

# Price Waterhouse & Co Chartered Accountants LLP

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

## Report on special purpose financial statements

1. This report is issued in accordance with the terms of our agreement dated August 27, 2020 and Addendum 1 dated October 19, 2020.
2. We have audited the accompanying special purpose financial statements of Fairchem Organics Limited (the "Company") which comprise the balance sheet as at June 30, 2020, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the period from April 1, 2020 to June 30, 2020 and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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



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Price Waterhouse & Co. (a Partnership Firm) converted into Price Waterhouse & Co Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-4362) with effect from July 7, 2014. Post its conversion to Price Waterhouse & Co Chartered Accountants LLP, its ICAI registration number is 304026E/E-300009 (ICAI registration number before conversion was 304026E)

## Price Waterhouse & Co Chartered Accountants LLP

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

7. Based on our audit, we report that:
- a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b. The Balance Sheet, Statement of Profit and Loss (including other comprehensive income) statement of changes in equity and statement of cash flows dealt with by this report are in agreement with the books of account;
  - c. In our opinion and to the best of our information and according to the explanations given to us, the special purpose financial statements, together with the notes thereon and attached thereto, fairly present, in all material respects, in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, the state of affairs of the Company as at June 30, 2020;
    - (ii) in the case of the Statement of Profit and Loss, the loss for the period from April 1, 2020 to June 30, 2020;
    - (iii) in the case of the Statement of Cash flows, of the cash flows for the period from April 1, 2020 to June 30, 2020; and
    - (iv) in the case of the Statement of Changes in Equity, of the movement in equity for the period from April 1, 2020 to June 30, 2020

### Emphasis of Matter – Basis of preparation

8. We draw attention to Note 2(a) to the special purpose financial statements, which describes the basis of its preparation. The special purpose financial statements are not the statutory financial statements of the Company, and are not intended to comply with the disclosure provisions applicable to statutory financial statements prepared under the Companies Act, 2013, as those are considered irrelevant by the Management and the intended users of the special purpose financial statements for the purposes for which those have been prepared. Further, as stated in Note 48, the accompanying special purpose financial statements includes the effect of the Company's Composite Scheme of Arrangement amongst Fairchem Speciality Limited and Fairchem Organics Limited pursuant to which equity shares of the Company are required to be issued and listed, which was approved by the National Company Law Tribunal, Mumbai on June 30, 2020.

Our opinion is not modified in respect of this matter.

### Other Matters

9. The special purpose financial statements dealt with by this report, have been prepared for the limited purpose of inclusion in the Information Memorandum, to be submitted/filed with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) (together 'the Stock Exchanges') for the proposed listing of equity shares of the Company on the Stock Exchanges.



# Price Waterhouse & Co Chartered Accountants LLP

## Restriction on Use

10. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have (or may have had) as auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are the subject of this report, will extend any duty of care we may have in our capacity as auditors of any financial statements of the Company.
11. This report is addressed to the Board of Directors of the Company and has been prepared for and only for the purposes set out in paragraph 9 above. This report is not planned or prepared in contemplation of the interest of any other person and may not address items of possible interest to any such person. Accordingly, this report or its content or findings of audit procedures should not be otherwise used or disclosed or distributed or shared or referred with any other party for availing the benefit of the services for use for any other purpose. Our work and findings shall in no way constitute advice or recommendations (and we accept no liability in relation to any advice or recommendations) regarding any commercial decisions associated with the proposed listing of equity shares. We neither accept nor assume any duty of care or liability for any other purpose or to any other party to whom our this report is shown or into whose hands it may come without our prior consent in writing.

For Price Waterhouse & Co Chartered Accountants LLP  
Firm Registration Number: 304026E/E-300009



Arunkumar Ramdas  
Partner  
Membership Number: 112433  
UDIN: 20112433AAAAKF5137


Place: Mumbai  
Date: December 4, 2020

**FAIRCHEM ORGANICS LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2020**  
(All amounts in Rs. Lakhs, unless otherwise stated)


	Notes	As at June 30, 2020
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	4	12,538.95
Capital work-in-progress	5	947.69
Intangible Assets	6	6.79
Financial Assets		
(I) Loans	7	0.53
(II) Other Financial Assets	8	30.04
Non-current Tax Assets (Net)	9	99.44
Other Non-current Assets	10	692.53
		<u>14,315.97</u>
<b>Current Assets</b>		
Inventories	11	3,048.16
Financial Assets		
(i) Trade receivables	12	3,992.12
(ii) Cash and cash equivalents	13	2.89
(iii) Bank balances other than (ii) above	14	17.87
(iv) Loans	15	1.56
(v) Other Financial Assets	16	0.99
Other current assets	17	180.42
		<u>7,244.01</u>
<b>TOTAL ASSETS</b>		<u><b>21,559.98</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Equity Share Capital	18	-
Share Capital Suspense Account	19	1,302.09
Other Equity	20	11,525.45
		<u>12,827.54</u>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Financial Liabilities		
(i) Borrowings	21	1,840.54
Provisions	22	122.26
Deferred Tax Liabilities (Net)	37	1,161.49
		<u>3,124.29</u>
<b>Current Liabilities</b>		
Financial Liabilities		
(i) Borrowings	23	3,302.67
(ii) Trade Payables	24	
(a) Total outstanding dues of micro enterprises and small enterprises		38.64
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		515.78
(iii) Other financial liabilities	25	1,272.48
Other current liabilities	26	323.35
Provisions	27	54.05
Current Tax Liabilities (Net)	28	101.18
		<u>5,608.15</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>21,559.98</b></u>


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

As per our report of even date attached  
**For Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registration No.: 304026E/ E-300009

