the Scheme of Arrangement approved by NCLT to Aarti Surfactants Limited are shown as addition during the year.
- Change in Fair value of Investment during the year is recongnised in Other Comprehensive Income (OCI) during the period.

3 Other Non-Current Assets

(₹ in Lakhs)

Particulars	As at March 31, 2019
Deposits	102.91
Income Tax Assets (Net of Provisions)	2.99
Total	**105.90**

4 Inventories

(₹ in Lakhs)

Particulars	As at March 31, 2019
Raw Materials and Components (incl In-transit stock)	2,063.94
Work-in-progress Finished Goods	143.28
Finished Goods (incl In-transit stock)	2,935.79
Stores and spares	78.96
Fuel (incl In-transit stock)	23.41
Packing Materials	24.53
Total	**5,269.90**

5 Trade Receivables (Unsecured and Considered Good)

(₹ in Lakhs)

Particulars	As at March 31, 2019
Trade Receivables	3,056.23
Total	**3,056.23**

6 Cash and Cash Equivalents

(₹ in Lakhs)

Particulars	As at March 31, 2019
Cash on Hand	0.84
Balances with Banks	1.17
Total	**2.01**

7 Other Financial Assets

(₹ in Lakhs)

Particulars	As at March 31, 2019
Loans to Employees	21.63
Total	**21.63**

8 Other Current Assets

(₹ in Lakhs)

Particulars	As at March 31, 2019
Balance with Customs, Central Excise, GST and State Authorities	2,149.95
Prepaid Expenses	2.66
Total	**2,152.61**

9 Share Capital

9.1 Authorised Share Capital

(₹ in Lakhs)

Particulars	As at March 31, 2019
81,30,000 Equity Shares of ₹ 10 each	813.00
81,30,000 Redeemable Preference Shares of ₹ 10 each	813.00

9.2 Issued, Subscribed and Paid-up

a. Share Capital Pending Cancellation upon Scheme of Arrangement:

(₹ in Lakhs)

Particulars	As at March 31, 2019
50,000 Equity Shares of ₹ 10 each	5.00

b. Share Capital Pending Allotment upon Scheme of Arrangement:

(₹ in Lakhs)

Particulars	As at March 31, 2019
Share Capital - Pending Allotment	866.69
Total	**866.69**

- Pursuant to the Scheme of Arrangement approved by NCLT, Aarti Surfactants Limited will issue to the Equity Shareholders of Aarti Industries Limited -

- For every 10 equity shares Held in Aarti Industries Limited

  (a) 1 Equity Shares of the Aarti Surfactants Limited; or

  (b) 1 Redeemable Preference Share of the Aarti Surfactants Limited.

- Holders of equity shares of Aarti Industries Limited have the option to subscribe either Equity or Redeemable Preference shares as mentioned above.

- The Honourable National Company Law Tribunal Ahmedabad Bench has approved the scheme of Arrangement on 10th of June 2019. Pending allotment of share as at Balance sheet Date, Share capital of ₹ 866.69 Lakhs as approved Under Scheme of Arrangement is shown as Share capital pending for Allotment.

9.3 Share Capital Pending Cancellation

- Aarti Surfactants Limited has been newly incorporated by Aarti Industries Limited for demerger and absorption of the Home and personal care division of AIL with initial share capital of ₹ 5 Lakhs. As per the order of NCLT, upon scheme becoming effective, original share capital of ₹ 5 Lakhs stands automatically cancelled and reinstated to ₹ 866.69 Lakhs by payment of applicable stamp duty and compliance of ROC formalities. As at Balance Sheet date, ROC formalities with respect to increase in authorised share capital, allotment of share capital and cancellation of existing share capital were pending and hence, the share capital of ₹ 5 Lakhs, existing on the balance sheet date is shown as 'Share Capital Pending Cancellation'.

