



**AARTI
INDUSTRIES
LIMITED**

February 5, 2022

To,
Listing/Compliance Department
BSE LTD.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

BSE CODE –524208

To,
Listing/Compliance Department
**National Stock Exchange of
India Limited**
“Exchange Plaza”, Plot No. C/1,
G Block Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051.
NSE CODE:AARTIIND

Dear Sir/Madam,

**Ref.: Notice of the NCLT Convened Meetings of the Secured
Creditors of the Company.**

Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015, please find enclosed Notice Convening Meeting of Secured Creditors of Aarti Industries Limited for the purpose of considering, and if thought fit, approving, with or without modification(s), the proposed **Scheme of Arrangement between Aarti Industries Limited (“AIL” or “Demerged Company” or “Company”) and Aarti Pharmalabs Limited (“APL” or “Resulting Company”) (“Scheme”)**. Notice is given, in accordance with the Order dated January 27, 2022 in the Company Scheme Application No. CA. (CAA) 84/AHM of 2021, passed by the Hon’ble National Company Law Tribunal, Ahmedabad Bench (“Tribunal”) (“Tribunal Order”).

Meeting will be held through video conferencing (“VC”)/other audio visual means (“OAVM”) on **Thursday, March 10, 2022 at 2:00 p.m. (IST)**. The Company has provided e-voting facility to the Secured Creditors of the Company in connection with the resolution proposed in the aforesaid Notice. The voting period begins on **Monday, March 7, 2022 at 9:00 a.m. (IST) and ends on Wednesday, March 9, 2022 at 5:00 p.m. (IST)**.

The above Notice along with the Explanatory Statement of the meeting is also available on website of the Company at www.aarti-industries.com.

Kindly take the same on record.

Thanking You,

Yours faithfully,

FOR AARTI INDUSTRIES LIMITED

RAJ SARRAF

COMPANY SECRETARY

ICSI M. NO. A15526

Encl.: As above.

www.aarti-industries.com | CIN: L24110GJ1984PLC007301

Admin. Office : 71, Udyog Kshetra, 2nd Floor, Mulund Goregaon Link Road, Mulund (W), Mumbai - 400080, INDIA.

T : 022-67976666, F : 022-2565 3234 | E : info@aarti-industries.com

Regd. Office : Plot No. 801, 801/23, Illrd Phase, GiDC Vapi-396195, Dist- Valsad. INDIA. T : 0260-2400366.



**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL,
AHMEDABAD BENCH
C.A. (CAA). 84/AHM/2021
FORM NO. CAA. 2**

[Pursuant to Section 230(3) of the Companies Act, 2013 and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016]

**NOTICE CONVENING MEETING OF SECURED CREDITORS OF AARTI INDUSTRIES LIMITED
PURSUANT TO ORDER DATED JANUARY 27, 2022 OF
THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH**

| Details of the Meeting: | |
|-------------------------------------|--|
| Day | Thursday |
| Date | March 10, 2022 |
| Time | 2:00 p.m. (IST) |
| Mode of meeting | In view of the Covid-19 pandemic and related social distancing norms and as per the directions of the Hon'ble National Company Law Tribunal, Ahmedabad Bench (" NCLT " / " Tribunal "), the Meeting shall be conducted through Video Conferencing/ Other Audio Visual Means (" VC/OAVM ") and deemed venue shall be Plot Nos 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Gujarat |
| Cut-off date for e-voting | Thursday, September 30, 2021 |
| Remote e-voting start date and time | Monday, March 7, 2022 at 9:00 a.m. (IST) |
| Remote e-voting end date and time | Wednesday, March 9, 2022 at 5.00 p.m. (IST) |

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The Notice of the Meeting, Statement under Sections 230 and 232 read with Section 102 and other applicable provisions of the Act and Rule 6 of the CAA Rules (page nos. 1 to 21) and Annexure 1 to Annexure 16 (page nos. 22 to 217) constitute a single and complete set of documents and should be read together as they form an integral part of this document.

NOTICE CONVENING MEETING OF SECURED CREDITORS OF AARTI INDUSTRIES LIMITED

To,

**All the Secured Creditors of
Aarti Industries Limited**

1. **NOTICE** is hereby given that, in accordance with the Order dated January 27, 2022 in the above mentioned Company Scheme Application No. CA. (CAA) 84/AHM of 2021, passed by the Hon'ble National Company Law Tribunal, Ahmedabad Bench ("**Tribunal**") ("**Tribunal Order**"), a meeting of the secured creditors of the Company, will be held for the purpose of their considering, and if thought fit, approving, with or without modification(s), the proposed Scheme of Arrangement between Aarti Industries Limited ("**AIL**" or "**Demerged Company**" or "**Company**") & its shareholders and Aarti Pharmalabs Limited ("**APL**" or "**Resulting Company**") & its shareholders ("**Scheme**") on **Thursday, March 10, 2022 at 2:00 p.m. (IST)**, being the date and time in terms of the Tribunal Order.
2. Pursuant to the said Tribunal Order and as directed therein, the meeting of the secured creditors of the Company ("**Meeting**") will be held through video conferencing ("**VC**") / other audio visual means ("**OAVM**"), in compliance with the applicable provisions of the Companies Act, 2013 ("**Act**") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**") to consider, and if thought fit, pass, with or without modification(s), the following resolution for approval of the Scheme by requisite majority as prescribed under Section 230(1) and (6) read with Section 232(1) of the Act and SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017, SEBI Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 and SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended from time to time:

SPECIAL BUSINESS

"RESOLVED THAT pursuant to the provisions of Sections 230 to 232 and read with other applicable provisions of the Companies Act, 2013, the rules, circulars and notifications made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), subject to the provisions of the Memorandum and Articles of Association of the Company and subject to the approval of Hon'ble jurisdictional National Company Law Tribunal ("**NCLT**") and subject to such other approvals, permissions and sanctions of regulatory and other authorities, as may be necessary and subject to such conditions and modifications as may be deemed appropriate by the Parties to the Scheme, at any time and for any reason whatsoever, or which may otherwise be considered necessary, desirable or as may be prescribed or imposed by the NCLT or by any regulatory or other authorities, while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the ("**Board**"), which term shall be deemed to mean and include one or more Committee(s) constituted/to be constituted by the Board or any other person authorised by it to exercise its powers including the powers conferred by this Resolution), the arrangement embodied in the Scheme of Arrangement between Aarti Industries Limited & its shareholders and Aarti Pharmalabs Limited & its shareholders ("**Scheme**"), be and is hereby approved;

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may, in its absolute discretion deem requisite, desirable, appropriate or necessary to give effect to this Resolution and effectively implement the arrangement embodied in the Scheme and to make any modifications or amendments to the Scheme at any time and for any reason whatsoever, and to accept such modifications, amendments, limitations and/or conditions, if any, which may be required and/or imposed by the NCLT while sanctioning the arrangement embodied in the Scheme or by any authorities under law, or as may be required for the purpose of resolving any questions or doubts or difficulties that may arise including passing of such accounting entries and /or making such adjustments in the books of accounts as considered necessary in giving effect to the Scheme, as the Board may deem fit and proper."

3. **TAKE FURTHER NOTICE** that the secured creditors shall have the facility and option of voting on the resolution for approval of the Scheme by casting their votes through e-voting platform provided by NSDL during the period as stated below:

| REMOTE E-VOTING PERIOD | |
|-------------------------------|---|
| Commencement of e-voting | Monday, March 7, 2022 at 9:00 a.m. (IST) |
| End of e-voting | Wednesday, March 9, 2022 at 5:00 p.m. (IST) |

4. The secured creditors as per the books of accounts as on September 30, 2021 only shall be entitled to exercise his/her/its voting rights on the resolution proposed in the Notice and attend the Meeting. A person who is not a secured creditor as on September 30 2021, should treat the Notice for information purpose only.
5. A copy of the said Scheme, statement under Sections 230 and 232 read with Section 102 and other applicable provisions of the Act and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("**CAA Rules**") along with all annexures to such statement are enclosed herewith. A copy of this Notice and the accompanying documents are also placed on the website of the Company viz. www.aarti-industries.com; the website of National Securities Depository Limited at <https://www.evoting.nsdl.com/>, being the agency appointed by the Company to provide the e-voting and other facilities for convening of the Meeting; and the website of the Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.

6. The Tribunal has appointed Mr. Justice (Retd.) D.K. Deshmukh to be the Chairperson for the Meeting. Mr. Sunil M. Dedhia, Practicing Company Secretary (ICSI M. No. F3483) has been appointed as Scrutinizer to scrutinize the remote e-voting and the voting process at the Meeting in a fair and transparent manner.

7. The above mentioned Scheme, if approved at the aforesaid Meeting, will be subject to the subsequent sanction of the Tribunal and such other approvals, permissions and sanctions of regulatory or other authorities, as may be necessary.

Vapi, February 5, 2022

sd/-
Justice (Retd.) D.K. Deshmukh
Chairperson appointed by Tribunal for the Meeting

Registered Office:

Plot Nos 801, 801/23,
GIDC Estate, Phase III,
Vapi - 396 195, Gujarat
Website: www.aarti-industries.com
E-mail: raj.sarraf@aarti-industries.com
Tel.: +91 22 6797 6666
Fax: +91 22 2565 3234

NOTES:

1. Pursuant to the directions of the Hon'ble National Company Law Tribunal, Ahmedabad Bench vide its Order dated January 27, 2022 ("**Tribunal**"), the Meeting of the secured creditors of the Company is being conducted through Video Conferencing ("**VC**") / other audio visual means ("**OAVM**") facility to transact the business set out in the Notice convening this Meeting. As such, physical attendance of secured creditors has been dispensed with. The deemed venue for the Meeting shall be the registered office of the Company.
2. The Explanatory Statement pursuant to Sections 230 and 232 read with Section 102 and other applicable provisions of the Companies Act, 2013 ("**Act**") and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 in respect of the business set out in the Notice of the Meeting is annexed hereto.
3. **The Meeting is proposed to be conducted** through Video Conferencing ("**VC**") / other audio visual means ("**OAVM**") facility. **Accordingly, the facility of appointment of proxies will not be available for the Tribunal Convened Meeting and hence the Proxy Form and Attendance Slip are not annexed to this Notice.** However, pursuant to Section 112 and Section 113 of the Act, Authorized Representatives of the secured creditors may be appointed for the purpose of voting through remote e-voting, for participation in the Tribunal Convened Meeting through VC/OAVM facility and e-voting during the Tribunal Convened Meeting, provided an authority letter/ power of attorney by the board of directors or a certified copy of the resolution passed by its board of directors or other governing body authorizing such representative to attend and vote at the Tribunal Convened Meeting, on its behalf, along with the attested specimen signature of the duly authorized signatories who are authorized to vote is emailed to sunil@sunildedhia.com / raj.sarraf@aarti-industries.com.
4. The secured creditors can join the Tribunal Convened Meeting in the VC/ OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned herein below. The facility of participation at the Tribunal Convened Meeting through VC/ OAVM will be made available to the secured creditors on 'first come first serve' basis.
5. **The secured creditors as per the books of accounts as on September 30, 2021 only shall be entitled to exercise his/her/its voting rights on the resolution proposed in the Notice and attend the Meeting. A person who is not a secured creditor as on September 30 2021, should treat the Notice for information purpose only. The voting rights of the Secured Creditors shall be in proportion to their outstanding amount in the Applicant/ Demerged Company as on cut-off date i.e. September 30, 2021.**
6. No route map of the venue of the Meeting is annexed hereto, since this Meeting is being held through VC/ OAVM.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
8. Secured Creditors attending the Meeting through VC / OAVM shall be reckoned for the purpose of quorum. In terms of the Tribunal Order and Section 103 of the Act.
9. The Notice of the Meeting and the accompanying documents mentioned in the Index are being sent through electronic mode to those secured creditors whose email addresses are registered with the Company/ Registrar and Share Transfer Agent/ Depositories and by Post / courier to the secured creditors whose email addresses are not registered with the Company. The Secured creditors may note that this Notice along with the relevant documents will be available on the website of the Demerged Company at www.aarti-industries.com, on the website of the stock exchanges, i.e., BSE, at www.bseindia.com and NSE at www.nseindia.com and on the website of NSDL at <https://www.evoting.nsdl.com/>.
10. In compliance with the aforesaid Circulars, the Demerged Company shall publish a public notice by way of an advertisement in Financial Express (English) having nationwide circulation; and Hindi translation thereof in Jansatta having nationwide circulation and Gujarati translation thereof in Daman Ganga Times, having circulation in Vapi, and stating that copies of the Scheme and the said statement required to be furnished pursuant to Section 102 read with Section 230 to 232 of the Companies Act, 2013 can be obtained free of charge by emailing the Demerged Company at raj.sarraf@aarti-industries.com.
11. In compliance with the provisions of Section 108 of the Act read with the Companies (Management and Administration) Rules, 2014, Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and MCA Circulars and

SEBI Circulars, the Demerged Company is pleased to provide to its secured creditors facility to exercise their right to vote on resolution proposed to be passed in the Tribunal Convened Meeting by electronic means.

12. NSDL will be providing facilities for remote e-voting, participation in the Tribunal Convened Meeting through VC/ OAVM and e-voting during the Tribunal Convened Meeting.
13. This Scheme shall be conditional upon and subject to the approval by requisite majorities in number and value of the Shareholders / Creditors of the Company as the case may be in accordance with Sections 230 to 232 of the Act.
14. The Scrutiniser shall, immediately after the conclusion of voting at Court Convened Meeting, count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. Scrutiniser shall within 2 working days of conclusion of the meeting submit a consolidated scrutiniser report of the total votes cast in favour or against, if any. The results along with the Scrutinisers Report shall be placed on the website of the Company and on the website of NSDL and shall be communicated to BSE Limited and National Stock Exchange of India Limited.

THE INSTRUCTIONS TO SECURED CREDITORS FOR REMOTE E-VOTING AND E-VOTING DURING MEETING ARE AS UNDER:

- (i) The voting period begins on Monday, March 7, 2022 at 9:00 a.m. (IST) and ends on Wednesday, March 9, 2022 at 5:00 p.m. (IST). During this period secured creditors of the Company, as on the cut-off date (record date) of September 30, 2021 may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.
- (ii) Secured Creditors who have already voted prior to the meeting date would not be entitled to vote at the meeting.
- (iii) Open the e-mail and open the .pdf file. Please note that the password to open the .pdf file is the Unique ID mentioned in the email.
- (iv) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com> either on a Personal Computer or on a mobile.
- (v) Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/ Member' section.

- (vi) **Your Login id and password details casting your vote electronically and for attending the Meeting of Creditors through VC/ OAVM are attached in the pdf file enclosed herewith. Please note that the password to open the pdf file is the unique id mentioned above** or the first time the system will ask to reset your password
- (vii) After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
- (viii) Now, you will have to click on "Login" button.
- (ix) After you click on the "Login" button, Home page of E-Voting will open.
- (x) You will be able to see the Company "EVEN - 119238" who's voting cycle is in active status.
- (xi) Select "EVEN - 119238" of the Company.
- (xii) Now you are ready for E-Voting as the Voting page opens.
- (xiii) Cast your vote by selecting appropriate options, i.e., assent or dissent, and click on "Submit" and "Confirm" when prompted.
- (xiv) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xv) You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

INSTRUCTIONS FOR JOINING MEETING THROUGH VC/ OAVM ARE AS UNDER:

1. Secured Creditors will be able to attend the meeting through VC / OAVM or view the live webcast of the meeting provided by NSDL at <https://www.evoting.nsdl.com> following the steps mentioned above for access to NSDL e-Voting system. Secured Creditors will be provided with a facility to attend the meeting through VC/OAVM through the NSDL e-voting system. Secured Creditors may access by following the steps mentioned for Login as mentioned above. After successful login, you can see link of "VC/ OAVM" placed under "Join GENERAL Meeting" menu against company name. You are requested to click on VC/ OAVM link placed under Join Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN No. 119238 of Company will be displayed. Please note that the Secured Creditors who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the notice to avoid last minute rush.

2. Facility of joining the meeting through VC / OAVM shall open 30 minutes before the time scheduled for the meeting.
3. Secured Creditors who need assistance before or during the meeting, can contact NSDL on evoting@nsdl.co.in or contact Mr. Amit Vishal, Asst. Vice President - NSDL at toll free number 1800-1020-990/ 1800-22-44-30.
4. Secured Creditors who would like to express their views / ask questions during the meeting may register themselves as a speaker by sending their request to raj.sarraf@aarti-industries.com by March 7, 2022 mentioning their name, registered e-mail address, mobile number and PAN. Those Secured Creditors who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of speakers depending on the availability of time for the meeting.

Other Information:

Login to e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Physical User Reset Password?' option available on www.evoting.nsdl.com to reset the password.

- Your login id and password can be used by you exclusively for e-voting on the resolution placed by the companies in which you are the Secured Creditor.
- It is strongly recommended not to share your password with any other person and take utmost care to keep it confidential.

In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the Downloads sections of www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800 1020 990 /1800 224 430.

**BEFORE THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL,
AHMEDABAD BENCH
C.A. (CAA). 84/AHM/2021**

In the matter of the Companies Act, 2013;

And

In the matter of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016;

And

In the matter of Scheme of Arrangement of Aarti Industries Limited ("**Demerged Company**") with Aarti Pharmed Labs Limited ("**Resulting Company**") and their respective shareholders.

Aarti Industries Limited, a company)
incorporated under the provisions of)
Companies Act, 1956 having Corporate)
Identity Number L24110GJ1984PLC007301)
and its registered office at Plot Nos 801, 801/23,)
GIDC Estate, Phase III, Vapi - 396 195, Gujarat.)

.... Company/ Demerged Company

EXPLANATORY STATEMENT UNDER SECTIONS 230 AND 232 READ WITH SECTION 102 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 ("ACT") AND RULE 6 OF THE COMPANIES (COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS) RULES, 2016 ("CAA RULES") TO THE NOTICE OF THE MEETING OF SECURED CREDITORS OF AARTI INDUSTRIES LIMITED CONVENED PURSUANT TO ORDER OF THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH ("TRIBUNAL") DATED JANUARY 27, 2022 ("TRIBUNAL ORDER")

- I. Pursuant to the order dated January 27, 2022 passed by the Hon'ble National Company Law Tribunal, Ahmedabad Bench (hereinafter referred to as "**NCLT**" / "**Hon'ble Tribunal**") in Company Application being C.A. (CAA). No. 84/AHM/2021 filed by Aarti Industries Limited, (hereinafter referred to as the "**Demerged Company**") and Aarti Pharmed Labs Limited (hereinafter referred to as the "**Resulting Company**"), a meeting of the secured creditors of the Demerged Company ("**Tribunal Convened Meeting**") is being convened on Thursday, March 10, 2022, at 2:00 p.m. (IST) through Video Conferencing ("**VC**")/ Other Audio Visual Means ("**OAVM**") without the physical presence of the secured creditors at a common venue, as per applicable procedure (with requisite modifications as may be required) mentioned in the General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No.22/2020 dated June 15, 2020, General Circular No. 33/2020 dated September 28, 2020, General Circular No. 39/2020 dated December 31, 2020, General Circular No.10/2021 dated June 23, 2021 and further clarification dated December 8, 2021 issued by the Ministry of Corporate Affairs, Government of India (hereinafter referred to as "**MCA Circulars**") and Securities and Exchange Board of India (SEBI) Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 (hereinafter referred to as "**SEBI Circulars**"), for the purpose of considering the arrangement embodied in the Scheme of Arrangement between Demerged Company and Resulting Company and their respective shareholders (hereinafter referred to as the "**Scheme**"). A copy of the Scheme setting out

details of parties involved in the Scheme, appointed date, effective date, and other details is enclosed herewith and forms a part of the Notice.

II. The Tribunal has appointed Mr. Justice (Retd.) D.K. Deshmukh to be the Chairperson for the Meeting. Further, the Tribunal has also appointed Mr. Sunil M. Dedhia, Practicing Company Secretary (ICSI M. No. F3483), as the Scrutinizer for the Tribunal Convened Meeting. The Scheme, if approved in the Tribunal Convened Meeting, will be subject to the subsequent approval of the Tribunal.

III. The draft Scheme was approved by the Board of Directors of the Demerged Company and the Resulting Company at their respective meetings, both held on August 19, 2021. In accordance with the provisions of Securities and Exchange Board of India ("SEBI") Circular bearing no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 and SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, as amended time to time, the Audit Committee and the Committee of Independent Directors of the Demerged Company, at their respective meetings, vide a resolution passed on August 19, 2021 recommended the Scheme of Arrangement and Demerger to the Board of Directors of the Demerged Company, The Board of Directors of the Demerged Company at its meeting held on August 19, 2021, approved the Scheme of Arrangement, inter alia, based on such recommendation of the Audit Committee and the Committee of Independent Directors.

IV. List of the Companies/Parties involved in the Scheme:

- Aarti Industries Limited (Demerged Company)
- Aarti Pharmalabs Limited (Resulting Company)

V. Background of the Companies

1. Particulars of the Demerged Company

(a) Aarti Industries Limited ("**Demerged Company**") having Corporate Identity Number (CIN) L24110GJ1984PLC007301 was incorporated on September 28, 1984, under the provisions of the Companies Act, 1956. The registered office of the Company is situated at Plot Nos 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Gujarat, India. The Company is accordingly registered with the Registrar of Companies, Ahmedabad having Corporate Identity Number L24110GJ1984PLC007301. Its Permanent Account Number with the Income Tax Department is AABCA2787L. The email address of the Company is raj.sarraf@aarti-industries.com and website is www.aarti-industries.com. During the last

five years, there has been no change in the name and registered office of the Company. The equity shares of the Company are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**").

(b) The main objects of the Demerged Company are set out in the Memorandum of Association which are as under

1. *"To carry on the business of manufacturers, producers, processors, buyers, sellers, importers, exporters and/or otherwise dealers in fine chemicals, industrial and pure chemicals, organic and inorganic chemicals and allied products, perfumes, flavours, pure drug solvents, dyes and drug intermediates, cosmetics, insecticides, pesticides, heavy chemicals, alkalies, acids, chemical, industrial preparations, chemicals for plastic, pigment, varnishes, paints, alcohols, dyes and colours, agrochemicals, petrochemicals, makers and dealers in preparatory formulations and articles of the above nature and of chemicals.*

2. *To carry on the business of manufacturers, processors, importers, exporters, and/or dealers in chemical preparations required by different industries such as sugar tanning, textiles, metallurgical and process industries, proofing, materials, disinfectants, oils, cotton, detergents, wetting out agents, soap, tallow, gums, varnishes, synthetics, resins, catalytic agents, petro-chemicals and other petroleum products and articles and compounds."*

(c) The Demerged Company has not changed its name, registered office, and objects during the last five years.

(d) The share capital of the Company as on September 30, 2021 is set out below.

| Particulars | Amount in INR |
|---|----------------------|
| Authorised share capital | |
| 600,000,000 Equity Shares of ₹ 5/- each | 300,00,00,000 |
| Total | 300,00,00,000 |
| Issued, subscribed and paid-up capital | |
| 362,504,035 Equity Shares of ₹ 5/- each fully paid up | 181,25,20,175 |
| Total | 181,25,20,175 |
| <i>There has been no change in the Authorized, Issued, Subscribed and Paid-Up Share Capital of the Demerged Company as on date.</i> | |

- (e) The details of Directors and Promoters of the Demerged Company (as on the date of the Notice) along with their addresses are mentioned herein below

i) Directors

| Sr. No. | Name | Category | Address |
|---------|-------------------------------|--|---|
| 1. | Mr. Rajendra Vallabhaji Gogri | Chairman & Managing Director | 2402 Richmond, Cliff Avenue, Near Forest Club, Hiranandani Gardens, Powai, Mumbai - 400 076. |
| 2. | Mr. Rashesh Chandrakant Gogri | Vice-Chairman & Managing Director | 1802 Richmond, Cliff Avenue, Near Hiranandani School, Hiranandani Gardens, Powai IT, Powai, Mumbai - 400 076. |
| 3. | Mr. Parimal Hasmukhlal Desai | Executive Director | A-1403, Runwal Heights, LBS Marg Opp. Nirmal Lifestyle, Mulund West, Mumbai - 400 080. |
| 4. | Mr. Manoj Mulji Chheda | Executive Director | 201, Dunhill Villa, Besant Street, Santacruz (West), Mumbai-400 054. |
| 5. | Mr. Kirit Ratilal Mehta | Executive Director | 10 Pushpendra Mansion, 10 Phirozshah Street, Santacruz (West) Mumbai - 400 054. |
| 6. | Mrs. Hetal Gogri Gala | Executive Director | 552-B, Gopal Sadan, Block No. 801, 8th Floor, Jame Jamshed Road, Matunga (East), Mumbai - 400 019. |
| 7. | Mr. Renil Rajendra Gogri | Executive Director | 2402 Richmond, Cliff Avenue, Near Forest Club, Hiranandani Gardens, Powai, Mumbai - 400 076. |
| 8. | Mr. Narendra Jagannath Salvi | Executive Director | B-5, Voltas Co. Op. Hsg. Soc., Shivrushti, Kurla East, Mumbai - 400 024. |
| 9. | Mr. KVS Shyamsunder Rammurthy | Non-Executive and Independent Director | Flat No. 82, Jeyshta Tarangan Society, Pokhran Road No. 1, Thane West - 400 606. |
| 10. | Mr. Premchandra Amolak Sethi | Non-Executive and Independent Director | 12-A, Viceroy Park, Tower D, Thakur Village, Kandivali E, Mumbai - 400 101. |
| 11. | Mr. Bhavesh Rasiklal Vora | Non-Executive and Independent Director | B/702, Kailash Jyot-2, Opposite Gayatri Tower, Derasar Lane, Rajawadi, Ghatkopar East, Mumbai - 400 077. |

| Sr. No. | Name | Category | Address |
|---------|---------------------------------|--|--|
| 12. | Mr. Ganapati Dadasaheb Yadav | Non-Executive and Independent Director | Flat No 1201, A Wing, Plot No 11,12,13, Palm Springs CHSL, Sector 7, Airoli, Thane, Navi Mumbai - 400 708. |
| 13. | Mrs. Priti Paras Savla | Non-Executive and Independent Director | 501, Arihant Tower, Sane Guruji Marg, Thane 400 602. |
| 14. | Mr. Vinay Gopal Nayak | Non-Executive and Independent Director | 601, Royal Grace CHS., Lokmanya Tilak Vasahat Rd - 2, Behind Swami Narayan Temple, Dadar (East), Mumbai - 400 014. |
| 15. | Mr. Lalitkumar Shantaram Naik | Non-Executive and Independent Director | Flat No. 33, Gaurav CHS, Sayani Road, Prabhadevi, Mumbai - 400 025. |
| 16. | Mrs. Natasha Kersi Treasurywala | Non-Executive and Independent Director | 686, Parsi Colony, Dadar, Mumbai - 400 014. Maharashtra |

ii) Promoters

| Sr. No. | Name | Category | Address |
|---------|----------------------------------|----------|--|
| 1. | Mr. Chandrakant Vallabhaji Gogri | Promoter | 1801, Richmond Tower Cliff Avenue, Hiranandani Garden Near Hiranandani School, Powai Mumbai - 400 076. |
| 2. | Mr. Rajendra Vallabhaji Gogri | Promoter | 2402 Richmond, Cliff Avenue, Near Forest Club, Hiranandani Gardens, Powai, Mumbai - 400 076. |
| 3. | Mr. Parimal Hasmukhlal Desai | Promoter | A-1403, Runwal Heights, LBS Marg Opp. Nirmal Lifestyle, Mulund West, Mumbai - 400 080. |
| 4. | Mrs. Sarla Shantilal Shah | Promoter | Flat No 404, 4th Floor Raheja Havenpranajali Pranajali, JVPD Scheme, Plot No 21 22, Mumbai - 400 049. |
| 5. | Mrs. Bhavna Shah Lalka | Promoter | 404 Raheja Haven Pranajali, 21 22 Ashok Nagar Society, NS Road No 10 JVPD Scheme, Mumbai - 400 049. |
| 6. | Mr. Mananjay Singh Garewal | Promoter | C-16 FF Etanjali Enclave, Delhi Delhi - 110 017. |
| 7. | Mrs. Monisha Bhatia | Promoter | House No 1079 Sector 15, Escorts Nagar Faridabad - 121 007. |

| Sr. No. | Name | Category | Address |
|---------|---------------------------------|----------|---|
| 8. | Mrs. Shreya Suneja | Promoter | House No 114 Sector 14, Faridabad - 121 007. |
| 9. | Mr. Jayesh Shah | Promoter | Gunjan Bhokare Colony, Sangli Miraj Road, Miraj Sangli India 416 410. |
| 10. | M/s Orchid Family Trust | Promoter | 127, 1st Floor, Udyog Kshetra, Mulund Goregaon Link Road, Near D Mart, Mulund (West), Mumbai - 400 080. |
| 11. | M/s Bhavna Family Private Trust | Promoter | C/O Bhavna Family Private Trust, 208 Ceejay House, Dr Annie Besant Rd, Shivsagar Estate, Worli, Mumbai - 400 018. |

- (f) The amount due to unsecured creditors as on September 30, 2021 is ₹ 12,82,17,73,671 (Rupees One Thousand Two Hundred Eighty Two crores Seventeen Lakhs Seventy Three Thousands Six Hundred Seventy One only)
- (g) Amounts due to secured as on September 30, 2021 is ₹ 20,09,11,52,032 (Rupees Two Thousands Nine Crores Eleven Lakhs Fifty Two Thousands Thirty Two Only)

2. Particulars of the Resulting Company

- (a) Aarti Pharmalabs Limited (Formerly known as Aarti Organics Limited) ("**Resulting Company**") having Corporate Identity Number (CIN) U24100GJ2019PLC110964 was incorporated under the provisions of the Companies Act, 2013 as "Aarti Organics Limited" on November 22, 2019. The registered office of the Resulting Company is situated at Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi, District Valsad Gujarat – 396 195 Its Permanent Account Number with the Income Tax Department is AASCA9722G. The email address of the Resulting Company is raj.sarraf@aarti-industries.com. Shares of the Resulting Company are not listed on any of the stock exchanges.
- (b) Main objects of the Resulting Company are set out in the Memorandum of Association which are as under

"To carry on the business of manufacturers, producers, processors, job worker, buyers, sellers, importers, exporters, stockists, agents, merchants, distributors of and/or

otherwise dealers in fine chemicals, industrial and pure chemicals, organic and inorganic chemicals, speciality chemicals, dyes, drugs, pharmaceuticals and allied products including but not limited to perfumes, toilet goods, detergents, flavours, solvents, chemical/drug / dye intermediates, cosmetics, insecticides, pesticides, fertilizers, heavy chemicals, alkalis, acids, chemical, industrial preparations, synthetics, resins, chemicals for plastic, pigments, varnishes, paints, alcohols, agrochemicals, petrochemicals, makers and dealers in preparatory formulations and articles of the above nature within and / or outside India."

- (c) The Resulting Company has changed its name on August 18, 2021. However, there is no change in the registered office, and objects since its inception.
- (d) The share capital of the Resulting Company as on September 30, 2021 is set out below

| Particulars | Amount in INR |
|--|------------------|
| Authorised share capital | |
| 5,00,000 Equity Shares of ₹ 10/- each | 50,00,000 |
| Total | 50,00,000 |
| Issued, Subscribed and Paid-up Capital | |
| 2,50,000 Equity Shares of ₹ 10/- each fully paid up | 25,00,000 |
| Total | 25,00,000 |
| <i>There has been no change in the Authorized, Issued, Subscribed and Paid-Up Share Capital of the Resulting Company as on date.</i> | |

- (e) The details of Directors and Promoters of the Resulting Company along with their addresses are mentioned herein below:

i) Directors

| Sr. No. | Name | Category | Address |
|---------|-------------------------------|----------|--|
| 1. | Mr. Rajendra Vallabhaji Gogri | Director | 2402 Richmond, Cliff Avenue, Near Forest Club, Hiranandani Gardens, Powai, Mumbai - 400 076. |
| 2. | Mr. Rashesh Chandrakant Gogri | Director | 1802 Richmond, Cliff Avenue, Near Hiranandani School, Hiranandani Gardens, Powai IIT, Powai, Mumbai - 400 076. |
| 3. | Mrs. Hetal Gogri Gala | Director | 552-B, Gopal Sadan, Block No. 801, 8th Floor, Jame Jamshed Road, Matunga (East), Mumbai - 400 019. |
| 4. | Mr. Narendra Jagannath Salvi | Director | B-5, Voltas Co. Op. Hsg. Soc., Shivrushti, Kurla East, Mumbai - 400 024. |
| 5. | Mr. Chetan Bipin Gandhi | Director | 214/5770, Uday, 90 Feet Road, Near Ganesh Mandir, Ghatkopar (E), Mumbai - 400 075. |

ii) Promoters

| Sr. No. | Name | Category | Address |
|---------|----------------------------------|----------|---|
| 1. | Aarti Industries Limited | Promoter | Plot Nos 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195. |
| 2. | Mr. Chandrakant Vallabhaji Gogri | Promoter | 1801, Richmond Tower Cliff Avenue, Hiranandani Garden, Near Hiranandani School, Powai, Mumbai - 400 076. |
| 3. | Mr. Rajendra Vallabhaji Gogri | Promoter | 2402 Richmond, Cliff Avenue, Near Forest Club, Hiranandani Gardens, Powai, Mumbai - 400 076. |
| 4. | Mr Parimal Hasmukhlal Desai | Promoter | A-1403, Runwal Heights, LBS Marg, Opp. Nirmal Lifestyle, Mulund West, Mumbai - 400 080. |
| 5. | Mrs. Sarla Shantilal Shah | Promoter | Flat No 404, 4th Floor, Raheja Havenprananajali Prananjali, JVPD Scheme, Plot No 21 22 Mumbai - 400 049. |
| 6. | Mrs Bhavna Shah Lalka | Promoter | 404 Raheja, Haven Prananjali, 21 22 Ashok Nagar Society, NS Road, No 10, JVPD Scheme, Mumbai - 400 049 |
| 7. | Mr. Mananjay Singh Garewal | Promoter | C-16 FF Etanjali Enclave Delhi, Delhi - 110 017. |
| 8. | Mrs. Monisha Bhatia | Promoter | House No 1079 Sector 15, Escorts Nagar Faridabad - 121 007. |
| 9. | Mrs. Shreya Suneja | Promoter | House No 114, Sector 14, Faridabad - 121 007. |
| 10. | Mr. Jayesh Shah | Promoter | Gunjan Bhokare Colony, Sangli Miraj Road, Miraj Sangli - India 416 410. |
| 11. | M/s Orchid Family Trust | Promoter | 127, 1st Floor, Udyog Kshetra, Mulund Goregaon Link Road, Near D Mart, Mulund (West), Mumbai - 400 080. |
| 12. | M/s Bhavna Family Private Trust | Promoter | C/O Bhavna Family Private Trust, 208 Ceejay House, Dr Annie Besant Rd, Shivsagar Estate, Worli, Mumbai - 400 018. |

(f) The amount due to unsecured creditors as on September 30, 2021 is ₹ 1,30,786/- (Rupees One Lakh Thirty Thousand Seven Hundred Eighty Six only)

(g) Amounts due to secured creditors as on September 30, 2021: Nil

VI. Relationship subsisting between Parties to the Scheme

The Resulting Company is the Wholly-Owned Subsidiary of the Demerged Company.

VII. Details of the Board meeting at which the Scheme was approved by the Board of Directors of the Applicant Companies including the name of the Directors who voted in favour of the resolution, who voted against the resolution and who did not vote or participate on such resolution

The Board of Directors of Demerged Company at its Board Meeting held on August 19, 2021 has unanimously approved the Scheme, as detailed below:

| Name of Directors | Voted in favour / against / did not participate or vote |
|-------------------------------|---|
| Mr. Rajendra Vallabhaji Gogri | In Favour |
| Mr. Rashesh Chandrakant Gogri | In Favour |
| Mr. Parimal Hasmukhlal Desai | In Favour |
| Mr. Manoj Mulji Chheda | In Favour |
| Mr. Kirit Ratilal Mehta | In Favour |
| Mrs. Hetal Gogri Gala | In Favour |
| Mr. Renil Rajendra Gogri | In Favour |
| Mr. Narendra Jagannath Salvi | In Favour |
| Mr. KVS Shyamsunder Rammurthy | In Favour |
| Mr. Premchandra Amolak Sethi | In Favour |
| Mr. Bhavesh Rasiklal Vora | In Favour |
| Mr. Ganapati Dadasaheb Yadav | In Favour |
| Mrs. Priti Paras Savla | In Favour |
| Mr. Vinay Gopal Nayak | In Favour |
| Mr. Lalitkumar Shantaram Naik | In Favour |

The Board of Directors of Resulting Company at its Board Meeting held on August 19, 2021 has unanimously approved the Scheme, as detailed below:

| Name of Directors | Voted in favour / against / did not participate or vote |
|-------------------------------|---|
| Mr. Rajendra Vallabhaji Gogri | In Favour |
| Mr. Rashesh Chandrakant Gogri | In Favour |
| Mrs. Hetal Gogri Gala | In Favour |
| Mr. Narendra Jagannath Salvi | In Favour |
| Mr. Chetan Bipin Gandhi | In Favour |

VIII. Rationale and benefits of the Scheme

- Aarti Industries Limited basically has 2 (Two) business verticals i.e., specialty chemicals and pharmaceuticals with divergent business profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other.
- The Demerged Undertaking relates to pharma manufacturing units, allied activities, investments and cash balance & cash equivalents for future Capital Expenditures of Demerged Undertaking. In order to create overall value for the shareholders and also to enable management of the company to focus and adopt the relevant strategies necessary for promoting growth and expansion of the Demerged Undertaking, it is proposed that the Demerged Undertaking, (as specifically set out in the Scheme), be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.

- The shareholders of Demerged Company, pursuant to the demerger, will get Equity Shares of Resultant Company for the Values of Business Transferred in the manner set out under this Scheme.
 - The demerger will also result in Demerged Company and Resulting Company achieving operational efficiencies by streamlining of the relevant businesses.
 - By demerger of the Demerged Undertaking into Resulting Company, the financial resources will be conveniently raised in accordance with the requirement of the business.
 - The demerger will enable Resulting Company to expand its presence in the fast-moving Pharma Business in India and abroad.
 - The demerger will result into two dedicated and focused business segments i.e. Speciality Chemical and Pharma without any risk or overlap of one business over the other.
- (d) The equity shares proposed to be allotted by the Resulting Company will be listed on BSE Limited and National Stock Exchange of India Limited, recognized stock exchanges having nationwide trading platform.
 - (e) The Demerged Company and the Resulting Company will follow the method of accounting as per the applicable accounting principles as prescribed under the Companies (Indian Accounting standards) Rules, 2015 (Ind AS) as notified under Section 133 of the Act, as may be amended from time to time and relevant clarifications issued by Institute of Chartered Accountants of India.
 - (f) This Scheme is and shall be conditional upon and subject to:
 - (a) The requisite consents, no-objections and approvals of the Stock Exchanges and SEBI to the Scheme in terms of the SEBI Circular, on terms acceptable to AIL and APL.
 - (b) The approval of the Scheme by the respective requisite majorities in number and value of the shareholders of the Companies in accordance with section 230 to 232 of the Act;
 - (c) AIL & APL, as the case may be, complying with other provisions of the SEBI Circular, including seeking approval of the shareholders of the Demerged Company through e-voting;
 - (d) The Scheme being sanctioned by the Tribunal in terms of sections 230 to 232 and other relevant provisions of the Act and the requisite orders of the Tribunal and
 - (e) Certified copies of the orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by AIL and APL as per the provisions of the Act.

IX. SALIENT FEATURES OF THE SCHEME

The salient features of the Scheme, inter alia, are as stated below. The capitalized terms used herein shall have the same meaning as described in Clause 1 of the Scheme:

- (a) Demerger of the Demerged Undertaking of Demerged Company and vesting the same with and into the Resulting Company, on a going concern basis;
- (b) The Appointed Date means the opening of business hours on July 1, 2021;
- (c) In consideration of the proposed Scheme, the Resulting Company will issue and allot equity shares, to each shareholder of the Demerged Company, whose names appear in the register of members of Demerged Company on the record date in the following manner:

“Issue and allot equity shares at par on a proportionate basis to each member of Aarti Industries Limited whose name is recorded in the register of member of Aarti Industries Limited as holding shares on the Record Date, in the ratio of 1 (one) equity shares of ₹ 5/- each fully paid up of Aarti Pharmed Labs Limited for every 4 (four) equity shares of ₹ 5/- each fully paid up held in Aarti Industries Limited.”

Note: The above are the salient features of the Scheme. The secured creditors are requested to read the entire text of the Scheme annexed hereto to get fully acquainted with the provisions thereof.

X. Appointed Date and Effective date of the Scheme

- (a) Appointed Date shall mean July 1, 2021.
- (b) "**Effective Date**" means the date on which all the conditions and matters in relation to the Scheme referred to in clause 19 of this Scheme have been fulfilled.

XI. Consideration

1. Upon the coming into effect of this Scheme and in consideration of the demerger of the Demerged Undertaking in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot equity shares at par on a proportionate basis to each member of AIL, whose name is recorded in the register of members of AIL as holding shares on the Record Date, in the ratio of:

1 (one) fully paid up equity shares of ₹ 5/- each of Aarti Pharmalabs Limited ("APL") for every 4 (four) fully paid up equity share of ₹ 5/- each held in Aarti Industries Limited ("AIL").

2. **Cancellation of shares of the Resulting Company:**

Simultaneous with the issuance and allotment of the equity shares by the Resulting Company in accordance with the Clause 13.1 of the Scheme, the initial issued and paid up equity share capital of the Resulting Company, comprising of 2,50,000 equity shares of ₹ 10/- each, aggregating to ₹ 25,00,000/- shall be cancelled.

The equity shares of the Resulting Company shall be issued in such a manner that the percentage of shareholding of the equity shareholders of the Demerged Company in the Resulting Company, after giving effect to cancellation of equity shares of the Resulting Company, is mirror image in the Demerged Company.

Further, the Resulting Company shall apply to the BSE and NSE for listing and admission to trading, of all the equity shares issued under this Scheme, in terms of the provisions of SEBI master circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020.

XII. ACCOUNTING TREATMENT

1. Accounting Treatment in the books of Aarti Industries Limited (AIL)

Upon the Scheme becoming effective and with effect from the Appointed Date, AIL shall account for demerger in its books of accounts in accordance with the Indian Accounting Standards (Ind AS), as notified under Section 133 of the Companies Act 2013, in the following manner:

- (a) AIL shall reduce the book value of assets (net of diminution/depreciation, if any) and liabilities relating to the Demerged Undertaking, transferred to APL in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.
- (b) The excess of book value of the assets transferred (net of diminution/depreciation, if any) over the book value of the liabilities of the Demerged Undertaking to APL shall be adjusted first to Securities Premium Account & General Reserve Account in the ratio of Values of Business transfer and thereafter balance, if any, to Retained earnings/profit and loss account balance of AIL.
- (c) AIL shall reduce & transfer Contingent Liability, if any, pertaining to the Demerged Undertaking to APL.
- (d) AIL shall reduce & transfer Other Comprehensive Income created as per IND AS related to Assets & Liability transferred of Demerged Undertaking under the Scheme of Demerger.
- (e) The approval granted by the shareholders of AIL to this Scheme shall be deemed to be approval required under the provisions of the Act.
- (f) Pursuant to Scheme becoming effective, AIL's Investment in Resulting Company will stand cancelled & Resulting Company will cease to be 100% subsidiary of AIL.
- (g) Notwithstanding the above, the Board of Directors of AIL, in consultation with its statutory auditors, is authorised to account any of the balances in any other manner, if such accounting treatment is considered more appropriate and is authorised by the Accounting Standards applicable to the Company and/or Generally Accepted Accounting Principles.