  
**Arunkumar Ramdas**  
Partner  
Membership No. 112433

For and on behalf of the Board

  
**Nahoos Jariwala**  
Managing Director  
DIN: 0002412

  
**Rajen V. Jhaveri**  
Chief Financial Officer and Company Secretary  
ACS 06615

Place: Mumbai  
Date: December 04, 2020

Place: Chekhala, Taluka SANAND  
Date: November 25, 2020

**FAIRCHEM ORGANICS LIMITED****STATEMENT OF PROFIT AND LOSS FOR THE PERIOD APRIL 1, 2020 TO JUNE 30, 2020**

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

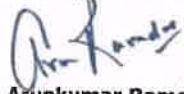
	Notes	For the period April 01, 2020 to June 30, 2020
<b>Income</b>		
Revenue from Operations	29	3,507.20
Other Income	30	2.15
<b>Total Revenue</b>		<b>3,509.35</b>
<b>Expenses</b>		
Cost of material consumed	31	2,669.16
Changes in Inventories of finished goods and work-in-progress	32	(273.45)
Employee benefits expense	33	370.44
Finance Costs	34	150.72
Depreciation and amortisation expense	4 & 6	162.59
Other expenses	35	466.72
<b>Total Expenses</b>		<b>3,546.18</b>
<b>Loss Before Tax</b>		<b>(36.83)</b>
Tax Expense		
Current tax		(19.80)
(Excess) provision of income tax of earlier years (net)		1.95
Deferred tax		<b>(17.85)</b>
<b>Loss After Tax</b>		<b>(18.98)</b>
<b>Other Comprehensive Income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
- Remeasurement (losses) / gains on post employment defined benefit plans		(13.36)
- Income tax effect		3.36
<b>Other comprehensive income for the period, net of tax</b>		<b>(10.00)</b>
<b>Total comprehensive income for the period</b>		<b>(28.98)</b>
<b>Loss Per Share</b>		
Basic and Diluted loss per share (In Rupees)	36	(0.15)
Nominal value per equity share (in Rupees)		10.00

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

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009


**Arunkumar Ramdas**

Partner

Membership No. 112433

**For and on behalf of the Board**

**Nahoosh Jariwala**

Managing Director

DIN: 00012412

  
**Rajen N. Jhaveri**
Chief Financial Officer and Company Secretary  
ACS 06615

Place: Mumbai

Date: December 04, 2020

Place: Chekhala, Taluka SANAND

Date: November 25, 2020



**FAIRCHEM ORGANICS LIMITED****STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED ON JUNE 30, 2020**

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

	Notes	For the period April 01, 2020 to June 30, 2020
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
(Loss) Before Taxation		(36.83)
Adjustments for:		
Depreciation and Amortisation	4 & 6	162.59
Finance Cost	34	150.72
Interest Income	30	(0.32)
Unrealised Foreign Exchange (Gain)		(1.14)
<b>Operating Profit Before Working Capital Changes</b>		<b>275.02</b>
Adjustments For Changes In Working Capital:		
Decrease In Inventories		722.94
(Increase) In Other Non Current Financial Assets		(2.35)
(Increase) In Trade receivables		(203.08)
(Increase) In Current Loans		(0.34)
(Increase) In Other current assets		(30.95)
(Decrease) In Trade and Other Payables		(86.73)
Increase In Non Current Liabilities - Provisions		7.93
Increase In Current Liabilities - Provisions		6.93
Increase In Other Current Financial Liabilities		22.22
Increase In Other Current Liabilities		235.58
<b>Cash Generated From Operations</b>		<b>947.17</b>
Direct Taxes Refund (Net)		3.39
<b>Net Cash Generated From Operating Activities</b>		<b>950.56</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Property, Plant and Equipments		(218.26)
Interest Income		0.57
<b>Net Cash (Used In) Investing Activities</b>		<b>(217.69)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Long Term Borrowings (net)		792.42
Repayment of Long Term Borrowings (net)		(239.43)
Net Repayment of Short Term Borrowings (net)		(1,134.70)
Interest Paid		(151.35)
<b>Net Cash Used In Financing Activities</b>		<b>(733.06)</b>
<b>Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>		<b>(0.19)</b>
Cash and Cash Equivalents as at the beginning of the period		3.08
Cash and Cash Equivalents as at the end of the period		2.89
<b>Reconciliation of cash and cash equivalent as per the statement of cash flows</b>		
		<b>As at June 30, 2020</b>
Cash and Cash Equivalents :		
Cash on hand		1.58
Bank Balances :		
- In Current Accounts		1.31
		2.89

**Note :**

1 The above Statement of Cash flows has been prepared under the "Indirect Method" set out in Ind AS 7 - "Statement of Cash Flows"

2 For non-cash transactions pursuant to Scheme of Arrangement refer note 48.

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

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009



**Arunkumar Ramdas**

Partner

Membership No. 112433

**For and on behalf of the Board**



**Nahoosh Jariwala**

Managing Director

DIN: 00012412

  
**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

ACS 06615

Place: Mumbai

Date: December 04, 2020

Place: Chekhala, Taluka SANAND

Date: November 25, 2020

**FAIRCHEM ORGANICS LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED JUNE 30, 2020**

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

**A. Equity Share Capital****Balance as at March 31, 2020****Notes**

Issue of Share Capital during the period

18

**Balance as at June 30, 2020**

18

**B. Share Capital Suspense Account****Balance as at March 31, 2020****Notes**

Issue of Share Capital during the period

19

**Balance as at June 30, 2020****1,302.09****1,302.09****C. Other Equity****Balance as at March 31, 2020**

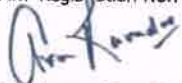
	Reserves and Surplus		Total
	Capital Reserves	Retained Earnings	
	8,958.05	2,596.38	11,554.43
Loss for the period	-	(18.98)	(18.98)
Other Comprehensive Income	-	(10.00)	(10.00)
<b>Total Comprehensive Income for the period</b>	-	<b>(28.98)</b>	<b>(28.98)</b>
<b>Balance as at June 30, 2020</b>	<b>8,958.05</b>	<b>2,567.40</b>	<b>11,525.45</b>