10 Other Equity

a. Reserves Pending Allocation

(₹ in Lakhs)

Particulars	As at March 31, 2019
As per last Balance Sheet	-
Add: Balance transferred on account of scheme of arrangement	10,367.79
Less: Effect of Increase in Share Entitlement due to Increase in share Capital after QIP issue	-52.14
Less: Effect of Gratuity Provision to be maintained as per the order of arrangement	-53.69
Less: Loss for the year	-647.94
Closing Balance	**9,614.03**

b. Other Comprehensive Income

(₹ in Lakhs)

Particulars	As at March 31, 2019
As per last Balance Sheet	-
Add: Balance transferred on account of scheme of arrangement	2,449.78
Add: Movement in OCI (Net) During the Year	661.21
Closing Balance	**3,110.99**
Total	**12,725.03**

10.1 Pursuant to the scheme of arrangement approved by NCLT, Ahmedabad Bench, holder of Equity Shares of Aarti Industries limited have an option either to apply for Equity or Redeemable Preference Shares (redeemable at premium). As at balance sheet date, allotment of share capital is pending and hence free reserves transferred under the Scheme of Arrangement are shown as 'Reserves Pending Allocation' between Profit and Loss, Securities Premium and Borrowing Cost.

11 Borrowings - Non Current

(₹ in Lakhs)

Particulars	As at March 31, 2019
Secured - At Amortised Cost	
Term loans from Banks/Financial Institutions	3,000.00
Total	**3,000.00**

11.1 Rupee term loan from Bank aggregating to ₹ 3,000 Lakhs is secured by first charge on all movable and immovable assets of the Company, including current assets.

11.2 Repayment Terms

(₹ in Lakhs)

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

12 Deferred Tax Liability (Net)

(₹ in Lakhs)

Particulars	As at March 31, 2019
At the start of the year	-
Transfered Pursuant to Scheme of Arrangement (Depreciation)	677.93
Charge/(credit) to the Statement of Profit and Loss	49.76
At the end of the year	**727.69**

12.1 Components of Deferred Tax Liability/(Asset)

(₹ in Lakhs)

Particulars	As at March 31, 2019
Deferred tax liabilities/(assets) in relation to:	
Property, Plant and Equipment	999.52
Carried Forward Tax Losses	-271.83
Total	**727.69**

13 Borrowings - Current

(₹ in Lakhs)

Particulars	As at March 31, 2019
Unsecured - At Amortised Cost	
Working Capital Loan	6,639.47
Interest Accrued but not due on Term Loan from Banks	25.82
Total	**6,665.29**

13.1 Pursuant to the Scheme of Arrangement, common working capital borrowing is allocated to Aarti Surfactants Limited in the ratio of value of Assets transferred in the scheme of arrangement to the total assets of Aarti Industries Limited prior to demerger.

14 Other Current Liabilities

(₹ in Lakhs)

Particulars	As at March 31, 2019
Other Payables (Statutory Dues)	8.92
Total	**8.92**

15 Provisions - Current

(₹ in Lakhs)

Particulars	As at March 31, 2019
Provision for Employee Benefits	145.69
Other Provisions	3.14
Total	**148.84**

16 Revenue from Operations

(₹ in Lakhs)

Particulars	As at March 31, 2019
Sale of Products	
Local Sale	27,391.53
Export sale	3,476.93
	30,868.46
Other Operating Revenues (Refer Note No. 16.1)	186.44
Total	**31,054.90**

16.1 Other Operating Revenues

(₹ in Lakhs)

Particulars	As at March 31, 2019
Export Benefits/Incentives Received	0.55
Scrap Sales	46.61
M. P. Industry Promotion Incentive (VAT refund)	139.28
Total	**186.44**

17 Other Income

(₹ in Lakhs)

Particulars	As at March 31, 2019
Dividend Received	4.92
Profit on Sale of Assets/Investment	1.57
Other Income	0.33
Total	**6.82**

18 Cost of Material Consumed

(₹ in Lakhs)

Particulars	As at March 31, 2019
Raw Material	25,905.82
Packing Material	545.32
Fuel	597.66
Stores & Spares	441.21
Total	**27,490.01**

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

(₹ in Lakhs)