2. Accounting treatment in the books of Aarti Pharmalabs Limited (APL)

On the Scheme becoming effective and with effect from the Appointed Date, APL shall account for demerger in its books of accounts in accordance with the accounting standards prescribed under Section 133 of the Act in the following manner:

- (a) APL shall record the assets and liabilities (the difference between the assets and liabilities hereinafter being referred to as the "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of accounts of AIL, relating to Demerged Undertaking at the close of business of the day immediately preceding the Appointed Date in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.
- (b) APL shall credit to its Equity share capital in its books of account, the aggregate of face value of the new Equity Shares issued by it to the members of AIL pursuant to clause 13.1 of the Scheme of Arrangement and reduce its Share Capital Account which are reduced and cancelled in terms of Clause 13.2 of the Scheme of Arrangement.
- (c) The excess of the Net Assets as per Clause 14.8 of the Scheme of Arrangement over the face value of the new Securities allotted in accordance with the Scheme under Clause 14.9 of the Scheme of Arrangement, shall be credited to same reserves as debited in the books of AIL with adjustment for balance, if any, to Profit and Loss Account/Retained Earnings.
- (d) APL shall disclose Contingent Liability, if any, transferred under the scheme of arrangement, in its first Financial Statement prepared on the Scheme becoming effective and with effect from the Appointed Date.
- (e) APL shall record Other Comprehensive Income transfer, if any, transferred under the Scheme of Arrangement, in its first financial statement prepared on the Scheme becoming effective and with effect from the Appointed Date.
- (f) In case APL is required to follow accounting policies that are different from that of AIL for any regulatory reasons, the effect of the difference in the accounting policies between AIL and APL will be quantified and adjusted in the opening reserve (other than the securities premium account), to ensure that the financial

statements of APL reflect the financial position on the basis of consistent accounting policy.

- (g) Notwithstanding the above, the Board of Directors of APL is authorised to account for any of these balances in any manner whatsoever, as may be deemed fit, in accordance with the accounting standards specified under Section 133 of the Act read with the rules made thereunder including but not limited to Indian Accounting Standards (Ind-AS) 103 'Business Combination' and Generally Accepted Accounting Principles.

XIII. Share Entitlement Report and Fairness Opinion

Share Entitlement Report of the shares of the Applicant Companies based on which the share entitlement ratio has been arrived at, after careful consideration and after taking into account all relevant facts, has been carried out and approved by SSPA & Co. - Chartered Accountant and a registered valuer having registration No. IBBI Registration No. IBBI/RV/06/2018/10140. The following share entitlement ratio has been determined vide the aforesaid report:

1 (one) fully paid up equity shares of ₹ 5 each of Aarti Pharmalabs Limited ("APL") for every 4 (four) fully paid up equity share of ₹ 5 each held in Aarti Industries Limited ("AIL").

Inter alia, the said report states that:

"We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of AIL are and will, upon Proposed Demerger, be the ultimate beneficial owners of APL in the same ratio (inter se) as they hold shares in AIL."

A copy of the Share Entitlement Report is appended herewith to the Notice as **Annexure 3**.

Further, Inga Ventures Private Limited, a SEBI Registered Category-I Merchant Banker, in its fairness opinion dated August 19, 2021, have provided an opinion that the aforesaid share entitlement ratio is fair and reasonable to the equity shareholders of the Demerged Company. The said fairness opinion *inter alia* states that:

"As understood, upon the Proposed Scheme being effective, all the eligible shareholders of AIL would also become the shareholders of APL and their shareholding in APL would mirror their existing shareholding in AIL prior to the demerger. Existing equity shares of APL as held by AIL will be cancelled on demerger coming into effect."

Based on our examination of the Share Entitlement Ratio/Valuation Report, such other information/undertakings/representations provided to us by the Management and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the recommendation made by the Valuer of the Share Entitlement Ratio is fair and reasonable which is as under:

The fair equity share entitlement ratio for the proposed demerger of Demerged Undertaking of AIL into APL is as under:

1 (one) fully paid up equity shares of ₹ 5 each of AArti Pharmalabs Limited ("APL") for every 4 (four) fully paid up equity share of ₹ 5 each held in Aarti Industries Limited ("AIL")."

A copy of the fairness opinion is appended herewith to the Notice as **Annexure 4**.

XIV. Capital / Debt Restructuring

The Scheme does not envisage any debt restructuring. The pre-scheme and expected post-scheme shareholding pattern of the Demerged Company and the Resulting Company are provided hereunder:

A. Pre-scheme shareholding pattern of Demerged Company as on September 30, 2021

| Sr. No. | Category of shareholder | No. of shares held | Percentage of shares held as percentage of total capital (%) |
|------------|--|---------------------|--|
| (A) | Promoter and promoter group | | |
| 1 | Indian | | |
| (a) | Individuals/ Hindu Undivided Family | 10,16,46,066 | 28.04 |
| (b) | Any Other (Trust and Bodies Corporate) | 5,81,05,542 | 16.03 |
| | Sub-Total (A)(1) | 15,97,51,608 | 44.07 |
| 2 | Foreign | 5,22,948 | 0.14 |
| | Sub-Total (A)(2) | 5,22,948 | 0.14 |
| | Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2) | 16,02,74,556 | 44.21 |

| Sr. No. | Category of shareholder | No. of shares held | Percentage of shares held as percentage of total capital (%) |
|------------|---|---------------------|--|
| (B) | Public shareholding | | |
| 1 | Institutions | | |
| | Foreign Portfolio Investor | 4,29,76,699 | 11.86 |
| | Mutual Funds | 3,05,93,530 | 8.44 |
| | Alternate Investment Funds | 13,23,426 | 0.37 |
| | Financial Institutions/ Banks | 1,05,505 | 0.03 |
| | Insurance Companies | 2,14,54,055 | 5.92 |
| | Sub-Total (B)(1) | 9,64,53,215 | 26.61 |
| 2 | Non-Institutions | | |
| (a) | Bodies Corporate | 36,60,413 | 1.01 |
| (b) | Individuals | | |
| | i) Individual shareholders holding nominal share capital up to INR 2 lakh | 4,68,36,925 | 12.92 |
| | ii) Individual shareholders holding nominal share capital in excess of INR 2 lakh | 4,64,93,491 | 12.83 |
| (c) | NBFCs registered with RBI | 52,280 | 0.01 |
| (d) | Any other (specify) | | |
| | i) Clearing members | 5,67,229 | 0.16 |
| | ii) Non-resident Indians | 29,70,513 | 0.82 |
| | iii) Hindu Undivided Family | 23,65,562 | 0.65 |
| | iv) IEPF A/c | 12,84,808 | 0.35 |
| | v) Body Corp-Ltd Liability Partnership | 13,16,855 | 0.35 |
| | vi) Trusts | 2,28,188 | 0.06 |
| | Sub-Total (B)(2) | 10,57,76,264 | 29.18 |
| | Total Public Shareholding (B) = (B)(1)+(B)(2) | 20,22,29,479 | 55.79 |
| | TOTAL (A) + (B) | 36,25,04,035 | 100 |
| (C) | Shares held by custodians against which DRs are issued | - | - |
| | TOTAL (A) + (B) + (C) | 36,25,04,035 | 100 |

B. Expected post-scheme shareholding pattern of Demerged Company

The shareholding pattern of the Demerged Company would not change as a consequence of the implementation of the Scheme and would remain identical as the pre-scheme shareholding pattern.

C. Pre-scheme shareholding pattern of Resulting Company as on September 30, 2021

| Sr. No. | Category of shareholder | No. of shares held | Percentage of shares held as percentage of total capital (%) |
|------------|---|--------------------|--|
| (A) | Promoter and promoter group | | |
| 1 | Indian | | |
| (a) | Individuals/ Hindu Undivided Family | 6 | 0.00 |
| (b) | Body Corporate | 2,49,994 | 100.00 |
| | Sub-Total (A)(1) | 2,50,000 | 100.00 |
| 2 | Foreign | – | – |
| | Sub-Total (A)(2) | – | – |
| | Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2) | – | – |
| (B) | Public shareholding | | |
| 1 | Institutions | | |
| | Foreign Portfolio Investor | – | – |
| | Sub-Total (B)(1) | – | – |
| 2 | Non-Institutions | | |
| (a) | Bodies Corporate | – | – |
| (b) | Individuals | – | – |
| | i) Individual shareholders holding nominal share capital up to INR 2 lakh | – | – |
| | ii) Individual shareholders holding nominal share capital in excess of INR 2 lakh | – | – |
| (c) | Any other (specify) | – | – |
| | i) Clearing members | – | – |
| | ii) Non-resident Indians | – | – |
| | iii) Hindu Undivided Family | – | – |
| | iv) IEPF A/c | – | – |
| | v) Body Corp-Ltd Liability Partnership | – | – |
| | Sub-Total (B)(2) | – | – |
| | Total Public Shareholding (B) = (B)(1)+(B)(2) | – | – |
| | TOTAL (A) + (B) | 2,50,000 | 100.00 |
| (C) | Shares held by custodians against which DRs are issued | – | – |
| | TOTAL (A) + (B) + (C) | 2,50,000 | 100.00 |

D. Expected post-scheme shareholding pattern of Resulting Company

| Sr. No. | Category of shareholder | No. of shares held | Percentage of shares held as percentage of total capital (%) |
|------------|---|--------------------|--|
| (A) | Promoter and promoter group | | |
| 1 | Indian | | |
| (a) | Individuals/ Hindu Undivided Family | 2,54,11,517 | 28.04 |
| (b) | Any Other (Trust and Bodies Corporate) | 1,45,26,385 | 16.03 |
| | Sub-Total (A)(1) | 3,99,37,902 | 44.07 |
| 2 | Foreign | 1,30,737 | 0.14 |
| | Sub-Total (A)(2) | 1,30,737 | 0.14 |
| | Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2) | 4,00,68,639 | 44.21 |
| (B) | Public shareholding | | |
| 1 | Institutions | | |
| | Foreign Portfolio Investor | 1,07,44,175 | 11.86 |
| | Mutual Funds | 76,48,383 | 8.44 |
| | Alternate Investment Funds | 3,30,857 | 0.37 |
| | Financial Institutions/ Banks | 26,376 | 0.03 |
| | Insurance Companies | 53,63,514 | 5.92 |
| | Sub-Total (B)(1) | 2,41,13,304 | 26.61 |
| 2 | Non-Institutions | | |
| (a) | Bodies Corporate | 9,15,103 | 1.01 |
| (b) | Individuals | | |
| | i) Individual shareholders holding nominal share capital up to INR 2 lakh | 1,17,09,231 | 12.92 |
| | ii) Individual shareholders holding nominal share capital in excess of INR 2 lakh | 1,16,23,373 | 12.83 |
| (c) | NBFCs registered with RBI | 13,070 | 0.01 |
| (d) | Any other (specify) | | |
| | i) Clearing members | 1,41,807 | 0.16 |
| | ii) Non-resident Indians | 7,42,628 | 0.82 |
| | iii) Hindu Undivided Family | 5,91,391 | 0.65 |
| | iv) IEPF A/c | 3,21,202 | 0.35 |
| | v) Body Corp-Ltd Liability Partnership | 3,29,214 | 0.36 |
| | vi) Trusts | 57,047 | 0.06 |
| | Sub-Total (B)(2) | 2,64,44,066 | 29.18 |
| | Total Public Shareholding (B) = (B)(1)+(B)(2) | 5,05,57,370 | 55.79 |
| | TOTAL (A) + (B) | 9,06,26,009 | 100.00 |
| (C) | Shares held by custodians against which DRs are issued | – | – |
| | TOTAL (A) + (B) + (C) | 9,06,26,009 | 100.00 |

XV. Effect of the Scheme of Arrangement and Demerger

(a) On directors, key managerial personnel ("KMP"), and their relatives

➤ For the Demerged Company

- The Directors and KMPs of the Demerged Company, and their relatives, do not have any concern or interest, financially or otherwise, in the Scheme except as shareholders in general. Therefore, the Scheme will have no effect on them, except to the extent of their respective shareholding and effect thereon as explained in point (b) below.

➤ For the Resulting Company

- The Resulting Company has Directors as on present date. Further, the Resulting Company would be changing / would be appointing new KMP's / Directors in pursuance of the Scheme becoming effective in order to comply with the requirements of the relevant provisions of various applicable acts, rules, regulations, and guidelines, applicable for listed companies.

(b) On promoter and non-promoter members

➤ For the Demerged Company

- There is only one class of shareholder, i.e., equity shareholders, which includes the promoter as well as non-promoter shareholders of the Demerged Company.
- On demerger, the Resulting Company will issue and allot equity shares to each eligible member of the Demerged Company, whose name is recorded in the register of members on the Record Date, as per the share entitlement ratio mentioned in the Scheme.
- The equity shares so issued and allotted as provided above shall be subject to the provisions of the Memorandum and Articles of Association of the Resulting Company and shall rank pari-passu in all respects.
- There would be no dilution or increase in the shareholding of the promoter

or non-promoter shareholders of the Demerged Company.

- In terms of the Scheme, consequent upon demerger, on the Record Date, the set of shareholders and their holding proportion being proposed in the Resulting Company, is identical to that of the Demerged Company, and thus, the overall economic interest of equity shareholders of the Demerged Company shall remain the same.

➤ For the Resulting Company

- There is only one class of shareholder, i.e. equity shareholders of the Resulting Company.
- Upon the Scheme becoming effective, the equity shares of the Resulting Company shall stand cancelled as provided in the Scheme. Accordingly, the existing shareholders would no longer hold any shares in the Resulting Company.
- On demerger, the Resulting Company will issue and allot equity shares to each member of the Demerged Company, whose name is recorded in the register of members of the Demerged Company on the Record Date, as per the share entitlement ratio mentioned in the Scheme.
- In terms of the Scheme, consequent upon demerger, on the Record Date, the set of shareholders and their holding proportion being proposed in the Resulting Company, is identical to that of the Demerged Company, and thus, the overall economic interest of equity shareholders of the Demerged Company shall remain the same.
- The equity shares of the Resulting Company shall be listed on the stock exchanges i.e. BSE Limited and National Stock Exchange of India ("**Stock Exchanges**") in accordance with the SEBI Circular No. CED/DIL3/ CIR/2017/21 dated March 10, 2017, as amended from time to time, and therefore shareholders of AIL (as of the Record Date) shall, upon the Scheme becoming effective, hold equity shares of the Resulting Company.

(c) On creditors➤ For the Demerged Company

- Under the Scheme, there is no arrangement or compromise offered to the creditors (secured and unsecured) of the Demerged Company. Liabilities of any of the creditors of the Demerged Company would neither be reduced nor be extinguished in pursuance of the Scheme.

➤ For the Resulting Company

- Under the Scheme, there is no arrangement or compromise offered to the creditors (unsecured) of the Demerged Company. As on date, there are no secured creditors of the Company. Liabilities of any of the creditors of the Demerged Company would neither be reduced nor be extinguished in pursuance of the Scheme.

(d) On employees

All staff and employees of the Demerged Undertaking shall be deemed to have become staff and employees of APL without any break in their service and on the basis of continuity of service and the terms and conditions of their employment with APL shall not be less favourable than those applicable to them with reference to AIL on the Effective Date.

All funds and benefits accumulated in respect of the above staff and employees shall also be transferred to the Resulting Company.

- (e) The Demerged Company and the Resulting Company have no outstanding deposits and debentures as on date.

Further, the report adopted by their respective Board of Directors of the Demerged Company and the Resulting Company, explaining the impact on various stakeholders as mentioned above is annexed hereto with the Notice as **Annexure 10** and **Annexure 11** respectively.

XVI. No investigation proceedings have been instituted or are pending in relation to the Applicant Companies under the Companies Act, 2013 or Companies Act, 1956.

XVII. Details of approvals, sanctions, or no-objection(s) from regulatory or any other governmental authorities required, received, or pending

The Demerged Company being a listed company, has received observation letters from BSE on November 09, 2021 and from NSE on November 09, 2021, stating that SEBI and the stock exchanges do not have any adverse observations with regard to the Scheme. Copy of the aforesaid observation letters are appended herewith to the Notice as **Annexure 12 and 13**.

In compliance with the requirement of Section 230(5) and Section 232 of the Act, read with Rule 8 of the CAA Rules, notice in the prescribed form together with requisite documents and disclosures shall be served on the relevant regulators, as directed by the Hon'ble NCLT, and seeking their approvals or any representations (if any) on the Scheme.

XVIII. No winding up proceedings are pending against the Demerged Company and the Resulting Company as on date.

XIX. Disclosures pertaining to unlisted entity involved in the Scheme

Disclosure document comprising of applicable information pertaining to the Resulting Company, in the format prescribed for abridged prospectus as provided in part E of schedule VI of the Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements), Regulations, 2018, to the extent applicable, is appended herewith to the Notice as **Annexure 14**.

XX. Inspection of Documents

In addition, electronic copy of the following documents will be available for inspection in the "Investor Relations" section of the website of the Demerged Company - www.aarti-industries.com:

- Copy of the order of Hon'ble Tribunal in pursuance of which the meeting is to be convened;
- Copy of the Scheme of Arrangement;
- Copies of the Memorandum of Association and Articles of Association of the Demerged Company and the Resulting Company;
- Copy of Audited Financial Statements of Aarti Industries Limited for the half year ended September 30, 2021;
- Copy of Audited Financial Statement of Aarti Industries Limited as on March 31, 2021;

- (f) Copy of Audited Financial Statements of Aarti Pharmed Labs Limited for the half year ended September 30, 2021;
- (g) Copy of Audited Financial Statement of Aarti Pharmed Labs Limited as on March 31, 2021;
- (h) Copy of the certificate dated August 19, 2021, issued by the Auditor of the Demerged Company and Resulting Company to the effect that the accounting treatment in the Scheme is in conformity with the Accounting Standards prescribed under Section 133 of the Act;
- (i) Copy of Report of registered valuer determining the Share Entitlement Ratio;
- (j) Copy of Fairness Opinion of merchant banker on reasonableness on share entitlement ratio;
- (k) Report on complaints indicating 'NIL' complaints received on the Scheme;
- (l) Copy of the Observation Letters dated November 09, 2021 from the National Stock Exchange of India Limited and BSE Limited respectively;
- (m) Report under Section 232(2)(c) of the Companies Act, 2013 adopted by the Board of Directors of Demerged Company;
- (n) Report under Section 232(2)(c) of the Companies Act, 2013 adopted by the Board of Directors of Resulting Company;
- (o) Certificate issued by Inga Ventures Private Limited, SEBI Registered Merchant Banker, certifying the accuracy and adequacy of disclosure made in **Annexure 14**.

The aforesaid documents will be open for inspection by the secured creditors and also for obtaining extracts from, or for making of / obtaining copies of, at the Registered Office of the Demerged Company between 10:00 a.m. to 5:00 p.m. on all working days (except Saturday, Sundays and Public Holidays) upto 1 (one) day prior to the date of the Meeting of the secured creditors, and shall also be available on the website of the Company.

Based on the above and considering the rationale and benefits, in the opinion of the Board, the Scheme will be of advantage to, beneficial and in the interest of the Demerged Company, its shareholders, creditors and other stakeholders and the terms thereof are fair and reasonable. The Board of Directors of the Company recommend the Scheme for approval of the secured creditors.

The Directors, KMPs of the Company and their relatives do not have any concern or interest, financially or otherwise, in the Scheme except as shareholders in general.

sd/-
Justice (Retd.) D.K. Deshmukh
**Chairperson appointed by
Tribunal for the Meeting**

Vapi, February 5, 2022

Registered Office:

Plot Nos 801, 801/23,
GIDC Estate, Phase III,
Vapi - 396 195, Gujarat
Website : www.aarti-industries.com
E-mail : raj.sarraf@aarti-industries.com
Tel. : +91 22 6797 6666
Fax : +91 22 2565 3234

29
01-02-2022

Free of Cost Copy

Annexure 1

**IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD BENCH-2**

CA (CAA) 84/AHM/2021

[Sections 230-232 and read with other applicable provisions of the Companies Act, 2013 read with Companies (Compromises, Arrangements, and Amalgamations) Rules, 2016]

In the matter of Scheme of Demerger

OF

Aarti Industries Limited,
(Applicant Company No. 1/Demerged Company)

WITH

Aarti Pharmalabs Limited
(Applicant Company No.2/Resulting Company)

AN

Their Respective Shareholders and Creditors

Order Pronounced on: 27/01/2022

CORAM:

DR. DEEPTI MUKESH HON'BLE MEMBER (JUDICIAL)
KAUSHALENDRA KUMAR SINGH HON'BLE MEMBER (TECHNICAL)

MEMO OF PARTIES

Aarti Industries Limited,
(CIN: L24110GJ1984PLC007301)
Registered office at;
Plot Nos. 801, 801/23, GIDC Estate,
Phase-III, Vapi-396195, Gujarat.

...Applicant Company No. 1/Demerged Company

WITH



Aarti Pharmalabs Limited,
(CIN: U24100GJ2019PLC110964)
Registered office at;
Plot Nos. 22/C/1 & 22/C/2, 1st phase,
GIDC Vapi, District Valsad Gujarat-396195.

...Applicant Company No. 2/Resulting Company

For the Applicants: Mr. Hemant Sethi, Ms. Dharmishta N. Raval,
Advocates.

ORDER

Kaushalendra Kumar Singh, Member (Technical)

1. The present joint Application is filed on December 01, 2021, under Section 230-232 with other applicable provisions of the Companies Act, 2013 and read with the Companies (Compromise, Arrangement, and Amalgamations) Rules, 2016. The proposed Composite Scheme of Demerger is for Arrangement between M/s Aarti Industries Limited (Demerged Company) and M/s Aarti Pharmalabs Limited (Resulting Company) and their respective Shareholders and Creditors, with effect from the Appointed Date on the agreed terms and conditions as set out in the Scheme annexed in accordance with Sections 230 to 232 of the Companies Act, 2013.

2. It is represented that the registered office of both the applicant companies is situated within the territorial jurisdiction of Registrar of Companies, Ahmedabad, Gujarat, which is falling under the jurisdiction of this Tribunal.

3. It is submitted that the Demerged Company having CIN: L24110GJ1984PLC007301 is incorporated on 28th September, 1984, under the provisions of the companies Act, 1956, with the ROC, Ahmedabad, Gujarat. The Registered office of the Demerged Company is situated at Plot Nos 801, 801/83, GIDC Estate, Phase III, Vapi-396195, Gujarat. The Authorised Share Capital of the Demerged Company is Rs. 3,00,00,00,000/-



which is divided into 60,00,00,000 Equity shares of Rs. 5/- each and Issued, Subscribed and Paid-up Share Capital is Rs. 1,81,25,20,175/- which is divided into 3,62,504,035/- equity shares of Rs. 5/- each.

4. It is also submitted that the Resulting Company having CIN: U24100GJ2019PLC110964 is incorporated on 22nd November, 2019, under the provisions of the companies Act, 2013, with the ROC, Ahmedabad, Gujarat. The Registered office of the Company is situated at Plot No. 22/C/1 & 22/C/2, 1st Phase, GIDC Vapi, District Valsad Gujarat-396195. The Authorised Share Capital of the Resulting Company is Rs. 50,00,000/- which is divided into 5,00,000 Equity shares of Rs. 10/- each and the Issued, Subscribed and Paid-up Share Capital is Rs. 25,00,000/- which is divided into 2,50,000/- equity shares of Rs. 10/- each.

5. Both the Applicant Companies are empowered by their respective Memoranda and Articles of Association to enter into Scheme of Demerger. Copies of Memoranda and Articles of Association of both the Applicant Companies are placed on record. The copies of Audited standalone Financial Statement as on March 31, 2021 and Audited Financial Statements as on 30th September, 2021 of both the Applicant Companies are placed on record.

6. Demerged Company is engaged in the business of manufacturing chemicals used in downstream manufacturing of agrochemicals, polymers, additives, surfactants, pigments and dyes, etc. (**"Speciality Chemical Business") and also in pharma business.** Resulting Company is engaged in the business including manufacturing and trading of Pharmaceuticals and allied products. Demerged undertaking of the Demerged company includes all the businesses, undertakings, activities, operations and properties of whatsoever nature and kind wherever situated, forming a part of the Pharma Division of the Demerged Company as a going concern. It is proposed in the scheme that the Demerged Undertaking be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.



7. The Board of Directors of both Applicant Companies have approved the Scheme of demerger at their respective Board Meetings held on 19th August, 2021. Copies of Board Resolutions passed on 19th August, 2021 of all the applicant companies are placed on record. The Appointed Date for the Scheme is 1st July, 2021.

8. The Applicant Companies submits that upon the coming into effect of this Scheme and in consideration of the demerger of the Demerged Undertaking in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot equity shares at par on a proportionate basis to each member of Demerged Company, whose name is recorded in the register of members of Demerged Company as holding shares on the Record Date, in the ratio of 1 (one) equity share of Rs. 5/- each fully paid up of Second Applicant Company for every 4 (four) equity shares of Rs. 5/- each fully paid up held in First Applicant Company.

9. It is further submitted that the shares of Demerged Company are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). Pursuant to the Securities Exchange Board of India ("SEBI") Circular No. SEBI /HO/ CFD/ DIL1/ CIR /P /2020 /249 dated December 22, 2020, as amended from time to time ("SEBI Circular") read with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"), Demerged Company had applied to BSE and NSE for their "Observation Letter" / "No Objection Letter" to file the Scheme for sanction of the Tribunal. BSE and NSE by their letters dated 9th November, 2021, have respectively given their "No Objection" letters to Demerged Company, to file the Scheme with the Tribunal.

10. Both the Applicant Companies have provided the certificates from Statutory Auditors confirming the proposed Accounting Treatment being in conformity with the Applicable Accounting Standard under section 133 of



the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014.

11. Both the Applicant companies have submitted that no investigations or proceedings against the Applicant Companies are pending under the Companies Act, 1956/2013.

12. With respect to the Demerged Company, it is stated that:

(i) There are 259574 Equity Shareholders and certificate from Chartered Accountant certifying list of shareholders is filed subsequently through additional document. None of the shareholders have given their consent for the proposed scheme. Hence, the Demerged Company is seeking directions for convening the meeting of Equity Shareholders.

(ii) There are 16 Secured Creditors and certificate from Chartered Accountant certifying list of Secured Creditors is annexed. None of the Secured Creditors have given their consent for the proposed scheme. Hence, the Demerged Company is seeking directions for convening the meeting of Secured Creditors.

(iii) There are 2723 Unsecured Creditors and certificate from Chartered Accountant certifying list of Unsecured Creditors is annexed. None of the Unsecured Creditors have given their consent for the proposed scheme. Hence, the Demerged Company is seeking directions for convening the meeting of Unsecured Creditors.

13. With respect to the Resulting Company, it is stated that:

(i) There are 7 equity shareholders and certificate from Chartered Accountant certifying list of shareholders is annexed. All equity shareholders have given their consent by way of affidavits for the proposed composite scheme of demerger. The copies of the consent affidavits of all equity shareholders are annexed with the application. Hence, the company is seeking dispensation for convening the meeting of equity shareholders.



(ii) There are no secured creditors. Certificate from Chartered Accountant certifying the NIL secured creditors is annexed with the application. In view of the same, the question of holding the meeting of creditors does not arise.

(iii) There are 2 Unsecured Creditors and certificate from Chartered Accountant certifying list of Unsecured Creditors is annexed. Both the Unsecured Creditors have given their consent by way of affidavits for the proposed composite scheme of demerger. The copies of the consent affidavits of both the Unsecured Creditors are annexed with the application. Hence, the company is seeking dispensation for convening the meeting of Unsecured Creditors.

14. Taking into consideration the submissions and the documents filed therewith, we issue the following directions with respect to holding and convening or dispensing the meeting of the Equity Shareholders, Unsecured and/or Secured Creditors as well as issue of notices including by way of paper publication as follows:

i) In relation to the Demerged Company :

a. With respect to Equity Shareholders

The meeting of Equity Shareholder of Demerged Company shall be convened on March 10, 2022 at 11:30 a.m. (Indian Standard Time). The meeting will be convened and held for the purpose of considering and, if thought fit, approving with or without modification(s) the Scheme of Arrangement through video conferencing or other audio visual means, and not in physical presence of shareholders, as requested, since in the current COVID-19 environment, social distancing norms may not be possible.

b. With respect to Secured Creditors

The meeting of Secured Creditors of Demerged Company shall be convened on March 10, 2022 at 2:00 p.m. (Indian Standard Time). The meeting will be convened and held for the purpose of considering and, if thought fit, approving with or without



modification(s) the Scheme of Arrangement through video conferencing or other audio visual means, and not in physical presence of creditors, as requested, since in the current COVID-19 environment, social distancing norms may not be possible.

c. With respect to Unsecured Creditors

The meeting of Unsecured Creditors of Demerged Company shall be convened on March 10, 2022 at 3:00 p.m. (Indian Standard Time). The meeting will be convened and held for the purpose of considering and, if thought fit, approving with or without modification(s) the Scheme of Arrangement through video conferencing or other audio visual means, and not in physical presence of creditors, as requested, since in the current COVID-19 environment, social distancing norms may not be possible.

ii) In relation to the Resulting Company:

a. With respect to Equity Shareholders

Convening of the meeting of equity shareholders of the company is hereby dispensed with, in view of 100% consent received by way of affidavits from Shareholders.

b. With respect to Secured Creditors

There are no secured creditors in the Company. Hence, convening of the meeting of secured creditors is obviated.

c. With respect to Unsecured Creditors

Convening of the meeting of Unsecured Creditors of the company is hereby dispensed with, in view of 100% consent received by way of affidavits from Creditors.



15. At least one month before the date of aforesaid meeting a notice in Form No. CAA 2 convening the aforesaid meeting indicating the day, the

date and the time as aforesaid together with the copy of the scheme of demerger, copy of explanatory statements required to be sent under section 102 of the Act read with Section 230 and 232 of the act and Rule 6 of the Companies (CAA) Rules, 2016 and prescribed form of proxy shall be sent to each of the Equity Shareholders, Secured Creditors and Unsecured Creditors of the Demerged Company at their respective or last known address either by the registered post, Speed Post or by Courier or by Email. The notice shall be sent to all the Equity Shareholders, Secured Creditors and Unsecured Creditors.

16. At least one month before the date of meeting, publication about convening and holding of the aforesaid meeting indicating the day, the date and the time as aforesaid shall be made once in English Daily 'Financial Express', having nation-wide circulation and Gujarati translation thereof in 'Jansatta' and 'Daman Ganga Times', having circulation in Vapi, both having wide circulation in the State of Gujarat The Publication shall also indicate that the statement required to be furnished pursuant to Section 102 of the Act, read with Section 230 and 232 of the Act and prescribed Form of Proxy can be obtained free of charge by emailing the aforesaid Applicant Companies at raj.sarraf@aarti-industries.com. in accordance with second proviso to Sub Section (3) of Section 230 & Rule 7 of the Companies (CAA) Rules, 2016.

17. Mr. Justice (Retd.) D.K. Deshmukh shall be the chairman of the meeting of the Equity Shareholders, Secured Creditors and Unsecured Creditors of the Demerged Company to be held on 10/03/2022 and in respect of any adjournment(s) thereof.

18. Mr. Sunil M. Dedhia, Practising Company Secretary (ICSI M. No. F3483) shall act as the scrutinizer of the aforesaid meeting and in respect of any adjournment thereof.



19. The Chairman appointed for the aforesaid meeting shall issue the advertisements and send out the notices of the meeting referred to above.

20. The Chairman to file an affidavit in not less than 7(seven) days before the date fixed for the holding of the meetings and to report to this Tribunal that the directions regarding issuance of notices and advertisement of the meeting have been duly complied with as per Rule 12 of the Companies (CAA) Rules, 2016.

21. It is further ordered that the Chairman of the company shall report to this Tribunal the result of the meeting in Form No.CAA.4, verified by his affidavit, as per Rule 14 of the Companies (CAA) Rules, 2016 in from No. CAA.4 within seven days after conclusion of the meeting.

22. The quorum for the aforesaid meeting of the Equity Shareholders and Creditors of Demerged Company shall be as prescribed under Section 103 of the Companies Act, 2013 and would include Equity Shareholders and Creditors present through video conferencing and/or other audio- visual means. In case the required quorum as stated above is not present at the commencement of the meeting, the meeting shall be adjourned by 30 (thirty) minutes and thereafter the persons present shall be deemed to constitute the quorum.

23. The voting by proxy shall not be permitted as the meetings would be held through video conferencing and/or other audio-visual means. However, voting in case of body corporate be permitted, provided the prescribed form/authorization is filed with the Applicant Company at raj.sarraf@aarti-industries.com not later than 48 hours before the start of the aforesaid meeting as required under Rule 10 of the Companies(Compromises, Arrangements and Amalgamations) Rules, 2016.

24. The number and value of each Equity Shareholders, Secured Creditors and Unsecured Creditors of the Demerged Company shall be in



accordance with the entries in the books of accounts of Demerged Company and where the entries in the records are disputed, the chairman of the aforesaid meeting shall determine the value for the purpose of the meeting.

25. In compliance of sub-section (5) of section 230 and Rule 8 of the Companies (Compromise, Arrangements and Amalgamations) Rules, 2016, the Applicant Companies shall send a notice in Form No. CAA. 3 along with explanatory statement and disclosures mentioned under Rule 6, to (i) the Central Government through the Regional Director, North Western Region, (ii) the Registrar of Companies, Gujarat, Dadra and Nagar Haveli (iii) to the Income Tax Department along with full details of assessing officer and PAN numbers of all the applicant companies with the copy also to the Chief Commissioner of Income Tax Office, stating that representations, if any, to be made by them be made within a period of 30 days from the date of receipt of such notice, failing which it shall be presumed that they have no objection to make on the proposed scheme of arrangement. The said notices shall be sent by registered post or by speed post or by courier or by hand delivery at the office of the aforesaid statutory authorities as required by sub-rule(2) of Rule 8 of the Companies (CAA) Rules, 2016. The Aforesaid statutory authorities who desire to make any representation under Sub section (5) of Section 230 shall sent the same to this Tribunal with a copy of the same to the Demerged Company within a period of 30 days from the date of such service.

26. The Application is allowed and disposed of in terms of the above directions.

-sd-

Kaushalendra Kumar Singh
Member (Technical)

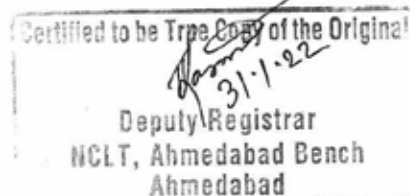
-sd-

Dr. Deepti Mukesh
Member (Judicial)



Abhishek/Steno

Prepared by VIMBL
Signature [Signature]
Date 31-1-2022



**SCHEME OF ARRANGEMENT
BETWEEN**

Aarti Industries Limited

.... Demerged Company

AND

Aarti Pharmalabs Limited
(Formerly Known as Aarti Organics Limited)

.... Resulting Company

AND THEIR RESPECTIVE SHAREHOLDERS IN RESPECT OF DEMERGER OF PHARMA DIVISION OF AARTI INDUSTRIES LIMITED INTO AARTI PHARMALABS LIMITED (FORMERLY KNOWN AS AARTI ORGANICS LIMITED) UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 ('ACT')

OVERVIEW, OBJECTS AND BENEFITS OF THE SCHEME

- A. Aarti Industries Limited (hereinafter referred to as the “**Demerged Company**”, or “**AIL**”) is a listed public limited company incorporated on 28th September, 1984 under the Companies Act, 1956 with CIN L24110GJ1984PLC007301 having its registered office at Plot Nos 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Gujarat. The equity shares of Demerged Company are listed on BSE Limited and National Stock Exchange of India. The Demerged Company is a leading Indian manufacturer of specialty chemicals and pharmaceuticals with a global footprint. It manufactures chemicals used in downstream manufacturing of agrochemicals, polymers, additives, surfactants, pigments and dyes, etc. (“**Speciality Chemical Business**” or “**Speciality Chemical Division**”). The Pharma Business is divided into three verticals *i.e.* a) manufacture of active pharmaceutical ingredients (“**APIs**”) b) manufacture of intermediates and c) manufacture of xanthine derivatives. The Pharma business of the Demerged Company has four APIs manufacturing plants, two of which are approved by the United States Food and Drug Administration (“**USFDA**”) and rest two are WHO/GMP certified. Additionally, it has two dedicated research and development facilities for pharmaceuticals API. (“**Pharma Business**” or “**Pharma Division**”)
- B. Aarti Pharmalabs Limited (Formerly known as Aarti Organics Limited) (hereinafter referred to as the “**The Resulting Company**” or “**APL**”) is an unlisted public limited company incorporated on 22nd November, 2019 under the Companies Act, 2013 with CIN U24100GJ2019PLC110964 and having its registered office at Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi, District Valsad Gujarat – 396 195. The Resulting Company is incorporated with an object to engage in the business including manufacturing and trading of Pharmaceuticals and allied products.
- C. This Scheme of Arrangement (hereinafter referred to as the “**Scheme**”) provides for a) the transfer by way of demerger of the Demerged Undertaking (as defined hereinafter) of the Demerged Company to the Resulting Company, and the consequent issue of equity shares by the Resulting Company to the shareholders of the Demerged Company pursuant to Sections 230 to 232 and other relevant provisions of the Act (as defined hereinafter) in the manner provided for in the Scheme and in compliance with Section 2(19AA) of IT Act and cancellation of existing equity shares of the Resulting Company held by Demerged Company and b) various other matters consequential or otherwise integrally connected therewith.

After the effectiveness of this Scheme, the Share Capital of APL consisting of the fully paid-up new Equity Shares of APL issued as consideration in terms of Section B of this Scheme to the shareholders

of AIL shall be listed on the Stock Exchanges in accordance with the provisions of SEBI Circular No SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22nd December, 2020, as amended from time to time. Further, as an integral part of the Scheme, existing Equity Shares of APL (presently 100% held by Demerged Company) shall stand cancelled without any further act and deed, and hence this Scheme contemplates approval of the Tribunal(s) in terms of relevant provisions of the Act, in addition to Sections 230 to 232 of the Act.

D. RATIONALE AND BENEFITS OF THIS SCHEME

The demerger of the Business is being undertaken due to the following reasons:

AIL basically has 2 (Two) business verticals i.e., specialty chemicals and pharmaceuticals with divergent business profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other.

- a) The Demerged Undertaking relates to Pharma manufacturing units, allied activities, investments and cash balance & cash equivalents for future Capital Expenditures of Demerged Undertaking. In order to create overall value for the shareholders and also to enable management of the Company to focus and adopt the relevant strategies necessary for promoting growth and expansion, it is proposed that the Demerged Undertaking, (as specifically set out in the Scheme), be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.
- b) The shareholders of AIL, pursuant to the demerger, will get Equity Shares of Resulting Company for the values of Business Transferred in the manner set out under this Scheme.
- c) The demerger will also result in AIL and APL achieving operational efficiencies by streamlining of the relevant businesses.
- d) By demerger of the Demerged Undertaking into Resulting Company, the financial resources will be conveniently raised in accordance with the requirement of the business.
- e) The demerger will enable APL to expand its presence in the fast-moving Pharma Business in India and abroad.
- f) The demerger will result into two dedicated and focused business segments i.e. Speciality Chemical and Pharma without any risk or overlap of one business over the other.

E. COMPLIANCE WITH TAX LAW

This Scheme has been drawn up to comply with the conditions relating to "Demerger" as specified under the tax laws, including section 2(19AA) of the Income Tax Act, 1961, which provides the following conditions:

- a. all the property of the undertaking, being transferred by the Demerged Company, immediately before the demerger, becomes the property of the Resulting Company by virtue of the demerger;
- b. all the liabilities relating to the undertaking, being transferred by the Demerged Company, immediately before the demerger, become the liabilities of the Resulting Company by virtue of the demerger;
- c. the property and liabilities of the undertaking being transferred by the Demerged Company are transferred at values appearing in its books of account immediately before the demerger;

- d. the Resulting Company issues, in consideration of the demerger, its shares to the shareholders of the Demerged Company on a proportionate basis;
- e. the shareholders holding not less than three-fourths in value of the shares in the Demerged Company (other than shares already held therein immediately before the demerger, or by a nominee for the Resulting Company or its subsidiary) become shareholders of the Resulting Company by virtue of the demerger, otherwise than as a result of the acquisition of the property or assets of the Demerged Company or any undertaking thereof by the Resulting Company;
- f. the transfer of the undertaking is on a going concern basis; and
- g. the demerger is in accordance with the conditions, if any, notified under sub section (5) of section 72A of the Income Tax Act, 1961 by the Central Government in this behalf and other relevant sections of the Income Tax Act, 1961.

If any terms or provisions of the Scheme are found to be or interpreted to be inconsistent with any of the said provisions at a later date, whether as a result of any amendment of law or any judicial or executive interpretation or for any other reason whatsoever, the aforesaid provisions of the tax laws shall prevail. The Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modifications will however not affect other parts of the Scheme. The power to make such amendments as may become necessary shall vest with the Board of Directors of Demerged Company and the Resulting Company, which power shall be exercised reasonably in the best interests of the Companies and their shareholders, and which power can be exercised at any time, whether before or after the Effective Date.

In consideration of the above-mentioned business rationale and related benefits, this Scheme between AIL & APL is being proposed in accordance with the terms set out hereunder.

Accordingly, this Scheme is divided into three sections, as follows:

Section A: Demerger of Demerged Undertaking

Section B: Issue of shares / Reorganisation of share capital

Section C: Other provisions

1. DEFINITIONS AND INTERPRETATIONS:

- 1.1. **“2013 Act” or “the Act”** means the Companies Act, 2013, as notified, and ordinances and rules made thereunder and shall include any statutory modification(s), re-enactment(s) and/or amendment(s) thereof for the time being in force.
- 1.2. **“Applicable Law”** means (a) all the applicable statutes, notifications, enactments, acts of legislature, bye-laws, rules, regulations, guidelines, rule of common law, policy, code, directives, ordinances, orders, or other instruments having force in law enacted or issued by any Government or Governmental Authority(ies) including any statutory modifications, amendments or re-enactments thereof for the time being in force; and (b) administrative interpretations, writs, injunctions, directions, directives, judgments, arbitral awards, orders, decrees, as may be in force from time to time.
- 1.3. **“Appointed Date”** means the 1st day of July, 2021.
- 1.4. **“Board of Directors” or “Board”** means and includes the respective boards of directors of AIL and APL or any committee constituted by such board of directors.