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

As per our report of even date attached

**For Price Waterhouse & Co Chartered Accountants LLP**

Firm Registration No.: 304026E/ E-300009


**Arunkumar Ramdas**

Partner

Membership No. 112433

**For and on behalf of the Board**

**Nahoosh Jariwala**

Managing Director

DIN: 00012412

**Rajen N. Jhaveri**

Chief Financial Officer and Company Secretary

ACS 06615

Place: Mumbai

Date: December 04, 2020

Place: Chekhala, Taluka SANAND

Date: November 25, 2020

**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

**1 Background of the Company**

Fairchem Organics Limited (the 'Company') was incorporated on March 27, 2019. These Special purpose financial statements of the Company have been prepared for the period from April 01, 2020 to June 30, 2020. Pursuant to the Scheme of arrangement, the Oleo Chemical and Nutraceutical business of Fairchem Speciality Limited was demerged and merged into the Company (Refer note 48). The manufacturing facility is set up at Village Chekhala, Ta. Sanand, Dist. Ahmedabad, Gujarat.

**2 Significant accounting policies**

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

**a) Basis of preparation**

**i) Compliance with Ind AS**

These Special Purpose Financial Statements of the Company comprising the Balance Sheet as at June 30, 2020, Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity, and Cash Flow Statement for the period from April 01, 2020 to June 30, 2020, and a summary of significant accounting policies and other explanatory information have been prepared by the Company in accordance with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (the 'Act'), for inclusion in Information Memorandum, to be submitted / filed with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) (together 'the Stock Exchanges') for the proposed listing of equity shares of the Company on the Stock Exchanges. These Special Purpose Financial Statements have been prepared by giving effect to the Scheme of Arrangement and Amalgamation (Refer note 48) with effect from closing of business hours on March 31, 2019, the appointed date, consequent upon receipt of approval to the Scheme from National Company Law Tribunal (NCLT), Mumbai Bench.

The Special Purpose Financial Statements are not the statutory financial statements of the Company, and hence, the disclosure provisions applicable to statutory financial statements prepared under the Act, are considered irrelevant for the purposes for which these have been prepared. Further, no comparative information is given as they are not considered relevant for the purpose of these Special Purpose Financial Statements.

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

The principles of measurement, recognition and disclosures (to the extent considered relevant) followed for preparation of these Special Purpose Financial Statements are consistent with the accounting policies followed by the Company in its statutory financial statements for the period ended June 30, 2020.

**ii) New standards or interpretations adopted by the Company**

The Ministry of Corporate Affairs (MCA) has issued amendments to the following Ind AS with effect from April 1, 2020:

- i) Ind AS 1, Presentation of Financial Statements and Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Error
- ii) Ind AS 103, Business Combinations
- iii) Ind AS 109 and Ind AS 107, Financial Instruments
- iv) Ind AS 116, Leases
- v) Ind AS 10 (Events after the Reporting Period)
- vi) Ind AS 34 (Interim Financial Reporting)
- vii) Ind AS 37 (Provisions, Contingent Liabilities and Contingent Assets)

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

**iii) Historical cost convention**

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

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

**iv) Current versus non-current classification**

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

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

A liability is current when:

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





**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

**b) Foreign currency transactions and translations**

**(i) Functional and presentation currency**

Items included in the special purpose financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Indian rupee (INR), which is Company's functional and presentation currency.

**(ii) Transactions and balances**

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

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

**c) Revenue recognition**

**Sale of products**

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

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

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

**d) Income tax**

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

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

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

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

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

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

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

**e) Leases**

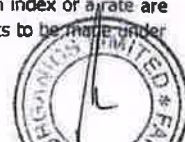
**Company as a lessee:**

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

**Lease liabilities:**

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

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



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

**Right of use assets:**

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

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

**f) Impairment of assets**

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

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

**g) Cash and cash equivalents**

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

**h) Trade receivables**

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

**i) Inventories**

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

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

**j) Financial assets and liabilities**

**(i) Financial assets**

**1. Classification**

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

- at fair value (either through other comprehensive income, or through profit or loss), and
- at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable selection at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing these assets changes.

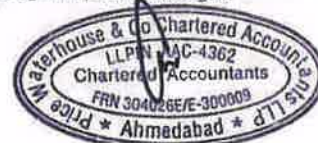
**2. Initial Recognition and Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

**3. Subsequent Measurement**

**Measured at amortised cost:** Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any. The amortisation of EIR and loss or gains arising from impairment, if any is recognised in the Statement of Profit and Loss.

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





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

#### **Equity instruments**

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

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

#### **4. Impairment of financial assets**

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

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

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

#### **5. Derecognition**

A financial asset is de-recognised only when the Company

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

#### **6. Income recognition**

Interest income from debt instruments is recognised using the EIR method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

#### **(ii) Financial liabilities:**

##### **1. Initial Recognition and Measurement**

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

##### **2. Subsequent Measurement**

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

##### **3. Derecognition**

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **k) Offsetting financial instruments**

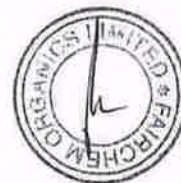
Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### **l) Property, plant and equipment**

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

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

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

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.  
Amortisation of leased assets are over the Lease period.