Particulars	As at March 31, 2019
Inventories (at close)	
Finished Goods	1,437.78
Work-in-Progress	57.06
	1,494.84
Inventories (at commencement)	
Finished Goods	2,935.79
Work-in-Progress	143.28
	3,079.07
Total	**-1,584.23**

20 Employee Benefits

(₹ in Lakhs)

Particulars	As at March 31, 2019
Salaries, Wages & Bonus	1,121.80
Contribution to PF and other Funds	18.03
Total	**1,139.83**

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

(₹ in Lakhs)

	Particulars	Gratuity (funded) 2018-19
a.	**Reconciliation of Opening and Closing balances of Defined Benefit Obligation**	
	Defined Benefit Obligation at beginning of the Year	-
	Transfered Pursuant to Scheme of Arrangement	52.13
	Current Service Cost	14.60
	Interest Cost	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	-2.30
	Actuarial (Gains)/Losses on Obligations - Due to Experience	1.03
	Defined Benefit Obligation at year end	69.65

(₹ in Lakhs)

	Particulars	Gratuity (funded) 2018-19
b.	**Reconciliation of opening and closing balances fair value of plan assets**	
	Fair value of plan assets at beginning of the year	-
	Transferred Pursuant to Scheme of Arrangement	52.13
	Interest Income	3.91
	Contributions by the Employer	14.60
	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	-0.99
	Fair Value of Plan Assets at the End of the Period	69.65
c.	**Reconciliation of fair value of assets and obligations**	
	Fair value of plan assets	69.65
	Present value of obligation	-69.65
	Amount Recognised in Balance Sheet	-
d.	**Expenses recognised during the year**	
	Current Service Cost	14.60
	Interest Cost	3.91
	Interest Income	-3.91
	Expected return on plan assets	0.99
	Actuarial(gain)/ loss	-0.99
	Net Cost	14.60
e.	**Investment Details**	100% Invested
	L.I.C Group Gratuity (Cash Accumulation) Policy	with L.I.C.
f.	**Actuarial assumptions**	2006-08
	Mortality Table (L.I.C.)	(Ultimate)
	Discount rate (per annum)	7.50%
	Expected rate of return on plan assets (per annum)	7.50%
	Rate of escalation in Salary (per annum)	7.00%

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 ₹ 35.96 Lakhs has been provided in the Books of Accounts.

21 Finance Cost

(₹ in Lakhs)

Particulars	As at March 31, 2019
Interest Expense	207.02
Other Borrowing Costs	34.58
Total	**241.60**

22 Other Expenses

(₹ in Lakhs)

Particulars	As at March 31, 2019
Manufacturing Expenses	
Freight, Cartage & Transport	535.64
Power	1,020.85
Water Charges	48.95
Processing Charges	266.51
Labour/Helper Charges, Security Services	440.24
Effluent Treatment Cost	30.21
Other Manufacturing Expenses	99.43
Repairs & Maintenance	300.30
Insurance Charges	14.63
Factory Administrative Expenses	172.88
Sub-Total (A)	**2,929.65**
Office Administrative Expenses	
Rent, Rates and Taxes	8.05
Travelling and Conveyance	29.87
Auditor's Remuneration	2.41
Legal & Professional Charges	0.66
Postage, Telegraph & Telephone	0.67
Printing & Stationery Expenses	0.01
Other Administrative Expenses	8.34
Sub-Total (B)	**50.00**
Selling and Distribution Expenses	
Advertisement & Sales Promotion	40.47
Export Freight Expenses	100.78
Freight and Forwarding Expenses	350.55
Commission on Sales	21.02
Export Insurance Charges	-
Sample Testing & Analysis Charges	0.44
Sub-Total (C)	**513.26**
Non-Operating Expenses	
Donations and CSR Expenses	0.05
Sub-Total (D)	**0.05**
Total (A+B+C+D)	**3,492.96**

23 Additional information pursuant to the provisions of part II of Schedule III to the Companies Act, 2013

(₹ in Lakhs)