- 1.5. **“BSE”** means BSE Limited;
- 1.6. **“CIN”** means Corporate Identification Number;
- 1.7. **“Demerged Undertaking”** means the Pharma business or Pharma Division which is divided into three verticals *i.e.* a) manufacture of active pharmaceuticals ingredients (**“APIs”**) b) manufacture of intermediates and c) manufacture of xanthine derivatives. The Pharma business of the Demerged Company is having four APIs manufacturing plants, two of which are approved by the United States Food and Drug Administration (**“USFDA”**) and rest two are WHO/GMP certified. Additionally, it has two dedicated research and development facilities for pharmaceuticals API. Demerged undertaking shall include all the businesses, undertakings, activities, operations and properties of whatsoever nature and kind wherever situated, forming a part of the Pharma Division of the Demerged Company as a going concern including but not limited to the following:
- (a) All assets and properties, whether movable or immovable, tangible or intangible, whether corporeal or incorporeal, leasehold or otherwise, plant and machinery, research and development units, capital work in progress, advances, deposits, sundry debtors, inventories, cash and bank balances, shares, investments, securities, bills of exchange, other fixed assets, trademarks, patents, loans, inventory and work in progress wherever situated pertaining to the Pharma Division;
 - (b) All liabilities (including liabilities allocable as per this Scheme, if any) present and future, corporate guarantees issued and the contingent liabilities pertaining to or relatable to the Pharma Division, including:
 - (i) The debts of the Demerged Company which arises out of the activities or operations of the Pharma Division; and
 - (ii) Specific loans and borrowings raised, incurred and utilized by the Demerged Company for the activities or operations of or pertaining to the Pharma Division.
 - c) This also includes Assets & Liabilities of Other Backward Integrated Units providing feeding Material to The Pharma Business, Investment indentified, cash & cash equivalent for future capital expenditure.
 - d) Without prejudice to the generality of the above, the Demerged Undertaking shall include in particular:
 - (i) Immovable property and rights thereto *i.e.* land together with buildings and structures standing thereon (whether freehold, leasehold, leave and licensed, right of way, tenancies or otherwise) buildings, warehouses, offices, etc. if any, which form a part of the Pharma Division and all documents (including panchnamas, declarations, receipts) of title, rights and easements in relation thereto and all rights, covenants, continuing rights, title and interest, benefits and interests of rental agreements for lease or license or other rights to use of premises, in connection with the said immovable properties, if any;
 - (ii) All assets, as are moveable in nature, whether present or future or contingent, tangible or intangible, in possession or not, corporeal or incorporeal, in each case, wherever situated

- (including plant and machinery, research and developments units, capital work in progress, furniture, fixtures, fixed assets, computers, air conditioners, appliances, accessories, office equipment, communication facilities, installations, vehicles, inventories, stock in trade, patents, stores and spares, packing material, raw material, formulation, tablets, capsules, active pharmaceutical ingredients, drug intermediaries, tools and plants), actionable claims, earnest monies and sundry debtors, prepaid expenses, bills of exchange, promissory notes, financial assets, investment and shares in entities / branches undertaking the Pharma Division, outstanding loans and advances, recoverable in cash or kind or for value to be received, receivables, funds, cash and bank balances and deposits including accrued interest thereto with Government, semi-Government, local and other Appropriate Authorities and bodies, banks, customers and other persons, the benefits of any bank guarantees, performance guarantees and tax related assets and credits, including but not limited to service tax input credits, CENVAT credits, value added / sales tax / entry tax credits or set-offs, advance tax, tax deducted at source, right to carry forward and set-off accumulated losses and unabsorbed depreciation, if any, goods and services tax (GST), and other indirect taxes and tax refunds;
- (iii) All permits, licenses, permissions, approvals, clearances, consents, benefits, registrations, rights, entitlements, credits, certificates, awards, sanctions, allotments, quotas, no objection certificates, exemptions, concessions, subsidies, incentives, tax deferrals and exemptions and other benefits (in each case including the benefit of any applications made for the same), income tax benefits, deductions and exemptions, liberties and advantages, approval for commissioning of project and other licenses or clearances, granted / issued / given by any Appropriate Authorities, organizations or companies for the purpose of carrying on the Pharma Division business or in connection therewith including those relating to privileges, powers, facilities of every kind and description of whatsoever nature and the benefits thereto that form part of the Pharma Division;
- (iv) All rights, contracts, agreements, guarantees, purchase orders / service orders, operation and maintenance contracts, memoranda of understandings, memoranda of agreements, memoranda of agreed points, bids, tenders, tariff policies, expressions of interest, letters of intent, hire and purchase arrangements, power purchase agreements, lease / license agreements, tenancy rights, agreements / panchnamas for right of way, equipment purchase agreements, agreement with customers, purchase and other agreements with the supplier / manufacturer of goods / service providers, other arrangements, undertakings, deeds, bonds, schemes, concession agreements, insurance covers and claims, clearances and other instruments of whatsoever nature and description, whether vested or potential and written, oral or otherwise and all rights, title, interests, claims and benefits thereunder forming part of the Pharma Division;
- (v) All intellectual property rights, applications (including hardware, software, licenses, source codes, para meterisation and scripts), registrations, goodwill, trade names, service marks, copyrights, patents, project designs, marketing authorization, approvals, marketing intangibles, permits, permissions, incentives, privileges, special status, domain names, designs, trade secrets, research and studies, technical know-how, confidential information and other benefits (in each case including the benefit of any applications made for the same) that form part of the Pharma Division;

- (vi) All rights to use and avail telephones, facsimile, email, internet, leased line connections and installations, utilities, electricity and other services, reserves, provisions, funds, benefits of assets or properties or other interests held in trusts, registrations, engagements, arrangements of all kind, privileges and all other rights, easements, liberties and advantages of whatsoever nature and wheresoever situated belonging to or in the ownership, power or possession and in control of or vested in or granted in favor of or enjoyed by the Demerged Company forming part of the Pharma Division and all other interests of whatsoever nature belonging to or in the ownership, power, possession or control of or vested in or granted in favor of or held for the benefit of or enjoyed by the Demerged Company and forming part of the Resulting Company;
- (vii) All books, records, files, papers, engineering and process information, software licenses (whether proprietary or otherwise), test reports, computer programmes, drawings, manual, data, databases including databases for procurement, commercial and management, catalogues, quotations, sales and advertising materials, product registrations, dossiers, product master cards, list of present and former customers and suppliers including service providers, other customer information, customer credit information, customer / supplier pricing information, and all other books and records, whether in physical or electronic form that form part of the Pharma Division;
- (viii) All liabilities including all debts (whether in Indian Rupees or foreign currency), loans raised and used, obligations incurred, whether specific or arises, duties of any kind, nature or description and undertakings of every kind or nature, contingent liabilities, bank/ corporate guarantees, duties, taxes, obligations under any licenses or permits or schemes and all other liabilities of any description whatsoever, whether present or future, and howsoever raised or incurred or utilized along with any charge, encumbrance, lien or security thereon related or incurred to or out of the Pharma Division;
- (ix) Liabilities other than those referred to in sub-clauses (viii) above and not directly relatable to the remaining business of Demerged Company, being the amounts of general or multipurpose borrowings of Demerged Company shall be allocated to the Demerged Business in the same proportion in which the value of the assets transferred under this sub-clause bears to the total value of the assets of Demerged Company immediately before giving effect to this Scheme;
- (x) Any and all earnest monies and / or security deposits, or other entitlements in connection with or relating to Pharma Division;
- (xi) All permanent and/or temporary employees of Demerged Company substantially engaged in the Demerged Undertaking and those permanent and/or temporary employees that are determined by the Board of Directors of the Demerged Company, to be substantially engaged in or relatable to the Pharma Division;
- (xii) All legal or other proceedings of whatsoever nature that form part of the Pharma Division;
- (xiii) All exemptions, benefits, allowances, rebates, etc. under IT Act (including right to admissibility of claim under the IT Act or such provisions becoming admissible in the period after the Appointed Date on discharging liabilities pertaining to Pharma Division;

- (xiv) Any question that may arise as to whether a specified asset or liability pertains to Pharma Division or whether it arises out of the activities or operations of the Pharma Division shall be decided by mutual agreement between the Board of Directors of the Demerged Company and the Resulting Company;
 - (xv) The designated list of investments and immovable properties pertaining to APL as agreed upon between AIL and APL is enclosed in "**Annexure A**";
 - (xvi) Any issue as to whether any asset or liability and / or employee pertains to or is relatable to the Demerged Undertaking or not shall be decided by the Board of Directors of the Demerged Company.
- 1.8. "**Demerger**" means the transfer by way of demerger of the Demerged Undertaking to the Resulting Company, and the consequent issue of equity shares by the Resulting Company to the Shareholders of the Demerged Company as set out in Section B hereof and shall have the same meaning as defined under section 2(19AA) of the Income-tax Act, 1961;
- 1.9. "**Demerged Company**" means Aarti Industries Limited or AIL, a company incorporated under the Companies Act, 1956 having its registered office at Plot Nos 801, 801/23, GIDC Estate, Phase III, Vapi - 396 195, Gujarat.
- 1.10. "**Demerger Share Entitlement Ratio**" shall have the meaning ascribed to it in Clause 13.1;
- 1.11. "**Effective Date**" means the date on which all the conditions and matters in relation to the Scheme referred to in clause 19 of this Scheme have been fulfilled.
- 1.12. "**National Company Law Tribunal**" or "**NCLT**" means the National Company Law Tribunal, Ahmedabad Bench.
- 1.13. "**NSE**" means National Stock Exchange of India Limited.
- 1.14. "**Remaining Business**" means all other businesses, divisions, assets and liabilities other than that of the Demerged Undertaking of AIL.
- 1.15. "**Resulting Company**" or "**APL**" means "**Aarti Pharmed Labs Limited**" (Formerly known as **Aarti Organics Limited**), an unlisted public Company incorporated under the Companies Act, 2013 and having its registered office at Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi, District Valsad Gujarat – 396 195.
- 1.16. "**Rupees**" or "**Rs.**" or "**INR**" means the lawful currency of India.
- 1.17. "**Record Date**" shall mean in relation to demerger of Demerged Undertaking of AIL into APL, such date to be fixed by the Board of Directors of AIL or a Committee thereof, Compliance Officer of AIL/person duly authorized by the Board of Directors, after the Effective Date for the purpose of determining the members of AIL to whom shares of APL will be allotted pursuant to this Scheme in terms of Clause 13.1

- 1.18. "Scheme" or "the Scheme" or "this Scheme"** means this scheme of arrangement among AIL, APL and their respective shareholders pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Act, as the case may be, in its present form or with any modification(s) made under clause 17 of the Scheme by the Board of Directors of AIL and APL, and/ or as approved or directed by the Tribunal, as the case may be.
- 1.19. "SEBI"** means the Securities and Exchange Board of India.
- 1.20. "SEBI Circular"** means circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (as amended) on Schemes of Arrangement by Listed Entities and Relaxation under sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, as amended by the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 issued by SEBI or any other circulars issued by SEBI applicable to schemes of arrangement from time to time.
- 1.21. "Shareholders"** means the persons registered (whether registered owner of the shares or beneficial owner of the shares) as holders of equity shares of Company concerned.

2. INTERPRETATION

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning prescribed to them under the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Income-tax Act, 1961 and other Applicable Laws, rules, regulations, bye laws, as the case may be, including any statutory modification or re-enactment thereof from time to time.

In this Scheme, unless the context otherwise requires:

- (i) the words "including", "include" or "includes" shall be interpreted in a manner as though the words "without limitation" immediately followed the same;
- (ii) any document or agreement includes a reference to that document or agreement as varied, amended, supplemented, substituted, novated or assigned, from time to time, in accordance with the provisions of such a document or agreement;
- (iii) the words "other", "or otherwise" and "whatsoever" shall not be construed ejusdem generis or be construed as any limitation upon the generality of any preceding words or matters specifically referred to;
- (iv) the headings are inserted for ease of reference only and shall not affect the construction or interpretation of the relevant provisions of this Scheme;
- (v) the term "Clause" or "Sub-Clause" refers to the specified clause of this Scheme, as the case may be;
- (vi) reference to any legislation, statute, regulation, rule, notification or any other provision of law means and includes references to such legal provisions as amended, supplemented or re-enacted from time to time, and any reference to legislation or statute includes any subordinate legislation made from time to time under such a legislation or statute and regulations, rules, notifications or circulars issued under such a legislation or statute;
- (vii) Words in the singular shall include the plural and vice versa.

3. DATE OF COMING INTO EFFECT

The Scheme shall come into legal operation from the Appointed Date, though it shall be effective from the Effective Date.

4. SHARE CAPITAL:

4.1 The authorized, issued, subscribed and paid up capital of AIL as 30th June, 2021 is as follows:

| PARTICULARS | AMOUNT (Rs.) |
|--|---------------------|
| <u>AUTHORIZED CAPITAL</u> | |
| 60,00,00,000 Equity Shares of Rs. 5 /- each | 300,00,00,000 |
| <u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u> | |
| 36,25,04,035 Equity Shares of Rs. 5/- each fully paid up | 1,81,25,20,175 |

4.2 The authorized, issued, subscribed and paid up capital of APL as on 30th June , 2021 is as follows:

| PARTICULARS | AMOUNT (Rs.) |
|---|---------------------|
| <u>AUTHORIZED CAPITAL</u> | |
| 5,00,000 Equity Shares of Rs. 10/- each | 50,00,000 |
| <u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</u> | |
| 2,50,000 Equity Shares of Rs. 10/- each fully paid up | 25,00,000 |

The Entire Equity Share Capital of Resulting Company is held by the Demerged Company and its nominees. The Resulting Company is a wholly owned subsidiary of the Demerged Company.

SECTION A: DEMERGER OF DEMERGED UNDERTAKING**5. TRANSFER OF DEMERGED UNDERTAKING**

- 5.1** Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Demerged Undertaking shall, pursuant to the provisions contained in Sections 230 to 232 of the Act and other provisions of law for the time being in force and without any further act or deed, be demerged from AIL and be transferred to and vested in or be deemed to have been transferred to and vested in APL on the Appointed Date, on a going concern basis, so as to become as and from the Appointed Date, the undertaking of APL and to vest in the Resulting Company all the rights, title, interest or obligations of AIL therein.
- 5.2** It is hereby clarified that notwithstanding anything stated herein, the Demerged Company shall not transfer the Remaining Business (in whole or part) to the Resulting Company.
- 5.3** The Demerged Company and the Resulting Company, if required, shall enter into transitional arrangements and shall be deemed to be authorized to execute any such arrangements and to carry out or perform all such formalities or compliances as may be deemed proper and necessary for effecting the transfer and vesting of the properties of the Demerged Undertaking with the Resulting Company.
- 5.4** All assets (including fixed assets, intangible assets, current assets, cash and bank balances etc.) acquired by AIL after the Appointed Date and prior to the Effective Date for operation of the Demerged Undertaking or pertaining to the Demerged Undertaking shall be deemed to have been acquired for and on behalf of the Resulting Company.
- 5.5** In respect of such of the assets of the Demerged Undertaking as are movable in nature or are otherwise capable of transfer by manual delivery, by paying over or by endorsement and delivery, the same may be so delivered, paid over, or endorsed and delivered, by AIL and shall become the property of the Resulting Company as an integral part of the Demerged Undertaking transferred to it. Such delivery shall be made on a date mutually agreed upon between the Board of Directors of AIL and the Board of Directors (or a duly authorized committee) of the Resulting Company within thirty days from the Effective Date.
- 5.6** In respect of movables of the Demerged Undertaking other than those specified in Clause 5.5 above, which are to be transferred to APL, including sundry debtors, future receivables, outstanding loans and advances, if any, recoverable in cash or in kind or for value to be received, bank balances, deposits and balances, if any, with Government, Semi-Government, local and other authorities and bodies, customers and other persons, it shall not be necessary to obtain the consent of any third party or other person in order to give effect to the provisions of this sub-clause, and such transfer shall be effected by notice to the concerned persons, or in any manner as may be mutually agreed by AIL and APL.
- 5.7** In respect of such of the assets of the Demerged Undertaking other than those referred to in Clause 5.5 and 5.6 above, the same shall, as more particularly provided in Clause 5.1 above, without any further act, instrument or deed, be transferred to and vested in and/ or be deemed to be transferred to and vested in the Resulting Company on the Appointed Date pursuant to the provisions of Section 230 to 232 of the Act or other provisions of law as applicable.

- 5.8** For the avoidance of doubt and without prejudice to the generality of the foregoing, it is clarified that upon the coming into effect of this Scheme, in accordance with the provisions of relevant laws, consents, permissions, licenses, registrations, certificates, authorities (including for the operation of bank accounts), powers of attorneys given by, issued to or executed in favour of AIL and the rights and benefits under the same shall, in so far as they relate to the Demerged Undertaking and all certifications and approvals, trademarks, patents and domain names, copyrights, industrial designs, trade secrets, product registrations and other Intellectual Property Rights and all other interests relating to the Demerged Undertaking, be transferred to and vested in the Resulting Company.
- 5.9** In so far as the various incentives, subsidies (including applications for subsidies), grants, special status and other benefits or privileges granted by any Government body (including Government Production Linked Incentive Scheme for Pharmaceuticals), local authority or by any other person, enjoyed or availed of by AIL are concerned, the same shall, without any further act or deed, in so far as they relate to the Demerged Undertaking, vest with and be available to the Resulting Company on the same terms and conditions.
- 5.10** It is clarified that, upon the coming into effect of the Scheme, the following liabilities and obligations of AIL as on the Appointed Date and being a part of the Demerged Undertaking shall, without any further act or deed be and shall stand transferred to the Resulting Company, and all rights, powers, duties and obligations in relation thereto shall stand transferred to and vested in and shall be exercised by or against the Resulting Company as if it had entered into such loans or incurred such borrowings and the Resulting Company undertakes to meet, discharge and satisfy the same:
- (i) the liabilities which directly and specifically arose out of the activities or operations of the Demerged Undertaking,
 - (ii) specific loans or borrowings raised, incurred and utilized solely for the activities or operations of the Demerged Undertaking.
 - (iii) In cases other than those referred to in sub-clauses (i) and (ii) above, proportionate part of the general or multipurpose borrowings and liabilities of AIL allocable to the Demerged Undertaking in the same proportion in which the value of the assets of AIL transferred under this Scheme bears to the total value of the assets of AIL immediately before the demerger.
- 5.11** All loans raised and used and all liabilities and obligations incurred by AIL for the operations of the Demerged Undertaking after the Appointed Date and prior to the Effective Date shall be deemed to have been raised, used or incurred for and on behalf of the Resulting Company and to the extent they are outstanding on the Effective Date, shall also without any further act or deed be and stand transferred to the Resulting Company and shall become its liabilities and obligations.
- 5.12** Upon the coming into effect of this Scheme, the balances as on the Appointed Date, of general or multipurpose borrowings shall be transferred to and assumed by APL in the proportion provided in Clause 5.10 above. Thus, the primary obligation to redeem or repay such transferred liabilities shall be that of APL. However, without prejudice to such transfer of proportionate liability amount, where considered necessary for the sake of convenience and towards facilitating single point creditor discharge, APL may discharge such liability (including accretions thereto) by making payments on the respective due dates to AIL, which in turn shall make payments to the respective creditors.

- 5.13** Upon the coming into effect of this Scheme, in so far as the security in respect of the liabilities of AIL as on the Appointed Date is concerned, it is hereby clarified that AIL and the Resulting Company shall, subject to confirmation by the concerned creditor(s), mutually agree upon and arrange for such security as may be considered necessary to secure such liabilities.

Provided however, any reference in any security documents or arrangements (to which AIL is a party) to the assets of AIL offered or agreed to be offered as security for any financial assistance or obligations pertaining to the Demerged Undertaking, shall be construed as reference only to the assets pertaining to the Demerged Undertaking of AIL as are vested in the Resulting Company by virtue of the aforesaid Clauses, to the end and intent that such security, charge and mortgage shall not extend or be deemed to extend, to any of the other assets of AIL or any of the assets of the Resulting Company, save and except as may be otherwise agreed between AIL, the Resulting Company and the respective lender(s). It is further clarified that upon the coming into effect of this Scheme, in the event any security, charge and/ or mortgage is extended over the assets of AIL in respect of any financial assistance or obligations pertaining to the Demerged Undertaking vested in the Resulting Company, such security, charge and/ or mortgage shall be deemed to be carried out as an integral part of the scheme and all applicable compliances/ clearances/ permissions of regulatory authorities and no separate approvals shall be required.

Provided further that the securities, charges and mortgages (if any subsisting) over and in respect of the assets or any part thereof of the Resulting Company shall continue with respect to such assets or part thereof and this Scheme shall not operate to enlarge such securities, charges or mortgages to the end and intent that such securities, charges and mortgages shall not extend or be deemed to extend, to any of the assets of AIL vested in the Resulting Company.

Provided always that this Scheme shall not operate to enlarge the security for any loan, deposit or facility created by AIL which shall vest in the Resulting Company by virtue of the demerger of the Demerged Undertaking into the Resulting Company and the Resulting Company shall not be obliged to create any further or additional security thereof after the Scheme has become operative.

- 5.14** Upon the coming into effect of this Scheme, the borrowing limits of the Resulting Company in terms of section 180(1)(c) of the Act shall be deemed without any further act or deed to have been enhanced by the aggregate liabilities of AIL which are being transferred to the Resulting Company pursuant to the Scheme, such limits being incremental to the existing limits of the Resulting Company, with effect from the Appointed Date.
- 5.15** The provisions of this Clause insofar as they relate to the transfer of liabilities to the Resulting Company shall operate notwithstanding anything to the contrary contained in any deed or writing or the terms of sanction or issue or any security document, all of which instruments shall stand modified and/ or superseded by the foregoing provisions.
- 5.16** It shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, contingent liabilities, duties and obligations have arisen, in order to give effect to the provisions of this Clause.
- 5.17** It is hereby clarified that all assets and liabilities of the Demerged Undertaking shall be transferred at values appearing in the books of account of AIL as on the Appointed Date which

are set forth in the closing balance sheet of AIL as of the close of business hours on the date immediately preceding the Appointed Date.

5.18 All cheques and other negotiable instruments, payment order, electronic fund transfers (like NEFT, RTGS, etc.) received or presented for encashment which are in the name of AIL (in relation to Demerged Undertaking) after the Effective Date shall be accepted by the bankers of APL and credited to the account of APL, if presented by APL or received through electronic transfers. Similarly, the banker of APL shall honor all cheques / electronic fund transfer instructions issued by APL (in relation to Demerged Undertaking) for payment after the Effective Date. If required, the bankers of AIL and APL shall allow maintaining and operating of the bank accounts (including banking transactions carried out electronically) in the name of AIL by APL in relation to the Demerged Undertaking for such time as may be determined to be necessary by APL for presentation and deposition of cheques, pay order and electronic transfers that have been issued/made in the name of APL.

5.19 Benefits of any and all corporate approvals as may have already been taken by AIL in connection with the Demerged Undertaking, including approvals under Sections 42, 62(1A), 180, 185, 186 and 188 of the Act shall stand transferred to APL and the said corporate approvals and compliances shall be deemed to have been taken / complied with by APL.

6. LEGAL PROCEEDINGS

All legal or other proceedings of whatsoever nature by or against the Demerged Undertaking pending and/ or arising on or after the Appointed Date and relating to the Demerged Undertaking or its properties, assets, debts, liabilities, duties and obligations, shall be continued and/ or enforced until the Effective Date as desired by APL and as and from the Effective Date shall be continued and enforced by or against APL in the same manner and to the same extent as would or might have been continued and enforced by or against AIL. On and from the Effective Date, APL shall and may, if required, initiate any legal proceedings in its name in relation to the Demerged Undertaking in the same manner and to the same extent as would or might have been initiated by AIL.

7. CONTRACTS AND DEEDS

Subject to the other provisions of this Scheme, all contracts, deeds, bonds, agreements, insurance policies and other instruments, if any, of whatsoever nature to which AIL (to the extent related to the Demerged Undertaking) is a party and subsisting or having effect on the Effective Date shall be in full force and effect against or in favor of APL, as the case may be, and may be enforced by or against APL as fully and effectually as if, instead of AIL, APL had been a party thereto. APL may enter into and/ or issue and / or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which AIL will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or if so, considered necessary. APL shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of AIL and to implement or carry out all formalities required on the part of AIL to give effect to the provisions of this Scheme.

8. BUSINESS AND PROPERTY IN TRUST

As and from the Appointed Date, up to and including the Effective Date:

- (i) AIL (to the extent of the Demerged Undertaking), shall carry on and be deemed to have carried on its business and activities and shall stand possessed of all the assets and properties, in trust for Resulting Company and shall account for the same to Resulting Company.

- (ii) Income or profit accruing or arising to the Demerged Undertaking and all costs, charges, expenses and losses or taxes incurred by the Demerged Undertaking shall for all purposes be treated as the income, profits, costs, charges, expenses and losses or taxes, as the case may be, of Resulting Company and shall be available to the Resulting Company for being disposed of in any manner as it thinks fit.
- (iii) Post Effective Date, any business with customer or supplier of Demerged Undertaking till it is transferred, any such business carried with that customer/supplier will be done on behalf of Resulting Company till the requisite procedures to start business in name of the Resulting Company is completed.

9. CONDUCT OF BUSINESS

1. With effect from the date of approval of the Scheme by the Board of Directors of AIL, and up to the Effective Date:
 - (i) AIL (to the extent related to the Demerged Undertaking) shall carry on its business with reasonable diligence and in the same manner as it had been doing hitherto fore, and AIL shall not alter or substantially expand the business of the Demerged Undertaking, except with the written concurrence of Resulting Company.
 - (ii) AIL shall not, without the written concurrence of Resulting Company, transfer, alienate, charge or encumber any business activity of the Demerged Undertaking, or properties (including Intellectual Property), rights or assets of the Demerged Undertaking, except in the ordinary course of business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the Board of Directors of AIL.

It is further clarified that upon receipt of the written concurrence of the Resulting Company, AIL may transfer, alienate, charge or encumber any business activity of the Demerged Undertaking, or properties (including Intellectual Property), rights or assets of the Demerged Undertaking, for cash or any other consideration. Further, any such consideration received by AIL shall constitute a part of the Demerged Undertaking.

- (iii) AIL (to the extent of the Demerged Undertaking) shall not without the written concurrence of Resulting Company, vary or alter, except in the ordinary course of its business or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the Board of Directors of AIL, the terms and conditions of employment of any of its employees, nor shall it conclude settlement with employees.

10. SAVING OF CONCLUDED TRANSACTIONS

The transfer and vesting of the assets, liabilities and obligations of the Demerged Undertaking and the continuance of proceedings by or against APL shall not affect any transaction or proceedings already concluded by the Demerged Undertaking on or before the date when AIL adopts the Scheme in its Board meeting, and after the date of such adoption till the Effective Date, to the end and intent that APL accepts and adopts all acts, deeds and things done and executed by the Demerged Undertaking in respect thereto as done and executed on behalf of itself.

11. STAFF AND EMPLOYEES

- 11.1.** Upon the Scheme coming into effect, all staff and employees of the Demerged Undertaking shall be deemed to have become staff and employees of APL without any break in their service and on the basis of continuity of service and the terms and conditions of their employment with APL shall not be less favorable than those applicable to them with reference to AIL on the Effective Date.

- 11.2.** Upon the Scheme coming into effect, the accounts of the employees of the Demerged Undertaking relating to Provident Fund, Gratuity and any other trusts/ funds shall be identified, determined and transferred to the respective funds/ trusts of APL and the employees shall be deemed to have become members of such funds/ trusts of APL. AIL shall take all steps necessary for the transfer of the Provident Fund, Gratuity trust and any other fund of employees, pursuant to the Scheme, to APL. The obligation to make contributions to the said fund or funds shall be transferred to the Resulting Company from the Effective Date in accordance with the terms provided in the respective trust deeds, if any, to the end and intent that all rights, duties, powers and obligations of AIL (to the extent related to the Demerged Undertaking) in relation to such fund or funds shall become those of APL and all the rights, duties and benefits of the employees employed in AIL (to the extent related to the Demerged Undertaking) under such funds and trusts shall be protected, subject to the provisions of law for the time being in force.

Upon the Scheme coming into effect, until such time that the Resulting Company creates its own funds, the Resulting Company may continue to make contributions pertaining to the employees of the Demerged Undertaking to the relevant funds of the Demerged Company and such contributions pertaining to the employees of the Demerged Undertaking shall be transferred by AIL to the funds of the Resulting Company as and when created. AIL shall take all steps necessary for the transfer of the Provident Fund, Gratuity trust and any other fund of employees, pursuant to the Scheme, to the Resulting Company.

12. TREATMENT OF TAX

- 12.1.** APL will be the successor of AIL vis-à-vis the Demerged Undertaking. Hence, it will be deemed that the benefits of any tax credits whether central, state, or local, availed vis-a-vis the Demerged Undertaking and the obligations, if any, for payment of taxes on any assets of the Demerged Undertaking or their erection and/or installation, etc. shall be deemed to have been availed by APL, or be deemed to be the obligation of APL, as the case may be.
- 12.2.** With effect from the Appointed Date and upon the Scheme becoming effective, all taxes, duties, cess, receivables/payables by AIL relating to the Demerged Undertaking including all or any refunds/credits/claims/tax losses/unabsorbed depreciation relating thereto shall be treated as the asset/liability or refund/credit/claims/tax losses/unabsorbed depreciation, as the case may be, of APL.
- 12.3.** AIL and APL are expressly permitted to revise their tax returns including tax deducted at source ('TDS') certificates/ returns and to claim refund, advance tax, credits, Goods and Service Tax ("GST"), excise and GST credits, set off etc. on the basis of the accounts of the Demerged Undertaking as vested with APL upon coming into effect of this Scheme. Such returns may be revised and filed notwithstanding that the statutory period for such revision and filing may have expired.
- 12.4.** Any refund, under the income tax, GST, service tax laws, excise duty laws, central sales tax, applicable State Value Added Tax laws or other Applicable Law, dealing with taxes/ duties/ levies due to Demerged Undertaking of AIL consequent to the assessment made on AIL and for which no credit is taken in the accounts as on the date immediately preceding the Appointed Date shall also belong to and be received by APL upon this Scheme becoming effective.
- 12.5.** The tax payments (including, without limitation income tax, GST, service tax, excise duty, central sales tax, applicable state value added tax, etc.) whether by way of TDS, advance tax, all earnest monies,

security deposits, provisional payments, payment under protest, or otherwise howsoever, by AIL with respect to the Demerged Undertaking after the Appointed Date, shall be deemed to be paid by APL and shall, in all proceedings, be dealt with accordingly.

- 12.6.** Further, any TDS by AIL / APL with respect to Demerged Undertaking on transactions with AIL / APL, if any (from Appointed Date to Effective Date) shall be deemed to be advance tax paid by APL and shall, in all proceedings, be dealt with accordingly.
- 12.7.** Obligation for deduction of tax at source on any payment made by or to be made by AIL shall be made or deemed to have been made and duly complied with by APL.
- 12.8.** Any actions taken by AIL to comply with Tax Laws (including payment of Taxes, maintenance of records, payments, returns, Tax filings, etc.) in respect of the Demerged Undertaking on and from the Appointed Date up to the Effective Date shall be considered as adequate compliance by the AIL with such requirements under Tax Laws and such actions shall be deemed to constitute adequate compliance by APL with the relevant obligations under such Tax Laws.
- 12.9.** Upon the Scheme becoming effective, all unavailed credits and exemptions, benefit of carried forward losses, unabsorbed depreciation and other statutory benefits, including in respect of income tax, goods and service tax, cenvat, customs, applicable state value added tax, sales tax, service tax etc. relating to the Demerged Undertaking to which AIL is entitled to shall be available to and vest in APL, without any further act or deed.
- 12.10.** The Board of Directors of AIL shall be empowered to determine if any specific tax liability or any tax proceeding relates to the Demerged Undertaking and whether the same would be transferred to APL.

SECTION B: ISSUE OF SHARES / REORGANISATION OF SHARE CAPITAL

13. ISSUE OF SHARES

- 13.1.** Upon the coming into effect of this Scheme and in consideration of the demerger of the Demerged Undertaking in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed and without any further payment, issue and allot on a proportionate basis to each member of AIL, whose name is recorded in the register of members of AIL as holding shares on the Record Date, in the ratio of 1 (One) Equity Share of Rs 5 each fully paid up of APL for every 4 (Four) Equity shares of Rs. 5 each fully paid up held in AIL.
- 13.2.** Cancellation of shares of the Resulting Company:
- Simultaneous with the issuance and allotment of the equity shares by the Resulting Company in accordance with the Clause 13.1 above, the initial issued and paid up equity share capital of the Resulting Company, comprising of 2,50,000 shares of Rs. 10/- each, aggregating to Rs. 25,00,000/- shall be cancelled.
- 13.3.** The Share Entitlement ratio have been determined by the Boards of Directors of the Demerged Company and the Resulting Company based on the Share Entitlement Ratio report provided by independent registered valuer as per the terms of the present proposed Scheme.
- 13.4.** The issue and allotment of New Equity Shares by Resulting Company to the members of Demerged Company pursuant to Clause 13.1 above is an integral part of this Scheme.
- 13.5.** The approval of this Scheme by the shareholders of APL shall be deemed to be due compliance of the provisions of Section 62 of the Act and applicable provisions of the Act, for the issue and allotment of new equity shares by APL to the shareholders of AIL, as provided in this Scheme as well as all applicable SEBI regulations have been complied with.
- 13.6.** The new Equity Shares to be issued and allotted in terms hereof will be subject to the Memorandum and Articles of Association of the Resulting Company.
- 13.7.** The approval of this Scheme by the shareholders under Sections 230 to 232 of the Act shall be deemed to have the approval under Sections 13 and 14 of Companies Act, 2013 and other applicable provisions of the Act and any other consents and approvals required in this regard.
- 13.8.** Subject to regulatory approval and NCLT approval, in the event that AIL, as the case may be, change their capital structures prior to the Effective Date, either by way of any increase (by issue of Equity Shares, bonus shares, convertible securities or otherwise), decrease, reduction, reclassification, subdivision, consolidation, or re-organisation in any other manner except as specifically provided in this Scheme itself, which would have the effect of bringing some change to the capital structures of such Company, subject to the approval of AIL, the Share Entitlement Ratio and / or number consideration shares to be issued (as applicable) shall stand modified / adjusted accordingly to take into account the effect of such corporate actions. Further APL, will not issue or re-issue any shares other than mentioned in clause 13.1.
- 13.9.** Subject to Applicable Laws, the fully paid-up new Equity Shares of APL that are to be issued in terms of Clause 13.1 shall be issued in dematerialised form, unless a shareholder of AIL gives a notice to AIL and APL on or before the Record Date, requesting for issuance of such Equity Shares in physical form.

The shareholders of AIL shall provide such confirmation, information and details as may be required by APL to enable it to issue the aforementioned Equity Shares. However, if as of the date of allotment by APL, AIL is unable to provide the details of the demat account of any particular shareholder, subject to applicable law, APL shall allot the appropriate number of new Shares to such shareholder in physical form. Notwithstanding the above, if as per Applicable Laws, APL is not permitted to issue and allot the new Equity Shares in physical form, and it has still not received the demat account details of certain shareholders of AIL, it shall issue and allot such shares in lieu of the new Equity Shares entitlement of such shareholders, into a demat suspense account, which shall be operated by one of the directors of APL, duly authorised in this regard, who shall upon receipt of appropriate evidence from such shareholders regarding their entitlement, will transfer from such demat suspense account into the individual demat accounts of such claimant shareholders, such number of shares as may be required in terms of this Scheme.

13.10. New Equity Shares to be issued by APL pursuant to Clause 13.1 in respect of Equity Shares of the shareholders of AIL which are held in abeyance shall also be kept in abeyance.

13.11. In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of AIL, the Board of Directors of AIL shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in AIL as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor / transferee of the shares in AIL and in relation to the new Equity Shares issued by APL upon the effectiveness of this Scheme. The Board of Directors of AIL and APL shall be empowered to remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in APL on account of difficulties faced in the transition period.

13.12. If the allotment of shares pursuant to this Clause 13.1 will result in any shareholders being issued fractional shares, the Board of APL shall, at its absolute discretion, decide to take any or a combination of the following actions:

- (a) consolidate all such fractional entitlements and thereupon allot equity shares -in lieu thereof to a person/ trustee authorized by the Board of APL in this behalf who shall hold the shares in trust on behalf of the shareholders of APL entitled to fractional entitlements with the express understanding that such person shall sell the shares of APL so allotted on the Stock Exchanges at such time or times and at such price or prices and to such person, as such person/trustee deems fit, and shall distribute the net sale proceeds, subject to tax deductions and other expenses been carrying as applicable, to the shareholders of AIL in proportion to their respective fractional entitlements. In case the number of such new shares to be allotted to a person authorized by the Board of APL by virtue of consolidation of fractional entitlement is a fraction, it shall stand cancelled.
- (b) deal with such fractional entitlements in such other manner as they may deem to be in the best interests of the shareholders of the AIL.

13.13. APL shall apply to all the Stock Exchanges (where the shares of AIL are listed) and SEBI for listing and admission of all the Equity Shares of APL to trading in terms of SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 read with other Applicable Laws (as amended from time to time). APL shall enter into such arrangements, complete such formalities and give such confirmations and/or undertakings to the Stock Exchanges as may be necessary in accordance with the Applicable Laws for the listing of Equity Shares of APL.

- 13.14.** The new Equity Shares of APL issued and allotted pursuant to the Scheme shall remain frozen in the depository system until listing/trading permission is given by the Stock Exchanges to APL.

14. ACCOUNTING TREATMENT

Upon the Scheme becoming effective and with effect from the Appointed Date, AIL shall account for demerger in its books of accounts in accordance with the Indian Accounting Standards (Ind AS), as notified under Section 133 of the Companies Act 2013, in the following manner:

- 14.1** AIL shall reduce the book value of assets (net of diminution/depreciation, if any) and liabilities relating to the Demerged Undertaking, transferred to APL in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.
- 14.2** The excess of book value of the assets transferred (net of diminution/depreciation, if any) over the book value of the liabilities of the Demerged Undertaking to APL shall be adjusted first to Securities Premium Account & General Reserve Account in the ratio of Values of Business transfer and thereafter balance, if any, to Retained earnings/profit and loss account balance of AIL.
- 14.3** AIL shall reduce & transfer Contingent Liability, if any, pertaining to the Demerged Undertaking to APL.
- 14.4** AIL shall reduce & transfer Other Comprehensive Income created as per IND AS related to Assets & Liability transferred of Demerged Undertaking under the Scheme of Demerger.
- 14.5** The approval granted by the shareholders of AIL to this Scheme shall be deemed to be approval required under the provisions of the Act.
- 14.6** Pursuant to Scheme becoming effective, AIL's Investment in Resulting Company will stand cancelled & Resulting Company will cease to be 100% subsidiary of AIL.
- 14.7** Notwithstanding the above, the Board of Directors of AIL, in consultation with its statutory auditors, is authorised to account any of the balances in any other manner, if such accounting treatment is considered more appropriate and is authorised by the Accounting Standards applicable to the Company and/or Generally Accepted Accounting Principles.

Accounting treatment in the books of APL

On the Scheme becoming effective and with effect from the Appointed Date, APL shall account for demerger in its books of accounts in accordance with the accounting standards prescribed under Section 133 of the Act in the following manner:

- 14.8** APL shall record the assets and liabilities (the difference between the assets and liabilities hereinafter being referred to as the "Net Assets") vested in it pursuant to this Scheme, at the respective book values thereof, as appearing in the books of accounts of AIL, relating to Demerged Undertaking at the close of business of the day immediately preceding the Appointed Date in accordance with the provisions of Section 2(19AA) of the Income Tax Act,

1961.

- 14.9** APL shall credit to its Equity share capital in its books of account, the aggregate of face value of the new Equity Shares issued by it to the members of AIL pursuant to clause 13.1 and reduce its Share Capital Account which are reduced and cancelled in terms of Clause 13.2.
- 14.10** The excess of the Net Assets as per Clause 14.8 over the face value of the new Securities allotted in accordance with the Scheme under Clause 14.9, shall be credited to same reserves as debited in the books of AIL with adjustment for balance, if any, to Profit and Loss Account/Retained Earnings.
- 14.11** APL shall disclose Contingent Liability, if any, transferred under the scheme of arrangement, in its first Financial Statement prepared on the Scheme becoming effective and with effect from the Appointed Date.
- 14.12** APL shall record Other Comprehensive Income transfer, if any, transferred under the Scheme of Arrangement, in its first financial statement prepared on the Scheme becoming effective and with effect from the Appointed Date.
- 14.13** In case APL is required to follow accounting policies that are different from that of AIL for any regulatory reasons, the effect of the difference in the accounting policies between AIL and APL will be quantified and adjusted in the opening reserve (other than the securities premium account), to ensure that the financial statements of APL reflect the financial position on the basis of consistent accounting policy.
- 14.14** Notwithstanding the above, the Board of Directors of APL is authorised to account for any of these balances in any manner whatsoever, as may be deemed fit, in accordance with the accounting standards specified under Section 133 of the Act read with the rules made thereunder including but not limited to Indian Accounting Standards (Ind-AS) 103 'Business Combination' and Generally Accepted Accounting Principles.

SECTION-C OTHER PROVISIONS

GENERAL TERMS & CONDITIONS

15. APPOINTED DATE

The Appointed Date shall be 1st July 2021 for all purposes, including for the purposes of accounts of AIL and APL.

16. APPLICATION TO TRIBUNAL

The Companies shall, with all reasonable dispatch, make necessary applications/petitions under Sections 230 to 232 of the Act and other applicable provisions of the Act to the Jurisdictional Tribunal for seeking sanction of this Scheme.

17. ALTERATION OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF APL

Increase in authorized Share Capital of APL

- 17.1** As an integral part of Scheme, and, upon coming into effect of the Scheme, the existing authorized share capital of the APL will be reorganized as 10,00,000 Equity Shares of Rs. 5/- each and further for the purpose of issue of shares as per Clause 13.1, as on the Effective Date such that upon the effectiveness of the Scheme, the authorised share capital of APL shall be Rs. 50,00,00,000 (Rupees Fifty Crores) divided into 10,00,00,000 equity shares of Rs. 5/- (Rupees Five only) each. Clause V of the Memorandum of Association of APL shall be altered as set out below, upon coming into effect of the Scheme and without any further act or deed:
- 17.2** "Clause V. The Share Capital of the Company is Rs. 50,00,00,000 divided into 10,00,00,000 Equity Shares of Rs. 5 (five) each "
- 17.3** As an integral part of the Scheme, and upon coming into effect of the Scheme, the Articles of Association of APL shall stand amended and reinstated to replicate the Articles of a listed Company and in such form as the Board of APL may determine.
- 17.4** Approval of the Scheme by shareholders shall be in due compliance of provisions of Sections 13, 14, 61, 64 of the Companies Act, 2013 or other applicable provisions of the Companies Act, 2013 would not be required to be separately passed. The Resulting Company shall only file the requisite forms to that effect.
- 17.5** The Resulting Company shall pay requisite stamp duty and ROC fees on such increase in Capital.

18. MODIFICATION OR AMENDMENTS TO THE SCHEME

- 18.1.** Subject to approval of NCLT, the shareholders of AIL and APL, empowers their respective Boards of Directors or by a person authorized by the Board of Directors of the Companies, may assent to/make and/or consent to any modifications/amendments of any kind to the Scheme or to any conditions or limitations that the Tribunal, as the case may be, as applicable and/or any other authority under law may deem fit to direct or impose, or which may otherwise be considered necessary, desirable or appropriate as a result of subsequent events, and the Companies by their Board of Directors are hereby authorized to take such steps and do all such acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and resolve any doubts, difficulties or questions whether by reason of any orders of the NCLT or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith including change in capital structure. For sake of clarity, there shall be no change in the shareholding pattern or control in APL between the record date and the listing date.

- 18.2.** If any provision of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the respective Boards of Directors of AIL and APL, affect the adoption or validity or interpretation of the other parts and/or provisions of this Scheme.