**m) Intangible Assets and amortisation**

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

<u>Assets class</u>	<u>Useful life in years</u>
• Computer software	3

**n) Trade and other payables**

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

**o) Borrowings**

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

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

**p) Borrowings costs**

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

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

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

**q) Provisions and Contingencies**

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

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



**r) Employee Benefits**

**(i) Defined contribution plans**

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

**(ii) Defined benefit plans**

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

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

**(iii) Other employee benefits**

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

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

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

**s) Segment reporting**

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

**t) Earnings per share**

**i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

**u) Rounding off**

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

**3 Critical estimates and judgements**

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

The areas involving critical estimates or judgements are:

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

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





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

**4 Property, Plant and Equipment**

Particulars	Gross Carrying Amount		Accumulated Depreciation/Amortisation		Net Carrying Amount
	Opening as on April 01, 2020	Additions	As at June 30, 2020	For the period	As at June 30, 2020
Freehold Land	63.10	-	63.10	-	63.10
Leasehold Land	459.40	-	459.40	1.61	432.82
Building	2,264.32	-	2,264.32	21.86	1,919.64
Plant and Machinery	11,057.95	66.91	11,124.86	115.97	9,699.99
Electric Installation	349.68	-	349.68	8.42	160.92
Air Conditioners	49.59	-	49.59	1.61	21.77
Office Equipments and Computers	85.90	1.47	87.37	3.50	33.50
Furniture and Fixtures	201.94	5.83	207.77	5.45	140.11
Vehicles	120.96	-	120.96	3.50	67.10
<b>Total</b>	<b>14,652.84</b>	<b>74.21</b>	<b>14,727.05</b>	<b>161.92</b>	<b>12,538.95</b>

- (i) Refer to note 44 for information on property, plant and equipment hypothecated and / or mortgaged as security by the Company.  
 (ii) Contractual obligations - Refer to note 42 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

**5 Capital Work in Progress**

	As at June 30, 2020
Opening Balance	942.85
Addition during the period	71.75
Transfer during the period	66.91
Closing Balance	947.69

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

**6 Intangible Assets**

Particulars	Gross Carrying Amount		Accumulated Depreciation/Amortisation		Net Carrying Amount
	Opening as on April 01, 2020	Additions	As at June 30, 2020	For the period	As at June 30, 2020
Computer Software	8.07	-	8.07	0.67	6.79
<b>Total</b>	<b>8.07</b>	<b>-</b>	<b>8.07</b>	<b>0.67</b>	<b>6.79</b>



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

		As at June 30, 2020
<b>7</b>	<b><u>Loans</u></b> (Unsecured, Considered Good) Security Deposits	0.53
		<b>0.53</b>
<b>8</b>	<b><u>Other Financial Assets</u></b>  Margin Money Deposit *	30.04
		<b>30.04</b>
	* Pledged with the bank for non cash limit	
<b>9</b>	<b><u>Non Current Tax Assets (Net)</u></b> Advance Income Tax and Tax deducted at source (Net of Provision)	99.44
		<b>99.44</b>
<b>10</b>	<b><u>Other Non Current Assets</u></b> (Unsecured and Considered Good) Capital advances	692.53
		<b>692.53</b>
<b>11</b>	<b><u>Inventories</u></b> [Refer note 2 (I) - valued at lower of cost and net realisable value] Raw Materials Packing Materials Stores and Fuel Semi-finished Goods Finished Goods	1,697.41 4.82 350.52 910.52 84.89
		<b>3,048.16</b>
	<u>Of the above includes Goods in transit :</u> Raw Materials Stores and Fuel Finished Goods	182.82 4.24 84.89
<b>12</b>	<b><u>Trade Receivables</u></b> Trade Receivables considers good - Unsecured Trade Receivables - credit impaired  Less: Allowance for doubtful debts	3,992.12 42.00 <b>4,034.12</b> (42.00)
		<b>3,992.12</b>

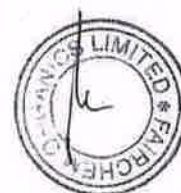
Refer Note 39 for credit risk related disclosures.



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

	As at June 30, 2020
<b>13</b> <u>Cash and cash equivalents</u>	
Balances with banks:	
- In Current Accounts	1.31
Cash on Hand	1.58
	<b>2.89</b>
There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period.	
<b>14</b> <u>Bank balances other than note 13 above</u>	
Unpaid Dividend Accounts	17.87
	<b>17.87</b>
<b>15</b> <u>Loans</u>	
(Unsecured, Considered Good)	
Loans to Employees	1.35
Security Deposits	0.21
	<b>1.56</b>
<b>16</b> <u>Other Current Financial Assets</u>	
Interest Accrued but not Due	0.99
	<b>0.99</b>
<b>17</b> <u>Other Current Assets</u>	
Balances with Government Authorities	25.18
Export Incentive Receivable	36.30
Advance to vendors	97.79
Prepaid Expenses	20.63
Others	0.52
	<b>180.42</b>



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

		As at June 30, 2020
18	<b>Equity Share Capital</b>	
	<b>Authorised:</b>	
	10,000 (March 31, 2020: 10,000) Equity Shares of Rs. 10 each	1.00
		<b>1.00</b>
	<b>Issued, Subscribed and Paid-up:</b>	
	Nil Equity Shares of Rs. 10 each, fully paid-up (Refer Note 18.1)	-
		<b>-</b>
		As at June 30, 2020
		No. of Equity Shares      Amount
18.1	<b>Movement in Equity Share Capital</b>	
	Balance as at the beginning of the period	-
	Shares issued during the period	-
	Balance as at the end of the period	-
18.2	<b>Rights, preferences and restrictions attached to shares</b>	
	The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.	
19	<b>Equity Shares Suspense Account</b>	As at June 30, 2020
	Equity Shares to be issued pursuant to a Scheme of Arrangement (Refer Note 48)	1,302.09
		<b>1,302.09</b>
20	<b>Other Equity</b>	As at June 30, 2020
	Capital Reserves	8,958.05
	Retained Earnings	2,567.40
		<b>11,525.45</b>
	<b>Movement of Capital Reserve</b>	
	Balance as at the beginning of the period	8,958.05
	Balance as at the end of the period	8,958.05
	<b>Movement of Retained Earnings</b>	
	Balance as at the beginning of the period	2,596.38
	Loss for the period	(18.98)
	Other Comprehensive Income	(10.00)
	Balance as at the end of the period	<b>2,567.40</b>
	<b>Capital Reserve</b>	
	Capital Reserve was created pursuant to a Scheme of Arrangement (Refer Note 48).	
	<b>Retained Earnings</b>	
	The retained earnings reflect the profit of the company earned till date net of appropriations. The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the balance under this head, after considering the requirements of the Companies Act, 2013.	
21	<b>Borrowings - Non-Current</b>	As at June 30, 2020
	Secured - at amortized cost	
	Term Loan from Bank *	1,840.54
		<b>1,840.54</b>

\* After considering unamortised expenses of Rs. 11.12 Lakhs as at June 30, 2020.