Particulars		As at March 31, 2019
A.	**Details of Raw Material Consumption :**	
	Lauryl Alcohol	11,286.05
	Alpha olefin	5,983.70
	Caustic soda lye	1,802.41
	Di methyl lauryl amine	1,260.98
	Coconut Fatty Acid / HCFA	722.42
	Sulphur	548.91
	Dimethylaminopropylamin	467.30
	Others	3,834.05
	Total	**25,905.82**

(₹ in Lakhs)

Particulars		As at March 31, 2019
B.	**Sales of Products :**	
	Home & Personal Care Chemicals	30,868.46
	Total	**30,868.46**
C.	**Value and percentage of Raw Materials and Stores and Spares consumed:**	
	Raw Material	
	Indigenous	12,142.29
	Imported	13,763.53
	Total	**25,905.82**
	Stores and Spares	
	Indigenous	441.21
	Imported	-
	Total	**441.21**
	Fuel	
	Indigenous	597.66
	Imported	-
	Total	**597.66**
D.	**C. I. F. Value of Imports**	
	Capital Goods	178.29
	Raw Materials	13,763.53
	Stores and Spares	-
	Fuel	-
	Total	**13,941.82**
E.	**Expenditure in Foreign Currency**	
	Commission on Export Sales	13.74
	Import of Goods for Resale	-
	Other Expenses	244.07
	Total	**257.81**
F.	**Earnings in Foreign Currency**	
	F.O.B. Value of Export Sales	3,357.71
	Total	**3,357.71**

24 Earning Per Share (EPS)

(₹ in Lakhs)

Particulars	As at March 31, 2019
Face Value Per Equity Share (in ₹)	**10**
Basic Earnings Per Share (in ₹)	**N. A.**
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	-647.94
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	**N. A.**
Diluted Earnings Per Share (in ₹)	**-7.48**

(₹ in Lakhs)

Particulars	As at March 31, 2019
Net Profit after Tax as per Statement of Profit and Loss attributable to Equity Shareholders (₹ in Lakhs)	-647.94
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	86.67
Reconciliation of weighted average number of equity shares outstanding	
Weighted Average Number of Equity Shares used as denominator for calculating Basic EPS (in Lakhs)	0.50
Total weighted average potential equity shares (in Lakhs)	86.17
Weighted Average Number of Equity Shares used as denominator for calculating Diluted EPS (in Lakhs)	86.67

24.1 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 have the option to either apply to Equity or Redeemable Preference share of the Company.

24.2 As per the Scheme of Arrangement, upon the scheme becoming effective, existing share capital of ₹ 5 Lakhs stands automatically cancelled and reinstated to ₹ 866.69 Lakhs to be alloted as fresh equity shares or preference shares at the option of shareholders of the Demerged Company. As at the Balance Sheet date, 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). Accordingly, in absence of exact number of equity shares as on balance sheet date, basic EPS could not be calculated.

24.3 As per Ind AS 33 - Earning Per Share, for the purpose of calculation of 'Diluted Earning Per Share', the weighted average number of ordinary shares outstanding shall be increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Accordingly, for calculation of Diluted Earning Per Share, it is assumed that all shareholders of the Demerged Company will opt for Equity Shares and hence, total 86,66,665 number of ordinary equity shares (pending allotment) are considered for the calculation of Diluted EPS.

25 Payment to Auditors

(₹ in Lakhs)

Particulars		As at March 31, 2019
a.	Statutory Audit Fees	235.00
b.	Certification and Consultation Fees	59.00
	Total	**294.00**

26 Contingent Liabilities and Commitments

(₹ in Lakhs)

Particulars	As at March 31, 2019
Contingent Liabilities	
- Claims against the company not acknowledged as Debt - Unpaid	191.82
- Claims against the company not acknowledged as Debt - Paid (under dispute)	225.32
Total	**417.14**

27 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.

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

29 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.

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 an company's total Revenue. Company's total Revenue of ₹ 31,055 Lakhs for financial Year 2018-19 Includes sales of ₹ 16,036/- to Two Large Customer with whole company is having long standing Relationship.