19. CONDITIONALITY OF THE SCHEME

This Scheme is and shall be conditional upon and subject to:

- 19.1.** The requisite consents, no-objections and approvals of the Stock Exchanges and SEBI to the Scheme in terms of the SEBI Circular, on terms acceptable to AIL and APL.
- 19.2.** The approval of the Scheme by the respective requisite majorities in number and value of the shareholders / Creditors as the case may be of the Companies in accordance with Sections 230 to 232 of the Act;
- 19.3.** The Scheme being sanctioned by the Tribunal in terms of Sections 230 to 232 and other relevant provisions of the Act and the requisite orders of the Tribunal; and
- 19.4.** Certified copies of the Orders of the Tribunal sanctioning this Scheme being filed with the relevant Registrar of Companies by AIL and APL as per the provisions of the Act.

20. EFFECT OF NON-RECEIPT OF APPROVALS/SANCTIONS

- 20.1.** In the event any of the said sanctions and approvals referred to in clause 19 are not obtained, and/or complied with, and/or satisfied, and/ or for any other reasons, this Scheme cannot be implemented, then the Board of Directors of Demerged Company and the Resulting Company shall mutually waive off such conditions as they may consider appropriate to give effect as far as possible to this Scheme and failing such mutual agreement this Scheme shall stand revoked, cancelled and be of no effect, save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any rights and/ or liabilities which might have arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law.
- 20.2.** In the event of revocation under clause 20.1, no rights and liabilities whatsoever shall accrue to or be incurred inter se to AIL and APL or their respective shareholders or creditors or employees or any other person save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or in accordance with Applicable Law and in such case, each company shall bear its own costs unless otherwise mutually agreed.
- 20.3.** If any part of the Scheme is found to be infeasible or unworkable for any reason whatsoever, such infeasible or unworkable portion of the Scheme shall not affect the validity or implementation of the other parts and /or provisions of the Scheme.
- 20.4.** The Board of Directors of AIL and APL shall be entitled to withdraw this Scheme prior to the Effective Date for any reason(s) including, but not limited to, in case any condition or alteration imposed by Tribunal or any other authority is not on terms acceptable to them.

21. WHEN THE SCHEME COMES INTO OPERATION

- 21.1.** It is clarified that the Scheme shall come into operation from the Appointed Date and shall become

effective on and from the Effective Date in terms of the Scheme.

- 21.2.** AIL and APL shall carry on and shall be authorized to carry on, with effect from the Effective Date, the business pertaining to AIL and APL respectively. AIL and APL is and shall always be deemed to have been authorized to execute any pleadings, applications, forms as may be required to remove any difficulties and carry out any formalities or compliance as are necessary for the implementation of the Scheme.
- 21.3.** AIL and APL shall be entitled to, amongst others, file / or revise its income tax returns, TDS/TCS returns, excise duty returns, GST returns, entry tax, cess, professional tax or any other statutory returns, if required, credit for advance tax paid, tax deducted at source, claim for sum prescribed under section 43B of the Income Tax Act on payment basis, claim for deduction of provisions written back by AIL and APL previously disallowed in the hands of AIL and APL (relating to the Demerged Undertaking) respectively under the Income Tax Act, credit of foreign taxes paid / withheld, if any, pertaining to AIL and APL (relating to the Demerged Undertaking) as may be required consequent to implementation of this Scheme and where necessary to give effect to this Scheme, even if the prescribed time limits for filing or revising such returns have lapsed without incurring any liability on account of interest, penalty or any other sum.

22. DIVIDENDS

- 22.1.** AIL and APL shall be entitled to declare and pay dividends, whether interim or final, to their respective shareholders in respect of the accounting period after the Appointed Date and prior to the Effective Date.
- 22.2.** The holders of the shares of AIL and APL shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing rights under their respective Articles of Association including the right to receive dividends.
- 22.3.** It is clarified that the aforesaid provisions in respect of declaration of dividends are enabling provisions only and shall not be deemed to confer any right on any member of AIL and/or APL to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the respective Boards of Directors of AIL and APL and subject to the approval of the shareholders of AIL and APL respectively.

23. COSTS, CHARGES AND EXPENSES

All past, present and future costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed) of AIL and APL, arising out of or incurred in connection with and implementing this Scheme and matters incidental thereto, shall be borne by AIL and such expenses shall be entitled to be a mortised in terms of Applicable Laws.

24. BINDING EFFECT

Upon this Scheme becoming effective it shall be binding on AIL and APL and, their respective shareholders and all other stakeholders.

ANNEXURE A

Part I LIST OF INVESTMENTS

| Name of the Company | Number of Units/Shares (all fully paid up) as on June 30, 2021 | % of Shareholdings or profit sharing of AIL | Investment at FpMV as at June 30, 2021 |
|---|--|---|--|
| <u>Investments - (Unquoted) in Equity Shares of Subsidiary Companies</u> | | | |
| Aarti USA Inc. | 1,00,00,000 | 100% | 65,76,000 |
| Aarti Pharmachem Limited | 50,000 | 100% | 25,00,000 |
| <u>Investments - (Unquoted) in Equity Shares of Joint Control/Associates Companies</u> | | | |
| Ganesh Polychem Limited | 30,98,257 | 50% | 12,60,85,944 |
| <u>Investments - (Unquoted) in Equity Shares of Other Companies</u> | | | |
| Dilesh Roadlines Private Limited | 4,64,550 | 5.81% | 3,25,18,500 |
| Aarti Ventures Limited | 9,17,000 | 40.3% | 7,39,52,285 |
| Tarapur Environment Protection Society | 21,751 | N.A. | 61,97,200 |
| Derma Touch Inc. | 1,25,000 | Applied | 4,25,51,938 |
| <u>Investments - (Unquoted) in Limited Liability Partnership</u> | | | |
| Aarti Udyog Limited Liability Partnership | NA | N.A | 3,67,32,754 |
| TOTAL | | | 32,71,14,621 |

Part II - LIST OF IMMOVABLE PROPERTIES

| | Location | Address |
|----|--|---|
| 1 | Pharma - Dombivali API Unit | D53, D55, D56 (Part), D57, D59 & D60, Dombivali MIDC, Dombivali East, Thane, Maharashtra. |
| 2 | Pharma - RND, Dombivali, Maharashtra | D-54, 56(Part), Dombivali MIDC, Dombivali East, Thane, Maharashtra. |
| 3 | Pharma - Tarapur Unit 3 | K 17/18/19, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 4 | Pharma - Tarapur Unit 3 Godown | K 65, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 5 | Pharma - Tarapur Unit 3 - Utility Plot | K 14, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 6 | Pharma - Tarapur Unit 4 | E 50, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 7 | Pharma - Tarapur Unit 4 - New Plot | E 59/1, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 8 | Tarapur MIDC, K67 Plot | K 67, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 9 | Pharma - Steam Generating Unit | L10, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 10 | Tarapur Spack Division | D18, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |
| 11 | Pharma - Custom Synthesis Division | Plot No. 22/C/1 & 22/C/2, GIDC Estate, Vapi - 396 195, District Valsad, Gujarat |
| 12 | Pharma - RND, Gujarat | Plot No. 22c/1, GIDC Estate, Vapi - 396 195, Gujarat |
| 13 | Pharma - New Atali Site | R.S.No. 39 To 49 PCPIR Notified Industrial Area, Village – Atali, Tal-Vagra, Dist – Bharuch, Gujarat - 392130 |
| 14 | Mumbai Office - Maharashtra | Unit - 6, 126, 127 & 201, Udyog Kshetra, Mulund Goregaon Link Road, Mulund west, Mumbai - 400080, Maharashtra |
| 15 | Tarapur 5 – Lease Hold Plot | L-28/29, MIDC, Tarapur, Boisar, District - Palghar, Maharashtra |

Annexure 3

SSPA & CO.*Chartered Accountants*

1st Floor, "Arjun", Plot No. 6 A,
V. P. Road, Andheri (W),
Mumbai - 400 058. INDIA.

Tel. : 91 (22) 2670 4376

91 (22) 2670 3682

Fax : 91 (22) 2670 3916

Website : www.sspa.in

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Annexure A

August 19, 2021

The Board of Directors
Aarti Industries Limited
Plot Nos. 801, 801/23,
GIDC Estate, Phase III,
Vapi – 396 195,
Gujarat

The Board of Directors,
Aarti Pharmalabs Limited
Plot Nos.22/C/1 & 22/C/2,
GIDC Estate, Phase I,
District Valsad, Vapi – 396 195,
Gujarat

Dear Sir(s) / Madam(s),

Re: Fair equity share entitlement ratio for the proposed demerger of Pharma Business of Aarti Industries Limited into Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited)

We refer to our engagement letter dated August 05, 2021 whereby SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'We' or 'Our' or 'Us'), have been appointed by Aarti Industries Limited (hereinafter referred to as 'AIL' or 'Demerged Company') and Aarti Organics Limited name changed to Aarti Pharmalabs Limited to issue a report opining on the fair equity share entitlement ratio for the proposed demerger of 'Pharma Business' (hereinafter referred to as the 'Pharma Division' or the 'Demerged Undertaking') of AIL into Aarti Pharmalabs Limited (hereinafter referred to as 'APL' or 'Resulting Company').

AIL and APL are hereinafter collectively referred to as the 'Companies'.

1 SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been informed by the management of AIL and APL (hereinafter referred to as the 'Management') that they are considering a proposal of demerger of 'Demerged Undertaking' of AIL into APL pursuant to a scheme of arrangement under sections 230 to 232 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as the 'Scheme').

Subject to necessary approvals, the Demerged Undertaking of AIL would be demerged into APL, with effect from appointed date of July 1, 2021 ('Appointed Date').



The proposed transaction is hereinafter referred to as the 'Proposed Demerger'.

- 1.2 Pursuant to the Scheme, as a consideration for the Proposed Demerger, APL will allot its equity shares of face value of INR 5 each fully paid up to the equity shareholders of AIL. As part of the Scheme, the existing equity shares of APL as held by AIL will be cancelled on demerger coming into effect.
- 1.3 In this regard, we have been requested to issue a report opining on the fair equity share entitlement ratio as recommended by the Management for the Proposed Demerger.

2 BACKGROUND

2.1 AARTI INDUSTRIES LIMITED

- 2.1.1 AIL is a leading Indian manufacturer of speciality chemicals and pharmaceuticals with a global footprint. AIL combines process chemistry competence (recipe focus) with a scale-up engineering competence (asset utilization) for creating a sustainable future.

Over the last decade, AIL has transformed from an Indian company servicing global markets to a global entity with state-of-the-art manufacturing facilities in India. AIL manufactures chemicals used in the downstream manufacturing of pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments and dyes.

The equity shares of AIL are listed on BSE Limited and The National Stock Exchange of India Limited.

- 2.1.2 Post March 31, 2021, AIL has issued bonus equity shares in the ratio of 1:1 in June 2021. Further AIL has completed Qualified Institutional Placement (QIP) in June 2021, whereby AIL has issued 1,40,35,087 equity shares at a price of INR 855 per share totalling to INR 1,200 crores.

The post issue of bonus equity shares and QIP the shareholding pattern of AIL as on June 30, 2021 is as follows:

| Category of Shareholders | No. of shares * | % of holding |
|--------------------------|---------------------|----------------|
| Promoters | 16,27,74,644 | 44.90% |
| Public | 19,97,29,391 | 55.10% |
| Total | 36,25,04,035 | 100.00% |

* Face value INR 5 each

- 2.1.3 AIL earned consolidated revenue from operations for FY 2020-21 of INR 5,023.28 crores and paid-up equity capital as on June 30, 2021 is INR 181.25 crores comprising of 36,25,04,035 equity shares of INR 5 each.



SSPA & CO.
Chartered Accountants

2.2 PHARMA DIVISION OF AIL

- 2.2.1 Pharma Division of AIL is divided into three verticals i.e. a) manufacture of active pharmaceutical intermediates ("APIs") b) manufacture of intermediaries and c) manufacture of xanthine derivatives.
- 2.2.2 The Pharma Division of the Demerged Company is having four APIs, manufacturing plants, two of which are approved by the United States Food and Drug Administration ("USFDA") and two of which are WHO/GMP certified. Additionally, the Demerged Undertaking has two dedicated research and development facilities for pharmaceuticals API.
- 2.2.3 After the effectiveness of the Scheme, the share capital of APL consisting of the fully paid-up new equity shares of APL issued as consideration in terms of this Proposed Scheme to the shareholders of AIL shall be listed on the Stock Exchanges in accordance with the provisions of SEBI Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017, as amended from time to time.

2.3 AARTI PHARMALABS LIMITED

- 2.3.1 Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited), an unlisted public limited company incorporated on November 22, 2019 which is a wholly owned subsidiary of AIL. APL is incorporated with an aim to engage in the business of manufacturing and trading of pharmaceuticals and allied products.
- 2.3.2 As part of the Scheme, the authorised equity share capital of APL comprising of 5,00,000 equity shares of face value INR 10 each would be reorganised to 10,00,000 equity shares of face value INR 5 each.

3 REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS

SSPA is a partnership firm, located at 1st Floor, Arjun Building, Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4 SOURCES OF INFORMATION

- 4.1 For the purpose of this exercise, we have relied upon the following sources of information



received from the Management and information available in the public domain:

- (a) Audited financial results of AIL for the quarter ended June 30, 2021.
- (b) Audited balance sheet as on June 30, 2021 of APL and statement of profit and loss of APL for the quarter ended June 30, 2021.
- (c) Management certified balance sheet of the Pharma Division of AIL as on June 30, 2021.
- (d) Shareholding pattern of AIL and APL as on June 30, 2021.
- (e) Draft Scheme of Arrangement.
- (f) Such other information and explanations as we required and which have been provided by the Management, including Management Representation.

5 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

5.1 Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report containing recommendation of fair equity share entitlement ratio for the Proposed Demerger is in accordance with ICAI VS 2018 issued by The Institute of Chartered Accountants of India.

5.2 This report has been prepared for the Board of Directors of the Companies solely for the purpose of recommending the fair equity share entitlement ratio for the Proposed Demerger.

5.3 The report assumes that the Companies/Demerger Undertaking of AIL complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies/Demerger Undertaking of AIL will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with any laws and litigations.

The draft of the present report was circulated to the Management (excluding the recommendation of fair equity share entitlement ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.

5.4 For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / auditors / consultants, is that of the Companies. Also, with respect to



SSPA & CO.
Chartered Accountants

explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material information about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our analysis/conclusions.

- 5.5 Our work does not constitute an audit, due diligence or certification of these information referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.6 This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies / Demerged Undertaking and any other matter, which may have an impact on the report including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerged Undertaking. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 5.7 We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.8 Our report is not, nor should it be construed as we are opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Demerger.
- 5.9 Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Companies / Demerged Undertaking shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 5.10 The decision to carry out the Proposed Demerger (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a



recommendation as to whether or not the parties should carry out the Proposed Demerger.

- 5.11 Our report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to National Company Law Tribunal/regulatory/statutory authority for obtaining requisite approvals. The report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.12 SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. We owe responsibility to the Companies that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

6 BASIS FOR DETERMINATION OF EQUITY SHARE ENTITLEMENT RATIO

- 6.1 As mentioned in Para 1.2 above, in consideration for the Proposed Demerger, APL would issue equity shares to the equity shareholders of AIL.
- 6.2 Accordingly, the Management has recommended the following equity share entitlement ratio in consideration for the Proposed Demerger i.e. demerger of Demerged Undertaking of AIL into APL:
- 1 (One) equity share of INR 5 each fully paid up of APL for every 4 (Four) equity shares of INR 5 each fully paid up held in AIL**
- 6.3 We understand from the Management that for the Proposed Demerger, the equity share entitlement ratio is decided based on the Management's desired capital structure of APL.

7 CONCLUSION

- 7.1 Based on our review, information made available to us and discussions with the Management, in our opinion, the aforementioned share entitlement ratio in consideration for the Proposed Demerger of Demerged Undertaking of AIL into APL is reasonable.



- 7.2 We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of AIL are and will, upon Proposed Demerger, be the ultimate beneficial owners of APL in the same ratio (inter se) as they hold shares in AIL.
- 7.3 As mentioned above, post the Proposed Demerger all the shareholders of AIL are and will be the ultimate beneficial owners of APL in the same ratio (inter se) as they hold equity shares in AIL. Therefore, no relative valuation of Demerged Undertaking and of APL is required to be undertaken for the Proposed Demerger. Accordingly, valuation approaches as indicated in the format (as shown below) as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

| Valuation Approach | Demerged Undertaking of AIL | | APL | |
|---------------------------------|-----------------------------|--------|-----------------------|--------|
| | Value per share (INR) | Weight | Value per share (INR) | Weight |
| Asset Approach | NA | NA | NA | NA |
| Income Approach | NA | NA | NA | NA |
| Market Approach | NA | NA | NA | NA |
| Relative value per share | NA | | NA | |

NA = Not Adopted / Not Applicable

Thank you,
Yours faithfully,

For SSPA & Co.
Chartered Accountants
ICAI Firm Registration Number: 128851W
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

S.A. Shah

Sujal Shah
Partner

ICAI Membership Number: 045816
Registered Valuer No.: IBBI/RV/06/2018/10140
UDIN: 21045816AAAAAZ8363



Place: Mumbai



STRICTLY PRIVATE AND CONFIDENTIAL

August 19, 2021

To,
The Board of Directors,
Aarti Industries Limited,
 Plot Nos. 801, 801/23,
 GIDC Estate, Phase III,
 Vapi – 396 195,
 Gujarat

Dear Sirs/ Madams,

Sub: Fairness Opinion on Share Entitlement Ratio for the demerger of the Pharma Business of Aarti Industries Limited into Aarti Pharmed Labs Limited (formerly known as Aarti Organics Limited) recommended by the Valuer pursuant to the Proposed Scheme

We refer to the engagement letter dated April 28, 2021 ("**Engagement Letter**") whereby Aarti Industries Limited ("**Demerged Company**" or "**AIL**") has engaged Inga Ventures Private Limited ("**Inga**"), to provide a fairness opinion to them on the Share Entitlement Ratio recommended by the report dated August 19, 2021 ("**Share Entitlement Ratio Report**") issued by SSPA & Co., Chartered Accountants ("**Valuer**") for the proposed demerger of Pharma Business ("**Pharma Division**" or "**Demerged Undertaking**") from AIL into Aarti Pharmed Labs Limited (formerly known as Aarti Organics Limited) ("**Resulting Company**" or "**APL**") as a going concern with effect from July 01, 2021 ("**Appointed Date**") vide a scheme of Demerger ("**Proposed Scheme**") under the provisions of Sections 230 to Section 232 of the Companies Act, 2013 read with other applicable provisions and rules thereunder ("**Proposed Demerger**"), wholly owned subsidiary of AIL.

As part of the Scheme, the existing equity shares of APL as held by AIL will be cancelled on demerger.

AIL & APL are hereinafter collectively referred to as the "**Companies**".

Company Background and Purpose***Aarti Industries Limited***

AIL is a leading Indian manufacturer of specialty chemicals and pharmaceuticals with a global footprint. AIL combines process chemistry competence (recipe focus) with a scale-up engineering competence (asset utilisation) for creating a sustainable future.

Over the last decade, AIL has transformed from an Indian company servicing global markets to a global entity with state-of-the-art manufacturing facilities in India. AIL manufactures chemicals used in the downstream manufacturing of pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments and dyes.

The equity shares of AIL are listed on the BSE Limited and the National Stock Exchange of India Limited.

1





AIL earned consolidated revenue from operations for FY 2020-21 of INR 5,023.28 crores and its paid-up equity capital as on March 31, 2021 is INR 87.12 crores comprising of 17,42,34,474 equity shares of INR 5 each.

Post March 31, 2021, AIL has issued bonus equity shares in the ratio of 1:1 in June 2021. Further AIL has completed Qualified Institutional Placement (QIP) in June 2021, whereby AIL has issued 1,40,35,087 equity shares at a price of INR 855 per shares totaling to INR 1,200 crores.

The post issue of bonus equity shares and QIP the shareholding pattern of AIL as on date is as follows:

| Category of Shareholders | No of shares* | % of holding |
|--------------------------|---------------------|----------------|
| Promoters | 16,27,74,644 | 44.90% |
| Public | 19,97,29,391 | 55.10% |
| Total | 36,25,04,035 | 100.00% |

*Face value of INR 5 each

Pharma Business of AIL

Pharma Business of AIL, is divided into three verticals for the (a) manufacture of APIs; (b) manufacture of intermediates; and (c) manufacture of xanthine derivatives.

The Pharma Business of AIL is having four active pharmaceutical ingredients ("APIs") manufacturing plants, two of which are approved by the United States Food and Drug Administration ("USFDA") and two of which are WHO / GMP certified. Additionally, the Pharma Business of AIL is having two dedicated research and development facilities for pharmaceutical API business.

Aarti Pharmalabs Limited

Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited), an unlisted public limited company incorporated on November 22, 2019 and is a wholly owned subsidiary of AIL. APL is incorporated with an an object to engage in the business including manufacturing and trading of Pharmaceuticals and allied products.

As part of the Scheme, the existing authorised equity share capital of APL comprising of 5,00,000 equity shares of face value INR 10 each would be re-organised as 10,00,000 equity shares of face value INR 5 each

The proposal envisages, inter alia, the demerger of Demerged Undertaking of AIL into APL, whereby equity shares of APL will be issued to the shareholders of AIL. The Valuer has recommended share entitlement ratio ("**Share Entitlement Ratio**") of 1 (One) equity share of APL having a face value of INR 5/- each fully paid up for every 4 (four) equity shares of AIL having a face value of INR 5/- each fully paid up held in AIL.

After the effectiveness of this Proposed Scheme, the share capital of APL consisting of the fully paid-up new equity shares of APL issued as consideration in terms of this Proposed Scheme to the shareholders of AIL shall be listed on the Stock Exchanges in accordance with the provisions of SEBI Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017, as amended from time to time.





Further, as an integral part of this Proposed Scheme, existing equity shares of APL as held by AIL, shall be cancelled on demerger coming into effect.

As consideration of the demerger of Demerged Undertaking of AIL into APL, eligible equity shareholders of AIL will be entitled to equity shares of APL in the same proportion in which they own shares in AIL as on the record date determined by AIL in the regard, creating a mirror shareholding.

AIL in terms of the Engagement Letter has requested us to issue our independent opinion as to the fairness of the Share Entitlement Ratio recommended by the Valuer ("Fairness Opinion").

Sources of Information

For arriving at the opinion set forth below, we have received from the management of the Companies ("the Management") and any information available in the public domain:

1. Share Entitlement Ratio Report issued by the Valuer,
2. Draft Scheme of Demerger pursuant to which the proposed demerger is to be undertaken,
3. Shareholding pattern of AIL and APL as on June 30, 2021,
4. Financial Statements of APL for the year ended March 31, 2021 and for the period ended June 30, 2021,
5. Audited financial results of AIL for the quarter and year ended March 31, 2021 and quarter ended June 30, 2021,
6. Management certified balance sheet of the Demerged Undertaking of AIL as on June 30, 2021,
7. Auditors report on quarterly standalone results of APL as at June 30, 2021,
8. Such other information and explanations as we required and which have been provided by the Management including Management Representations to understand the rationale and basis for arriving at the recommended share entitlement ratio,
9. Other relevant details regarding the Companies such as their history, past and present activities, future plans and prospects, existing shareholding pattern, and other relevant information and data, including information in the public domain, and
10. Such other information received during discussion with the Valuer.

Scope Limitations

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Companies for the purposes of this Fairness Opinion. We express no opinion, and accordingly, accept no responsibility with respect to or for such information, or the assumptions on which it is based, and, we have simply accepted this information on an "as is" basis, and, have not verified the accuracy and/or the completeness of the same from our end.

We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of the Companies and its related parties (holding company / subsidiary / associates / joint ventures etc.) and neither express any opinion with respect





thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Companies and its related parties.

We have not reviewed any internal management information statements or any non-public reports, and instead, with your consent, have relied upon information that was publicly available or provided or otherwise made available to us by Companies on an "as is" basis for the purposes of this Fairness Opinion. We are not experts in the evaluation of litigation or other actual or threatened claims, and accordingly, we have not evaluated any litigation or other actual or threatened claims.

We have assumed that there are no circumstances, that could materially affect the business or financial prospects of the Companies and its related parties.

We understand that the Management, during our discussion with them, would have drawn our attention to all such information and matters, which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents, no restrictions will be imposed or there will be no delays that will have a material adverse effect on the Proposed Scheme. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving Companies, its related parties or any of its assets, nor did we negotiate with any other party in this regard.

We express no opinion whatsoever and make no recommendation at all as to the Companies underlying decision to effect the Proposed Demerger. We also do not provide any recommendation to the holders of equity shares or secured or unsecured creditors of the Companies with respect to the Proposed Demerger. We also express no opinion, and accordingly, accept no responsibility for or as to the price at which the equity shares of AIL will trade following the announcement of the Proposed Demerger or as to the financial performance of AIL following the consummation of the Proposed Demerger. We express no opinion whatsoever and make no recommendations at all (and accordingly take no responsibility) as to whether shareholders / investors should buy, sell or hold any stake in the Companies or any of its related parties.

Our report is not, nor should it be construed as opining or certifying the compliance of the proposed transaction with the provisions of any law including companies, competition, taxation (including transfer pricing) and capital market related laws or as regards any legal implications or issues arising in India or abroad from such Proposed Demerger.

Conclusion

As understood, upon the Proposed Scheme being effective, all the eligible shareholders of AIL would also become the shareholders of APL and their shareholding in APL would mirror their existing shareholding in AIL prior to the demerger. Existing equity shares of APL as held by AIL will be cancelled on demerger coming into effect.





Based on our examination of the Share Entitlement Ratio/Valuation Report, such other information / undertakings/representations provided to us by the Management and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the recommendation made by the Valuer of the Share Entitlement Ratio is fair and reasonable which is as under:

The fair equity share entitlement ratio for the proposed demerger of Demerged Undertaking of AIL into APL is as under:

1 (One) equity share of APL of INR 5 each fully paid up for every 4 (four) equity shares of AIL of INR 5 each fully paid up held in AIL

As understood from the Management, that for the Proposed Demerger the equity share entitlement ratio is decided based on the Management's desired capital structure of APL

Distribution of the Fairness Opinion

The Fairness Opinion is addressed only to the Board of Directors of AIL and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of the AIL and the Stock Exchanges and also be made part of the explanatory statement to be circulated to the shareholders and/or creditors of the Companies. The Fairness Opinion shall not otherwise be disclosed or referred publicly or to any other third party without Inga's prior written consent.

However, the Companies may provide a copy of the Fairness Opinion if requested / called upon by any regulatory authorities of India subject to the Companies promptly intimating Inga in writing about receipt of such request from the regulatory authority. The Fairness Opinion should be read in totality and not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then, we will not be liable for any consequences thereof and shall not take any responsibility for the same. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

In no circumstances however, will Inga or its management, directors, officers, employees, agents, advisors, representatives and controlling persons of Inga accept any responsibility or liability including any pecuniary or financial liability to any third party.

Yours truly,

For Inga Ventures Private Limited

K. R. Shah
Kavita Shah
Partner



KIRTANE & PANDIT LLP

To,
The Board of Directors,
Aarti Industries Limited
Plot No.801/23, G.I.D.C Estate,
Phase III, Vapi, Dist., Valsad,
Gujarat -396 195

Sub : Auditors Certificate on Accounting Treatments Specified in Clause 14 of the Scheme of Arrangement for Demerger of 'Pharma Business' with its supporting manufacturing units, Investments, cash & cash equivalents for future capital expenditure.

We, Kirtane & Pandit LLP, Chartered Accountants, the statutory auditors of Aarti Industries Limited, (hereinafter referred to as "**the Company**"), have examined the proposed accounting treatment specified in clause_14_ of the Draft Scheme of **Arrangement** between **Aarti Industries Limited (AIL) and Aarti Pharmalabs limited (Formerly Known as Aarti Organics Limited (APL) and their respective shareholders** in terms of the provisions of SEBI Circulars, sections **230 to 232 read with** applicable provisions of the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 with reference to its compliance with the applicable Accounting Standards notified under section 133 of the Companies Act, 2013 and Other Generally Accepted Accounting Principles.

The responsibility for the preparation of the Draft Scheme and its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid, is that of the Board of Directors of the Companies involved. Our responsibility is to examine and report whether the Draft Scheme complies with the applicable Accounting Standards and Other Generally Accepted Accounting Principles. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company. We carried out our examination in accordance with the Guidance Note on Reports or Certificates for Special Purpose (Revised 2016) ("Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control Firm that Performs Audits and Review of the Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the ICAI.

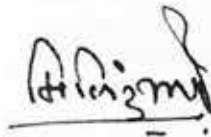


Kirtane & Pandit LLP - Chartered Accountants
Bengaluru | Hyderabad | Mumbai | Nashik | Pune

Based on our examination and according to the information and explanations given to us, we confirm that the accounting treatment contained in the aforesaid scheme is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and SEBI circulars issued there under and all the applicable Accounting Standards notified by the Central Government under the Companies Act, 2013.

This Certificate is issued at the request of the Aarti Industries Limited pursuant to the requirements of circulars issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for onward submission to the BSE Limited, National Stock Exchange of India Limited and the relevant National Company Law Tribunal. This Certificate should not be used for any other purpose without our prior written consent.

For Kirtane & Pandit LLP,
Chartered Accountants
Firm Registration No.: 105215W/W100057



Milind Bhave
Partner
Membership Number: 047973

UDIN - 21047973AAAADO5784

Place: Mumbai
Date: August 19, 2021

Encl.: Extract of Accounting Treatments

Extract of Accounting Treatments Specified in Clause 14 of the Scheme of Arrangement Between Aarti Industries Limited (AIL)(Demerged Company) & Aarti Pharmed Labs Limited (APL)(Formerly Known as Aarti Organics Limited) (Resultant Company)

Accounting treatment in the books of AIL

On the Scheme becoming effective and with effect from the Appointed Date, AIL shall account for demerger in its books of accounts in accordance with The Indian Accounting Standards (Ind AS), as notified under section 133 of the Companies Act 2013 of the Act in the following manner:

- AIL shall reduce the book value of assets (net of diminution/depreciation, if any) and liabilities relating to the Demerged Undertaking, transferred to APL accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.
- The excess of book value of the assets transferred (net of diminution/depreciation, if any) over the book value of the liabilities of the Demerged Undertaking to APL shall be adjusted first to Securities Premium & General Reserve in the ratio of Values of Business transfer and thereafter balance if any to Retained earnings/profit and loss account balance of AIL.
- AIL shall reduce & Transfer Contingent Liability, if any, pertains to the Demerged Undertaking to APL.
- AIL shall reduce & Transfer Other Comprehensive Income created as per IND AS related to Assets & Liability transferred of Demerged Undertaking under the Scheme of Demerger.
- The approval granted by the shareholders of AIL to this Scheme shall be deemed to be approval required under the provisions of the Act.
- Pursuant to Scheme becoming effective, AIL Investment in Resultant Company will Stand Cancelled & Resultant Company will cease to be 100% subsidiary of AIL

Notwithstanding the above, the Board of Directors of AIL, in consultation with its statutory auditors, is authorised to account any of the balances in any other manner, if such accounting treatment is considered more appropriate and is authorised by the Accounting Standards applicable to the Company and/or Generally accepted Accounting Principles.



Jatin Vora
B.Com., F.C.A.

Jatin Vora & Associates
Chartered Accountants

Address:

203, Chheda Bhavan, 98, Surat Street,
Masjid (East), Mumbai - 400 009.
Tel: 022 – 4006 1063
Email: cajitvora@gmail.com

To,
The Board of Directors,
Aarti Pharmalabs Limited
(Formerly Known as Aarti Organics Limited)
Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi,
District Valsad, Gujarat – 396 195

Annexure C

Sub : Auditors Certificate on Accounting Treatments Specified in Clause 14 of the Scheme of Arrangement for Transfer of Demerged Undertaking of Aarti Industries limited to Aarti Pharmalabs Limited (Formerly Known as Aarti Organics Limited).

We, the statutory auditors of Aarti Pharmalabs Limited (Formerly Known As Aarti Organics Limited)("the Company"), have examined the proposed accounting treatment specified in clause 14 of the Draft Scheme of **Arrangement** between Aarti Industries Limited (AIL) and **Aarti Pharmalabs limited (Formerly Known as Aarti Organics Limited (APL)and their respective shareholders** in terms of the provisions of SEBI Circulars, Sections **230 to 232 read with applicable provisions of** the Companies Act, 2013, the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 with reference to its compliance with the applicable Accounting Standards notified under section 133 of the Companies Act, 2013 and Other Generally Accepted Accounting Principles.

The responsibility for the preparation of the Draft Scheme and its compliance with the relevant laws and regulations, including the applicable Accounting Standards as aforesaid, is that of the Board of Directors of the Companies involved. Our responsibility is to examine and report whether the Draft Scheme complies with the applicable Accounting Standards and Other Generally Accepted Accounting Principles. Nothing contained in this Certificate, nor anything said or done in the course of, or in connection with the services that are subject to this Certificate, will extend any duty of care that we may have in our capacity of the statutory auditors of any financial statements of the Company. We carried out our examination in accordance with the Guidance Note on Reports or Certificates for Special Purpose (Revised 2016) ("Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control Firm that Performs Audits and Review of the Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the ICAI.

Based on our examination and according to the information and explanations given to us, we confirm that the accounting treatment contained in the aforesaid scheme is in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and SEBI circulars issued there under and all the applicable Accounting Standards notified by the Central Government under the Companies Act, 2013.



This Certificate is issued at the request of the Aarti Pharmalabs Limited (Formerly Known as Aarti Organics Limited) pursuant to the requirements of circulars issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for onward submission to the BSE Limited, National Stock Exchange of India Limited and the relevant National Company Law Tribunal. This Certificate should not be used for any other purpose without our prior written consent.

For **Jatin Vora & Associates**
Chartered Accountants
Registration No. 118024W

Jatin Sundarji Vora

Digitally signed by Jatin Sundarji Vora
 DN: cn=Jatin Sundarji Vora, o=Jatin Vora & Associates, ou=Jatin Vora & Associates, email=j.vora@jvat.com, c=IN
 Date: 2021.08.19 14:44:31 +05'30'

(CA Jatin S. Vora)
Proprietor
Membership No. 103866
UDIN: 21103866AAAAJV7926



Place: Mumbai

Date: 19th August, 2021.





AARTI INDUSTRIES LTD
Balance Sheet as at 30th Sept, 2021

(Rs. in Crs)

| Particulars | Note No. | As at 30th Sept, 2021 | As at 31st March, 2021 |
|---------------------------------------|----------|-----------------------|------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 1 | 3,660.34 | 3,510.67 |
| Capital Work-in-Progress | 1 | 1,622.40 | 1,297.91 |
| Intangible Assets | 1 | 0.05 | 0.10 |
| Financial Assets | | | |
| Investments | 2 | 36.26 | 36.26 |
| Other Non-Current Assets | 3 | 309.47 | 317.14 |
| Total Non-Current Assets | | 5,628.52 | 5,162.08 |
| Current Assets | | | |
| Inventories | 4 | 1,157.51 | 901.46 |
| Financial Assets | | | |
| Trade Receivables | 5 | 1,115.52 | 819.08 |
| Cash and Cash Equivalents | 6 | 384.56 | 405.99 |
| Others Current Financial Assets | 7 | 259.47 | 187.20 |
| Other Current Assets | 8 | 40.79 | 37.92 |
| Total Current Assets | | 2,957.85 | 2,351.65 |
| TOTAL ASSETS | | 8,586.37 | 7,513.73 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity Share Capital | 9 | 181.25 | 87.12 |
| Other Equity | 10 | 4,695.70 | 3,324.62 |
| Total Equity | | 4,876.95 | 3,411.74 |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | 11 | 1,089.65 | 1,268.05 |
| Other Non Current Liabilities | 12 | 277.03 | 224.41 |
| Deferred Tax Liabilities (Net) | 13 | 219.98 | 210.98 |
| Total Non-Current Liabilities | | 1,586.66 | 1,703.44 |
| Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | 14 | 850.81 | 1,219.29 |
| Trade Payables due to: | | | |
| Micro and Small Enterprise | | NIL | NIL |
| Other than Micro and Small Enterprise | | 623.75 | 584.64 |
| Other Current Liabilities | 15 | 616.76 | 557.58 |
| Provisions | 16 | 31.44 | 37.04 |
| Total Current Liabilities | | 2,122.76 | 2,398.55 |
| Total Liabilities | | 3,709.42 | 4,101.99 |
| TOTAL EQUITY AND LIABILITIES | | 8,586.37 | 7,513.73 |

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants

FRN: 105215W/W100057

Millind Bhave
Partner

M.No. 047973

UDIN: 21047973AAAEB6098



For and on behalf of the Board

Rajendra V. Gogri
Chairman and
Managing Director
DIN: 00061003

Chetan Gandhi
Chief Financial Officer
ICAI M.No. 111481



Rakesh C. Gogri
Vice Chairman and
Managing Director
DIN: 00066291

Rajendra V. Gogri
Company Secretary
ICSI M.No. A15526

Place: Mumbai

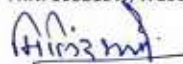
Date: October 30, 2021


**AARTI
INDUSTRIES LTD**
Statement of Profit and Loss for the Half Year ended 30th Sept, 2021

| Particulars | Note No. | (Rs. in Crs) | |
|---|----------|---|---|
| | | For the Half Year Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| REVENUE | | | |
| Revenue from Operations | 17 | 3,202.96 | 4,807.71 |
| Less: GST Collected | | 387.23 | 491.11 |
| Net Revenue from Operations | | 2,815.73 | 4,316.60 |
| Other Income | 18 | 0.52 | 2.06 |
| Total Revenue | | 2,816.25 | 4,318.66 |
| EXPENSES | | | |
| Cost of Materials Consumed (Incl. Packing Material, Fuel, Stores & Spares) | 19 | 1,490.11 | 1,922.84 |
| Purchases of Stock-in-Trade | | 80.88 | 185.79 |
| Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade | 20 | (153.30) | (65.41) |
| Employee Benefits Expense | 21 | 194.50 | 358.28 |
| Finance Costs | 22 | 56.25 | 86.16 |
| Depreciation and Amortisation Expenses | 1 | 136.10 | 218.31 |
| Other Expenses | 23 | 595.77 | 980.69 |
| Total Expenses | | 2,400.31 | 3,686.66 |
| PROFIT BEFORE TAX | | 415.94 | 632.00 |
| TAX EXPENSES | | | |
| Current Year Tax | | 72.75 | 110.00 |
| MAT Credit Entitlement | | 0.00 | (13.50) |
| Deferred Tax | | 9.00 | 22.00 |
| Total Tax Expenses | | 81.75 | 118.50 |
| PROFIT AFTER TAX | | 334.19 | 513.50 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to Statement of Profit and Loss | | | |
| Fair Value of Various Qualifying Items | | (1.29) | 39.97 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 332.90 | 553.47 |
| Earnings Per Equity Share (EPS) (in Rs) | | | |
| Basic/Diluted | | 9.22 | 29.47 |
| Basic/Diluted after considering issue of bonus equity shares | | 9.22 | 29.47 |

As per our report of even date

 For Kirtane & Pandit LLP
 Chartered Accountants
 FRN: 105215W/W100057

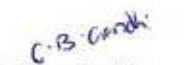


 Milind Bhawe
 Partner
 M.No. 047973
 UDIN: 21047973AAAEBG098


For and on behalf of the Board


 Rajendra V. Gogri
 Chairman and
 Managing Director
 DIN: 00061003


 Rashesh C. Gogri
 Vice Chairman and
 Managing Director
 DIN: 00066291


 Chetan Gandhi
 Chief Financial Officer
 ICAI M.No. 111481


 Rajendra V. Gogri
 Company Secretary
 ICSI M.No. A15526

 Place: Mumbai
 Date: October 30, 2021

Cash Flow Statement for the Half Year ended 30th Sept, 2021

(Rs in Crs)

| Sr. No. | Particulars | For the Half Year Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
|--|---|---|-------------------------------------|
| A. Cash Flow from Operating Activities: | | | |
| | Net Profit before Tax and Exceptional/Extraordinary Items | 415.94 | 632.00 |
| | Adjustments for: | | |
| | Finance Costs | 56.25 | 86.16 |
| | Depreciation and Amortisation Expenses | 136.10 | 218.31 |
| | | 608.29 | 936.47 |
| | Profit on Sale of Assets/Investments | (0.42) | (0.34) |
| | Dividend Income | 0.00 | (1.55) |
| | Lease Rent Income | (0.03) | (0.05) |
| | Operating Profit before Working Capital Changes | 607.84 | 934.53 |
| | Adjustments for: | | |
| | (Increase)/Decrease in Trade and Other Receivables | (356.43) | (25.54) |
| | Increase/(Decrease) in Trade Payables and Other Current Liabilities | 75.44 | 148.68 |
| | (Increase)/Decrease in Inventories | (256.05) | (119.98) |
| | Cash Generated from Operations | 70.80 | 937.69 |
| | Direct Taxes Paid | (70.33) | (93.82) |
| | Net Cash Flow from Operating Activities (A) | 0.47 | 843.87 |
| B. Cash Flow from Investing Activities: | | | |
| | Addition to Property, Plant & Equipment/Capital WIP | (614.40) | (1,307.78) |
| | Sale/Written off of Property, Plant & Equipment | 0.31 | 0.44 |
| | (Increase)/Decrease in Investments in Subsidiary Companies | 0.00 | (0.80) |
| | Dividend Income from Subsidiary Companies | 0.00 | 1.55 |
| | Lease Rent Income | 0.03 | 0.05 |
| | Net Cash Flow from Investing Activities (B) | (614.06) | (1,306.54) |
| C. Cash Flow from Financing Activities: | | | |
| | Proceeds of Long-Term Borrowings | 0.00 | 1,007.99 |
| | Repayment of Long-Term Borrowings | (115.42) | (250.85) |
| | Proceeds/(Repayment) of Other Borrowings | (368.48) | 7.87 |
| | Finance Costs | (56.25) | (86.16) |
| | Increase in Equity by QIP (Net of Expenses) | 1,186.69 | 0.00 |
| | Dividend Paid | (54.38) | (43.56) |
| | Net Cash Flow from Financing Activities (C) | 592.16 | 635.29 |
| | Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | (21.43) | 172.62 |
| | Cash and Cash Equivalents (Opening Balance) | 405.99 | 233.37 |
| | Cash and Cash Equivalents (Closing Balance) | 384.56 | 405.99 |

Notes: (i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.