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

**Security Details**

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

Name of bank	Maturity Date	Terms of Repayment	Outstanding as at June 30, 2020
HDFC Bank (Term Loans)	December, 2021	Repayment in 63 monthly instalments	809.61
	October, 2020	Repayment in 39 monthly instalments	49.27
	January, 2025	Repayment in 64 monthly instalments	1,935.12

The carrying amount of financial and non-financials assets hypothecated and / or mortgaged as security for current and non-current borrowings are disclosed in note 44.

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

		<b>As at June 30, 2020</b>
<b>22</b>	<b>Non-Current Provisions</b>	
	Provision for Employee Benefits	
	Provision for compensated absences	122.26
		<b>122.26</b>

		<b>As at June 30, 2020</b>
<b>23</b>	<b>Borrowings</b>	
	Secured:	
	Working Capital Loans from Bank	3,074.96
	Packing credit in Foreign Currency	227.71
		<b>3,302.67</b>

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

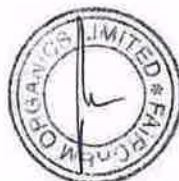
Packing credit from bank are due for repayment within 120 days.

		<b>As at June 30, 2020</b>
<b>24</b>	<b>Trade Payables</b>	
	(a) Total outstanding dues of micro enterprises and small enterprises	38.64
	(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	515.78
		<b>554.42</b>

		<b>As at June 30, 2020</b>
<b>25</b>	<b>Other Financial Liabilities</b>	
	<b>Current</b>	
	Current maturities of long term debt (Refer Note 21)	
	Term Loan from Bank	942.34
	Interest accrued but not due on borrowings	13.76
	Unclaimed dividend *	17.87
	Creditors for capital goods #	76.21
	Employee benefit payable	222.30
		<b>1,272.48</b>

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

# Including dues to Micro and Small Enterprises for Rs. 5.19 Lakhs.





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

		As at June 30, 2020	
<b>Net Debt Reconciliation</b>			
Cash and cash equivalents			2.89
Current borrowings			(3,302.67)
Non-current borrowing (includes current maturity of long term borrowings)			(2,782.88)
			<b>(6,082.66)</b>
	<b>Cash and Cash equivalents</b>	<b>Non-current Borrowings</b>	<b>Current Borrowings</b>
<b>Net Debt as of March 31, 2020</b>	<b>3.08</b>	<b>(2,229.89)</b>	<b>(4,437.37)</b>
Cash flow (Net)	(0.19)	(552.59)	1,134.70
Interest expense	-	53.34	94.55
Interest accrued but not due	-	0.57	0.06
Interest paid	-	(53.51)	(94.61)
<b>Net Debt as of June 30, 2020</b>	<b>2.89</b>	<b>(2,782.88)</b>	<b>(3,302.67)</b>
			<b>As at June 30, 2020</b>
<b>26</b>	<b><u>Other current liabilities</u></b>		
	Advances from customers		62.18
	Statutory liabilities		259.11
	Other liabilities		2.06
			<b>323.35</b>
			<b>As at June 30, 2020</b>
<b>27</b>	<b><u>Current Provisions</u></b>		
	Provision for employee benefits		
	Provision for gratuity		17.95
	Provision for compensated absences		36.10
			<b>54.05</b>
			<b>As at June 30, 2020</b>
<b>28</b>	<b><u>Current Tax Liabilities (Net)</u></b>		
	Income tax provision net of Advance Tax		101.18
			<b>101.18</b>



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

For the period  
April 01, 2020 to  
June 30, 2020

<b>29</b>	<b><u>Revenue from Operations</u></b>	
	Sale of finished goods	3,501.18
	Other operating revenues	
	- Scrap sales	1.86
	- Export Incentives	4.16
		<b>3,507.20</b>
<b>30</b>	<b><u>Other Income</u></b>	
	Net Gain on Foreign Currency Transactions and Translation	1.77
	Interest income from financial assets measured at amortised cost	
	- Deposits	3.31
	- Others	3.01
	Miscellaneous income	3.06
		<b>2.15</b>
<b>31</b>	<b><u>Cost of materials consumed</u></b>	
	<b>Raw Materials :</b>	
	Inventory at the beginning of the period	2,673.36
	Add: Purchases	1,689.54
		4,362.90
	Less: Inventory at the end of the period	1,697.41
		<b>2,665.49</b>
	<b>Packing Materials :</b>	
	Inventory at the beginning of the period	4.89
	Add: Purchases	3.60
		3.49
	Less: Inventory at the end of the period	4.82
		<b>3.67</b>
		<b>2,669.16</b>
<b>32</b>	<b><u>Changes in inventory of finished goods and work-in-progress</u></b>	
	<b>Opening Stock</b>	
	Finished Goods	57.82
	Semi Finished Goods	664.14
		721.96
	<b>Closing Stock</b>	
	Finished Goods	84.89
	Semi Finished Goods	910.52
		995.41
	<b>Total changes in inventory of finished goods and work-in-progress</b>	<b>(273.45)</b>
<b>33</b>	<b><u>Employee benefit expenses</u></b>	
	Salaries, wages and bonus	340.14
	Contribution to Provident Fund and other funds	15.57
	Gratuity	7.03
	Staff welfare expenses	5.70
		<b>370.44</b>



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

**For the period**  
**April 01, 2020 to**  
**June 30, 2020**

**34 Finance Costs**

Interest on Long Term Borrowings	53.34
Interest and other borrowing cost	94.55
Interest on Income Tax	2.83