30 Related Party Disclosures

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

30.1 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	Chandrakant Vallabhaji Gogri	Director
2	Nikhil Parimal Desai	Director
3	Dattatray Sidram Galpalli	Director

30.2 Transactions during the year with Related Parties

(₹ in Lakhs)

Sr. No.	Name of the Related Party	Remuneration Paid
1	Nikhil Parimal Desai	43.79

31 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 Company believes that it will able to meet all its current liabilities and interest obligation on timely manner.

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

(₹ in Lakhs)

Particulars	As at March 31, 2019
Gross Debt	9,665.29
Cash and Marketable Securities	3,151.68
Net Debt (A)	**6,513.61**
Total Equity (As per Balance Sheet) (B)	**13,596.72**
Net Gearing Ratio (A/B)	**0.48**

32 Financial Instruments

A. Fair Value Measurement Hierarchy

(₹ in Lakhs)

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

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 Borrowing, trade payable and other unsecured Lendings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets includes Customer Receivable, Investment and cash equivalents that derive 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.

Hence, to combat the foreign currency exposure, the Company follows a policy wherein the net sales/import are hedged by forward Contract. In case of Long term Contract with Large Customer, Currency Fluctuation is to Customer 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. In case of Long term Contract with Large Customers, price variation in key raw Material is to Customer Account.

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, dealing in derivatives and outstanding receivables from customers.

The company has a prudent and conservative process for managing its credit risk arising in the course of its business activities. Sales made to Export customers are Secured with ECGC.

To manage the credit risk, the Company follows a adequate credit control policy and also has an external credit insurance cover with ECGC policy for Export Outstanding. Thus, the requirement of assessing the impairment loss on trade receivables does not arise, since the collectability risk is mitigated.

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.

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
Total	**10,510.20**	**3,000.00**	**-**	**13,510.20**

33 Recent Accounting Pronouncements

Standards Issued but not yet Effective

In March 2019, The Ministry of Corporate Affairs issued the Companies (Indian Accounting standards) Amendment rules, 2019, notifying Ind AS 116, Leases and consequential amendments to various Ind ASs. The amendments are effective from accounting periods beginning from April 1 2019.

Ind AS 116 Leases

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a rightof-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases. Company is currently evaluating the impact of Ind AS 116 on its financial statements.

Key Amendments to Other Indian Accounting Standards

Ind AS 112 Income Taxes

Recognition of income tax consequences of dividends

It is clarified that the income tax consequences of distribution of profits (i.e. dividends), should be recognised when a liability to pay dividend is recognised. The income tax consequences should be recognised in the Statement of profit and loss, other comprehensive income or equity according to where the past transactions or events that generated distributable profits were originally recognised. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Ind AS 19 Employee Benefits

Clarifies that when a plan amendment, curtailment or settlement occurs

The updated actuarial assumptions used in remeasuring the plan are applied to determine the current service cost and net interest for the remainder of the annual reporting period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in OCI. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Ind AS 109 Financial Instruments

Prepayment Features with Negative Compensation

It allows particular financial assets with prepayment features that may result in negative compensation - e.g. the lender receives less than the par amount and accrued interest and effectively compensates the borrower for the borrower's early termination of the contract - to be measured at amortised cost or at FVOCI (subject to the business model assessment). Before the amendments, these instruments were measured at FVTPL because the SPPI criterion would not be met when the party that chooses to terminate the contract early may receive compensation for doing so.

The amendments clarify that irrespective of the event or circumstance that causes the early termination of the contract, either party may pay or receive reasonable compensation for that early termination. The amendments remove the requirement for the compensation to be 'additional'. Accordingly, a prepayment amount that is less than the unpaid amounts of principal and interest (or less than the contractual par amount plus accrued interest) may meet the SPPI criterion if it is determined to include reasonable compensation for early termination.

The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

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

Partner
Tejas Parikh
M. No. 123215

Place: Mumbai
Date: July 8, 2019

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

sd/-
Chandrakant Gogri
Director

sd/-
Nikhil Desai
Managing Director