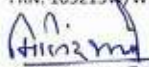
(ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants

FRN: 105215W/W100057


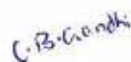


Milind Bhawe

Partner

M.No. 047973

UDIN: 21047973AAAEB6098



Rajendra V. Gogri
Chairman and
Managing Director
DIN: 00061003

Chetan Gandhi
Chief Financial Officer
ICAI M.No. 111481

For and on behalf of the Board


Rashesh C. Gogri
Vice Chairman and
Managing Director
DIN: 00066291

Raj Sahay
Company Secretary
ICSI M.No. A15526

Place: Mumbai

Date: October 30, 2021

1. PROPERTY, PLANT AND EQUIPMENT:

(Rs. in Crs)

| Particulars | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | | |
|---------------------------------------|-------------------------------|------------------------|-----------------------|-------------------------------|-------------------------------|----------------------------------|-----------------------|-------------------------------|--------------------------------|
| | Balance as at 1st April, 2021 | Additions/ (Disposals) | Deduction/ Adjustment | Balance as at 30th Sept, 2021 | Balance as at 1st April, 2021 | Depreciation charge for the year | Deduction/ Adjustment | Balance as at 30th Sept, 2021 | Balance as at 31st March, 2021 |
| (i) Tangible Assets | | | | | | | | | |
| Free hold Land | 3.57 | - | - | 3.57 | 0.26 | - | - | 3.31 | 3.31 |
| Lease Hold Land | 229.25 | 21.21 | - | 250.46 | 10.60 | 0.12 | - | 239.74 | 218.65 |
| Lease Assets Right to Used | 26.83 | 6.81 | - | 33.64 | 10.84 | 2.98 | - | 19.82 | 15.99 |
| Buildings | 453.57 | 35.97 | - | 469.54 | 109.14 | 11.89 | - | 348.51 | 344.43 |
| Plant and Equipment | 4,035.33 | 221.91 | 5.54 | 4,251.70 | 1,263.25 | 114.03 | - | 2,874.42 | 2,772.08 |
| R & D Assets | 155.09 | 20.39 | - | 175.48 | 32.92 | 5.55 | - | 142.33 | 122.17 |
| Furniture and Fixtures | 54.31 | 1.55 | - | 55.86 | 31.54 | 4.03 | - | 20.29 | 22.77 |
| Vehicles | 30.75 | 2.01 | 0.09 | 32.67 | 19.48 | 1.27 | - | 11.92 | 11.27 |
| Total (i) | 4,988.70 | 289.85 | 5.63 | 5,272.92 | 1,478.03 | 139.87 | - | 3,660.34 | 3,510.67 |
| (ii) Intangible Assets | | | | | | | | | |
| Process Development | 21.96 | 0.06 | - | 22.02 | 21.86 | 0.11 | - | 0.05 | 0.10 |
| Technical Knowhow | 0.08 | - | - | 0.08 | 0.08 | - | - | NIL | NIL |
| Goodwill | 6.16 | - | - | 6.16 | 6.16 | - | - | NIL | NIL |
| Computer Software | 0.38 | - | - | 0.38 | 0.38 | - | - | NIL | NIL |
| Copyrights and Patents | 9.65 | - | - | 9.65 | 9.65 | - | - | NIL | NIL |
| Total (ii) | 38.23 | 0.06 | NIL | 38.29 | 38.13 | 0.11 | NIL | 0.05 | 0.10 |
| TOTAL (i+ii) | 5,026.93 | 289.91 | 5.63 | 5,311.21 | 1,516.16 | 139.98 | - | 3,660.39 | 3,510.77 |
| (iii) Capital Work-in-Progress | | | | | | | | 1,622.40 | 1,297.91 |



2. NON-CURRENT INVESTMENTS:

(Rs. in Crs)

| Name of the Company | No. of Shares/Units | As at 30th Sept, 2021 | No. of Shares/Units | As at 31st March, 2021 |
|---|---------------------|-----------------------|---------------------|------------------------|
| <u>Investments - (Unquoted) in Equity Shares of</u> | | | | |
| <u>Subsidiary Companies</u> | | | | |
| Aarti Corporate Services Limited | 2,024,680 | 1.73 | 2,024,680 | 1.73 |
| Alchemie (Europe) Limited | 80,000 | 0.54 | 80,000 | 0.54 |
| Innovative Envirocare Jhagadia Limited | 350,000 | 0.35 | 350,000 | 0.35 |
| Aarti USA Inc. | 10,000,000 | 0.66 | 10,000,000 | 0.66 |
| Aarti Polychem Private Limited | 1,500 | 0.00 | 1,500 | 0.00 |
| Aarti Organics Limited | 50,000 | 0.25 | 50,000 | 0.25 |
| Aarti Bharuch Limited | 50,000 | 0.25 | 50,000 | 0.25 |
| Aarti Pharmachem Limited | 50,000 | 0.25 | 50,000 | 0.25 |
| Aarti Spechem Limited | 50,000 | 0.25 | 50,000 | 0.25 |
| | | <u>4.28</u> | | <u>4.28</u> |
| <u>Investments - (Unquoted) in Equity Shares of Joint Control/Associates Companies</u> | | | | |
| Ganesh Polychem Limited * | 3,098,257 | 12.61 | 3,098,257 | 12.61 |
| | | <u>12.61</u> | | <u>12.61</u> |
| <u>Investments - (Unquoted) in Equity Shares of Other Companies</u> | | | | |
| Ichalkaranji Janata Sahakari Bank Limited | 1,020 | 0.01 | 1,020 | 0.01 |
| Damanganga Saha Khand Udyog Mandali Limited | 61 | 0.01 | 61 | 0.01 |
| Narmada Clean Tech Limited | 287,550 | 0.13 | 287,550 | 0.13 |
| Dilesh Roadlines Private Limited | 464,550 | 3.25 | 464,550 | 3.25 |
| U.K.I.P. Co-Op. Society Limited | 80 | 0.00 | 80 | 0.00 |
| Perfect Enviro Control Systems Limited | 36,800 | 0.02 | 36,800 | 0.02 |
| Aarti Ventures Limited | 917,000 | 7.39 | 917,000 | 7.40 |
| Tarapur Environment Protection Society | 32,489 | 0.62 | 32,489 | 0.62 |
| Derma Touch Inc. | 125,000 | 4.26 | 125,000 | 4.26 |
| Shamrao Vithal Co-op. Bank Limited | 100 | 0.00 | 100 | 0.00 |
| | | <u>15.69</u> | | <u>15.70</u> |
| <u>Investments - (Unquoted) in Limited Liability Partnership</u> | | | | |
| Aarti Udyog Limited Liability Partnership | NA | 3.67 | NA | 3.67 |
| | | <u>3.67</u> | | <u>3.67</u> |
| TOTAL | | <u><u>36.26</u></u> | | <u><u>36.26</u></u> |

*During the March 2021 quarter a subsidiary viz Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021.



| Particulars | (Rs in Crs) | |
|--|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| 3. OTHER NON-CURRENT ASSETS: | | |
| Capital Advances | 79.39 | 91.50 |
| Other Deposits | 53.44 | 46.58 |
| Advance Tax and Tax Deducted at Source (Net of Provisions) | 176.64 | 179.06 |
| TOTAL | 309.47 | 317.14 |
| 4. INVENTORIES: | | |
| Raw Materials and Components (incl In-transit stock) | 351.11 | 276.63 |
| Work-in-progress | 297.37 | 236.57 |
| Finished Goods (incl In-transit stock) | 316.36 | 273.40 |
| Stock-in-trade | 50.65 | 4.57 |
| Stores and spares | 114.60 | 90.94 |
| Fuel (incl In-transit stock) | 19.89 | 13.70 |
| Packing Materials | 7.52 | 5.65 |
| TOTAL | 1,157.51 | 901.46 |
| 5. TRADE RECEIVABLES: | | |
| Unsecured and considered good | 1,115.52 | 819.08 |
| TOTAL | 1,115.52 | 819.08 |
| 6. CASH AND CASH EQUIVALENTS: | | |
| Cash on hand | 0.61 | 0.56 |
| Bank balance in Current Accounts | 65.71 | 18.57 |
| Bank balance in Deposit Accounts | 213.48 | 331.77 |
| Cash Equivalants investment in highly Liquid Funds | 53.41 | 53.04 |
| Earmarked Balances (Unpaid Dividend Accounts) | 51.35 | 2.05 |
| TOTAL | 384.56 | 405.99 |
| 7. OTHER CURRENT FINANCIAL ASSETS: | | |
| Goods & Services Tax Authorities | 236.02 | 166.19 |
| Loans & Advances: | | |
| (i) Employees | 10.80 | 8.36 |
| (ii) Others | 7.10 | 7.22 |
| (iii) Related Parties | 5.56 | 5.43 |
| TOTAL | 259.47 | 187.20 |
| 8. OTHER CURRENT ASSETS: | | |
| Others Receivables | 9.13 | 10.17 |
| Prepaid Expenses | 16.76 | 21.99 |
| Subsidy Receivable | 14.90 | 5.76 |
| TOTAL | 40.79 | 37.92 |



9. EQUITY SHARE CAPITAL:

| Particulars | No. of Shares | (Rs in Crs) | |
|---|--------------------|-----------------------|------------------------|
| | | As at 30th Sept, 2021 | As at 31st March, 2021 |
| Authorised Share Capital | | | |
| Equity Shares of ₹ 5/- each | <u>600,000,000</u> | <u>300.00</u> | <u>115.08</u> |
| Issued, Subscribed & Paid up | | | |
| Equity Shares of ₹ 5/- each fully paid up | <u>362,504,035</u> | <u>181.25</u> | <u>87.12</u> |
| TOTAL | | <u>181.25</u> | <u>87.12</u> |

9.1 Reconciliation of the number of Shares outstanding as on 30.09.2021:

| Particulars | No. of Shares outstanding | |
|---|---------------------------|------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| Equity Shares at the beginning of the year | <u>174,234,474</u> | 174,234,474 |
| Add: Shares issued during the year | <u>188,269,561</u> | NIL |
| Less: Shares buy-back during the year | <u>NIL</u> | NIL |
| Equity Shares at the end of the year | <u>362,504,035</u> | <u>174,234,474</u> |



10. OTHER EQUITY:

| Particulars | (Rs in Crs) | |
|---|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| a. Capital Reserves | | |
| Opening Balance | 9.70 | 9.70 |
| Addition: | | |
| Deduction | NIL | NIL |
| Closing Balance | 9.70 | 9.70 |
| b. Securities Premium Account | | |
| Opening Balance | 696.12 | 696.12 |
| Addition: | 1,192.98 | NIL |
| Deduction: | | |
| QIP Expenses | 13.31 | - |
| Bonus Shares Issued | 87.12 | - |
| Closing Balance | 1,788.67 | 696.12 |
| c. Debenture Redemption Reserve | | |
| Opening Balance | - | 80.00 |
| Addition | NIL | NIL |
| Deduction | - | 80.00 |
| Closing Balance | NIL | - |
| d. General Reserve | | |
| Opening Balance | 333.20 | 201.70 |
| Addition: | | |
| Transferred from Debenture Redumption Reserve | - | 80.00 |
| Transferred from Profit & Loss Account | - | 51.50 |
| Deduction: | NIL | NIL |
| Closing Balance | 333.20 | 333.20 |
| e. Profit and Loss Account | | |
| Opening balance | 2,297.05 | 1,878.61 |
| Addition: | | |
| Net Profit/(Loss) for the year | 334.19 | 513.50 |
| Deduction: | | |
| Final Dividend paid on Equity Share for the previous year | - | 17.42 |
| Interim Dividend paid on Equity Share for the year | - | 26.14 |
| Proposed Dividend | 54.38 | - |
| Tax on Dividend | NIL | - |
| Transferred to General Reserve | - | 51.50 |
| Closing Balance | 2,576.87 | 2,297.05 |
| f. Other Reserves | | |
| Forfeiture Reserve | 1.85 | 1.85 |
| Closing Balance | 1.85 | 1.85 |
| g. Other Comprehensive Income | | |
| Opening Balance | -13.30 | -53.28 |
| OCI for the year | (1.29) | 39.97 |
| Closing Balance | -14.59 | -13.30 |
| TOTAL | 4,695.70 | 3,324.62 |



11. NON-CURRENT BORROWINGS:

| Particulars | (Rs in Crs) | | | |
|--|-----------------------|---------------|------------------------|---------------|
| | As at 30th Sept, 2021 | | As at 31st March, 2021 | |
| | Non-Current | Current | Non-Current | Current |
| Secured | | | | |
| (b) ECB/Term loans from Banks/Financial Institutions | 1,086.05 | 412.65 | 1,265.09 | 348.99 |
| (c) Vehicle Loans from Banks/Financial Institutions | 3.61 | 0.64 | 2.96 | 1.33 |
| TOTAL | 1,089.65 | 413.29 | 1,268.05 | 350.32 |

| Particulars | (Rs in Crs) | | | |
|--|-----------------------|---------------|------------------------|---------------|
| | As at 30th Sept, 2021 | | As at 31st March, 2021 | |
| | Non-Current | Current | Non-Current | Current |
| 12. OTHER NON CURRENT LIABILITIES | | | | |
| Long Term Advance for Exports Received From Customer | 259.81 | 98.94 | 211.29 | 190.01 |
| Lease Liabilities Account | 17.22 | 4.63 | 13.12 | 4.61 |
| TOTAL | 277.03 | 103.57 | 224.41 | 194.62 |



| Particulars | (Rs in Crs) | |
|---|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| 13. DEFERRED TAX LIABILITIES (NET): | | |
| Persuant to the Scheme of Arrangement Difference between net book value of depreciable capital assets as per books vis - a- vis written down value as per Tax Laws. | 9.00 | 27.06 |
| Deferred Tax Assets | | |
| Items allowed for tax purpose on payment | 0.00 | (5.06) |
| Deferred Tax Liabilities (Net) | 219.98 | 210.98 |
| 14. SHORT-TERM BORROWINGS: | | |
| <u>Secured</u> | | |
| Working Capital Loan From Banks | 748.49 | 1,143.20 |
| | 748.49 | 1,143.20 |
| <u>Unsecured</u> | | |
| From Banks | 102.32 | 76.09 |
| | 102.32 | 76.09 |
| TOTAL | 850.81 | 1,219.29 |

| Particulars | (Rs in Crs) | |
|--|------------------|-------------------|
| | As at 30th Sept, | As at 31st March, |
| 15. OTHER CURRENT LIABILITIES: | | |
| Current maturities of Long-Term Debt | 412.65 | 348.99 |
| Current maturities of Vehicle Loan | 0.64 | 1.33 |
| Long Term Advance for Exports Received From Customer - Current | 98.94 | 190.01 |
| Lease Liabilities Account | 4.63 | 4.61 |
| Unpaid Dividends | 56.39 | 2.05 |
| Other Current Liabilities & Taxes | 43.51 | 10.60 |
| TOTAL | 616.76 | 557.58 |
| 16. SHORT-TERM PROVISIONS: | | |
| Provision for Employees' Benefits | 31.44 | 37.04 |
| TOTAL | 31.44 | 37.04 |



| Particulars | (Rs in Crs) | |
|--|---|--|
| | For the Half Year Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| 17. REVENUE FROM OPERATIONS: | | |
| Sale of Products & Services | 3,078.42 | 4,609.85 |
| Other Operating Revenues | 124.54 | 197.86 |
| GROSS REVENUE FROM OPERATIONS | 3,202.96 | 4,807.71 |
| Less: GST Collected | 387.23 | 491.11 |
| NET REVENUE FROM OPERATIONS | 2,815.73 | 4,316.60 |
| | | |
| 17.2. OTHER OPERATING REVENUES: | | |
| Fertilizers Subsidy Received | 23.54 | 20.24 |
| Export Benefits/Incentives Received | 10.41 | 19.05 |
| Contract Shortfall Fees | 84.61 | 147.24 |
| Scrap Sales | 5.98 | 11.32 |
| TOTAL | 124.54 | 197.86 |
| | | |
| 18. OTHER INCOME: | | |
| Dividend Income | - | 1.55 |
| Profit on Sale of Assets/Investments | 0.42 | 0.34 |
| Other Income | 0.10 | 0.17 |
| TOTAL | 0.52 | 2.06 |
| | | |
| 19. COST OF MATERIALS CONSUMED: | | |
| Consumption of Raw Materials | 1,284.92 | 1,644.06 |
| Consumption of Packing Materials | 26.89 | 40.56 |
| Consumption of Fuel | 127.95 | 135.61 |
| Consumption of Stores & Spares | 50.34 | 102.61 |
| TOTAL | 1,490.11 | 1,922.84 |



| Particulars | (Rs in Crs) | |
|------------------------------------|--|--|
| | For the Half Year Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| 20. CHANGE IN INVENTORY: | | |
| Opening Stock | | |
| Finished Goods | 273.40 | 252.79 |
| Work-in-Progress | 237.67 | 192.87 |
| Total (A) | 511.07 | 445.66 |
| Closing Stock | | |
| Finished Goods | 367.01 | 273.40 |
| Work-in-Progress | 297.37 | 237.67 |
| Total (B) | 664.38 | 511.07 |
| TOTAL (A-B) | (153.30) | (65.41) |
| 21. EMPLOYEE BENEFITS: | | |
| Salaries, Wages & Bonus | 163.92 | 302.09 |
| Contribution to PF and other Funds | 16.23 | 25.96 |
| Workmen & Staff Welfare Expenses | 14.35 | 30.23 |
| TOTAL | 194.50 | 358.28 |
| 22. FINANCE COST: | | |
| Interest on NCD's | - | 2.55 |
| Other Interest Expenses | 52.67 | 74.36 |
| Other Borrowing Costs | 3.58 | 9.25 |
| TOTAL | 56.25 | 86.16 |



| Particulars | (Rs in Crs) | |
|---|--|--|
| | For the Half Year Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| 23. OTHER EXPENSES: | | |
| <u>Manufacturing Expenses:</u> | | |
| Freight, Cartage & Transport | 72.59 | 104.12 |
| Power | 75.56 | 131.37 |
| Water Charges | 8.11 | 12.57 |
| Processing Charges | 30.89 | 53.77 |
| Other Manufacturing Expenses | 93.22 | 157.88 |
| Repairs & Maintenance | 70.13 | 109.99 |
| Insurance Charges | 5.35 | 9.71 |
| Research & Development Expenses | 7.72 | 55.10 |
| Factory Administrative Expenses | 43.05 | 69.55 |
| Total (A) | 406.62 | 704.04 |
| <u>Office Administrative Expenses:</u> | | |
| Rent, Rates and Taxes | 0.55 | 0.98 |
| Travelling and Conveyance | 1.24 | 2.89 |
| Auditor's Remuneration | 0.21 | 0.33 |
| Legal & Professional Charges | 7.98 | 18.01 |
| Postage, Telegraph & Telephone/ Printing & Stationery | 0.62 | 0.90 |
| Other Administrative Expenses | 9.10 | 13.97 |
| Total (B) | 19.70 | 37.08 |
| <u>Selling & Distribution Expenses:</u> | | |
| Advertisement & Sales Promotion | 1.57 | 3.75 |
| Export Freight Expenses | 75.78 | 84.92 |
| Freight and Forwarding Expenses | 68.95 | 106.60 |
| Commission | 6.89 | 15.31 |
| Export Insurance Charges | 0.93 | 1.95 |
| Sample Testing & Analysis Charges | 0.88 | 1.44 |
| Lease Rent Paid | 5.49 | 10.97 |
| Sundry Balance Written Off/(Back) | -0.05 | 2.58 |
| Total (C) | 160.44 | 225.79 |
| <u>Non-Operating Expenses:</u> | | |
| Donations and CSR Expenses | 9.01 | 13.78 |
| Total (D) | 9.01 | 13.78 |
| TOTAL (A+B+C+D) | 595.77 | 980.69 |
| 23.1 AUDITOR'S REMUNERATION: | | |
| Audit Fees | 0.18 | 0.30 |
| Certification Charges | 0.02 | 0.03 |
| Out of Pocket Expenses | - | - |
| TOTAL | 0.20 | 0.33 |



KIRTANE & PANDIT LLP

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AARTI INDUSTRIES LIMITED

Report on the audit of the Standalone Financial Results

Opinion

We have audited the accompanying standalone quarterly financial results of Aarti Industries Limited ("the company") for the quarter ended September, 2021 and the year to date results for the period from April 1, 2021 to September 30, 2021, attached herewith, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us these standalone financial results:

- i. are presented in accordance with the requirements of Regulation 33 of the Listing Regulations in this regard; and
- ii. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards and other accounting principles generally accepted in India of the net profit and other comprehensive income and other financial information for the quarter ended September 30, 2021 as well as the year to date results for the period from April 1, 2021 to September 30, 2021.

Basis for Opinion

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

Management's Responsibilities for the Standalone Financial Results

These quarterly financial results as well as the year to date standalone financial results have been prepared on the basis of the interim financial statements. The Company's Board of Directors are responsible for the preparation of these financial results that give a true and fair view of the net profit and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, 'Interim Financial Reporting' prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate



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Kirtane & Pandit (a Partnership Firm with Registration No. MW-344) converted into Kirtane & Pandit LLP (a Limited Liability Partnership with LLP Registration No. AAG-6418), with effect from 27th March, 2015.

accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Standalone Financial Results

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

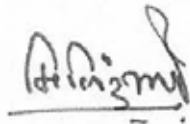
- Identify and assess the risks of material misstatement of the standalone financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial results, including the disclosures, and whether the financial results represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

For Kirtane & Pandit LLP,
Chartered Accountants
FRN: 105215W/W100057



Milind Bhave
Partner
M No. 047973

UDIN: 21047973AAAAEB6098

Place: Mumbai
Date: 30.10.2021

Standalone

Independent Auditor's Report

To the Members of
Aarti Industries Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the Standalone Financial Statements of Aarti Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the statement of Profit and Loss, (statement of changes in equity) and statement of cash flows for the year then ended, and notes to the Standalone Financial Statements, including a summary of significant accounting policies and other explanatory.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and profit/loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Due to COVID-19 lockdown throughout the country during the year, we have adopted alternative methodologies solutions in performing our audit procedures. We have determined the matters described below to the Key Audit Matters to be communicated in the Report.

| # | Audit Matters | Auditor's Response Audit Approach and Principal Audit Procedures |
|----|---|--|
| 1. | <p>Accuracy, Completeness and disclosure with reference to IND AS-16 of Property, Plant and Equipments (Including CapEx)</p> <p>Peculiarity and technical complexities of Property, Plant and Equipments used in the operations and multiple IT systems used for maintaining Fixed Asset Register (FAR), tracking and monitoring CapEx requires more attention to ensure reasonable accurateness and completeness of financial reporting in respect of Property, Plant and Equipments.</p> <p>Further, technical complexities requires management to assess and make estimates/ judgments about capitalization, estimated useful life, impairment etc. which has material impact on Balance Sheet and operating results</p> <p>Refer note 1 to financial statements</p> | <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <p>a) We assessed Company's process regarding maintenance of records, valuation and accounting of transactions pertaining to Property, Plant and Equipment including Capital Work in Progress with reference to Indian Accounting Standard 16.</p> <p>b) We have carried out substantive audit procedures at financial and assertion level to verify the capitalization of asset as Property, Plant and Equipment</p> <p>c) We have verified the maintenance of records and accounting of transactions regarding capital work in progress by carrying out substantive audit procedures at financial and assertion level.</p> <p>d) We have reviewed management judgment pertaining to estimation of useful life and depreciation of the Property, Plant and Equipment in accordance with Schedule II of Companies Act, 2013.</p> <p>e) Due to pandemic restrictions physical verification on sample basis was not possible. We have relied on physical verification conducted by management and management representations.</p> <p>f) We have verified the capitalization of borrowing cost incurred on qualifying asset in accordance with the Indian Accounting Standard 23</p> |



| # | Audit Matters | Auditor's Response Audit Approach and Principal Audit Procedures |
|----|--|--|
| 2. | <p>Valuation, Accuracy, Completeness and disclosures pertaining to Inventories with reference to Ind AS 2</p> <p>Inventories constitutes material component of financial statement. Correctness, completeness and valuation are critical for reflecting true and fair financial results of operations. Further due to continuous nature of plant operations and the raw materials which are basically chemicals, management has to exercise its judgment in assessing stage of the product and its valuation.</p> <p>Refer note 4 to financial statements</p> | <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <p>a) We assessed the Company's process regarding Maintenance of records, Valuation and accounting of transactions relating to Inventory as per the Indian Accounting Standard 2.</p> <p>b) We have evaluated the design of Internal Controls relating to recording and valuation of Inventory.</p> <p>c) We have carried out substantive audit procedures to verify the allocation of overheads to Inventory.</p> <p>d) Due to pandemic restrictions physical verification on sample basis was not possible. We have relied on physical verification conducted by management and management representations.</p> <p>e) We have verified consistency in respect of valuation process and methodology followed</p> |
| 3. | <p>Valuation, Presentation and Disclosure pertaining to advances received for export commitments under long term contracts.</p> <p>The contracts entered into covers a span of 10 to 20 years. During the current financial year in respect of one long term contract the Company received termination intimation. On account of the termination the relevant remedies available to the Company triggered. Further in respect of other long term contracts, estimated supplies which will happen over the period of contract at a later stage requires management to exercise its judgment. Based on the judgment and the carrying value of the advances received, its fair presentation is critical.</p> <p>Refer note 12 to financial statements</p> | <p>The Company has entered into long term contracts for exports of materials. Under these contracts the Company has received advances to expedite establishment of production facilities.</p> <p>Our audit approach consisted substantive testing as follows:</p> <p>a) We have reviewed the terms of contracts entered into by the Company</p> <p>b) The classification, presentation of the said advances received under these contracts was tested</p> <p>c) Recognition and accuracy of compensation on account of termination intimation was verified with reference to the terms of contract under termination intimation.</p> <p>d) The fairness of value reflected in financial statement was verified and tested.</p> <p>e) Disclosure notes pertaining to said advances in financial statement was reviewed.</p> |

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report with its annexures, but does not include Standalone Financial Statements and our auditor's report thereon.

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

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

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

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance, (changes in equity) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Standalone

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

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

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

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

As a part of an audit in accordance with SA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.



- (d) In our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements – Refer Note 25 to the Standalone Financial Statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Sub-Section (11) of Section 143 of the Companies Act, 2013, we give in the "Annexure B", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

**For Kirtane & Pandit LLP,
Chartered Accountants**

Firm's Registration No.105215W/W100057

**Milind Bhawe
Partner**

M. No. 047973

UDIN: 21047973AAAABF5304

Place: Mumbai

Date: May 18, 2021

Standalone

Annexure A to the Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Aarti Industries Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion



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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria

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

**For Kirtane & Pandit LLP,
Chartered Accountants**

Firm's Registration No.105215W/W100057

-
**Milind Bhave
Partner**

Place: Mumbai
Date: May 18, 2021

M. No. 047973
UDIN: 21047973AAAABF5304

Standalone

Annexure B to the Auditor's Report

Annexure B referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date to the members of Aarti Industries Limited on the accounts of the company for the year ended March 31, 2021.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As explained to us, fixed assets have been physically verified by the management at regular intervals; as informed to us no material discrepancies were noticed on such verification;
- (c) According to the information and explanation given to us and on the basis of examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Management has been conducted physical verification of the inventories at reasonable intervals, except inventories lying at the third parties; confirmation of such stock has been obtained. No major discrepancies were found in the physical verification. All minor discrepancies have been properly dealt with in books of accounts.
- (iii) According to the information and explanation given to us the Company has granted unsecured loans, to its subsidiary company covered in the register maintained under Section 189 of the Companies Act, 2013,
- a) In our opinion, the terms and conditions of the granted loans are not prejudicial to the company's interest;
- b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts are regular;
- (iv) In our opinion and according to the information and explanations given to us in respect of loans, investments, guarantees and security, provisions of Section 185 and section 186 of the Companies Act, 2013 have been complied with.
- (v) The Company has not accepted any deposits from the public covered under Section 73 to 76 of the Companies Act, 2013.
- (vi) The company has maintained cost records under sub-Section (1) of Section 148 of the Act. We have not carried out any detailed examination of such records.
- (vii) According to the information and explanations given to us and based on the records of the company examined by us,
- (a) The company has generally been regular in depositing the undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods & Service Tax, Custom Duty and other material statutory dues, as applicable, with the appropriate authorities in India;
- According to the information and explanation given to us, no undisputed amount payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods & Service Tax, Custom Duty and other material statutory dues were in arrears as at March 31, 2021 for a period of more than six months from the date they become payable.
- (b) According to the information and explanations given to us and based on the records of the company examined by us, there are no dues of Income Tax, Goods & Service Tax and Customs Duty which have not been deposited on account of any disputes except following.

| Nature of Tax /Duty | Amount | Crores | Period | Forum where dispute is pending |
|---|--------|--------|-----------------------|-------------------------------------|
| Central Excise, Customs Duty, Service Tax, Goods & Service , Interest & Penalty | 31.69 | | FY 2001-02 to 2019-20 | Commissionerate |
| | 36.41 | | | Appellate Authorities and Tribunals |



- (viii) In our opinion, and according to the information and explanations given to us and based on our examination of the records, the Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.
- (ix) In our opinion, and according to the information and explanations given to us, the Company does not raise money by way of initial public offer or further public offer and term loans, other than for what it was purposes.
- (x) During the course of audit, we have not noticed any fraud by the company or any fraud on the company by its officers or employees during the year.
- (xi) In our opinion, the company has been paid or payable managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act. If not, state the amount involved and steps taken by the Company for securing refund for the same.
- (xii) The nature of business is not related to Nidhi Company; hence, this clause is not applicable.
- (xiii) In our opinion, and according to the information and explanations given to us and based on our examination of the records of the Company, all transactions with related parties are in compliances with the section 177 & 188 of the Companies Act, 2013 and details have been disclosed in the Standalone Financial Statements as required by the applicable Accounting Standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) The company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For Kirtane & Pandit LLP,
Chartered Accountants**

Firm's Registration No.105215W/W100057

**Milind Bhawe
Partner**

M. No. 047973

UDIN: 21047973AAAABF5304

Place: Mumbai
Date: May 18, 2021

Standalone

Balance Sheet

as at 31st March, 2021

| Particulars | Note No. | (₹ in Crs) | |
|--|----------|---------------------------|---------------------------|
| | | As at 31st March, 2021 | As at 31st March, 2020 |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 1 | 3,510.67 | 2,301.13 |
| Capital Work-in-Progress | 1 | 1,297.91 | 1,417.65 |
| Intangible Assets | 1 | 0.10 | 0.50 |
| Financial Assets | | | |
| Investments | 2 | 36.26 | 37.16 |
| Other Non-Current Assets | 3 | 317.14 | 391.95 |
| Total Non-Current Assets | | 5,162.08 | 4,148.39 |
| Current Assets | | | |
| Inventories | 4 | 901.46 | 781.48 |
| Financial Assets | | | |
| Trade Receivables | 5 | 819.08 | 782.47 |
| Cash and Cash Equivalents | 6 | 405.99 | 233.37 |
| Others Current Financial Assets | 7 | 187.20 | 111.67 |
| Other Current Assets | 8 | 37.92 | 31.84 |
| Total Current Assets | | 2,351.65 | 1,940.83 |
| TOTAL ASSETS | | 7,513.73 | 6,089.22 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity Share Capital | 9 | 87.12 | 87.12 |
| Other Equity | 10 | 3,324.62 | 2,814.70 |
| Total Equity | | 3,411.74 | 2,901.82 |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | 11 | 1,268.05 | 577.58 |
| Other Non Current Liabilities | 12 | 224.41 | 550.89 |
| Deferred Tax Liabilities (Net) | 13 | 210.98 | 188.99 |
| Total Non-Current Liabilities | | 1,703.44 | 1,317.46 |
| Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | 14 | 1,219.29 | 1,211.42 |
| Trade Payables due to: | | | |
| Micro and Small Enterprise | | NIL | NIL |
| Other than Micro and Small Enterprise | | 584.64 | 324.19 |
| Other Current Liabilities | 15 | 557.58 | 297.58 |
| Provisions | 16 | 37.04 | 36.75 |
| Total Current Liabilities | | 2,398.55 | 1,869.94 |
| Total Liabilities | | 4,101.99 | 3,187.40 |
| TOTAL EQUITY AND LIABILITIES | | 7,513.73 | 6,089.22 |
| Significant Accounting Policies | | | |
| See accompanying Notes to the Financial Statements | 1-38 | | |

As per our report of even date

For Kirtane & Pandit LLPChartered Accountants
FRN: 105215W/W100057**Milind Bhave**Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. GogriChairman and Managing Director
DIN: 00061003**Chetan Gandhi**Chief Financial Officer
ICAI M. No. 111481**Rashesh C. Gogri**Vice Chairman and Managing Director
DIN: 00066291**Raj Sarraf**Company Secretary
ICSI M. No. A15526



Statement of Profit and Loss

for the year ended 31st March, 2021

(₹ in Crs)

| Particulars | Note No. | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
|---|----------|--|--|
| REVENUE | | | |
| Revenue from Operations | 17 | 4,807.82 | 4,408.19 |
| Less: GST Collected | | 491.11 | 413.78 |
| Net Revenue from Operations | | 4,316.71 | 3,994.41 |
| Other Income | 18 | 1.95 | 10.51 |
| Total Revenue | | 4,318.66 | 4,004.92 |
| EXPENSES | | | |
| Cost of Materials Consumed (Incl. Packing Material, Fuel, Stores & Spares) | 19 | 1,922.84 | 1,765.21 |
| Purchases of Stock-in-Trade | | 185.79 | 218.20 |
| Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade | 20 | (65.41) | (16.09) |
| Employee Benefits Expense | 21 | 358.28 | 292.34 |
| Finance Costs | 22 | 86.16 | 121.55 |
| Depreciation and Amortisation Expenses | 1 | 218.31 | 172.64 |
| Other Expenses | 23 | 980.69 | 805.21 |
| Total Expenses | | 3,686.66 | 3,359.06 |
| PROFIT BEFORE TAX | | 632.00 | 645.86 |
| TAX EXPENSES | | | |
| Current Year Tax | | 110.00 | 113.00 |
| MAT Credit Entitlement | | (13.50) | (8.50) |
| Deferred Tax | | 22.00 | 18.00 |
| Total Tax Expenses | | 118.50 | 122.50 |
| PROFIT AFTER TAX | | 513.50 | 523.36 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to Statement of Profit and Loss | | | |
| Fair Value of Various Qualifying Items | | 39.97 | (55.93) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 553.47 | 467.43 |
| EARNINGS PER EQUITY SHARE (EPS) (in ₹) | | | |
| Basic/Diluted | 24 | 29.47 | 30.04 |
| Significant Accounting Policies | 1-38 | | |

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W100057

Milind Bhave

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526

Standalone

Statement of Changes in Equity

for the year ended 31st March, 2021

A. EQUITY SHARE CAPITAL

| | (₹ in Crs) |
|---|--------------|
| As at 1st April, 2019 | 43.33 |
| Changes in equity share capital during the year 2019-20 | 43.79 |
| As at 31st March, 2020 | 87.12 |
| Changes in equity share capital during the year 2020-21 | NIL |
| As at 31st March, 2021 | 87.12 |

B. OTHER EQUITY

| Particulars | Other Equity | | | | | | | Other Comprehensive Income | Total Other Equity |
|---|----------------------|----------------------------|------------------------------|--------------------|-----------------|--------------------|-------------------|----------------------------|--------------------|
| | Reserves and Surplus | | | | | | | | |
| | Capital Reserve | Capital Redemption Reserve | Debenture Redemption Reserve | Securities Premium | General Reserve | Forfeiture Reserve | Retained Earnings | | |
| As at 1st April, 2019 | 9.70 | 1.56 | 120.00 | 738.72 | 109.20 | 1.85 | 1,533.40 | 2.64 | 2,517.07 |
| QIP Allotment (Net of Expenses) | - | - | - | (0.60) | - | - | - | - | (0.60) |
| Bonus Shares Issued | - | (1.56) | - | (42.00) | - | - | - | - | (43.56) |
| Dividend Paid | - | - | - | - | - | - | (104.54) | - | (104.54) |
| Tax on Dividend | - | - | - | - | - | - | (21.11) | - | (21.11) |
| Transfer to Other Reserves from Retained Earnings | - | - | (40.00) | - | 92.50 | - | (52.50) | - | NIL |
| Profit for the Period | - | - | - | - | - | - | 523.36 | - | 523.36 |
| Other Comprehensive Income | - | - | - | - | - | - | - | (55.93) | (55.93) |
| Balance as at 31st March, 2020 | 9.70 | NIL | 80.00 | 696.12 | 201.70 | 1.85 | 1,878.61 | (53.28) | 2,814.70 |
| Dividend Paid | - | - | - | - | - | - | (43.56) | - | (43.56) |
| Transfer to Other Reserves from Retained Earnings | - | - | (80.00) | - | 131.50 | - | (51.50) | - | NIL |
| Profit for the Period | - | - | - | - | - | - | 513.50 | - | 513.50 |
| Other Comprehensive Income | - | - | - | - | - | - | - | 39.97 | 39.97 |
| Balance as at 31st March, 2021 | 9.70 | NIL | NIL | 696.12 | 333.20 | 1.85 | 2,297.05 | (13.31) | 3,324.62 |

As per our report of even date

For Kirtane & Pandit LLPChartered Accountants
FRN: 105215W/W100057**Milind Bhawe**Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. GogriChairman and Managing Director
DIN: 00061003**Chetan Gandhi**Chief Financial Officer
ICAI M. No. 111481**Rashesh C. Gogri**Vice Chairman and Managing Director
DIN: 00066291**Raj Sarraf**Company Secretary
ICSI M. No. A15526



Cash Flow Statement

for the year ended 31st March, 2021

(₹ in Crs)

| Sr. No. Particulars | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
|---|--|--|
| A. Cash Flow from Operating Activities: | | |
| Net Profit before Tax and Exceptional/Extraordinary Items | 632.00 | 645.86 |
| Adjustments for: | | |
| Finance Costs | 86.16 | 121.55 |
| Depreciation and Amortisation Expenses | 218.31 | 172.64 |
| | 936.47 | 940.05 |
| Profit on Sale of Assets/Investments | (0.34) | (8.47) |
| Dividend Income | (1.55) | (1.86) |
| Lease Rent Income | (0.05) | (0.05) |
| Operating Profit before Working Capital Changes | 934.53 | 929.67 |
| Adjustments for: | | |
| (Increase)/Decrease in Trade and Other Receivables | (25.54) | 18.51 |
| Increase/(Decrease) in Trade Payables and Other Current Liabilities | 148.68 | 353.03 |
| (Increase)/Decrease in Inventories | (119.98) | (80.57) |
| Cash Generated from Operations | 937.69 | 1,220.64 |
| Direct Taxes Paid | (93.82) | (156.03) |
| Net Cash Flow from Operating Activities (A) | 843.87 | 1,064.61 |
| B. Cash Flow from Investing Activities: | | |
| Addition to Property, Plant & Equipment/Capital WIP | (1,307.78) | (1,141.00) |
| Sale/Written off of Property, Plant & Equipment | 0.44 | 27.71 |
| (Increase)/Decrease in Other Investments | NIL | (0.87) |
| (Increase)/Decrease in Investments in Subsidiary Companies | (0.80) | (0.20) |
| Dividend Income from Other Investments | NIL | NIL |
| Dividend Income from Subsidiary Companies | 1.55 | 1.86 |
| Profit on Sale of Investments | NIL | 3.88 |
| Lease Rent Income | 0.05 | 0.05 |
| Net Cash Flow from Investing Activities (B) | (1,306.54) | (1,108.57) |
| C. Cash Flow from Financing Activities: | | |
| Proceeds of Long-Term Borrowings | 1,007.99 | 74.10 |
| Repayment of Long-Term Borrowings | (250.85) | (316.08) |
| Proceeds/(Repayment) of Other Borrowings | 7.87 | (51.08) |
| Finance Costs | (86.16) | (121.55) |
| Increase in Equity by QIP (Net of Expenses) | NIL | (0.60) |
| Dividend Paid | (43.56) | (104.54) |
| Net Cash Flow from Financing Activities (C) | 635.29 | (519.75) |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | 172.62 | (563.71) |
| Cash and Cash Equivalents (Opening Balance) | 233.37 | 797.08 |
| Cash and Cash Equivalents (Closing Balance) | 405.99 | 233.37 |

Notes: (i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.

(ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date

For and on behalf of the Board

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W100057

Milind Bhawe

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526

Standalone

Corporate Information and Significant Accounting Policies:

Corporate Information

Aarti Industries Limited ("The Company") is listed entity incorporated in India. The registered office of the Company is located at Plot No. 801,801/23 G.I.D.C. Estate, Phase III, Vapi, Dist. Valsad Gujarat 396 195 India.

The Company is engaged in manufacturing and dealing in Speciality Chemicals and Pharmaceuticals.

Significant Accounting Policies

(a) Basis of Preparation and Presentation:

These Financial Statement of the Company have been prepared in accordance with Indian Accounting Standards (IND AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended on time to time.

(b) 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 recognized 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.

(v) Subsidy received:

Subsidy from Department of Fertilizers is recognised, based on the eligible quantities supplied by the Company, at the rates as notified/announced by the Government of India.

(c) Property, Plant and Equipment, Intangible Assets and Depreciation/Amortization:

(1) Property, Plant and Equipment (PPE)

Property, Plant & Equipment are stated at cost of acquisition (net of recoverable taxes) inclusive of all expenditure of capital nature such as inward freight, duties & taxes, installation and commissioning expenses, appropriate borrowing costs and incidental expenses related to acquisition.

(2) Intangible Assets

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



Corporate Information and Significant Accounting Policies:

allocated and capitalised as a part of the cost of the intangible assets.

(3) Depreciation/Amortization

(A) Pursuant to the notification of Schedule II of the Companies Act, 2013, the management has reassessed and changed based on an independent technical estimates, wherever necessary, the useful lives to compute depreciation, to confirm to the requirements of the Companies Act, 2013. The useful life for various class of assets is as follows:

| Particulars | Particulars Depreciation/ Amortisation |
|------------------------------|---|
| (i) Leasehold Land | Over the remaining tenure of lease |
| (ii) Building | Over a period of 19 - 31 years |
| (iii) Residential Quarters | Over a period of 30 years |
| (iv) Plant & Equipments | Over its useful life as technically assessed, i.e over a period of 9 - 19 years, based on the type of processes and equipments installed. |
| (v) Computers | Over a period of 2.5 years |
| (vi) Office Equipment | Over a period of 5 years |
| (vii) Furniture and Fixtures | Over a period of 10 years |
| (viii) Vehicles | Over a period of 7 years |

(B) Product/Process Development Expenses are amortized over the estimated useful life of the product.

(4) 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.

(d) Research and Development:

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account for the year. Capital Expenditure on Research and Development is included as part of Property, Plant & Equipment and depreciation is provided on the same basis as for other Property, Plant & Equipment.

(e) Investments:

- (i) Investments in subsidiaries and associates are measured at cost.
- (ii) Other investments are measured at fair value through Other Comprehensive Income.

(f) Valuation of Inventories:

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

Inventories have been valued on the following basis:

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

(g) Retirement Benefits:

Employee benefits are charged off in the year in which the employee has rendered services.

(h) 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 applicable accounting standards.

(i) Lease:

The Company has adopted Ind AS 116. It has resulted into recognition of Lease Assets Right to Use with a corresponding Lease Liability in the Balance Sheet.

The Company, as a lessee, recognises a right to use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right to use asset shall comprise of the amount of the initial measurement

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Corporate Information and Significant Accounting Policies:

of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right to use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term and low value leases, the Company recognises the lease payments as an operating expense.

(j) Deferred Revenue Expenditure:

Deferred Revenue Expenditure is amortized over the period of the agreement on pro rata basis.

(k) Income Taxes:

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.

(l) Borrowing Costs:

Borrowing cost directly related to the acquisition or construction of an asset is capitalized as part of the cost of that asset. Other borrowing costs are charged to the Profit and Loss Account.

(m) Provisions and Contingent Liabilities:

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a Cash Outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a Cash Outflow will not be required to settle the obligation.

(n) Cash and Cash Equivalents:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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.