**150.72**

**35 Other Expenses**

Consumption of Stores and Spares	51.12
Power and Fuel	241.39
Laboratory expenses	1.51
Research & Development Expenses	4.22
Rent, rates and taxes	1.71
Insurance	7.86
Repairs and maintenance :	
- Machinery	5.99
- Buildings	0.10
- Others	1.47
Telephone and advertisement expense	0.78
Directors' sitting fees	2.50
Remuneration to Auditors for:	
Statutory Audit Fees	7.33
Commission on sales	1.88
Freight and forwarding	67.26
Legal and professional fees	24.85
Vehicle expenses	3.24
Solid waste disposal charges	24.65
Miscellaneous expenses	18.86

**466.72**

**36 Earnings per Share (EPS)**

**Basic**

Net loss available to Equity Shareholders	(18.98)
Weighted Average Number of Equity Shares (Refer Note 48)	1,30,20,902
Basic EPS (Rs.)	(0.15)

**Diluted**

Net loss before tax as per Statement of Profit and Loss	(18.98)
Weighted Average Number of Equity Shares (Refer Note 48)	1,30,20,902
Diluted EPS (Rs.)	(0.15)

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

There is no dilution to the Basic Loss per Share as there are no dilutive potential equity shares.



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

**37 Taxation**

**37 a) - Income tax expense**

For the period  
April 01, 2020 to  
June 30, 2020

Current tax

Current tax on profits for the period

Adjustments for current tax of prior periods

**Total current tax expense**

(19.80)

**(19.80)**

Deferred tax

Decrease/(increase) in deferred tax liabilities

(1.41)

(Decrease)/Increase in deferred tax assets

3.36

Deferred tax on Other Comprehensive Income

(3.36)

**Total deferred tax expense/(benefit)**

**(1.41)**

**Income tax expense**

**(21.21)**

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

**Profit for the period**

(36.83)

Statutory tax rate

25.17%

**Tax expense at applicable tax rate**

**(9.27)**

Tax effects of amounts which are not deductible (taxable) in calculating taxable income:

Amount not allowable under tax

7.86

Adjustments for current tax of prior periods

(19.80)

**Income tax expense**

**(21.21)**

**37 c)- Deferred tax liabilities**

The balance comprises temporary differences attributable to:

As at  
June 30, 2020

Deferred tax liabilities:

On Property, Plant and Equipments

1,236.66

Others

3.11

**Total deferred tax liabilities**

**1,239.77**

Deferred tax assets:

On Defined Benefit Obligations

36.53

Others

41.75

**Total deferred tax assets**

**78.28**

**Net deferred tax liabilities**

**1,161.49**

Movement in deferred tax balances

Particulars	As at March 31, 2020	Charged/ (credited) to profit and loss	Charged/ (credited) to OCI	As at June 30, 2020
<u>Deferred tax liabilities:</u>				
On Property, Plant and Equipments	1,238.08	(1.42)	-	1,236.66
Others	3.10	0.01	-	3.11
<b>Total deferred tax liabilities</b>	<b>1,241.18</b>	<b>(1.41)</b>	-	<b>1,239.77</b>
<u>Deferred tax assets:</u>				
On Defined Benefit Obligations	36.66	(3.49)	3.36	36.53
Others	41.62	0.13	-	41.75
<b>Total deferred tax assets</b>	<b>78.28</b>	<b>(3.36)</b>	<b>3.36</b>	<b>78.28</b>
<b>Net deferred tax liabilities</b>	<b>1,162.90</b>	<b>1.95</b>	<b>(3.36)</b>	<b>1,161.49</b>



**FAIRCHEM ORGANICS LIMITED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

**38 Fair value measurements**

**Financial instruments by category**

**As at June 30, 2020**

	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial assets</b>		
(Measured at amortised cost)		
Security Deposits	0.74	0.74
Margin Money Deposits	30.04	30.04
Trade Receivables	3,992.12	3,992.12
Cash and cash equivalents	2.89	2.89
Bank balances other than cash and cash equivalents above	17.87	17.87
Loans to Employees	1.35	1.35
Interest Accrued but not due	0.39	0.99
<b>Total financial assets</b>	<b>4,046.00</b>	<b>4,046.00</b>
<b>Financial liabilities</b>		
(Measured at amortised cost)		
Borrowings	6,085.55	6,085.55
Trade payables	554.42	554.42
Interest accrued but not due on borrowings	13.76	13.76
Unclaimed dividends	17.87	17.87
Creditors for Capital Goods	76.21	76.21
Employee benefit payable	222.30	222.30
<b>Total financial liabilities</b>	<b>6,970.11</b>	<b>6,970.11</b>

**Fair value hierarchy**

All financial instruments have been measured at amortised cost. For all financial instruments referred above which have been measured at amortised cost, their carrying values are reasonable approximations of their fair values. The fair value of financial instruments as referred to in note above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). All financial instruments referred above have been classified as Level 3.

The categories used are as follows :

**Level 1 :** Level 1 hierarchy includes financial instruments measured using quoted prices.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Considering that all significant inputs required to fair value such instruments are observable, these are included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**Valuation technique used to determine fair value**

The fair value of the financial instruments is determined using discounted cash flow analysis.

**Valuation processes**

The finance department of the Company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO).

**Fair value of financial assets/liabilities measured at amortised cost**

The carrying amounts of trade receivables, cash and cash equivalents, other bank balances, investments, margin money deposits, loans to employees, security deposits, trade payables, capital creditors, interest accrued but not due on borrowings, unclaimed dividends, employee benefit payable and other deposits are considered to be as their fair values, due to their current nature.

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

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





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

**39 Financial risk management**

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

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

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

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

**(A) Management of Credit Risk**

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

Cash and cash equivalents & bank balances

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

Security deposits and other receivables

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

Trade receivables

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

	Carrying amount
	As at June 30, 2020
Neither past due nor impaired	3,316.48
Past due 0-90 days	669.14
Past due 90-180 days	6.20
Past due 180-270 days	0.03
Past due 270-360 days	-
More than 360 days	42.28

Movement in impairment provision

	Amount
Balance as at March 31, 2020	42.00
Movement during the period	-
Balance as at June 30, 2020	42.00

**(B) Management of Liquidity risk**

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

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

The company maintained a cautious funding strategy, with a positive cash generation from operating activities throughout the period.

**Financing Arrangement**

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

	As at June 30, 2020
<b>Floating rate</b>	
Current Borrowings:	
Expiring within one year	1,346.33
Non current Borrowings:	
Expiring within one year	-



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

**Maturities of financial liabilities**

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

Contractual maturities of financial liabilities As at June 30, 2020	Notes	Carrying amount	Less than 12 months	More than 12 months	Total
Borrowings *	21, 23, 25	6,085.55	4,245.01	1,840.54	6,085.55
Trade payables	24	554.42	554.42	-	554.42
Interest accrued but not due on borrowings	25	13.76	13.76	-	13.76
Unclaimed dividends	25	17.87	17.87	-	17.87
Creditors for Capital Goods	25	76.21	76.21	-	76.21
Employee benefit payable	25	222.30	222.30	-	222.30
<b>Total liabilities</b>		<b>6,970.11</b>	<b>5,129.57</b>	<b>1,840.54</b>	<b>6,970.11</b>

\* After considering unamortised expenses of Rs. 11.12 Lakhs as at June 30, 2020.

**(C) Management of Market Risk**

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

**Foreign currency risk**

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

**Foreign currency exposure**

	As at June 30, 2020
	USD in Lakhs
<b>Financial Assets</b>	
Trade Receivables	1.99
<b>Exposure to foreign currency assets</b>	<b>1.99</b>
<b>Financial Liabilities</b>	
Packing credit	3.02
Trade Payable	-
<b>Exposure to foreign currency liabilities</b>	<b>3.02</b>

**Sensitivity - Foreign Currency**

The sensitivity of profit or loss to changes in the exchange rates is as follows:

	Impact on profit before tax
	For the period April 01, 2020 to June 30, 2020
<b>USD Sensitivity</b>	
INR/USD increase by 5%*	(3.89)
INR/USD decrease by 5%*	3.89

\* Holding all other variables constant

**Interest rate risk**

The Company is mainly exposed to interest rate risk due to its floating interest rate borrowings. The interest rate risk arises due to uncertainties about the future market interest rate of these borrowings. The Company mitigates the interest rate risk for borrowing in functional currency, which is linked with MCLR, by negotiating and fixing the rate at the time of renewal of bank facility which remains effective for one year from the date of renewal. In case of borrowing in foreign currency, which is linked with USD Libor rate, the company mitigates the risk by fixing the margin at the time of renewal of bank facility which remains effective for one year from the date of renewal.

The Company has various non current and current borrowings whose facilities are on a variable interest rate basis. Refer below table for Interest rate exposure.

**Interest Rate Exposure**

The exposure of Company's borrowings to interest rate changes at the end of the reporting period are as follows:

	As at June 30, 2020
Variable Rate Borrowings	6,085.55



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

**Sensitivity - Interest Rate**

The sensitivity of profit or loss to higher/(lower) interest expense from borrowings as a result of change in borrowing rates is as follows:

	Impact on profit before tax
	For the period April 01, 2020 to June 30, 2020
Interest Rates - increase by 0.5%*	
Interest Rates - decrease by 0.5%*	(0.74)
* Holding all other variables constant	0.74

**40 Capital management**

**(a) Risk management**

The Company considers the following components of its Balance Sheet as managed capital:

Total equity as shown in the balance sheet includes share capital, general reserve, retained earnings.

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

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

Net debts (Total borrowings net of cash and cash equivalents)

divided by

Total 'equity' (as shown in the Balance Sheet)

The gearing ratios were as follows:

	As at June 30, 2020
Net Debts *	
Total Equity	6,082.66
Net Debt to Equity Ratio	12,827.54
	0.47

\* After considering unamortised expenses of Rs. 11.12 Lakhs as at June 30, 2020.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to provide return to shareholders by continuing to distribute dividends in future periods.





**FAIRCHEM ORGANICS LIMITED****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

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

**41 Related party disclosures****(a) Relationships****Promoter Group**

FIH Mauritius Investments Limited, Republic of Mauritius (FMIL)

FIH Private Investments Limited, Mauritius

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

**Key Management Personnel**

Mr. Nahoosh Jariwala

Director (up to August 12, 2020)

Managing Director (w.e.f. August 13, 2020)

Mr. Rajen Jhaveri

Director (up to August 26, 2020)

Mr. Kaushik Bhatt

Director (up to August 26, 2020)

**Post employment benefit plan**

Adi Finechem Limited Employees Group Gratuity Assurance Scheme

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

**Transactions**

**Name of the related party and nature of the relationship**

**For the period  
April 01, 2020 to  
June 30, 2020**

**Key Management Personnel****Remuneration**

Mr. Nahoosh Jariwala

36.00

Mr. Rajen Jhaveri

15.66

**Balances**

**Name of the related party and nature of the relationship**

**As at June 30, 2020**

**Payable to Key Management Personnel:**

Mr. Nahoosh Jariwala

7.94

Mr. Rajen Jhaveri

26.82

(Net of Tax Deducted at Source)

**Terms and Conditions**

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



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

**(a) Contingent liabilities**

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

**(b) Capital Commitments**43 Events occurring after reporting period

44 Assets hypothecated and / or mortgaged as security

	Notes	As at June 30, 2020
<b>Non-Current</b>		
<i>Non-financial assets</i>		
Land (Freehold)	4	63.10
Building	4	1,919.64
Plant and Machinery	4	9,699.99
<b>Total non-current assets hypothecated and / or mortgaged as security</b>		<b>11,682.73</b>
<b>Current</b>		
<i>Non-financial assets</i>		
Inventories	11	3,048.16
<i>Financial assets</i>		
Trade receivables	12	3,992.12
<b>Total current assets hypothecated as security</b>		<b>7,040.28</b>

In accordance with the requirements of Ind AS 108 – “Operating Segments” the Company has determined its business segment as Specialty Chemicals (which includes Oleo Chemicals and Intermediate Neutraceuticals). Since 100% of the Company's business is in this segment, there are no other primary reportable segments. Thus the Segment Revenue, Segment Results, total carrying amount of Segment Assets, total carrying amount of Segment Liabilities, total cost incurred to acquire segment assets, the total amount charged for depreciation and amortisation during the period are all as reflected in the special purpose financial statements for the period ended June 30, 2020.