Notes to the Financial Statements

for the year ended 31st March, 2021

1. PROPERTY, PLANT AND EQUIPMENT:

| F.Y. 2020-21 Particulars | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | | |
|--------------------------------|-------------------------------------|---------------------------|--------------------------|--------------------------------------|-------------------------------------|--|--------------------------|--------------------------------------|--------------------------------------|
| | Balance as at 1st April, 2020 | Additions/ (Disposals) | Deduction/ Adjustment | Balance as at 31st March, 2021 | Balance as at 1st April, 2020 | Depreciation charge for the year | Deduction/ Adjustment | Balance as at 31st March, 2021 | Balance as at 31st March, 2020 |
| (i) Tangible Assets | | | | | | | | | |
| Free hold Land | 3.57 | - | - | 3.57 | 0.26 | - | - | 3.31 | 3.31 |
| Lease Hold Land | 148.23 | 81.02 | - | 229.25 | 8.70 | 1.90 | - | 218.65 | 139.63 |
| Lease Assets Right to Used | 25.35 | 1.48 | - | 26.83 | 5.11 | 5.73 | - | 15.99 | 20.24 |
| Buildings | 325.70 | 127.87 | - | 453.57 | 89.64 | 19.50 | - | 344.43 | 236.06 |
| Plant and Equipment | 2,865.95 | 1,169.38 | - | 4,035.33 | 1,090.03 | 173.23 | - | 2,772.08 | 1,775.92 |
| R & D Assets | 123.51 | 31.58 | - | 155.09 | 23.28 | 9.64 | - | 122.17 | 100.23 |
| Furniture and Fixtures | 41.14 | 13.17 | - | 54.31 | 25.84 | 5.71 | - | 22.77 | 15.30 |
| Vehicles | 27.95 | 3.02 | 0.22 | 30.75 | 17.41 | 2.19 | 0.12 | 11.27 | 10.54 |
| Total (i) | 3,561.40 | 1,427.52 | 0.22 | 4,988.70 | 1,260.27 | 217.90 | 0.12 | 3,510.67 | 2,301.13 |
| (ii) Intangible Assets | | | | | | | | | |
| Process Development | 21.96 | - | - | 21.96 | 21.46 | 0.40 | - | 0.10 | 0.50 |
| Technical Knowhow | 0.08 | - | - | 0.08 | 0.08 | - | - | NIL | NIL |
| Goodwill | 6.16 | - | - | 6.16 | 6.16 | - | - | NIL | NIL |
| Computer Software | 0.38 | - | - | 0.38 | 0.38 | - | - | NIL | NIL |
| Copyrights and Patents | 9.65 | - | - | 9.65 | 9.65 | - | - | NIL | NIL |
| Total (ii) | 38.23 | NIL | NIL | 38.23 | 37.73 | 0.40 | NIL | 0.10 | 0.50 |
| TOTAL (i+ii) | 3,599.63 | 1,427.52 | 0.22 | 5,026.93 | 1,298.00 | 218.30 | 0.12 | 3,510.77 | 2,301.63 |
| (iii) Capital Work-in-Progress | | | | | | | | 1,297.91 | 1,417.65 |

(₹ in Crs)

Notes to the Financial Statements

for the year ended 31st March, 2021

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| F.Y. 2019-20 | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | | |
|--------------------------------|-------------------------------|------------------------|-----------------------|--------------------------------|-------------------------------|----------------------------------|-----------------------|--------------------------------|--------------------------------|
| | Balance as at 1st April, 2019 | Additions/ (Disposals) | Deduction/ Adjustment | Balance as at 31st March, 2020 | Balance as at 1st April, 2019 | Depreciation charge for the year | Deduction/ Adjustment | Balance as at 31st March, 2020 | Balance as at 31st March, 2019 |
| (i) Tangible Assets | | | | | | | | | |
| Free hold Land | 3.57 | - | - | 3.57 | 0.26 | - | - | 0.26 | 3.31 |
| Lease Hold Land | 144.22 | 4.78 | 0.77 | 148.23 | 6.82 | 1.88 | - | 8.70 | 137.40 |
| Lease Assets Right to Used | - | 25.35 | - | 25.35 | - | 5.11 | - | 5.11 | - |
| Buildings | 286.98 | 41.44 | 2.72 | 325.70 | 74.96 | 15.77 | 1.09 | 89.59 | 212.02 |
| Plant and Equipment | 2,520.87 | 394.98 | 49.90 | 2,865.95 | 980.07 | 139.31 | 29.35 | 1,090.03 | 1,540.80 |
| R & D Assets | 85.16 | 38.35 | - | 123.51 | 18.72 | 4.56 | - | 23.33 | 66.44 |
| Furniture and Fixtures | 33.65 | 7.82 | 0.33 | 41.14 | 22.54 | 3.63 | 0.33 | 25.84 | 11.11 |
| Vehicles | 23.45 | 5.21 | 0.71 | 27.95 | 15.97 | 1.97 | 0.53 | 17.41 | 7.48 |
| Total (i) | 3,097.90 | 517.93 | 54.43 | 3,561.40 | 1,119.34 | 172.23 | 31.30 | 1,260.27 | 2,301.13 |
| (ii) Intangible Assets | | | | | | | | | |
| Process Development | 21.96 | - | - | 21.96 | 21.06 | 0.40 | - | 21.46 | 0.50 |
| Technical Knowhow | 0.08 | - | - | 0.08 | 0.08 | - | - | 0.08 | NIL |
| Goodwill | 6.16 | - | - | 6.16 | 6.16 | - | - | 6.16 | NIL |
| Computer Software | 0.38 | - | - | 0.38 | 0.38 | - | - | 0.38 | NIL |
| Copyrights and Patents | 9.65 | - | - | 9.65 | 9.65 | - | - | 9.65 | NIL |
| Total (ii) | 38.23 | NIL | NIL | 38.23 | 37.33 | 0.40 | NIL | 37.73 | 0.50 |
| TOTAL (i+ii) | 3,136.13 | 517.93 | 54.43 | 3,599.63 | 1,156.67 | 172.63 | 31.30 | 1,298.00 | 2,301.63 |
| (iii) Capital Work-in-Progress | | | | | | | | | |
| | | | | | | | | | 794.57 |



Notes to the Financial Statements

for the year ended 31st March, 2021

2. NON-CURRENT INVESTMENTS:

(₹ in Crs)

| Particulars | No. of Shares/Units | As at | | |
|--|------------------------|------------------|------------------|--------------|
| | | 31st March, 2021 | 31st March, 2020 | |
| Investments - (Unquoted) in Equity Shares of Subsidiary Companies | | | | |
| Aarti Corporate Services Limited | 20,24,680 | 1.73 | 20,24,680 | 1.73 |
| Alchemie (Europe) Limited | 80,000 | 0.54 | 80,000 | 0.54 |
| Innovative Envirocare Jhagadia Limited | 3,50,000 | 0.35 | 3,50,000 | 0.35 |
| Aarti USA Inc. | 1,00,00,000 | 0.66 | 1,00,00,000 | 0.66 |
| Aarti Polychem Private Limited | 1,500 | 0.00 | 1,500 | 0.00 |
| Aarti Organics Limited | 50,000 | 0.25 | 50,000 | 0.05 |
| Aarti Bharuch Limited | 50,000 | 0.25 | 50,000 | 0.05 |
| Aarti Pharmachem Limited | 50,000 | 0.25 | 50,000 | 0.05 |
| Aarti Spechem Limited | 50,000 | 0.25 | 50,000 | 0.05 |
| | | 4.28 | | 3.48 |
| Investments - (Unquoted) in Equity Shares of Joint Control/Associates Companies | | | | |
| Ganesh Polychem Limited * | 30,98,257 | 12.61 | 30,98,257 | 12.61 |
| | | 12.61 | | 12.61 |
| Investments - (Unquoted) in Equity Shares of Other Companies | | | | |
| Ichalkaranji Janata Sahakari Bank Limited | 1,020 | 0.01 | 1,020 | 0.01 |
| Damanganga Saha Khand Udyog Mandal Limited | 61 | 0.01 | 61 | 0.01 |
| Narmada Clean Tech Limited | 2,87,550 | 0.13 | 2,87,550 | 0.13 |
| Dilesh Roadlines Private Limited | 4,64,550 | 3.25 | 4,64,550 | 2.56 |
| U.K.I.P. Co-Op. Society Limited | 80 | 0.00 | 80 | 0.00 |
| Perfect Enviro Control Systems Limited | 36,800 | 0.02 | 36,800 | 0.02 |
| Aarti Ventures Limited | 9,17,000 | 7.40 | 1,90,000 | 2.52 |
| Tarapur Environment Protection Society | 32,489 | 0.62 | 32,489 | 0.62 |
| Derma Touch Inc. | 1,25,000 | 4.26 | 1,25,000 | 4.26 |
| Shamrao Vithal Co-op. Bank Limited | 100 | 0.00 | 100 | 0.00 |
| | | 15.70 | | 10.13 |
| Investments - (Unquoted) in Limited Liability Partnership | | | | |
| Aarti Udyog Limited Liability Partnership | NA | 3.67 | NA | 3.67 |
| | | 3.67 | | 3.67 |
| Investments - (Unquoted) in Unsecured Convertible Debentures | | | | |
| Aarti Ventures Limited | NIL | 0.00 | 7,27,000 | 7.27 |
| | | 0.00 | | 7.27 |
| TOTAL | | 36.26 | | 37.16 |

*During the month of March 2021, Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021.

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Notes to the Financial Statements

for the year ended 31st March, 2021

3. OTHER NON-CURRENT ASSETS:

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Capital Advances | 91.50 | 168.87 |
| Other Deposits | 46.58 | 41.34 |
| Advance Tax and Tax Deducted at Source (Net of Provisions) | 179.06 | 181.74 |
| TOTAL | 317.14 | 391.95 |

4. INVENTORIES:

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Raw Materials and Components (incl In-transit stock) | 276.63 | 247.73 |
| Work-in-progress | 236.57 | 192.87 |
| Finished Goods (incl In-transit stock) | 273.40 | 251.94 |
| Stock-in-trade | 4.57 | 0.86 |
| Stores and spares | 90.94 | 70.57 |
| Fuel (incl In-transit stock) | 13.70 | 14.01 |
| Packing Materials | 5.65 | 3.50 |
| TOTAL | 901.46 | 781.48 |

4.1 IN-TRANSIT INVENTORIES:

| Particulars | (₹ in Crs) | |
|----------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Raw Materials | 40.83 | 28.83 |
| Finished Goods | 54.11 | 21.96 |
| Fuel | 2.44 | 16.88 |
| TOTAL | 97.38 | 67.67 |

5. TRADE RECEIVABLES:

| Particulars | (₹ in Crs) | |
|-------------------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Unsecured and considered good | 819.08 | 782.47 |
| TOTAL | 819.08 | 782.47 |

6. CASH AND CASH EQUIVALENTS:

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Cash on hand | 0.56 | 0.53 |
| Bank balance in Current Accounts | 18.57 | 53.32 |
| Bank balance in Deposit Accounts | 331.77 | 177.19 |
| Cash Equivalants investment in highly Liquid Funds/Bonds | 53.04 | NIL |
| Earmarked Balances (Unpaid Dividend Accounts) | 2.05 | 2.33 |
| TOTAL | 405.99 | 233.37 |



Notes to the Financial Statements

for the year ended 31st March, 2021

7. OTHER CURRENT FINANCIAL ASSETS:

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Balances with Customs, Port Trust, Central Excise, Sales Tax & Goods & Services Tax Authorities | 166.19 | 97.56 |
| Loans & Advances: | | |
| (i) Employees | 8.36 | 7.75 |
| (ii) Others | 7.22 | 6.24 |
| (iii) Related Parties | 5.43 | 0.12 |
| TOTAL | 187.20 | 111.67 |

8. OTHER CURRENT ASSETS:

| Particulars | (₹ in Crs) | |
|--------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Others Receivables | 10.17 | 8.53 |
| Prepaid Expenses | 21.99 | 12.99 |
| Subsidy Receivable | 5.76 | 10.32 |
| TOTAL | 37.92 | 31.84 |

9. EQUITY SHARE CAPITAL:

| Particulars | No. of Shares | (₹ in Crs) | |
|---|---------------|---------------------------|---------------------------|
| | | As at 31st March, 2021 | As at 31st March, 2020 |
| Authorised Share Capital | | | |
| Equity Shares of ₹ 5/- each | 23,01,50,320 | 115.08 | 23,01,50,320 |
| Issued, Subscribed & Paid up | | | |
| Equity Shares of ₹ 5/- each fully paid up | 17,42,34,474 | 87.12 | 17,42,34,474 |
| TOTAL | | 87.12 | 87.12 |

9.1 Reconciliation of the number of Shares outstanding as on 31st March, 2021:

| Particulars | No. of Shares outstanding | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Equity Shares at the beginning of the year | 17,42,34,474 | 8,66,68,647 |
| Add: Shares issued during the year | NIL | 8,75,65,827 |
| Less: Shares buy-back during the year | NIL | NIL |
| Equity Shares at the end of the year | 17,42,34,474 | 17,42,34,474 |

9.2 Details of shareholders holding more than 5% shares:

| Name of the Shareholders | As at 31st March, 2021 | | As at 31st March, 2020 | |
|---------------------------|------------------------|--------|------------------------|--------|
| | No. of Shares | % held | No. of Shares | % held |
| HDFC Trustee Company Ltd. | 77,09,004 | 4.42 | 1,38,28,976 | 7.94 |

9.3 The details of Equity Shares outstanding during last 5 years:

| Particulars | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|
| No. of Equity Shares outstanding | 17,42,34,474 | 17,42,34,474 | 8,66,68,647 | 8,13,00,000 | 8,21,20,383 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

9.4 Note on Issued, Subscribed and Paid up Equity Share Capital:

- (a) During the year 2019-20, 8,71,17,237 shares are issued as Bonus Shares in the ratio of 1:1 equity share of ₹ 5 each.
- (b) During the year 2019-20, 4,48,590 Shares were allotted to the shareholders of Nascent Chemical Industries Limited pursuant to the terms of the Scheme of Arrangement approved by the Honorable National Company Law Tribunal (NCLT), Ahmedabad Bench.
- (c) During the year 2018-19, 53,68,647 Shares were issued through Qualified Institutions Placement at the issue price of ₹ 1,397 per Equity Share (including ₹ 1,392 towards share premium) to qualified institutional buyers.
- (d) During the year 2017-18, 8,20,383 Shares were brought back at a premium of ₹ 1,195/-.
- (e) During the year 2016-17, 12,00,000 Shares were brought back at a premium of ₹ 795/-.

10. OTHER EQUITY:

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| a. Capital Reserves | | |
| Opening Balance | 9.70 | 9.70 |
| Addition: | | |
| Deduction | NIL | NIL |
| Closing Balance | 9.70 | 9.70 |
| b. Capital Redemption Reserve | | |
| Opening Balance | NIL | 1.56 |
| Addition | NIL | NIL |
| Deduction: upon issue of Bonus Shares | NIL | 1.56 |
| Closing Balance | NIL | NIL |
| c. Securities Premium Account | | |
| Opening Balance | 696.12 | 738.72 |
| Addition: | NIL | NIL |
| Deduction: | | |
| QIP Expenses | NIL | 0.60 |
| Bonus Shares Issued | NIL | 42.00 |
| Closing Balance | 696.12 | 696.12 |
| d. Debenture Redemption Reserve | | |
| Opening Balance | 80.00 | 120.00 |
| Addition | NIL | NIL |
| Deduction: Transferred to General Reserve | 80.00 | 40.00 |
| Closing Balance | NIL | 80.00 |
| e. General Reserve | | |
| Opening Balance | 201.70 | 109.20 |
| Addition: | | |
| Transferred from Debenture Redumption Reserve | 80.00 | 40.00 |
| Transferred from Profit & Loss Account | 51.50 | 52.50 |
| Deduction: | NIL | NIL |
| Closing Balance | 333.20 | 201.70 |



Notes to the Financial Statements

for the year ended 31st March, 2021

(₹ in Crs)

| Particulars | As at | As at |
|---|------------------|------------------|
| | 31st March, 2021 | 31st March, 2020 |
| f. Profit and Loss Account | | |
| Opening balance | 1,878.61 | 1,533.40 |
| Addition: | | |
| Net Profit/(Loss) for the year | 513.50 | 523.36 |
| Deduction: | | |
| Final Dividend paid on Equity Share for the previous year | 17.42 | 60.98 |
| Interim Dividend paid on Equity Share for the year | 26.14 | 43.56 |
| Tax on Dividend | NIL | 21.11 |
| Transferred to General Reserve | 51.50 | 52.50 |
| Closing Balance | 2,297.05 | 1,878.61 |
| g. Other Reserves | | |
| Forfeiture Reserve | 1.85 | 1.85 |
| Closing Balance | 1.85 | 1.85 |
| h. Other Comprehensive Income | | |
| Opening Balance | (53.28) | 2.64 |
| OCI for the year | 39.97 | (55.93) |
| Closing Balance | (13.31) | (53.28) |
| TOTAL | 3,324.62 | 2,814.70 |

11. NON-CURRENT BORROWINGS:

(₹ in Crs)

| Name of the Shareholders | As at 31st March, 2021 | | As at 31st March, 2020 | |
|--|------------------------|---------------|------------------------|---------------|
| | Non-Current | Current | Non-Current | Current |
| | Secured | | | |
| (a) Non Convertible Debentures (NCDs) | NIL | NIL | NIL | 80.00 |
| (b) ECB/Term loans from Banks/Financial Institutions | 1,265.09 | 348.99 | 575.49 | 202.57 |
| (c) Vehicle Loans from Banks/Financial Institutions | 2.96 | 1.33 | 2.09 | 1.08 |
| TOTAL | 1,268.05 | 350.32 | 577.58 | 283.65 |

11.1 a) Outstanding Term Loans/ECBs to the extent of ₹ 1,614.08 Crs are secured by way of Pari Passu Hypothecation of the Moveable Plant & Machinery, Machinery Spares, Tools and Accessories and other movables, both present and future (except book debts, inventories and other current assets) wherever situated, excluding those charged exclusively to other Term Lenders/Specifically excluded.

b) Vehicle loans from Banks/Financial Institutions are secured by way of hypothecation of respective vehicles.

11.2 Repayment Terms:

(₹ in Crs)

| Particulars | Repayment Tenor | | | |
|--|-----------------|-----------|-----------|----------------|
| | 1-2 years | 2-3 years | 3-4 years | Beyond 4 years |
| ECB/Term Loans from Banks/Financial Institutions | 353.88 | 344.26 | 361.66 | 205.29 |
| Vehicle Loans from Banks/Financial Institutions | 1.33 | 0.89 | 0.48 | 0.26 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

12. OTHER NON CURRENT LIABILITIES

| Particulars | As at 31st March, 2021 | | As at 31st March, 2020 | |
|---------------------------|--|---------------|------------------------|------------|
| | Non-Current | Current | Non-Current | Current |
| | Long Term Advance for Exports Received From Customer | 211.29 | 190.01 | 529.69 |
| Lease Liabilities Account | 13.12 | 4.61 | 21.20 | NIL |
| TOTAL | 224.41 | 194.62 | 550.89 | NIL |

(₹ in Crs)

12.1 The Company has received advances of ₹ 401.30 Crs (previous year ₹ 529.69 Crs) for export commitments under the long term contracts (contracts with period more than five year) executed by the company with its customers. The advances shall be adjusted against the export sales/supplies over a period of time, as per the terms of these contracts. Further, as per the terms of said contracts, the Company has issued a Bank Guarantee to the extent of ₹219.33 Crs (previous year ₹ 138.30 Crs) in favour of the customer.

13. DEFERRED TAX LIABILITIES (NET):

| Particulars | As at | |
|---|------------------|------------------|
| | 31st March, 2021 | 31st March, 2020 |
| Deferred Tax Liabilities | 188.99 | 170.98 |
| Difference between net book value of depreciable capital assets as per books vis - a- vis written down value as per Tax Laws. | 27.06 | 21.31 |
| Deferred Tax Assets | | |
| Items allowed for tax purpose on payment | (5.06) | (3.30) |
| Deferred Tax Liabilities (Net) | 210.98 | 188.99 |

(₹ in Crs)

14. SHORT-TERM BORROWINGS:

| Particulars | As at | |
|---------------------------------|------------------|------------------|
| | 31st March, 2021 | 31st March, 2020 |
| Secured | | |
| Working Capital Loan From Banks | 1,143.20 | 1,188.22 |
| | 1,143.20 | 1,188.22 |
| Unsecured | | |
| From Banks | 76.09 | 23.20 |
| | 76.09 | 23.20 |
| TOTAL | 1,219.29 | 1,211.42 |

(₹ in Crs)

14.1 Working Capital Loans availed from Scheduled Banks, are secured/to be secured by way of Pari Passu first charge by hypothecation of Raw Materials, Stock-In-Process, Semi-Finished Goods, Finished Goods, Packing Materials and Stores and Spares, Bills Receivables and Book Debts and all other moveable, both present and future. Also by way of Joint Equitable Mortgage of the Company's immovable properties situated at Sarigam, Vapi, Jhagadia and Bhachau in the State of Gujarat and at Tarapur in the State of Maharashtra and further by way of hypothecation of all moveable plant & machinery, machinery spares, tools and accessories and other movables, both present and future (except book debts & inventories) wherever situated, ranking second to the charge held by ECB/Other Term Lenders.



Notes to the Financial Statements

for the year ended 31st March, 2021

15. OTHER CURRENT LIABILITIES:

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Current maturities of Long-Term Debt | 348.99 | 282.57 |
| Current maturities of Vehicle Loan | 1.33 | 1.08 |
| Current Portion of Long Term Advance for Export | 190.01 | NIL |
| Lease Liabilities Account | 4.61 | NIL |
| Interest accrued but not due on borrowings | NIL | 7.44 |
| Unpaid Dividends | 2.05 | 2.33 |
| Other Current Liabilities & Taxes | 10.60 | 4.16 |
| TOTAL | 557.58 | 297.58 |

16. SHORT-TERM PROVISIONS:

| Particulars | (₹ in Crs) | |
|---------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Provision for | | |
| Employees' Benefits | 37.04 | 36.75 |
| TOTAL | 37.04 | 36.75 |

17. REVENUE FROM OPERATIONS:

| Particulars | (₹ in Crs) | |
|--------------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Sale of Products & Services | 4,609.96 | 4,332.06 |
| Other Operating Revenues | 197.86 | 76.13 |
| GROSS REVENUE FROM OPERATIONS | 4,807.82 | 4,408.19 |
| Less: GST Collected | 491.11 | 413.78 |
| NET REVENUE FROM OPERATIONS | 4,316.71 | 3,994.41 |

17.1. GROSS SALES & OPERATING REVENUES:

| Particulars | (₹ in Crs) | |
|----------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Local Sales: | | |
| Speciality Chemicals | 2,354.83 | 2,147.24 |
| Pharmaceuticals | 448.70 | 420.43 |
| Total (A) | 2,803.53 | 2,567.67 |
| Export Sales: | | |
| Speciality Chemicals | 1,581.11 | 1,505.21 |
| Pharmaceuticals | 423.18 | 335.31 |
| Total (B) | 2,004.29 | 1,840.52 |
| TOTAL (A+B) | 4,807.82 | 4,408.19 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

17.2. OTHER OPERATING REVENUES:

| Particulars | (₹ in Crs) | |
|-------------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Fertilizers Subsidy Received | 20.24 | 12.29 |
| Export Benefits/Incentives Received | 19.05 | 54.57 |
| Shortfall Fees | 147.24 | NIL |
| Scrap Sales | 11.32 | 9.27 |
| TOTAL | 197.86 | 76.13 |

18. OTHER INCOME:

| Particulars | (₹ in Crs) | |
|--------------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Dividend Income | 1.55 | 1.86 |
| Profit on Sale of Assets/Investments | 0.34 | 8.47 |
| Other Income | 0.06 | 0.18 |
| TOTAL | 1.95 | 10.51 |

19. COST OF MATERIALS CONSUMED:

| Particulars | (₹ in Crs) | |
|----------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Consumption of Raw Materials | 1,644.06 | 1,505.86 |
| Consumption of Packing Materials | 40.56 | 36.23 |
| Consumption of Fuel | 135.61 | 137.28 |
| Consumption of Stores & Spares | 102.61 | 85.84 |
| TOTAL | 1,922.84 | 1,765.21 |

20. CHANGE IN INVENTORY:

| Particulars | (₹ in Crs) | |
|----------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Opening Stock | | |
| Finished Goods | 252.79 | 221.84 |
| Work-in-Progress | 192.87 | 207.73 |
| Total (A) | 445.66 | 429.57 |
| Closing Stock | | |
| Finished Goods | 273.40 | 252.79 |
| Work-in-Progress | 237.67 | 192.87 |
| Total (B) | 511.07 | 445.66 |
| TOTAL (A-B) | (65.41) | (16.09) |

21. EMPLOYEE BENEFITS:

| Particulars | (₹ in Crs) | |
|------------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Salaries, Wages & Bonus | 302.09 | 256.17 |
| Contribution to PF and other Funds | 25.97 | 18.54 |
| Workmen & Staff Welfare Expenses | 30.22 | 17.63 |
| TOTAL | 358.28 | 292.34 |



Notes to the Financial Statements

for the year ended 31st March, 2021

22. FINANCE COST:

| Particulars | (₹ in Crs) | |
|-------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Interest on NCD's | 2.55 | 10.36 |
| Other Interest Expenses | 74.36 | 102.25 |
| Other Borrowing Costs | 9.25 | 8.94 |
| TOTAL | 86.16 | 121.55 |

23. OTHER EXPENSES:

| Particulars | (₹ in Crs) | |
|---|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Manufacturing Expenses: | | |
| Freight, Cartage & Transport | 104.12 | 104.79 |
| Power | 131.37 | 113.15 |
| Water Charges | 12.57 | 11.36 |
| Processing Charges | 53.77 | 50.36 |
| Other Manufacturing Expenses | 157.88 | 117.22 |
| Repairs & Maintenance | 109.99 | 105.57 |
| Insurance Charges | 9.71 | 5.42 |
| Research & Development Expenses | 55.10 | 27.01 |
| Factory Administrative Expenses | 69.55 | 47.13 |
| Total (A) | 704.04 | 582.01 |
| Office Administrative Expenses: | | |
| Rent, Rates and Taxes | 0.98 | 2.35 |
| Travelling and Conveyance | 2.89 | 6.38 |
| Auditor's Remuneration | 0.33 | 0.36 |
| Legal & Professional Charges | 18.01 | 12.40 |
| Postage, Telegraph & Telephone/ Printing & Stationery | 0.90 | 1.44 |
| Other Administrative Expenses | 13.97 | 10.99 |
| Total (B) | 37.08 | 33.92 |
| Selling & Distribution Expenses: | | |
| Advertisement & Sales Promotion | 3.75 | 6.05 |
| Export Freight Expenses | 84.92 | 61.21 |
| Freight and Forwarding Expenses | 106.60 | 86.63 |
| Commission | 15.31 | 9.84 |
| Export Insurance Charges | 1.95 | 1.92 |
| Sample Testing & Analysis Charges | 1.44 | 1.14 |
| Lease Rent Paid | 10.97 | 10.97 |
| Sundry Balance Written Off/(Back) | 0.85 | 0.47 |
| Total (C) | 225.79 | 178.98 |
| Non-Operating Expenses: | | |
| Donations and CSR Expenses | 13.78 | 10.30 |
| Total (D) | 13.78 | 10.30 |
| TOTAL (A+B+C+D) | 980.69 | 805.21 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

23.1 AUDITOR'S REMUNERATION:

| Particulars | (₹ in Crs) | |
|------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Audit Fees | 0.30 | 0.30 |
| Certification Charges | 0.03 | 0.05 |
| Out of Pocket Expenses | - | 0.01 |
| TOTAL | 0.33 | 0.36 |

24. EARNING PER SHARE (EPS):

| Particulars | | (₹ in Crs) | |
|--|------------|--|--|
| | | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Net Profit available for Equity Shareholders | (₹ in Crs) | 513.50 | 523.36 |
| No. of Equity Shares | (Nos.) | 17,42,34,474 | 17,42,34,474 |
| Basic & Diluted EPS | (₹) | 29.47 | 30.04 |
| Nominal Value of Equity Share | (₹) | 5.00 | 5.00 |

24.1 Basic earnings per share has been computed by dividing the profit/loss for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share has been computed using weighted average number of shares dilutive potential shares, except where the results would be anti-dilutive.

25. CONTINGENT LIABILITIES AND COMMITMENTS:
(to the extent not provided for)

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| (i) Contingent Liabilities: | | |
| (a) Claims against the company not acknowledged as Debts | 68.10 | 67.38 |
| (b) Letters of Credit, Bank Guarantees & Bills Discounted | 250.90 | 296.80 |
| | 319.00 | 364.18 |
| (ii) Commitments: | | |
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances | 120.02 | 327.94 |
| | 120.02 | 327.94 |
| TOTAL | 439.02 | 692.12 |

26. There are no Micro and Small Enterprise, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2021. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

27. Interest received of ₹ 13.15 Crs (Tax Deducted at Source ₹ 0.66 Crs) [previous year ₹ 26.64 Crs (Tax Deducted at Source ₹ 2.10 Cr)] is netted off against interest paid on Working Capital.

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



Notes to the Financial Statements

for the year ended 31st March, 2021

29. RESEARCH & DEVELOPMENT ACTIVITIES:

| Expenditure | (₹ in Crs) | |
|----------------------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Revenue Expenditure | 55.10 | 27.01 |
| Capital Expenditure: | | |
| Land & Building | 0.46 | 0.68 |
| Plant & Equipment | 28.27 | 35.08 |
| Furniture and Fixtures | 2.85 | 2.58 |
| Total Capital Expenditure | 31.58 | 38.34 |

30. SEGMENT REPORTING:

| Sr. No. | Particulars | (₹ in Crs) | |
|--|-----------------|---------------------------|---------------------------|
| | | Financial Year 2020-21 | Financial Year 2019-20 |
| (A) Primary Segments: Business Segments | | | |
| 1 Segment Revenue: | | | |
| a) Speciality Chemicals | 3,935.94 | 3,652.45 | |
| b) Pharmaceuticals | 871.88 | 755.74 | |
| Total Revenue (Gross) | 4,807.82 | 4,408.19 | |
| Less: GST Collected | 491.11 | 413.78 | |
| Total Revenue (Net) | 4,316.71 | 3,994.41 | |
| 2 Segment Results Profit/(Loss): | | | |
| Before Tax and Interest from each Segment | | | |
| a) Speciality Chemicals | 712.93 | 773.31 | |
| b) Pharmaceuticals | 204.58 | 137.46 | |
| Total (A) | 917.51 | 910.77 | |
| Less: Interest | 86.16 | 121.55 | |
| Other Unallocable Expenditure (Net) | 199.34 | 143.36 | |
| Total (B) | 285.50 | 264.91 | |
| Total Profit before Tax (A-B) | 632.01 | 645.86 | |
| 3 Segment Assets: | | | |
| a) Speciality Chemicals | 5,546.06 | 4,545.48 | |
| b) Pharmaceuticals | 1,192.99 | 958.60 | |
| c) Unallocated Capital | 368.70 | 351.79 | |
| TOTAL | 7,107.75 | 5,855.87 | |
| Segment Liabilities: | | | |
| a) Speciality Chemicals | 1,240.49 | 1,111.78 | |
| b) Pharmaceuticals | 163.19 | 97.64 | |
| c) Unallocated Capital | 210.98 | 188.98 | |
| TOTAL | 1,614.66 | 1,398.40 | |
| (B) Secondary Segments: Geographical Segments (Gross) | | | |
| a) India | 2,803.53 | 2,567.67 | |
| b) Out of India | 2,004.29 | 1,840.52 | |
| TOTAL | 4,807.82 | 4,408.19 | |

Note:

The above segment report is presented in accordance with the applicable provisions & principles laid down under IND AS 108.

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Notes to the Financial Statements

for the year ended 31st March, 2021

31. RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD (Ind AS: 24):

I Following are the Subsidiaries of the Company

1. Aarti Corporate Services Limited
2. Nascent Chemical Industries Limited (Through it's holding Company: Aarti Corporate Services Limited)
3. Shanti Intermediates Private Limited (Through it's holding Company: Aarti Corporate Services Limited)
4. Innovative Envirocare Jhagadia Limited
5. Alchemie (Europe) Limited
6. Aarti USA Inc.
7. Aarti Polychem Private Limited
8. Aarti Organics Limited
9. Aarti Bharuch Limited
10. Aarti Pharmachem Limited
11. Aarti Spechem Limited

II Following are the Joint Ventures / Associates of the Company

1. Ganesh Polychem Limited**

III Following are the Enterprises/Firms over which controlling individuals/Key Management Personnel, of the Company along with their relatives, have significant influence

1. Alchemie Speciality Private Limited
2. Alchemie Laboratories
3. Aarti Drugs Limited
4. Alchemie Dye Chem Private Limited

IV Following are the individuals who with their relatives own Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel

- | | |
|---------------------------|-------------------------|
| 1. Shri Rajendra V. Gogri | Director |
| 2. Shri Rashesh C. Gogri | Director |
| 3. Shri Parimal H. Desai | Director |
| 4. Shri Manoj M. Chheda | Director |
| 5. Shri Kirit R. Mehta | Director |
| 6. Smt. Hetal Gogri Gala | Director |
| 7. Shri Renil R. Gogri | Director |
| 8. Shri Narendra J. Salvi | Director |
| 9. Shri Chetan Gandhi | Chief Financial Officer |
| 10. Shri Raj Sarraf | Company Secretary |



Notes to the Financial Statements

for the year ended 31st March, 2021

The following transactions were carried out during the year with the related parties in the ordinary course of business.

(A) Details relating to parties referred to in items I and II above.

| | | (₹ in Crs) | | |
|---------|--|------------|--------------------------|--------------------------------------|
| Sr. No. | Particulars | Year | Subsidiary Companies [I] | Other related Enterprises Firms [II] |
| 1 | Sales of Finished Goods/Sales Income | CY | 251.77 | 63.84 |
| | | PY | 155.56 | 78.30 |
| 2 | Purchases of Raw Materials/Finished Goods | CY | 21.11 | 15.36 |
| | | PY | 24.60 | 21.18 |
| 3 | Other Manufacturing Expenses | CY | 5.67 | - |
| | | PY | 5.41 | 0.74 |
| 4 | Rent paid | CY | - | - |
| | | PY | - | 0.02 |
| 5 | Sale of Fixed Assets | CY | - | - |
| | | PY | - | 20.06 |
| 6 | Purchase of Fixed Assets | CY | - | - |
| | | PY | 0.08 | - |
| 7 | Interest Income on the Inter-Corporate Deposits placed/unsecured loans/NCDs | CY | 0.33 | - |
| | | PY | 0.28 | - |
| 8 | Dividend Income | CY | 1.55 | - |
| | | PY | 1.86 | - |
| 9 | Inter-corporate Deposit given/(Received back) during the year | CY | 5.00 | - |
| | | PY | (20.00) | - |
| 10 | Equity Contribution /increase in investment in cash or in kind made during the year | CY | - | - |
| | | PY | 0.20 | - |
| 11 | Outstanding items pertaining to the related parties at the balance sheet date Receivable/(Payable) | CY | 97.23 | 53.33 |
| | | PY | 114.93 | 29.68 |

(B) Details relating to persons referred to in item III above*

| Particulars | (₹ in Crs) | |
|---|------------------------|------------------------|
| | Financial Year 2020-21 | Financial Year 2019-20 |
| a. Remuneration including perquisites # | 8.46 | 6.29 |
| b. Commission to Directors | 18.95 | 19.10 |
| c. Sitting Fees | NIL | 0.01 |
| d. Rent paid | 1.07 | 1.07 |
| e. Travelling Expenses | 0.02 | 0.53 |
| f. Telephone Expenses | 0.02 | 0.05 |
| TOTAL | 28.52 | 27.05 |

* Excluding the payments made to Independent Directors & Relative of Directors as per IND AS Interpretation 110 issued by the Institute of Chartered Accountants of India.

Value of Perquisites includes non Cash Perquisites of ₹ 0.03 Crs (previous year ₹ 0.02 Crs).

** During the March 2021 quarter a subsidiary viz Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021.

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Notes to the Financial Statements

for the year ended 31st March, 2021

32. EMPLOYEE BENEFITS:

Defined Benefit Plan

The employees' gratuity fund scheme managed by Life Insurance of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

| | | (₹ in Crs) | |
|-----------|---|------------------------------|------------------------------|
| Sr. No. | Particulars | Gratuity (funded) 2020-21 | Gratuity (funded) 2019-20 |
| a. | Reconciliation of Opening and Closing balances of Defined Benefit Obligation | | |
| | Defined Benefit Obligation at beginning of the Year | 42.49 | 18.66 |
| | Current Service Cost | 6.16 | 2.58 |
| | Interest Cost | 2.79 | 1.45 |
| | Actuarial(Gain)/Loss* | (17.53) | 20.82 |
| | Benefits Paid | (0.74) | (1.01) |
| | Defined Benefit Obligation at year end | 33.16 | 42.49 |
| b. | Reconciliation of opening and closing balances fair value of plan assets | | |
| | Fair value of plan assets at beginning of the year | 21.26 | 17.44 |
| | Expected return of plan assets | 1.39 | 1.36 |
| | Assets Transferred In/Acquisitions | NIL | NIL |
| | Return on Plan Assets, Excluding Interest Income | (0.62) | 0.03 |
| | Employer Contribution | 5.19 | 3.45 |
| | Benefits Paid | (0.74) | (1.01) |
| | Fair value of plan assets at year end | 26.48 | 21.26 |
| | Actual return on plan assets | 0.77 | 1.39 |
| c. | Reconciliation of Fair Value of Assets and Obligations | | |
| | Fair Value of Plan Assets | 26.48 | 21.26 |
| | Present Value of Benefit Obligation | 33.16 | 42.49 |
| | Amount Recognized in Balance Sheet | 6.68 | 21.23 |
| d. | Expenses recognized during the year | | |
| | Current Service Cost | 6.16 | 2.58 |
| | Interest Cost | 2.79 | 1.45 |
| | Expected return on plan assets | (1.39) | (1.36) |
| | Net Cost | 7.55 | 2.67 |
| e. | Investment Details | | |
| | L.I.C Group Gratuity (Cash Accumulation) Policy | 100% Invested with L.I.C. | 100% Invested with L.I.C. |
| f. | Actuarial assumptions | | |
| | Mortality Table (L.I.C.) | 2006-08 (Ultimate) | 2006-08 (Ultimate) |
| | Discount rate (per annum) | 6.57% | 6.56% |
| | Expected rate of return on plan assets (per annum) | 6.57% | 6.56% |
| | Rate of escalation in Salary (per annum) | 5.00% | 5.00% |

Note:

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.

*Actuarial Gain due to experience represents movement in the liability due to rectification of error of the salary data in the current year.

Leave Encashment:

Leave Encashment liability amounting to ₹ 16.88 Crs (previous year ₹ 11.02 Crs) has been provided in the Books of Accounts.



Notes to the Financial Statements

for the year ended 31st March, 2021

33. DERIVATIVES & FORWARD CONTRACT INSTRUMENTS:

(A) The Company uses Forward Exchange Contract to hedge against its Foreign Exchange exposures relating to underlying transactions and firm commitments. The Company does not enter into any derivatives instruments for Trading or Speculative purposes.

During the Year Company had hedged in aggregate an amount of ₹ 318.15 Crs (previous year ₹ 488.07 Crs) out of its annual trade related operations (Exports & Imports) aggregating to ₹ 2,575.35 Crs (previous year ₹ 2,585.09 Crs).

The Company had hedged its currency risks to the tune of ₹ 179.63 Crs (previous year ₹ 240.90 Crs), in respect of its long term Foreign Currency Loans/Borrowings. Relating to the same, the Company had also swapped its floating interest rate borrowing of ₹ 365.50 Crs (previous year ₹ 323.59 Crs) into a fixed rate loan through an interest rate swap.

(B) Net foreign exchange gain arriving out of export and import activities of the Company of ₹ 20.22 Crs (previous year gain of ₹ 28.46 Crs) is included in Profit & Loss Account.

Company had entered into forward contracts to hedge its medium and long term exports contracts. Mark to Market gain on such contracts to the tune of ₹ 8.41 Crs (including gain of ₹ 4.24 Crs for contracts of more than one year) is recognised in the Profit & Loss Account. Company had further provided for Revaluation gain on long term borrowing (ECBs) to the extent of ₹ 12.96 Crs as at 31st March, 2021 and have recognised the same in the Profit & Loss Account.

34. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE III TO THE COMPANIES ACT, 2013.

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | Financial Year 2020-21 | Financial Year 2019-20 |
| (A) Details of Raw Material Consumption : | | |
| Benzene | 288.12 | 328.44 |
| Aniline | 151.79 | 142.40 |
| Concentrated Nitric Acid (C.N.A.) | 113.83 | 100.19 |
| Sulphur | 43.22 | 38.91 |
| Phthalic Anhydride | 50.34 | 51.66 |
| Others | 996.76 | 844.26 |
| TOTAL | 1,644.06 | 1,505.86 |
| (B) Sales of Products : | | |
| Speciality Chemicals | 3,935.94 | 3,652.45 |
| Pharmaceuticals | 871.88 | 755.74 |
| TOTAL | 4,807.82 | 4,408.19 |
| (C) Details of Trading Purchases: | | |
| Para Nitro Aniline | 31.81 | 36.91 |
| Ortho Anisidine | 24.11 | 21.94 |
| Others | 129.88 | 159.35 |
| TOTAL | 185.80 | 218.20 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | Financial Year 2020-21 | Financial Year 2019-20 |
| (D) Value and percentage of Raw Materials and Stores and Spares consumed: | | |
| Raw Materials: | | |
| Indigenous | 1,038.53 | 963.99 |
| | 63.17% | 64.02% |
| Imported | 605.53 | 541.88 |
| | 36.83% | 35.98% |
| TOTAL | 1,644.06 | 1,505.87 |
| | 100.00% | 100.00% |
| Stores and Spares: | | |
| Indigenous | 101.73 | 83.01 |
| | 99.14% | 96.70% |
| Imported | 0.88 | 2.83 |
| | 0.86% | 3.30% |
| TOTAL | 102.61 | 85.84 |
| | 100.00% | 100.00% |
| Fuel: | | |
| Indigenous | 93.12 | 74.25 |
| | 68.67% | 54.09% |
| Imported | 42.49 | 63.03 |
| | 31.33% | 45.91% |
| TOTAL | 135.61 | 137.28 |
| | 100.00% | 100.00% |
| (E) C.I.F. Value of Imports: | | |
| Capital Goods | 96.21 | 82.74 |
| Raw Materials | 600.21 | 541.88 |
| Stores and Spares | 0.88 | 2.83 |
| Fuel | 22.09 | 63.03 |
| (F) Expenditure in Foreign Currency: | | |
| Commission on Export Sales | 5.84 | 7.67 |
| Import of Goods for Resale | 3.24 | 0.00 |
| Other Expenses | 33.85 | 46.99 |
| (G) Earnings in Foreign Currency: | | |
| F.O.B. Value of Export Sales | 1,739.04 | 1,716.87 |



Notes to the Financial Statements

for the year ended 31st March, 2021

35. FAIR VALUE MEASUREMENTS:

Financial instruments by category

(₹ in Crs)

| Particulars | As at 31st March, 2021 | | | As at 31st March, 2020 | | |
|-------------------------------------|------------------------|---------|---------|------------------------|---------|---------|
| | Carrying Amount | Level 1 | Level 2 | Carrying Amount | Level 1 | Level 2 |
| Financial Assets | | | | | | |
| At Amortised Cost | | | | | | |
| Investments | 34.51 | - | - | 35.41 | - | - |
| Trade Receivables | 819.08 | - | - | 782.47 | - | - |
| Cash and Cash Equivalents | 405.99 | - | - | 233.37 | - | - |
| Other Financial Assets | 181.46 | - | - | 353.72 | - | - |
| At FVTOCI | | | | | | |
| Investments | 1.75 | - | 1.75 | 1.75 | - | 1.75 |
| Financial Liabilities | | | | | | |
| At Amortised Cost | | | | | | |
| Borrowings | 2,487.34 | - | - | 1,789.00 | - | - |
| Trade Payables | 584.64 | - | - | 324.19 | - | - |
| Other Non Current Liabilities | 224.41 | - | - | 550.89 | - | - |
| Other Current Financial Liabilities | 594.62 | - | - | 334.33 | - | - |

The financial instruments are categorized into two 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; and

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

36. CAPITAL MANAGEMENT:

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net Debt is calculated as loans and borrowings less cash & marketable securities.