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

**Company as lessee**

## 47 Impact of Covid 19

The COVID-19 pandemic has disrupted many business operations globally due to lockdown and other directives imposed by the governments. The sole manufacturing plant of the Company closed its operations from March 25, 2020. The Company has resumed production with effect from May 21, 2020 and has achieved normal business operations from June, 2020. The Company has evaluated the impact of this pandemic on its business operations, liquidity and financial position and based on management's assessment of current indicators and economic conditions there is no material impact on its special purpose financial statements as at June 30, 2020. However, the impact assessment of COVID-19 is a continuing process and the Company will continue to monitor any material changes to future economic conditions.





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

**48 Scheme of Arrangement and Amalgamation**

The Board of Directors of the Company, in its meeting held on May 22, 2019, had approved a Composite Scheme of arrangement and amalgamation ("the Scheme") amongst Fairchem Speciality Limited (FSL), Fairchem Organics Limited (FOL) and Privi Organics India Limited (POIL), two wholly owned subsidiaries of FSL and their respective shareholders for Demerger of FSL's undertaking carrying on speciality oleo chemicals and nutraceuticals business and vesting the same into FOL and Amalgamation of POIL, manufacturers of aroma chemicals, into and with FSL, under Sections 230 to 232 read with Section 66 and other applicable provisions of the Companies Act, 2013. National Company Law Tribunal (NCLT) has sanctioned the scheme on June 30, 2020 and hence, the impact of the scheme was not considered in the statutory financial statements approved by the Board of Directors in their meeting held on June 23, 2020. The Company has received certified copy of the scheme on August 3, 2020. The said scheme has been adopted by the Board of Directors of FSL, FOL and POIL in their meeting held on August 12, 2020. Further, the Company has also filed form INC 28 with Registrar of Companies on August 12, 2020. As a consequence, the scheme has been made effective with effect from August 12, 2020.

Pursuant to the Scheme of Arrangement, FOL shall debit its share capital account, with the aggregate face value of its cancelled shares (Rs. 1 lakh) and the capital reserve in its books shall be increased to the extent of the amount of its cancelled shares. FOL shall also issue and allot Equity Shares to the Shareholders of FSL in the following proportion:

1 fully paid up equity share of Rs. 10/- each fully paid up of Fairchem Organics Limited shall be issued and allotted for every 3 fully paid up equity shares of Rs. 10/- each fully paid up held by them in Fairchem Speciality Limited on the Record date i.e., August 24, 2020.

Accordingly, FOL is required to issue and allot 13,020,900 Equity shares of Rs. 10/- each to the Equity Shareholders of FSL.

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

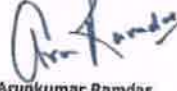
Further, as per the Scheme, the difference, if any, between the carrying value of assets and liabilities transferred to FOL (i.e. Rs. 10,259.14 lakhs) and the consideration discharged by way of the New Equity Shares issued to the shareholders of the FSL (i.e. Rs. 1,302.09 lakhs) in lieu of the Demerged Undertaking, has been recorded as 'Capital Reserves' (i.e. Rs. 8,958.05 lakhs) in the books of FOL.

As per the applicable Indian Accounting Standard Ind AS 103 ("standard"), since this demerger is a common control business combination, the financial statements are prepared by the Company at carrying amounts not from the appointed date but from the beginning of the preceding period in the financial statements which happens to be the date of incorporation i.e. March 27, 2019. However, the Company has recognised the impact of the business combination only from closing of business hours on March 31, 2019 (i.e. the appointed date specified in the scheme). The management believes that the transactions between March 27, 2019 and closing of business hours on March 31, 2019 would not have any material impact on the net assets. Thus, the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the period do not contain the impact of the transactions of the demerged undertaking from March 27, 2019 to March 31, 2019. However, there is no impact of the same on the Company's balance sheet as at June 30, 2020.


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


	Closing of Business Hours As at March 31, 2019
<b>Assets</b>	
Property, Plant and Equipment	11,524.25
Capital work-in-progress	87.91
Loans	2.25
Other Financial Assets	15.02
Non-current Tax Assets (Net)	59.55
Other Non-current Assets	125.67
Inventories	3,400.62
Trade receivables	3,213.13
Cash and cash equivalents	1.64
Bank balances other than above	16.53
Other current assets	324.49
<b>Total Assets</b>	<b>18,771.06</b>
<b>Liabilities</b>	
Borrowings	4,878.14
Provisions	147.04
Deferred Tax Liabilities (Net)	1,215.74
Trade Payables	1,000.42
Other financial liabilities	1,123.80
Other current liabilities	83.19
Current Tax Liabilities (Net)	63.59
<b>Total Liabilities</b>	<b>8,511.92</b>
<b>Net Assets acquired by the Company</b>	<b>10,259.14</b>

For Price Waterhouse & Co Chartered Accountants LLP  
Firm Registration No.: 304026E/ E-300009

  
**Arunkumar Ramdas**  
Partner  
Membership No. 112433

For and on behalf of the Board

  
**Nahooosh Jariwala**  
Managing Director  
DIN: 00012412

  
**Rajen B. Jhaveri**  
Chief Financial Officer and Company Secretary  
ACS 06615

Place: Mumbai  
Date: December 04, 2020

Place: Chikhala, Taluka SAMAND  
Date: November 25, 2020