(₹ in Crs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|--------------------------------------|---------------------------|---------------------------|
| Gross Debts | 2,837.66 | 2,072.65 |
| Less: Cash and Marketable Securities | (405.99) | (233.37) |
| Net Debt (A) | 2,431.67 | 1,839.28 |
| Total Equity (B) | 3,411.74 | 2,901.82 |
| Net Gearing ratio (A/B) | 0.71 | 0.63 |

Standalone

Notes to the Financial Statements

for the year ended 31st March, 2021

Dividends

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| (i) Equity shares | | |
| Final dividend for the year ended 31st March 2020 of ₹ 1 per fully paid share & Interim Dividend for 2020-21 @ ₹ 1.50 per Share paid during the year 2020-21 | 43.56 | 104.54 |
| (ii) Dividends not recognised at the end of the reporting period | | |
| In addition to the above dividends, since year end the directors have recommended the payment of dividend of ₹ 3 (31st March 2020 ₹ 1) per fully paid equity share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. | 52.27 | 17.42 |

37. FINANCIAL RISK MANAGEMENT:

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash 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.

I. Credit Risk

The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities (deposits with banks and other financial instruments).

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 customers on credit are generally secured through Letters of Credit, Bank Guarantees, Parent Company Guarantees, advance payments and factoring & forfaiting without recourse to AIL.

Credit Risk Management

To manage the credit risk, the Company follows an adequate credit control policy and also has an external credit insurance cover with ECGC policy wherein the customers are required to make an advance payment before procurement of goods. Thus, the requirement of assessing the impairment loss on trade receivables does not arise, since the collectability risk is mitigated.

Bank balances are held with only high rated banks and majority of other security deposits are placed majorly with government/statutory agencies.

II. 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.

(a) Liquidity Risk Management

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



Notes to the Financial Statements

for the year ended 31st March, 2021

As at 31st March 2021

Maturities of non-derivative financial liabilities

| (₹ in Crs) | | | | |
|-----------------------------|-----------------|--------------------------|----------------|-----------------|
| Particulars | Upto 1 year | Between 1 and 5 years | Beyond 5 years | Total |
| Trade payables | 584.64 | - | - | 584.64 |
| Other financial liabilities | 1,813.91 | 1,492.46 | - | 3,306.37 |
| Total | 2,398.55 | 1,492.46 | - | 3,891.01 |

As at 31st March 2020

Maturities of non-derivative financial liabilities

| (₹ in Crs) | | | | |
|-----------------------------|-----------------|--------------------------|----------------|-----------------|
| Particulars | Upto 1 year | Between 1 and 5 years | Beyond 5 years | Total |
| Trade payables | 324.19 | - | - | 324.19 |
| Other financial liabilities | 1,545.75 | 1,128.47 | - | 2,674.22 |
| Total | 1,869.94 | 1,128.47 | - | 2,998.41 |

III. Market Risk

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 are hedged by forward Contract.

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.

The Company's commodity risk is managed centrally through well-established trading operations and control processes. In accordance with the risk management policy, the Company enters into various transactions using derivatives and uses Over the Counter (OTC) as well as Exchange Traded Futures, Options and Swap contracts to hedge its commodity and freight exposure.

38. The figures of previous year have been regrouped and rearranged wherever necessary.

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W100057

Milind Bhave

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526

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Independent Auditor's Report

To the Members of
Aarti Industries Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of Aarti Industries Limited (hereinafter referred to as the "Holding Company"), its subsidiaries and Jointly controlled entity (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated Balance Sheet as at March 31, 2021, and the consolidated statement of Profit and Loss, the consolidated statement of changes in equity and the consolidated cash flows Statement for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Company as at March 31, 2021, of consolidated profit/loss, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Due to COVID-19 lockdown throughout the country, we have adopted alternative methodologies, solutions in performing our audit procedures. We have determined the matters described below to the Key Audit Matters to be communicated in the Report:

| # | Audit Matters | Auditor's Response Audit Approach and Principal Audit Procedures |
|----|--|---|
| 1. | Accuracy, Completeness and disclosure with reference to IND AS-16 of Property, Plant and Equipment (Including Capex) Peculiarity and technical complexities of Property, Plant and Equipment used in the operations and multiple IT systems used for maintaining Fixed Asset Register (FAR), tracking and monitoring Capex requires more attention to ensure reasonable accurateness and completeness of financial reporting in respect of Property, Plant and Equipment. Further, technical complexities require management to assess and make estimates/ judgments about capitalisation, estimated useful life, impairment etc. which has material impact on Balance Sheet and operating results Refer note 1 to financial statements | Our audit approach consisted testing of the design and operating effectiveness of the internal controls. We have reviewed audited financial statements of components. Summary of substantive tests applied are as follows: a) We assessed Group's process regarding maintenance of records, valuation and accounting of transactions pertaining to Property, Plant and Equipment including Capital Work in Progress with reference to Indian Accounting Standard 16. b) We have carried out substantive audit procedures at financial and assertion level to verify the capitalization of asset as Property, Plant and Equipment. c) We have verified the maintenance of records and accounting of transactions regarding capital work in progress by carrying out substantive audit procedures at financial and assertion level. d) We have reviewed management judgment pertaining to estimation of useful life and depreciation of the Property, Plant and Equipment in accordance with Schedule II of Companies Act, 2013. e) Due to pandemic restrictions physical verification on sample basis was not possible. We have relied on physical verification conducted by management and management representations. f) We have verified the capitalization of borrowing cost incurred on qualifying asset in accordance with the Indian Accounting Standard 23 |



| # | Audit Matters | Auditor's Response Audit Approach and Principal Audit Procedures |
|----|--|---|
| 2. | <p>Valuation, Accuracy, Completeness and disclosures pertaining to Inventories with reference to Ind AS 2</p> <p>Inventories constitutes material component of financial statement. Correctness, completeness, and valuation are critical for reflecting true and fair financial results of operations. Further due to continuous nature of plant operations and the raw materials which are basically chemicals, management has to exercise its judgment in assessing stage of the product and its valuation.</p> <p>Refer note 4 to financial statements</p> | <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls. We have reviewed audited financial statements of components. Summary of substantive tests applied are as follows:</p> <p>a) We assessed the Group's process regarding Maintenance of records, Valuation and accounting of transactions relating to Inventory as per the Indian Accounting Standard 2.</p> <p>b) We have evaluated the design of Internal Controls relating to recording and valuation of Inventory.</p> <p>c) We have carried out substantive audit procedures to verify the allocation of overheads to Inventory.</p> <p>d) Due to pandemic restrictions physical verification on sample basis was not possible. We have relied on physical verification conducted by management and management representations.</p> <p>e) We have verified consistency in respect of valuation process and methodology followed</p> |
| 3. | <p>Valuation, Presentation and Disclosure pertaining to advances received for export commitments under long term contracts</p> <p>The contracts entered into covers a span of 10 to 20 years. During the current financial year in respect of one long term contract the Company received termination intimation. On account of the termination the relevant remedies available to the Company triggered. Further in respect of other long term contracts, estimated supplies will happen over the period of contract at a later stage after the reporting date. These specifically require consideration in recognition of compensation on account of termination of contract where termination intimation has been received and in respect of other contracts, the management is required to exercise its judgment. Based on the judgment the carrying value of the advance received, its fair presentation is critical</p> <p>Refer note 13 to financial statements</p> | <p>The Company has entered into long term contracts for exports of materials. Under these contracts the Company has received advances to expedite establishment of production facilities.</p> <p>Our audit approach consisted substantive testing as follows:</p> <p>a) We have reviewed the terms of contracts entered into by the Company.</p> <p>b) The classification, presentation of the said advances received under these contracts was tested.</p> <p>c) Recognition and accuracy of compensation on account of termination intimation was verified with reference to the terms of contract under termination intimation.</p> <p>d) The fairness of value reflected in financial statement was verified and tested.</p> <p>e) Disclosure note pertaining to said advances in financial statement was reviewed.</p> |

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in term of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate

accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going

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concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates are responsible for overseeing the financial reporting process of the Group and of its associates and jointly controlled entities.

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

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

Other Matters

We did not audit the financial statements / financial information of 11 subsidiaries & 1 jointly controlled entity whose financial statements / financial information reflect total assets of 231.62 crores as at March 31, 2021, total revenues of 466.61 crores and net cash flows amounting to 6.33 crores for the year ended on that date, as considered in the Consolidated Financial Statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associates, and our report in terms of Sub-Sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, jointly controlled entities and associates, is based solely on the reports of the other auditors.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.
- (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate companies and jointly controlled company incorporated in India, none of the directors of the Group companies & its associate companies in India is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure A.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated



financial position of the Group & its associates– Refer Note 25 to the Consolidated Financial Statements.

- ii. Provision has been made in the Consolidated Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and

its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

**For Kirtane & Pandit LLP,
Chartered Accountants**

Firm's Registration No.105215W/W100057

**Milind Bhave
Partner**

Place: Mumbai
Date: May 18, 2021

M. No. 047973
UDIN: 21047973AAAAABG4324

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Annexure A to the Auditor's Report

Report on the Internal Financial Controls Over Financial Reporting Under Clause Financial Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("The Act")

(Referred to in paragraph 9(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

In conjunction with our audit of the consolidated financial statements of the Holding Company as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of Aarti Industries Limited (hereinafter referred to as "the Holding Company"), its subsidiaries & jointly controlled entity (together referred to as "the Group"), its associates incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiaries, associates, and jointly controlled entity all incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by these entities, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Holding Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over

financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We believe that the audit evidence obtained by us and the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's, its associates' and jointly controlled entities', incorporated in India, internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods



are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in the Other Matters paragraph, the Holding Company, its subsidiaries and Jointly controlled entity, which are incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by these entities, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act, on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to consolidated/ standalone financial statements of eleven subsidiaries and one jointly controlled entity, of which ten are incorporated in India and two are incorporated outside India, is based on the corresponding reports of the auditors of such companies.

**For Kirtane & Pandit LLP,
Chartered Accountants**

Firm's Registration No.105215W/W100057

-

**Milind Bhawe
Partner**

Place: Mumbai
Date: May 18, 2021

M. No. 047973
UDIN: 21047973AAAABG4324

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Balance Sheet

as at 31st March, 2021

| Particulars | Note No. | (₹ in Crs) | |
|--|----------|---------------------------|---------------------------|
| | | As at 31st March, 2021 | As at 31st March, 2020 |
| ASSETS | | | |
| Non-Current Assets: | | | |
| Property, Plant and Equipment | 1 | 3,592.48 | 2,467.57 |
| Capital Work-in-Progress | 1 | 1,297.91 | 1,417.64 |
| Goodwill | 1 | NIL | 0.42 |
| Other Intangible Assets | 1 | 0.10 | 0.50 |
| Financial Assets: | | | |
| Investments | 2 | 63.52 | 37.01 |
| Other Non-Current Assets | 3 | 320.07 | 404.49 |
| Total Non-Current Assets | | 5,274.08 | 4,327.63 |
| Current Assets: | | | |
| Inventories | 4 | 935.68 | 835.68 |
| Financial Assets: | | | |
| Trade Receivables | 5 | 793.73 | 753.44 |
| Cash and Cash Equivalents | 6 | 412.32 | 247.29 |
| Others Current Financial Assets | 7 | 187.48 | 135.66 |
| Other Current Assets | 8 | 38.39 | 32.80 |
| Total Current Assets | | 2,367.60 | 2,004.87 |
| TOTAL ASSETS | | 7,641.68 | 6,332.50 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity Share Capital | 9 | 87.12 | 87.12 |
| Other Equity | 10 | 3,415.78 | 2,891.65 |
| Non Controlling Interest | | 12.24 | 94.62 |
| Total Equity | | 3,515.14 | 3,073.39 |
| LIABILITIES | | | |
| Non-Current Liabilities: | | | |
| Financial Liabilities | | | |
| Borrowings | 11 | 1,268.05 | 580.84 |
| Other Non-Current Liabilities | 12 | 224.41 | 550.89 |
| Deferred Tax Liabilities (Net) | 13 | 233.94 | 211.01 |
| Total Non-Current Liabilities | | 1,726.40 | 1,342.74 |
| Current Liabilities: | | | |
| Financial Liabilities | | | |
| Borrowings | 14 | 1,224.07 | 1,229.67 |
| Trade Payables due to: | | | |
| Micro and Small Enterprise | | NIL | NIL |
| Other than Micro and Small Enterprise | | 576.33 | 345.16 |
| Other Current Liabilities | 15 | 559.62 | 301.63 |
| Provisions | 16 | 40.12 | 39.91 |
| Total Current Liabilities | | 2,400.14 | 1,916.37 |
| Total Liabilities | | 4,126.54 | 3,259.11 |
| TOTAL EQUITY AND LIABILITIES | | 7,641.68 | 6,332.50 |
| Significant Accounting Policies | | | |
| See accompanying Notes to the Financial Statements | 1-32 | | |

As per our report of even date

For Kirtane & Pandit LLPChartered Accountants
FRN: 105215W/W100057**Milind Bhave**Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. GogriChairman and Managing Director
DIN: 00061003**Chetan Gandhi**Chief Financial Officer
ICAI M. No. 111481**Rashesh C. Gogri**Vice Chairman and Managing Director
DIN: 00066291**Raj Sarraf**Company Secretary
ICSI M. No. A15526



Statement of Profit and Loss

for the year ended 31st March, 2021

(₹ in Crs)

| Particulars | Note No. | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
|--|----------|--|--|
| REVENUE | | | |
| Gross Revenue from Operations | 17 | 5,023.28 | 4,620.69 |
| Less: GST Collected | | 517.18 | 434.38 |
| Net Revenue from Operations | | 4,506.10 | 4,186.31 |
| Other Income | 18 | 0.70 | 8.84 |
| Total Revenue | | 4,506.80 | 4,195.15 |
| EXPENSES | | | |
| Cost of Materials Consumed (Incl. Packing Material, Fuel, Stores & Spares) | 19 | 1,937.57 | 1,780.92 |
| Purchases of Stock-in-Trade | | 244.24 | 274.65 |
| Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade | 20 | (53.25) | 0.75 |
| Employee Benefits Expenses | 21 | 371.38 | 305.22 |
| Finance Costs | 22 | 86.37 | 124.78 |
| Depreciation and Amortisation Expenses | | 231.31 | 185.21 |
| Other Expenses | 23 | 1,024.63 | 847.44 |
| Total Expenses | | 3,842.25 | 3,518.97 |
| PROFIT BEFORE TAX | | 664.55 | 676.18 |
| TAX EXPENSES | | | |
| Current Year Tax | | 116.03 | 118.13 |
| Earlier Year Tax | | 0.00 | 0.38 |
| MAT Credit Entitlement | | (9.80) | (7.09) |
| Deferred Tax | | 23.10 | 18.00 |
| Total Tax Expenses | | 129.33 | 129.42 |
| PROFIT AFTER TAX BEFORE NON CONTROLLING INTEREST AND SHARE OF PROFIT/(LOSS) OF ASSOCIATES | | 535.22 | 546.76 |
| Profit attributable to Non Controlling Interest | | (11.75) | (10.68) |
| Share of Profit/(Loss) of Associates | | NIL | NIL |
| Profit/(Loss) for the period | | 523.47 | 536.08 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to Statement of Profit and Loss | | | |
| Fair Value of various Qualifying Items | | 47.94 | (57.39) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 571.41 | 478.69 |
| Earnings Per Equity Share (EPS) (in ₹) | 24 | | |
| Basic/Diluted | | 30.04 | 30.77 |
| Significant Accounting Policies | | | |
| See accompanying Notes to the Financial Statements | 1-32 | | |

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W100057

Milind Bhave

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526

Statement of Changes in Equity

for the year ended 31st March, 2021

A. EQUITY SHARE CAPITAL

| | (₹ in Crs) |
|---|--------------|
| As at 1st April, 2019 | 43.33 |
| Changes in equity share capital during the year 2019-20 | 43.79 |
| As at 31st March, 2020 | 87.12 |
| Changes in equity share capital during the year 2020-21 | NIL |
| As at 31st March, 2021 | 87.12 |

B. OTHER EQUITY

| Particulars | Other Equity | | | | | | | | | | Other Comprehensive Income | Total Other Equity |
|---|----------------------|----------------------------|----------------------------|-------------------------|-----------------|--------------------|---------------------|-----------------------|-------------------|----------------|----------------------------|--------------------|
| | Reserves and Surplus | | | | | | | | | | | |
| | Capital Reserve | Capital Redemption Reserve | Securities Premium Account | Debt Redemption Reserve | General Reserve | Forfeiture Reserve | Revaluation Reserve | RBI Reserve U/s 45(C) | Retained Earnings | | | |
| Balance as at 1st April, 2019 | 13.89 | 2.28 | 740.09 | 120.00 | 119.00 | 1.85 | 0.51 | 3.70 | 1,579.85 | 6.05 | 2,587.22 | |
| Transfer to Other Reserves from Retained Earnings | - | - | (40.00) | 94.65 | - | - | - | - | (54.65) | - | NIL | |
| Upon Bonus Shares issued | - | (1.56) | (42.00) | - | - | - | - | - | - | - | (43.56) | |
| Dividend Paid | - | - | - | - | - | - | - | - | (108.24) | - | (108.24) | |
| Tax on Dividend | - | - | - | - | - | - | - | - | (21.87) | - | (21.87) | |
| Intergroup Dividend | - | - | - | - | - | - | - | - | 1.86 | - | 1.86 | |
| Upon QIP Proceeds (net of Expenses) | - | - | (0.60) | - | - | - | - | - | - | - | (0.60) | |
| Foreign Exchange Difference on Translation | - | - | - | - | - | - | - | - | (1.85) | - | (1.85) | |
| Profit for the Period | - | - | - | - | - | - | - | - | 536.08 | - | 536.08 | |
| Other Comprehensive Income | - | - | - | - | - | - | - | - | - | (57.39) | (57.39) | |
| As at 31st March, 2020 | 13.89 | 0.72 | 697.49 | 80.00 | 213.65 | 1.85 | 0.51 | 3.70 | 1,931.18 | (51.34) | 2,891.65 | |
| Transfer to Other Reserves from Retained Earnings | - | - | - | (80.00) | 132.66 | - | - | - | (52.66) | - | NIL | |
| Consolidation Adjustment | (0.56) | - | 0.21 | - | - | - | - | - | - | - | (0.35) | |
| Dividend Paid | - | - | - | - | - | - | - | - | (46.65) | - | (46.65) | |
| Intergroup Dividend | - | - | - | - | - | - | - | - | 1.55 | - | 1.55 | |
| Foreign Exchange Difference on Translation | - | - | - | - | - | - | - | - | (1.85) | - | (1.85) | |
| Profit for the Period | - | - | - | - | - | - | - | - | 523.47 | - | 523.47 | |
| Other Comprehensive Income | - | - | - | - | - | - | - | - | - | 47.94 | 47.94 | |
| Balance as at 31st March, 2021 | 13.33 | 0.72 | 697.70 | NIL | 346.31 | 1.85 | 0.51 | 3.70 | 2,355.07 | (3.41) | 3,415.78 | |

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W1 00057

Milind Bhawe

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526



Cash Flow Statement

for the year ended 31st March, 2021

(₹ in Crs)

| Sr. No. Particulars | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
|---|--|--|
| A. Cash Flow from Operating Activities: | | |
| Net Profit before Tax and Exceptional/Extraordinary Items | 664.55 | 676.18 |
| Adjustments for: | | |
| Finance Costs | 86.37 | 124.78 |
| Depreciation | 231.31 | 185.21 |
| Consolidated Adjustments | (5.26) | (1.85) |
| | 976.97 | 984.32 |
| Profit on Sale of Investments/Assets | (0.34) | (8.49) |
| Dividend Received from other Investments | (0.02) | (0.07) |
| Lease Rent Received | (0.05) | (0.08) |
| Operating Profit before Working Capital Changes | 976.56 | 975.68 |
| Adjustments for: | | |
| (Increase)/Decrease in Trade and Other Receivables | (25.01) | (4.69) |
| Increase/(Decrease) in Trade Payables and Other Current Liabilities | 128.78 | 358.81 |
| (Increase)/Decrease in Inventories | (111.00) | (63.90) |
| Cash Generated from Operations | 969.33 | 1,265.90 |
| Direct Taxes Paid | (96.62) | (163.84) |
| Net Cash Flow from Operating Activities (A) | 872.71 | 1,102.06 |
| B. Cash Flow from Investing Activities: | | |
| Addition to Property, Plant & Equipment/Capital WIP | (1,314.82) | (1,153.29) |
| Sale/Written off of Property, Plant & Equipment | 0.43 | 27.79 |
| (Increase)/Decrease in Other Investments | (7.82) | (2.59) |
| Dividend Received from Other Investments | 0.02 | 0.07 |
| Profit on Sale of Investments | NIL | 3.88 |
| Lease Rent Received | 0.05 | 0.08 |
| Net Cash Flow from Investing Activities (B) | (1,322.14) | (1,124.06) |
| C. Cash Flow from Financing Activities: | | |
| Proceeds of Long-Term Borrowings | 1,007.99 | 74.10 |
| Repayment of Long-Term Borrowings | (256.48) | (316.09) |
| Proceeds/(Repayment) of Other Borrowings | (5.59) | (61.16) |
| Increase in Equity through QIP Allotment (Net of Expenses) | NIL | (0.60) |
| Finance Costs | (86.37) | (124.78) |
| Dividend Paid | (45.09) | (106.38) |
| Net Cash Flow from Financing Activities (C) | 614.46 | (534.91) |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | 165.03 | (556.91) |
| Cash and Cash Equivalents (Opening Balance) | 247.29 | 804.20 |
| Cash and Cash Equivalents (Closing Balance) | 412.32 | 247.29 |

Notes: (i) Cash and Cash Equivalent is Cash and Bank Balances as per Balance Sheet.
(ii) Amounts of the previous year have been regrouped and rearranged wherever necessary.

As per our report of even date

For and on behalf of the Board

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W100057

Milind Bhave

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526

Consolidated

Corporate Information and Significant Accounting Policies:

Corporate Information

The Consolidated Financial Statements comprise financial statements of Aarti Industries Limited ("The Holding Company") subsidiaries and joint control entity (collectively referred to as "the Group") for the year ended 31st March 2021.

The principal activities of the Group consists of manufacturing and dealing in Speciality Chemicals and Pharmaceuticals.

Significant Accounting Policies

(a) Background:

| Name of the Subsidiary | Country of Incorporation | Proportion of Ownership Interest (%) |
|--|--------------------------|--------------------------------------|
| Indian Subsidiary: | | |
| (i) Aarti Corporate Services Limited | India | 100.00% |
| (ii) Nascent Chemical Industries Limited (Through its holding Company: Aarti Corporate Services Limited) | India | 50.49% |
| (iii) Shanti Intermediates Private Limited (Through its holding Company: Aarti Corporate Services Limited) | India | 100.00% |
| (iv) Innovative Envirocare Jhagadia Limited | India | 100.00% |
| (v) Aarti Polychem Private Limited | India | 100.00% |
| (vi) Aarti Organics Limited | India | 100.00% |
| (vii) Aarti Bharuch Limited | India | 100.00% |
| (viii) Aarti Pharmachem Limited | India | 100.00% |
| (ix) Aarti Spechem Limited | India | 100.00% |
| (x) Alchemie (Europe) Limited | United Kingdom | 88.89% |
| (xi) Aarti USA Inc. | USA | 100.00% |
| Joint Control: | | |
| (xii) Ganesh Polychem Limited* | India | 50.00% |

* During the March 2021 quarter a subsidiary viz Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021

(b) Basis of Preparation and Presentation:

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

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

(c) Principles of Consolidation:

- (i) The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standard (Ind AS) 110 - Consolidated Financial Statements & Indian Accounting Standard (Ind AS) 28 -Accounting for Investments in Associates in Consolidated Financial Statements and Indian Accounting Standard (Ind AS) 111 - Joint Arrangements.
- (ii) The Consolidated Financial Statements are prepared using the Financial Statements of the Parent Company, Subsidiary Companies and Joint Control Entity drawn up to the same reporting date i.e 31st March, 2021.
- (iii) In case of Foreign Subsidiary, revenue items are consolidated at the average rate prevailing during the period. All Assets (except Fixed Assets) and liabilities are converted at the rates, prevailing at the end of the year. In case of Fixed Assets, the same is consolidated at the rate applicable in the year of acquisition of the said assets. Any exchange difference arising on consolidation is recognised as Translation difference in Reserves & Surplus.
- (iv) The consolidation of financial statements of the Parent Company and its Subsidiaries is done on line by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances, intra-group transactions and unrealized profit or loss, except where cost cannot be recovered. The results of operations of a subsidiary are included in the consolidated financial statements from the date on which the parent subsidiary relationship came into existence.
- (v) Non Controlling Interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance sheet separately.



Corporate Information and Significant Accounting Policies:

- (vi) As far as possible, the consolidated financial statements have been prepared using uniform Accounting Policies for like transactions and other events in similar circumstances. Differences in Accounting Policies if any will be disclosed separately.
- (vii) Investments in Associates are accounted for using equity method in accordance with Indian Accounting Standard (Ind AS) 28 "Accounting for Investment in Associates in Consolidated Financial Statements" under which the investment is initially recorded at cost, identifying any goodwill or capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such Associates are not accounted for unless the accumulated losses are recouped.

(d) Revenue Recognition:

- (i) Sale of goods is recognized on dispatch of goods to customers and is recorded net of claims, etc., as considered appropriate. Revenue from Conversion, Sale of Scrap and obsolete stores is accounted for at the time of disposal.
- (ii) Export entitlements are recognized on realization.
- (iii) Revenue in respect of Interest, Insurance claims are recognized on the time proportion method.
- (iv) Subsidy from Department of Fertilizers is recognised, based on the eligible quantities supplied by the Company, at the rates as notified/announced by the Government of India.

(e) Property, Plant and Equipment, Intangible Assets and Depreciation/Amortization:

(1) Property, Plant and Equipment (PPE)

Property, Plant & Equipment are stated at cost of acquisition (net of recoverable taxes) inclusive of all expenditure of capital nature such as inward freight, duties & taxes, installation and commissioning expenses, appropriate borrowing costs and incidental expenses related to acquisition.

(2) Intangible Assets

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

(3) Depreciation/Amortization

(A) Pursuant to the notification of Schedule II of the Companies Act, 2013, the management has reassessed and changed based on an independent technical estimates, wherever necessary, the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. The useful life for various class of assets is as follows:

| Particulars | Particulars Depreciation/ Amortisation |
|------------------------------|---|
| (i) Leasehold Land | Over the remaining tenure of lease |
| (ii) Building | Over a period of 19 years |
| (iii) Residential Quarters | Over a period of 30 years |
| (iv) Plant & Equipments | Over its useful life as technically assessed, i.e over a period of 9 - 19 years, based on the type of processes and equipments installed. |
| (v) Computers | Over a period of 2.5 years |
| (vi) Office Equipment | Over a period of 5 years |
| (vii) Furniture and Fixtures | Over a period of 10 years |
| (viii) Vehicles | Over a period of 7 years |

(B) Product/Process Development Expenses are amortized over the estimated useful life of the product.

- (4) 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.

Consolidated

Corporate Information and Significant Accounting Policies:

(f) Research and Development:

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account for the year. Capital Expenditure on Research and Development is included as part of Property, Plant & Equipment and depreciation is provided on the same basis as for other Property, Plant & Equipment.

(g) Investments:

(i) Investments in subsidiaries and associates are measured at cost.

(ii) Other investments are measured at fair value through Other Comprehensive Income.

(h) Valuation of Inventories:

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

Inventories have been valued on the following basis:

(i) Raw Materials, Packing Material, Stores and Spares - At cost on Weighted Average basis.

(ii) Work-in-Process - At cost plus appropriate allocation of overheads.

(iii) Finished Goods - At cost plus appropriate allocation of overheads or net realizable value, whichever is lower.

(i) Retirement Benefits:

Employee benefits are charged off in the year in which the employee has rendered services.

(j) Foreign Currency Transactions:

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

(k) Lease:

The Company has adopted Ind AS 116. It has resulted into recognition of Lease Assets Right to Use with a corresponding Lease Liability in the Balance Sheet.

The Company, as a lessee, recognises a right to use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right to use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right to use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

(l) Deferred Revenue Expenditure:

Deferred Revenue Expenditure is amortized over the period of the agreement on pro rata basis.

(m) Income Taxes:

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred Tax reflects the impact of timing differences between Taxable Income and Accounting Income for the year and reversal of timing differences of earlier years. Deferred Tax is measured on the basis of Tax Rates and Tax Laws enacted or substantively enacted at the Balance Sheet. Deferred Tax Assets are recognized only if there is reasonable certainty of their realization except in case of Deferred Tax Assets on unabsorbed depreciation and carried forward business losses, which are recognized only if there is virtual certainty of their realization.

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



Corporate Information and Significant Accounting Policies:

(n) Borrowing Costs:

Borrowing cost directly related to the acquisition or construction of an asset is capitalized as part of the cost of that asset. Other borrowing costs are charged to the Profit and Loss Account.

(o) Provisions and Contingent Liabilities:

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that a Cash Outflow will be required and a reliable estimate can be made of the amount of the obligation.

Contingent Liabilities are disclosed when the Company has a possible obligation or a present obligation and it is probable that a Cash Outflow will not be required to settle the obligation.

(p) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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.

Notes to the Financial Statements

for the year ended 31st March, 2021

Consolidated

1. PROPERTY, PLANT AND EQUIPMENT:

| F.Y. 2020-21 | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | |
|---------------------------------------|-------------------------------|-----------------------------|--------------------------------|-------------------------------|-----------------------------|--------------------------------|-------------------------------|--------------------------------|
| | Balance as at 1st April, 2020 | Adjustment on Consolidation | Balance as at 31st March, 2021 | Balance as at 1st April, 2020 | Adjustment on Consolidation | Balance as at 31st March, 2021 | Balance as at 1st April, 2020 | Balance as at 31st March, 2020 |
| (i) Tangible Assets | | | | | | | | |
| Free hold Land | 3.68 | - | 3.68 | 0.26 | - | 0.26 | 3.42 | 3.42 |
| Lease Hold Land | 163.96 | 4.66 | 240.32 | 9.78 | 0.51 | 1.98 | 229.07 | 154.18 |
| Lease Assets Used | 25.35 | - | 26.83 | 5.11 | - | 5.73 | 15.99 | 20.24 |
| Residential Flat | - | - | - | - | - | - | 0.00 | 0.00 |
| Buildings | 333.13 | 3.52 | 457.59 | 91.20 | 0.64 | 19.63 | 347.40 | 241.93 |
| Plant and Equipment | 3,070.74 | 101.86 | 4,141.71 | 1,151.43 | 28.61 | 179.31 | 2,839.58 | 1,919.31 |
| R & D Assets | 123.51 | - | 155.09 | 23.28 | - | 9.64 | 122.17 | 100.23 |
| Furniture and Fixtures | 42.21 | 0.47 | 54.95 | 26.76 | 0.28 | 5.87 | 22.60 | 15.45 |
| Vehicles | 33.65 | 1.94 | 34.51 | 20.84 | 1.06 | 2.60 | 12.25 | 12.81 |
| Total (i) | 3,796.23 | 112.45 | 5,114.68 | 1,328.66 | 31.10 | 224.76 | 3,592.48 | 2,467.57 |
| (ii) Intangible Assets | | | | | | | | |
| Process Development | 21.96 | - | 21.96 | 21.46 | - | 0.40 | 0.10 | 0.50 |
| Technical Knowhow | 1.38 | - | 1.38 | 1.38 | - | - | NIL | NIL |
| Goodwill | 6.19 | - | 6.19 | 6.19 | - | - | NIL | NIL |
| Computer Software | 0.38 | - | 0.38 | 0.38 | - | - | NIL | NIL |
| Copyrights and Patents | 9.66 | - | 9.66 | 9.66 | - | - | NIL | NIL |
| Goodwill on Consolidation | 1.24 | - | 1.24 | 0.82 | - | 0.42 | - | 0.42 |
| Total (ii) | 40.81 | - | 40.81 | 39.89 | - | 0.82 | 0.10 | 0.92 |
| TOTAL (i+ii) | 3,837.04 | 112.45 | 5,155.49 | 1,368.55 | 31.10 | 225.58 | 3,592.58 | 2,468.49 |
| (iii) Capital Work-in-Progress | | | | | | | 1,297.91 | 1,417.64 |

Notes to the Financial Statements

for the year ended 31st March, 2021

| F.Y. 2019-20 | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | |
|---------------------------------------|-------------------------------|------------------------|-----------------------|-------------------------------|----------------------------------|-----------------------|--------------------------------|--------------------------------|
| | Balance as at 1st April, 2019 | Additions/ (Disposals) | Deduction/ Adjustment | Balance as at 1st April, 2019 | Depreciation charge for the year | Deduction/ Adjustment | Balance as at 31st March, 2020 | Balance as at 31st March, 2019 |
| (i) Tangible Assets | | | | | | | | |
| Free hold Land | 3.68 | - | - | 0.26 | - | - | 3.42 | 3.42 |
| Lease Hold Land | 159.95 | 4.78 | 0.77 | 7.75 | 2.03 | - | 154.18 | 152.20 |
| Lease Assets Used | NIL | 25.35 | - | NIL | 5.11 | - | 20.24 | NIL |
| Residential Flat | 0.00 | - | - | 0.00 | - | - | 0.00 | 0.00 |
| Buildings | 294.15 | 41.70 | 2.72 | 76.28 | 16.01 | 1.09 | 241.93 | 217.87 |
| Plant and Equipment | 2,713.76 | 406.88 | 49.90 | 1,030.14 | 150.64 | 29.35 | 1,919.31 | 1,683.62 |
| R & D Assets | 85.16 | 38.35 | - | 18.72 | 4.56 | - | 100.23 | 66.44 |
| Furniture and Fixtures | 34.62 | 7.93 | 0.34 | 23.25 | 3.85 | 0.34 | 15.45 | 11.37 |
| Vehicles | 29.67 | 5.22 | 1.24 | 19.23 | 2.60 | 0.99 | 12.81 | 10.44 |
| Total (i) | 3,320.99 | 530.21 | 54.97 | 1,175.63 | 184.80 | 31.77 | 2,467.57 | 2,145.35 |
| (ii) Intangible Assets | | | | | | | | |
| Process Development | 21.96 | - | - | 21.06 | 0.40 | - | 0.50 | 0.90 |
| Technical Knowhow | 1.38 | - | - | 1.38 | - | - | NIL | NIL |
| Goodwill | 6.19 | - | - | 6.19 | - | - | NIL | NIL |
| Computer Software | 0.38 | - | - | 0.38 | - | - | NIL | NIL |
| Copyrights and Patents | 9.66 | - | - | 9.66 | - | - | NIL | NIL |
| Goodwill on Consolidation | 1.24 | - | - | 0.82 | - | - | 0.42 | 0.42 |
| Total (ii) | 40.81 | - | - | 39.49 | 0.40 | - | 0.92 | 1.32 |
| TOTAL (i+ii) | 3,361.80 | 530.21 | 54.97 | 1,215.12 | 185.20 | 31.77 | 2,468.49 | 2,146.67 |
| (iii) Capital Work-in-Progress | | | | | | | 1,417.64 | 794.57 |

Consolidated

Notes to the Financial Statements

for the year ended 31st March, 2021

2. NON-CURRENT INVESTMENTS:

| Particulars | No. of Shares/Units | (₹ in Crs) | | |
|---|---------------------|------------------------|---------------------|------------------------|
| | | As at 31st March, 2021 | No. of Shares/Units | As at 31st March, 2020 |
| Investments - (Unquoted) in Equity Shares of Other Companies | | | | |
| Ichalkaranji Janata Sahakari Bank Limited | 1,020 | 0.01 | 1,020 | 0.01 |
| Ganesh Polychem Limited* | 30,98,257 | 12.61 | NIL | NIL |
| Damanganga Saha Khand Udyog Mandali Limited | 61 | 0.01 | 61 | 0.01 |
| Narmada Clean Tech Limited | 2,87,550 | 0.13 | 2,87,550 | 0.13 |
| Dilesh Roadlines Private Limited | 4,64,550 | 3.25 | 4,64,550 | 2.56 |
| U.K.I.P. Co-Op. Soc. Limited | 80 | 0.00 | 80 | 0.00 |
| Aarti Ventures Limited | 9,17,000 | 7.40 | 1,90,000 | 2.52 |
| Tarapur Environment Protection Society | 32,489 | 0.62 | 32,489 | 0.62 |
| Derma Touch Inc. | 1,25,000 | 8.82 | 1,25,000 | 8.98 |
| Invatech | 1,00,000 | 1.10 | 1,00,000 | 1.14 |
| SBPP Bank Limited | 783 | 0.01 | 783 | 0.01 |
| Deltecs Infotech Private Limited | 853 | 0.07 | 853 | 0.07 |
| Bewakoof Brands Private Limited | 4,033 | 4.51 | 4,033 | 5.15 |
| Valiant Organic Limited | 35,963 | 12.84 | 35,963 | 4.23 |
| Polygamma Industries Private Limited | 5,33,358 | 2.82 | 5,33,358 | 0.00 |
| Numbermask Digital Private Limited | 1,125 | 0.00 | 1,125 | 0.00 |
| Trans Retail Ventures Private Limited | 28,796 | 0.00 | 28,796 | 0.00 |
| Aarti Biotech Limited | 4,21,700 | 0.12 | 4,21,700 | 0.12 |
| Aarti Intermediates Private Limited | 22,125 | 0.00 | 22,125 | 0.00 |
| Perfect Enviro Control Systems Limited | 3,80,640 | 0.22 | 3,80,640 | 0.22 |
| Shamrao Vithal Co-op. Bank Limited | 100 | 0.00 | 100 | 0.00 |
| | | 54.55 | | 25.77 |
| Investments - (Unquoted) Convertible Pref. Shares | | | | |
| Deltecs Infotech Private Limited | 7,50,000 | 0.26 | 7,50,000 | 0.26 |
| Valiant Organics Limited | 5,014 | 0.03 | 11,814 | 0.04 |
| | | 0.29 | | 0.30 |
| Investments - (Unquoted) in Warrant Certificate | | | | |
| Deltecs Infotech Private Limited | 93 | 0.00 | 93 | 0.00 |
| | | 0.00 | | 0.00 |
| Investments - (Unquoted) in Limited Liability Partnership | | | | |
| Aarti Udyog Limited Liability Partnership | NA | 3.67 | NA | 3.67 |
| | | 3.67 | | 3.67 |
| Investments - (Unquoted) in Unsecured Convertible Debentures | | | | |
| Bewakoof Brands Private Limited | 869 | 5.00 | | |
| Aarti Ventures Limited | NIL | NIL | 7,27,000 | 7.27 |
| | | 5.00 | | 7.27 |
| TOTAL | | 63.52 | | 37.01 |

*During the March 2021 quarter a subsidiary viz Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021.



Notes to the Financial Statements

for the year ended 31st March, 2021

3. OTHER NON-CURRENT ASSETS:

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Capital Advances | 92.10 | 171.91 |
| Other Deposits | 47.10 | 42.10 |
| Advance Tax and Tax Deducted at Source (Net of Provisions) | 180.87 | 190.48 |
| TOTAL | 320.07 | 404.49 |

4. INVENTORIES:

| Particulars | (₹ in Crs) | |
|------------------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Raw Materials and Components | 278.80 | 251.84 |
| Work-in-progress | 240.40 | 208.44 |
| Finished Goods | 277.53 | 285.55 |
| Stock-in-trade | 28.21 | 0.85 |
| Stores and spares | 91.02 | 70.77 |
| Fuel | 13.90 | 14.53 |
| Packing Materials | 5.81 | 3.70 |
| TOTAL | 935.68 | 835.68 |

5. TRADE RECEIVABLES:

| Particulars | (₹ in Crs) | |
|-------------------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Unsecured and considered good | 793.73 | 753.44 |
| TOTAL | 793.73 | 753.44 |

6. CASH AND CASH EQUIVALENTS:

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Cash on hand | 1.46 | 0.60 |
| Bank balance in Current Accounts | 23.25 | 66.47 |
| Bank balance in Deposit Accounts | 332.52 | 177.89 |
| Earmarked Balances (Unpaid Dividend Accounts) | 2.05 | 2.33 |
| Cash Equivalants investment in highly Liquid Funds/Bonds | 53.04 | NIL |
| TOTAL | 412.32 | 247.29 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

7. OTHER CURRENT FINANCIAL ASSETS:

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Balances with Customs, Port Trust, Central Excise, Sales Tax and Goods & Services Tax Authorities | 171.45 | 118.53 |
| Loans Given to: | | |
| i) Employees | 8.57 | 8.06 |
| ii) Others | 7.46 | 9.07 |
| TOTAL | 187.48 | 135.66 |

8. OTHER CURRENT ASSETS:

| Particulars | (₹ in Crs) | |
|--------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Others Receivables | 10.42 | 8.98 |
| Prepaid Expenses | 22.22 | 13.50 |
| Subsidy Receivable | 5.75 | 10.32 |
| TOTAL | 38.39 | 32.80 |

9. EQUITY SHARE CAPITAL:

| Particulars | No. of Shares | (₹ in Crs) | |
|---|---------------|---------------------------|---------------------------|
| | | As at 31st March, 2021 | As at 31st March, 2020 |
| Authorised Share Capital | | | |
| Equity Shares of ₹ 5/- each | 23,01,50,320 | 115.08 | 115.08 |
| Issued, Subscribed & Paid up | | | |
| Equity Shares of ₹ 5/- each fully paid up | 17,42,34,474 | 87.12 | 87.12 |
| TOTAL | | 87.12 | 87.12 |

9.1 Reconciliation of the number of Shares outstanding as on 31st March, 2021:

| Particulars | No. of Shares outstanding | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Equity Shares at the beginning of the year | 17,42,34,474 | 8,66,68,647 |
| Add: Shares issued during the year | NIL | 8,75,65,827 |
| Less: Shares buy-back during the year | NIL | NIL |
| Equity Shares at the end of the year | 17,42,34,474 | 17,42,34,474 |

9.2 Details of shareholders holding more than 5% shares:

| Name of the Shareholders | As at 31st March, 2021 | | As at 31st March, 2020 | |
|---------------------------|------------------------|--------|------------------------|--------|
| | No. of Shares | % held | No. of Shares | % held |
| HDFC Trustee Company Ltd. | 77,09,004 | 4.42 | 1,38,28,976 | 7.94 |

9.3 The details of Equity Shares outstanding during last 5 years:

| Particulars | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|----------------------------------|--------------|--------------|-------------|-------------|-------------|
| No. of Equity Shares outstanding | 17,42,34,474 | 17,42,34,474 | 8,66,68,647 | 8,13,00,000 | 8,21,20,383 |



Notes to the Financial Statements

for the year ended 31st March, 2021

9.4 Note on Issued, Subscribed and Paid up Equity Share Capital:

- (a) During the year 2019-20, 8,71,17,237 shares are issued as Bonus Shares in the ratio of 1:1 equity share of ₹ 5 each.
- (b) During the year 2019-20, 4,48,590 Shares were allotted to the shareholders of Nascent Chemical Industries Limited pursuant to the terms of the Scheme of Arrangement approved by the Honorable National Company Law Tribunal (NCLT), Ahmedabad Bench.
- (c) During the year 2018-19, 53,68,647 Shares were issued through Qualified Institutions Placement at the issue price of ₹ 1,397 per Equity Share (including ₹ 1,392 towards share premium) to qualified institutional buyers.
- (d) During the year 2017-18, 8,20,383 Shares were brought back at a premium of ₹ 1,195/-.
- (e) During the year 2016-17, 12,00,000 Shares were brought back at a premium of ₹ 795/-.

10. OTHER EQUITY:

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| a. Capital Reserves | | |
| Opening Balance | 13.89 | 13.89 |
| Addition: | NIL | NIL |
| Deduction: | 0.56 | NIL |
| Closing Balance | 13.33 | 13.89 |
| b. Capital Redemption Reserve | | |
| Opening Balance | 0.72 | 2.28 |
| Addition: | NIL | NIL |
| Deduction: | | |
| Issue of Bonus Shares | NIL | 1.56 |
| Closing Balance | 0.72 | 0.72 |
| c. Securities Premium Account | | |
| Opening Balance | 697.49 | 740.09 |
| Addition: | 0.21 | NIL |
| Deduction: | | |
| QIP Expenses | NIL | 0.60 |
| Issue of Bonus Shares | NIL | 42.00 |
| Closing Balance | 697.70 | 697.49 |
| d. Debenture Redemption Reserve | | |
| Opening Balance | 80.00 | 120.00 |
| Addition: | NIL | NIL |
| Deduction: | | |
| Transferred to General Reserve | 80.00 | 40.00 |
| Closing Balance | NIL | 80.00 |
| e. RBI Reserve U/s 45 (IC) | | |
| Opening Balance | 3.70 | 3.70 |
| Addition | NIL | NIL |
| Deduction | NIL | NIL |
| Closing Balance | 3.70 | 3.70 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| f. General Reserve | | |
| Opening Balance | 213.65 | 119.00 |
| Addition: | | |
| Transferred from Debenture Redemption Reserve | 80.00 | 40.00 |
| Transferred from Profit & Loss Account | 52.66 | 54.65 |
| Deduction: | NIL | NIL |
| Closing Balance | 346.31 | 213.65 |
| g. Profit and Loss Account | | |
| Opening balance | 1,931.18 | 1,579.85 |
| Addition: | | |
| Net Profit/(Loss) for the year | 523.47 | 536.08 |
| Deduction: | | |
| Final Dividend Paid on Equity Shares for the previous year | 20.51 | 64.68 |
| Interim Dividend paid on Equity Share for the year | 26.14 | 43.56 |
| Tax on Dividend | NIL | 21.87 |
| Foreign Exchange Difference on Translation | 1.85 | 1.85 |
| Intergroup Dividend | (1.55) | (1.86) |
| Transferred to Reserves | 52.66 | 54.65 |
| Closing Balance | 2,355.07 | 1,931.18 |
| h. Other Reserves | | |
| Revaluation Reserve | 0.51 | 0.51 |
| Forfeiture Reserve | 1.85 | 1.85 |
| Closing Balance | 2.36 | 2.36 |
| i. Other Comprehensive Income | | |
| Opening Balance | (51.34) | 6.05 |
| OCI for the year | 47.94 | (57.39) |
| Closing Balance | (3.41) | (51.34) |
| TOTAL | 3,415.78 | 2,891.65 |

11. NON-CURRENT BORROWINGS:

| Name of the Shareholders | (₹ in Crs) | | | |
|--|------------------------|---------------|------------------------|---------------|
| | As at 31st March, 2021 | | As at 31st March, 2020 | |
| | Non-Current | Current | Non-Current | Current |
| Secured | | | | |
| (a) Non Convertible Debentures (NCDs) | NIL | NIL | 0.45 | 80.00 |
| (b) ECB/Term loans from Banks/Financial Institutions | 1,265.09 | 350.39 | 578.31 | 206.32 |
| (c) Vehicle Loans from Banks/Financial Institutions | 2.96 | 1.33 | 2.08 | 1.11 |
| TOTAL | 1,268.05 | 351.72 | 580.84 | 287.43 |



Notes to the Financial Statements

for the year ended 31st March, 2021

12. OTHER NON CURRENT LIABILITIES

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Long Term Advances for Exports received from Customer | 211.29 | 529.69 |
| Lease Liabilities Account | 13.12 | 21.20 |
| TOTAL | 224.41 | 550.89 |

13. DEFERRED TAX LIABILITIES (NET):

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Deferred Tax Liabilities | 211.01 | 193.01 |
| Difference between net book value of depreciable capital assets as per books vis - a- vis written down value as per Tax Laws | 28.06 | 21.30 |
| Deferred Tax Assets | | |
| Items allowed for tax purpose on payment | (5.13) | (3.31) |
| Deferred Tax Liabilities (Net) | 233.94 | 211.01 |

14. SHORT-TERM BORROWINGS:

| Particulars | (₹ in Crs) | |
|---------------------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Secured | | |
| Working Capital Loan From Banks | 1,146.51 | 1,205.07 |
| Total | 1,146.51 | 1,205.07 |
| Unsecured | | |
| From Banks | 76.09 | 23.20 |
| From Other | 1.47 | 1.40 |
| Total | 77.56 | 24.60 |
| TOTAL | 1,224.07 | 1,229.67 |

15. OTHER CURRENT LIABILITIES:

| Particulars | (₹ in Crs) | |
|---|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Current maturities of Long-Term Debt | 350.39 | 286.32 |
| Current maturities of Vehicle Loan | 1.33 | 1.11 |
| Current Portion of Long Term Advance for Export | 190.01 | - |
| Lease Liabilities Account | 4.61 | - |
| Interest accrued but not due on borrowings | 0.27 | 7.57 |
| Unpaid Dividends | 2.05 | 2.33 |
| Other Current Liabilities & Taxes | 10.96 | 4.31 |
| TOTAL | 559.62 | 301.63 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

16. SHORT-TERM PROVISIONS:

| Particulars | (₹ in Crs) | |
|----------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Provision for | | |
| Employees' Benefits | 38.72 | 38.78 |
| Others | 1.40 | 1.13 |
| TOTAL | 40.12 | 39.91 |

17. REVENUE FROM OPERATIONS:

| Particulars | (₹ in Crs) | |
|---------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Sale of Products | 4,822.40 | 4,539.63 |
| Other Operating Revenues | 200.88 | 81.06 |
| GROSS REVENUE OPERATIONS | 5,023.28 | 4,620.69 |
| Less: GST Collected | 517.18 | 434.38 |
| NET REVENUE OPERATIONS | 4,506.10 | 4,186.31 |

17.1. GROSS SALES & OPERATING REVENUES:

| Particulars | (₹ in Crs) | |
|------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Fertilizers Subsidy Received | 20.24 | 12.29 |
| Export Benefits/Incentives | 21.86 | 58.73 |
| Scrap Sales | 11.53 | 9.65 |
| Contract Shortfall Fees | 147.24 | NIL |
| Vat Refund Received | NIL | 0.38 |
| TOTAL | 200.88 | 81.06 |

18. OTHER INCOME:

| Particulars | (₹ in Crs) | |
|-------------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Dividend Received | 0.02 | 0.07 |
| Profit on Sale of Assets/Investment | 0.34 | 8.49 |
| Other Income | 0.34 | 0.27 |
| TOTAL | 0.70 | 8.84 |

19. COST OF MATERIALS CONSUMED:

| Particulars | (₹ in Crs) | |
|----------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Consumption of Raw Materials | 1,610.48 | 1,481.64 |
| Consumption of Packing Materials | 42.53 | 38.01 |
| Consumption of Fuel | 172.87 | 170.58 |
| Consumption of Stores & Spares | 111.68 | 90.69 |
| TOTAL | 1,937.57 | 1,780.92 |



Notes to the Financial Statements

for the year ended 31st March, 2021

20. CHANGE IN INVENTORY:

| Particulars | (₹ in Crs) | |
|----------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Opening Stock | | |
| Finished Goods | 286.40 | 281.53 |
| Work-in-Progress | 208.44 | 214.07 |
| Total (A) | 494.84 | 495.60 |
| Closing Stock | | |
| Finished Goods | 302.77 | 286.40 |
| Work-in-Progress | 245.33 | 208.44 |
| Total (B) | 548.10 | 494.84 |
| TOTAL (A-B) | (53.25) | 0.76 |

21. EMPLOYEE BENEFITS:

| Particulars | (₹ in Crs) | |
|------------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Salaries, Wages & Bonus | 313.05 | 266.83 |
| Contribution to PF and other Funds | 26.99 | 19.73 |
| Workmen & Staff Welfare Expenses | 31.33 | 18.66 |
| TOTAL | 371.38 | 305.22 |

22. FINANCE COST:

| Particulars | (₹ in Crs) | |
|-------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Interest on NCD's | 2.55 | 10.36 |
| Other Interest Expenses | 74.16 | 104.99 |
| Other Borrowing Costs | 9.66 | 9.43 |
| TOTAL | 86.37 | 124.78 |

23. OTHER EXPENSES:

| Particulars | (₹ in Crs) | |
|---------------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Manufacturing Expenses: | | |
| Freight, Cartage & Transport | 118.54 | 118.40 |
| Power | 131.37 | 114.09 |
| Water Charges | 13.99 | 12.64 |
| Processing Charges | 59.47 | 45.28 |
| Other Manufacturing Expenses | 160.40 | 129.94 |
| Repairs & Maintenance | 114.51 | 111.78 |
| Insurance Charges | 10.95 | 6.13 |
| Research & Development Expenses | 55.10 | 27.01 |
| Factory Administrative Expenses | 70.06 | 47.64 |
| Total (A) | 734.39 | 612.91 |

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Notes to the Financial Statements

for the year ended 31st March, 2021

| Particulars | (₹ in Crs) | |
|---|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Office Administrative Expenses: | | |
| Rent, Rates and Taxes | 1.30 | 2.61 |
| Travelling and Conveyance | 3.47 | 7.51 |
| Auditor's Remuneration | 0.47 | 0.48 |
| Legal & Professional Charges | 18.51 | 12.85 |
| Postage, Telegraph & Telephone/Printing & Stationery Expenses | 1.18 | 1.65 |
| Other Administrative Expenses | 14.28 | 11.93 |
| Total (B) | 39.22 | 37.04 |
| Selling & Distribution Expenses: | | |
| Advertisement & Sales Promotion | 3.75 | 6.05 |
| Export Freight Expenses | 85.57 | 62.63 |
| Freight and Forwarding Expenses | 116.21 | 91.27 |
| Commission | 15.53 | 10.18 |
| Export Insurance Charges | 1.95 | 1.92 |
| Sample Testing & Analysis Charges | 1.44 | 1.16 |
| Lease Rent Paid | 10.97 | 10.97 |
| Other Expenses | 0.17 | 0.09 |
| Sales Tax & Other Dues Paid | 0.06 | 0.13 |
| Sundry Balance Written Off/(Back) | 0.87 | 1.95 |
| Total (C) | 236.52 | 186.35 |
| Non-Operating Expenses: | | |
| Donations and CSR Expenses | 14.50 | 11.14 |
| Total (D) | 14.50 | 11.14 |
| TOTAL (A+B+C+D) | 1,024.63 | 847.44 |

23.1 AUDITOR'S REMUNERATION:

| Particulars | (₹ in Crs) | |
|------------------------|--|--|
| | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Audit Fees | 0.38 | 0.37 |
| Certification Charges | 0.03 | 0.05 |
| Out of Pocket Expenses | - | 0.01 |
| TOTAL | 0.41 | 0.43 |

24. EARNING PER SHARE (EPS):

| Particulars | | (₹ in Crs) | |
|---|------------|--|--|
| | | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| Net Profit after Tax | (₹ in Crs) | 535.22 | 546.76 |
| Profit attributable to Minority Interest | (₹ in Crs) | (11.75) | (10.68) |
| Share of Profit/(Loss) of Associates | (₹ in Crs) | NIL | NIL |
| Net Profit After Consolidation available for Equity Shareholders | (₹ in Crs) | 523.47 | 536.08 |
| No. of Equity Shares | (Nos.) | 17,42,34,474 | 17,42,34,474 |
| Basic & Diluted EPS | (₹) | 30.04 | 30.77 |
| Nominal Value of Equity Share | (₹) | 5.00 | 5.00 |



Notes to the Financial Statements

for the year ended 31st March, 2021

24.1 Basic earnings per share has been computed by dividing the profit/loss for the year by the weighted average number of shares outstanding during the year.

Partly paid shares are inculcated as fully paid equivalents according to the fraction paid up.

Diluted earnings per share has been computed using weighted average number of shares dilutive potential shares, except where the results would be anti-dilutive.

25. CONTINGENT LIABILITIES AND COMMITMENTS: (to the extent not provided for)

(₹ in Crs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|---|---------------------------|---------------------------|
| (i) Contingent Liabilities: | | |
| (a) Claims against the company not acknowledged as Debts | 68.10 | 67.65 |
| (b) Letters of Credit, Bank Guarantees & Bills Discounted | 250.90 | 296.80 |
| | 319.00 | 364.45 |
| (ii) Commitments: | | |
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances | 120.02 | 327.94 |
| | 120.02 | 327.94 |
| TOTAL | 439.02 | 692.39 |

26. RELATED PARTY DISCLOSURE UNDER ACCOUNTING STANDARD (Ind AS: 24):

I Following is the Joint Control Entity of the Company

1. Ganesh Polychem Limited**

II Following are the Enterprises/Firms over which controlling individuals/Key Management Personnel, of the Company along with their relatives, have significant influence

1. Alchemie Speciality Private Limited
2. Alchemie Laboratories
3. Aarti Drugs Limited
4. Alchemie Dye Chem Private Limited

III Following are the individuals who with their relatives own Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel.

- | | |
|---------------------------|-------------------------|
| 1. Shri Rajendra V. Gogri | Director |
| 2. Shri Rashesh C. Gogri | Director |
| 3. Shri Parimal H. Desai | Director |
| 4. Shri Manoj M. Chheda | Director |
| 5. Shri Kirit R. Mehta | Director |
| 6. Smt. Hetal Gogri Gala | Director |
| 7. Shri Renil R. Gogri | Director |
| 8. Shri Narendra J. Salvi | Director |
| 9. Shri Chetan Gandhi | Chief Financial Officer |
| 10. Shri Raj Sarraf | Company Secretary |

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Notes to the Financial Statements

for the year ended 31st March, 2021

The following transactions were carried out during the year with the related parties in the ordinary course of business.

(A) Details relating to parties referred to in items I above.

| | | (₹ in Crs) | |
|---------|---|------------|---------------------------------|
| Sr. No. | Particulars | Year | Other related Enterprises Firms |
| | | CY | 63.84 |
| 1 | Sales of Finished Goods/Sales Income | PY | 78.30 |
| | | CY | 15.36 |
| 2 | Purchases of Raw Materials/Finished Goods | PY | 21.18 |
| | | CY | - |
| 3 | Other Manufacturing Expenses | PY | 0.74 |
| | | CY | - |
| 4 | Rent paid | PY | 0.02 |
| | | CY | - |
| 5 | Sale of Fixed Assets | PY | 20.06 |
| | | CY | 53.33 |
| 6 | Outstanding items pertaining to the related parties at the balance - - sheet date Receivable/(Payable) | PY | 29.68 |

(B) Details relating to persons referred to in item III above*

| | | (₹ in Crs) | |
|---|---------------------------|---------------------------|--|
| Particulars | Financial Year 2020-21 | Financial Year 2019-20 | |
| a. Remuneration including perquisites # | 8.46 | 6.29 | |
| b. Commission to Directors | 18.95 | 19.10 | |
| c. Sitting Fees | NIL | 0.01 | |
| d. Rent paid | 1.07 | 1.07 | |
| e. Travelling Expenses | 0.02 | 0.53 | |
| f. Telephone Expenses | 0.02 | 0.05 | |
| TOTAL | 28.52 | 27.05 | |

* Excluding the payments made to Independent Directors & Relative of Directors as per IND AS Interpretation 110 issued by the Institute of Chartered Accountants of India.

Value of Perquisites includes non Cash Perquisites of ₹ 0.03 Crs (previous year ₹ 0.02 Crs).

**During the March 2021 quarter a subsidiary viz Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021



Notes to the Financial Statements

for the year ended 31st March, 2021

27. SEGMENT REPORTING:

(₹ in Crs)

| Sr. No. | Particulars | Financial Year 2020-21 | Financial Year 2019-20 |
|------------|--|---------------------------|---------------------------|
| (A) | Primary Segments: Business Segments | | |
| 1 | Segment Revenue: | | |
| | a) Speciality Chemicals | 4,151.40 | 3,864.95 |
| | b) Pharmaceuticals | 871.88 | 755.74 |
| | Total Revenue (Gross) | 5,023.28 | 4,620.69 |
| | Less: GST Tax Collected | 517.18 | 434.38 |
| | Total Revenue (Net) | 4,506.10 | 4,186.31 |
| 2 | Segment Results Profit/(Loss): | | |
| | Before Tax and Interest from each Segment | | |
| | a) Speciality Chemicals | 752.75 | 814.11 |
| | b) Pharmaceuticals | 204.58 | 137.46 |
| | Total (A) | 957.33 | 951.57 |
| | Less: Interest | 86.37 | 124.78 |
| | Other Unallocable Expenditure (Net) | 206.41 | 150.61 |
| | Total (B) | 292.78 | 275.39 |
| | Total Profit before Tax (A-B) | 664.55 | 676.18 |
| 3 | Segment Assets: | | |
| | a) Speciality Chemicals | 5,638.60 | 4,766.25 |
| | b) Pharmaceuticals | 1,192.99 | 958.60 |
| | c) Unallocated Capital | 397.77 | 360.37 |
| | TOTAL | 7,229.36 | 6,085.22 |
| 4 | Segment Liabilities: | | |
| | a) Speciality Chemicals | 1,237.30 | 1,139.96 |
| | b) Pharmaceuticals | 163.19 | 97.64 |
| | c) Unallocated Capital | 233.94 | 211.01 |
| | TOTAL | 1,634.43 | 1,448.61 |
| (B) | Secondary Segments: Geographical Segments | | |
| | a) India | 2,835.73 | 2,655.17 |
| | b) Out of India | 2,187.55 | 1,965.52 |
| | TOTAL | 5,023.28 | 4,620.69 |

Note:

The above segment report is presented in accordance with the applicable provisions & principles laid down under IND AS 108.

Consolidated

Notes to the Financial Statements

for the year ended 31st March, 2021

28. Additional Information, as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as Subsidiary/Associates.

| Name of Enterprise | Net Assets (i.e. Total Assets minus total liabilities) | | Share in Profit or Loss | |
|--|--|-----------------|-------------------------------------|---------------|
| | As % of Consolidated net assets | (₹ in Crs) | As % of Consolidated Profit or Loss | (₹ in Crs) |
| Parent | | | | |
| Aarti Industries Limited | 97.40% | 3,411.74 | 98.10% | 513.50 |
| Subsidiaries | | | | |
| Alchemie (Europe) Limited | (0.02)% | (0.70) | (0.02)% | (0.08) |
| Aarti USA Inc. | (0.03)% | (1.17) | 0.00% | 0.01 |
| Aarti Corporate Services Limited | 0.90% | 31.49 | 0.00% | (0.01) |
| Ganesh Polychem Limited* | 2.75% | 96.28 | 4.49% | 23.50 |
| Innovative Envirocare Jhagadia Limited | 0.00% | 0.17 | 0.00% | - |
| Nascent Chemical Industries Limited | 0.02% | 0.77 | 0.08% | 0.43 |
| Shanti Intermediates Private Limited | 0.01% | 0.36 | 0.01% | 0.07 |
| Aarti Polychem Private Limited | 0.00% | (0.01) | 0.00% | - |
| Aarti Organics Limited | 0.01% | 0.23 | 0.00% | - |
| Aarti Bharuch Limited | 0.01% | 0.23 | 0.00% | - |
| Aarti Pharmachem Limited | 0.01% | 0.23 | 0.00% | - |
| Aarti Spechem Limited | 0.01% | 0.23 | 0.00% | - |
| Non Controlling Interest in all Subsidiaries | 0.35% | 12.24 | (2.24)% | (11.75) |
| Inter Company Elimination & Consolidation Adjustment | (1.40)% | (49.19) | (0.42)% | (2.20) |
| TOTAL | 100.00% | 3,502.90 | 100.00% | 523.47 |

*During the March 2021 quarter a subsidiary viz Ganesh Polychem Limited ceased to be a subsidiary and became a jointly controlled entity w.e.f. March 17, 2021.

29. FAIR VALUE MEASUREMENTS: Financial instruments by category

(₹ in Crs)

| Name of the Shareholders | As at 31st March, 2021 | | | As at 31st March, 2020 | | |
|-------------------------------------|------------------------|---------|---------|------------------------|---------|---------|
| | Carrying Amount | Level 1 | Level 2 | Carrying Amount | Level 1 | Level 2 |
| Financial Assets | | | | | | |
| At Amortised Cost | | | | | | |
| Investments | 35.11 | - | - | 22.14 | - | - |
| Trade Receivables | 793.73 | - | - | 753.44 | - | - |
| Cash and Cash Equivalents | 412.32 | - | - | 247.29 | - | - |
| Other Financial Assets | 326.68 | - | - | 349.67 | - | - |
| At FVTOCI | | | | | | |
| Investments | 28.41 | 12.84 | 15.57 | 14.87 | 4.23 | 10.64 |
| Financial Liabilities | | | | | | |
| At Amortised Cost | | | | | | |
| Borrowings | 2,843.84 | - | - | 2,097.94 | - | - |
| Trade Payables | 576.33 | - | - | 345.16 | - | - |
| Other Non-current Liabilities | 224.41 | - | - | 550.89 | - | - |
| Other Current Financial Liabilities | 207.90 | - | - | 14.20 | - | - |

The financial instruments are categorized into two 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; and

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



Notes to the Financial Statements

for the year ended 31st March, 2021

30. CAPITAL MANAGEMENT:

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net Debt is calculated as loans and borrowings less cash & marketable securities.

| Particulars | (₹ in Crs) | |
|--------------------------------------|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Gross Debts | 2,843.84 | 2,094.16 |
| Less: Cash and Marketable Securities | (412.32) | (247.29) |
| Net Debt (A) | 2,431.52 | 1,846.87 |
| Total Equity (B) | 3,515.14 | 3,073.39 |
| Net Gearing ratio (A/B) | 0.69 | 0.60 |

Dividends

| Particulars | (₹ in Crs) | |
|--|---------------------------|---------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| (i) Equity shares | | |
| Final dividend for the year ended 31st March 2020 of ₹ 1 per fully paid share & Interim Dividend for 2020-21 @ ₹ 1.50 per Share paid during the year 2020-21 | 43.56 | 104.54 |
| (ii) Dividends not recognised at the end of the reporting period | | |
| In addition to the above dividends, since year end the directors have recommended the payment of dividend of ₹ 3 (31st March 2020 ₹ 1) per fully paid equity share. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting. | 52.27 | 17.42 |

31. FINANCIAL RISK MANAGEMENT:

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade and other receivables, and cash 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.

I. Credit Risk

The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities (deposits with banks and other financial instruments).

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 customers on credit are generally secured through Letters of Credit, Bank Guarantees, Parent Company Guarantees, advance payments and factoring & forfaiting without recourse to AIL.

Consolidated

Notes to the Financial Statements

for the year ended 31st March, 2021

Credit risk management

To manage the credit risk, the Company follows an adequate credit control policy and also has an external credit insurance cover with ECGC policy wherein the customers are required to make an advance payment before procurement of goods. Thus, the requirement of assessing the impairment loss on trade receivables does not arise, since the collectability risk is mitigated.

Bank balances are held with only high rated banks and majority of other security deposits are placed majorly with government/statutory agencies.

II. 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.

(a) Liquidity risk management

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.

As at 31st March 2021

Maturities of non-derivative financial liabilities

(₹ in Crs)

| Particulars | Upto 1 year | Between 1 and 5 years | Beyond 5 years | Total |
|-----------------------------|-----------------|-----------------------|----------------|-----------------|
| Trade payables | 576.33 | - | - | 576.33 |
| Other financial liabilities | 1,823.81 | 1,492.46 | - | 3,316.27 |
| Total | 2,400.14 | 1,492.46 | - | 3,892.60 |

As at 31st March 2020

Maturities of non-derivative financial liabilities

(₹ in Crs)

| Particulars | Upto 1 year | Between 1 and 5 years | Beyond 5 years | Total |
|-----------------------------|-----------------|-----------------------|----------------|-----------------|
| Trade payables | 345.16 | - | - | 345.16 |
| Other financial liabilities | 1,571.21 | 1,131.73 | - | 2,702.94 |
| Total | 1,916.37 | 1,131.73 | - | 3,048.10 |



Notes to the Financial Statements

for the year ended 31st March, 2021

III. Market risk

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 are hedged by forward Contract.

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.

The Company's commodity risk is managed centrally through well-established trading operations and control processes. In accordance with the risk management policy, the Company enters into various transactions using derivatives and uses Over the Counter (OTC) as well as Exchange Traded Futures, Options and Swap contracts to hedge its commodity and freight exposure.

32. The figures of previous year have been regrouped and rearranged wherever necessary.

As per our report of even date

For Kirtane & Pandit LLP

Chartered Accountants
FRN: 105215W/W100057

Milind Bhave

Partner
M. No. 047973
Place: Mumbai
Date: May 18, 2021

For and on behalf of the Board

Rajendra V. Gogri

Chairman and Managing Director
DIN: 00061003

Chetan Gandhi

Chief Financial Officer
ICAI M. No. 111481

Rashesh C. Gogri

Vice Chairman and Managing Director
DIN: 00066291

Raj Sarraf

Company Secretary
ICSI M. No. A15526

Annexure 8 **Jatin Vora**
B.Com., F.C.A.

Jatin Vora & Associates
Chartered Accountants

Address:

203, Chheda Bhavan, 98, Surat Street,
Masjid (East), Mumbai - 400 009.

Tel: 022 - 4006 1063

Email: cajitvora@gmail.com

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE HALF YEARLY
STANDALONE FINANCIAL RESULTS.**

To
The Board of Directors of
Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited)

Opinion

We have audited the accompanying statement of financial results of **Aarti Pharmalabs Limited (formerly known as Aarti Organics Limited) ("the Company")** for the half year ended 30th September, 2021 ("the statement"), being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended ("the listing regulations").

In our opinion and to the best of our information and according to the explanations given to us, the Statement:

- i) is presented in accordance with requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended; and
- ii) gives a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards and other accounting principles generally accepted in India of the loss and other financial information for the half year ended 30th September, 2021.

Basis of Opinion

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

Management Responsibilities for the Standalone Financial Results

These quarterly financial results have been prepared on the basis of the interim financial statements. The Company's Board of Directors are responsible for the preparation of these financial results that give a true and fair view of the net loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Accounting standard 25, 'Interim Financial Reporting' prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations.



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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Results

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

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

- Identify and assess the risks of material misstatement of the standalone financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the 'Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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

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

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

For **Jatin Vora & Associates**
Chartered Accountants
Registration No. 118024W



Jatin Vora
Proprietor
Membership No. 103866
UDIN: 21103866AAAAMM1141



Place: Mumbai
Date: 28th October, 2021.

AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)

Balance Sheet as at 30th September, 2021

(Amount in Rs)

| Particulars | Note No. | As at 30th Sept, 2021 | As at 31st March, 2021 |
|--|----------|-----------------------|------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | | NIL | NIL |
| Capital Work-in-Progress | | NIL | NIL |
| Intangible Assets | | NIL | NIL |
| Financial Assets | | | |
| Investments | | NIL | NIL |
| Other Non-Current Assets | | NIL | NIL |
| Total Non-Current Assets | | NIL | NIL |
| Current Assets | | | |
| Inventories | | NIL | NIL |
| Financial Assets | | | |
| Trade Receivables | | NIL | NIL |
| Cash and Cash Equivalents | 1 | 2,242,129 | 2,500,000 |
| Others Current Financial Assets | | NIL | NIL |
| Other Current Assets | | NIL | NIL |
| Total Current Assets | | 2,242,129 | 2,500,000 |
| TOTAL ASSETS | | 2,242,129 | 2,500,000 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity Share Capital | 2 | 2,500,000 | 2,500,000 |
| Other Equity | 3 | (388,657) | (232,711) |
| Total Equity | | 2,111,343 | 2,267,289 |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | | NIL | NIL |
| Other Financial Liabilities | 4 | NIL | 186,751 |
| Deferred Tax Liabilities (Net) | | NIL | NIL |
| Total Non-Current Liabilities | | NIL | 186,751 |
| Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | | NIL | NIL |
| Trade Payables Due to: | | | |
| Micro and Small Enterprises | | NIL | NIL |
| Other Than Micro and Small Enterprises | | NIL | 25,960 |
| Other Current Liabilities | 5 | 130,786 | 20,000 |
| Provisions | | NIL | NIL |
| Total Current Liabilities | | 130,786 | 45,960 |
| Total Liabilities | | 130,786 | 232,711 |
| TOTAL EQUITY AND LIABILITIES | | 2,242,129 | 2,500,000 |

Summary of Significant Accounting Policies and Notes

Explanatory Information

1-9

As per our report of even date
For Jatin Vora & Associates
Chartered Accountants
FRN No. : 118024W

Jatin S. Vora
Proprietor
Membership No. : 103866
UDIN : 21103866AAAAMM1141



Aarti Pharmalabs limited
For and on behalf of the Board

Rashesh C. Gogri
Director
DIN: 00066291

Chetan Gandhi
Director
DIN: 06843850



Place: Mumbai
Date: 28th October, 2021

AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)
Statement of Profit and Loss for the period ended 30th September, 2021

| Particulars | Note No. | (Amount in Rs) | |
|---|------------|--|---|
| | | For the Period Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| REVENUE | | | |
| Revenue from Operations | | NIL | NIL |
| Other Income | | NIL | NIL |
| Total Revenue | | NIL | NIL |
| EXPENSES | | | |
| Cost of Materials Consumed (Incl. Packing Material, | | NIL | NIL |
| Purchases of Stock-in-Trade | | NIL | NIL |
| Changes in Inventories of Finished Goods, Work-in- | | NIL | NIL |
| Employee Benefits Expense | | NIL | NIL |
| Finance Costs | | 910 | NIL |
| Depreciation and Amortisation Expenses | | NIL | NIL |
| Other Expenses | 6 | 155,036 | 45,960 |
| Total Expenses | | 155,946 | 45,960 |
| PROFIT BEFORE TAX | | (155,946) | (45,960) |
| TAX EXPENSES | | | |
| Current Year Tax | | NIL | NIL |
| Deferred Tax | | NIL | NIL |
| Total Tax Expenses | | NIL | NIL |
| PROFIT AFTER TAX | | (155,946) | (45,960) |
| OTHER COMPREHENSIVE INCOME | | NIL | NIL |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | (155,946) | (45,960) |
| Earnings Per Equity Share (EPS) (in Rs) | | | |
| Basic/Diluted | | -0.62 | -0.18 |
| Summary of Significant Accounting Policies and other Explanatory Information | 1-9 | | |

As per our report of even date
 For Jatin Vora & Associates
 Chartered Accountants
 FRN No. : 118024W

Jatin S. Vora
 Proprietor
 Membership No. : 103866
 UDIN : 21103866AAAAMM1141



Aarti Pharmalabs limited
 For and on behalf of the Board

Rashesh C. Gogri
 Director
 DIN: 00066291

Gogri



Chetan Gandhi
 Director
 DIN: 06843850

C-B Gandhi

Place: Mumbai
 Date: 28th October, 2021

AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)
Cash Flow Statement for the period ended 30th September, 2021

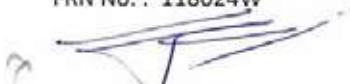
(Amount in Rs)

| Particulars | 30.09.2021 | 31.03.2021 |
|--|------------------|------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit / (Loss) before extraordinary items and tax | (155,946) | (20,400) |
| Change in current Assets & Liabilities | | |
| <u>Adjustments for increase / (decrease) in operating liabilities:</u> | | |
| Other Current Assets | | |
| Other Current liabilities | (101,925) | 20,400 |
| Net Cash inflow/(out flow) from Operating Activities (A) | (257,871) | NIL |
| B. Cash Flow from Investing Activities | | |
| Capital WIP | NIL | NIL |
| Net Cash inflow/(outflow) from Investing activities (B) | NIL | NIL |
| C. Cash Flow from Financing Activities | | |
| Proceeds from issue of equity shares | NIL | NIL |
| Proceeds/(Repayment) of Other Borrowings | NIL | NIL |
| Net Cash inflow/(out flow) from Financing Activities (C) | NIL | NIL |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | (257,871) | NIL |
| Cash and Cash equivalent as at the commencement of the period | 2,500,000 | 2,500,000 |
| Cash and Cash equivalent as at the End of the period | 2,242,129 | 2,500,000 |

Note:

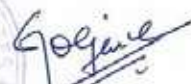
(i) Cash and Cash equivalent is Cash and Bank Balances as per Balance Sheet.

As per our report of even date
 For Jatin Vora & Associates
 Chartered Accountants
 FRN No. : 118024W


 Jatin S. Vora
 Proprietor
 Membership No. : 103866
 UDIN : 21103866AAAAMM1141



Aarti Pharmalabs limited
 For and on behalf of the Board


 Rashesh C. Gogri
 Director
 DIN: 00066291




 Chetan Gandhi
 Director
 DIN: 06843850

Place: Mumbai
 Date: 28th October, 2021

AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)
Statement of Changes in Equity for the period ended 30th September, 2021

| A. EQUITY SHARE CAPITAL | | (Amount in Rs) |
|---|--|------------------|
| As at 1st April, 2020 | | 2,500,000 |
| Changes in equity share capital during the year 2020-21 | | NIL |
| As at 31st March, 2021 | | 2,500,000 |
| Changes in equity share capital during the year 2021-22 | | NIL |
| As at 30th September, 2021 | | 2,500,000 |

| B. OTHER EQUITY | | (Amount in Rs) | |
|--------------------------------------|----------------------|----------------|--------------------|
| Particulars | Other Equity | | Total Other Equity |
| | Reserves and Surplus | | |
| | Retained Earnings | | |
| As at 1st April, 2020 | (186,751) | | (186,751) |
| Profit for the Period | (45,960) | | (45,960) |
| Balance as at 31st March, 2021 | (232,711) | | (232,711) |
| Profit for the Period | (155,946) | | (155,946) |
| Balance as at 30th Sept. 2021 | (388,657) | | (388,657) |

As per our report of even date
 For Jatin Vora & Associates
 Chartered Accountants
 FRN No. : 118024W


 Jatin S. Vora
 Proprietor
 Membership No. : 103866
 UDIN : 21103866AAAAMM1141



For and on behalf of the Board
 Aarti Pharmalabs limited


 Rashesh C. Gogri
 Director
 DIN: 00066291




 Chetan Gandhi
 Director
 DIN: 06843850

Place: Mumbai
 Date: 28th October, 2021

1 Significant Accounting Policies:**a Accounting Convention**

The Company has prepared the balance sheet as per Ind AS by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets and liabilities which are not permitted by Ind AS and applying Ind AS in measurement of Recognised assets and liabilities.

b Use of Estimates

The preparation of financial statements requires the management estimates and assumptions to be made that affect the reported amount of assets and liabilities (including contingent liabilities) on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

c Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

d Taxes on Income

i. Provision for current tax is determined on the basis of taxable income for the period as per the provisions of Income Tax Act, 1961.

ii. Deferred tax for the year is recognized, on timing differences, being difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

e Revenue Recognition**Sale of goods**

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales include sales tax and value added tax.

Other Incomes

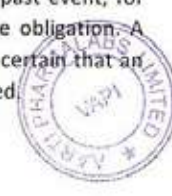
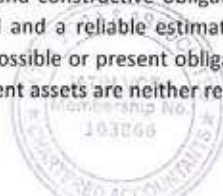
Other incomes are accounted for on accrual basis except when the recovery is uncertain, it is accounted for on receipt basis.

f Earnings per Share:

Basic EPS is computed by dividing the profit or loss attributable to the equity shareholders of the Company by the weighted average number of Ordinary shares outstanding during the year. Diluted EPS is computed by adjusting the profit or loss attributable to the ordinary equity shareholders and the weighted average number of ordinary equity shares, for the effects of all dilutive potential Ordinary shares.

g Provisions and Contingencies:

A provision is recognized when the company has legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate the amount of the obligation. A contingent liability is disclosed when the company has possible or present obligation where it is not certain that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.



AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)**a Change of Name**

During the Year Company has change its name from Aarti Organics limited to Aarti Pharmalabs limited and same is approved at ROC. Necessary changes has been incorporate in all places including MOA & AOA.

b Change of Registered Office

During the Year Company has changed its Regsitered Office to Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi, District Valsad Gujarat – 396195 and same is approved at ROC.

c Scheme of Arrangement

The Scheme of Arrangement under sections 230 to 232 has been entered by the Company and Aarti Industries Limited (the Demerged Company) and AND THEIR RESPECTIVE SHAREHOLDERS IN RESPECT OF DEMERGER OF PHARMA DIVISION OF AARTI INDUSTRIES LIMITED INTO AARTI PHARMALABS LIMITED (FORMERLY KNOWN AS AARTI ORGANICS LIMITED) UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013

Scheme is pending for approval at Stock Exchanges, NCLT, Gujarat.

Demerged Company Aarti Industries limited is deemed to have been carrying on all business activities relating to the demerged undertaking with effect from opening of business hours on July 1, 2021 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 July 1, 2021 relating to the said undertaking shall get vested to the Company.

Pursuant to the Scheme of Arrangement, Aarti Pharmalabs Limited has to issue to Equity Shareholder of Aarti Industries Limited, For every 4 equity shares held in Aarti Industries Limited (a) 1 Equity Shares of Aarti Pharmalabs Limited.

Details of Assets & Liability of Aarti Industries limited Demerged Pharma Undertaking to be Transferred to Company is as below

| Particular | Rs in Crore | |
|---|-------------|-----------------|
| | | Amt |
| Property, Plant and Equipment | | 789.69 |
| Investments | | 32.71 |
| Trade Receivable | | 256.89 |
| Inventories | | 336.23 |
| Other Current & Non-Current Assets (Incl Cash & Cash Equivalents) | | 721.56 |
| Total Assets | | 2,137.08 |
| Trade Payables | | -170.47 |
| Other Current & Non-Current Liability | | -71.00 |
| Borrowings | | -725.68 |
| Total Liability | | -967.14 |
| Net Assets | | 1,169.94 |

Other Equity- The excess of the Net Assets trasfered over the face value of the New Securities to be allotted by Aarti Pharmalabs limited pursuant to scheme is to be debited to reserve & surplus as per the accounting treatment specified in accordance The Indian Accounting Standards (Ind AS), as notified under section 133 of the Companies Act 2013



AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)**Year 2021-2022****1 CASH AND CASH EQUIVALENTS:**

| Particulars | (Amount in Rs) | |
|---------------------------------|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| Cash on hand | NIL | NIL |
| Bank Balance in Current Account | 242,129 | 2,500,000 |
| Bank Balance in Deposit Account | 2,000,000 | NIL |
| TOTAL | 2,242,129 | 2,500,000 |

2 EQUITY SHARE CAPITAL:

| Particulars | (Amount in Rs) | | | |
|--|----------------|--------------------------|----------------|---------------------------|
| | No. of Shares | As at 30th Sept, 2021 | No. of Shares | As at 31st March, 2021 |
| Authorised Share Capital | | | | |
| Equity Shares of 10/- each | 500,000 | 5,000,000 | 500,000 | 5,000,000 |
| Issued, Subscribed & Paid up | | | | |
| Equity Shares of 10/- each fully paid up | 250,000 | 2,500,000 | 250,000 | 2,500,000 |
| TOTAL | 250,000 | 2,500,000 | 250,000 | 2,500,000 |

Reconciliation of the number of Shares outstanding as on 30th Sept, 2021:

| Particulars | No. of Shares outstanding | |
|--|---------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| Equity Shares at the beginning of the year | 250,000 | 250,000 |
| Equity Shares issued during the year | NIL | NIL |
| Equity Shares at the end of the year | 250,000 | 250,000 |

Details of shareholders holding more than 5% shares:

| Name of the Shareholders | As at 30th Sept, 2021 | | As at 31st March, 2021 | |
|--------------------------|-----------------------|--------|------------------------|--------|
| | No. of Shares | % held | No. of Shares | % held |
| Aarti Industries Limited | 250,000 | 100 | 250,000 | 100 |

The details of Equity Shares outstanding during last 5 years:

| Particulars | Financial Year | | | | |
|----------------------------------|----------------|---------|---------|---------|---------|
| | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
| No. of Equity Shares outstanding | 250,000 | 250,000 | 250,000 | NA | NA |



AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)**3 OTHER EQUITY:**

| Particulars | (Amount in Rs) | |
|--------------------------------|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| Profit and Loss Account | | |
| Opening balance | (232,711) | (186,751) |
| Addition: | | |
| Net Profit/(Loss) for the year | (155,946) | (45,960) |
| Closing Balance | (388,657) | (232,711) |

| Particulars | (Amount in Rs) | |
|---------------------------------------|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| 4 OTHER FINANCIAL LIABILITIES: | | |
| Loans & Advances from Related Parties | NIL | 186,751 |
| TOTAL | NIL | 186,751 |

| Particulars | (Amount in Rs) | |
|--|--------------------------|---------------------------|
| | As at 30th Sept, 2021 | As at 31st March, 2021 |
| 5 OTHER CURRENT LIABILITIES: | | |
| Other Current Liabilities & Provisions | 130,786 | 20,000 |
| TOTAL | 130,786 | 20,000 |

| Particulars | (Amount in Rs) | |
|--|--|---|
| | For the Period Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| 6 OTHER EXPENSES: | | |
| Office Administrative Expenses: | | |
| Rent, Rates & Taxes | 111,086 | NIL |
| Misc. Expenses/Charges/Gst Exp | 6,750 | 3,960 |
| Legal & Professional Charges | 27,200 | NIL |
| Auditor Remuneration | 10,000 | 42,000 |
| Total | 155,036 | 45,960 |

AUDITOR'S REMUNERATION:

| | | |
|--------------|---------------|---------------|
| Audit Fees | 10,000 | 32,000 |
| Other Fees | NIL | 10,000 |
| TOTAL | 10,000 | 42,000 |



AARTI PHARMALABS LIMITED (Formerly Known As Aarti Organics Limited)**Year 2021-2022****7 EARNINGS PER SHARE**

| Particulars | (Amount in Rs) | |
|--|--|---|
| | For the Period Ended 30th Sept, 2021 | For the Year Ended 31st March, 2021 |
| Profit after tax as per statement of profit and loss | (155,946) | (45,960) |
| Weighted average number of equity shares for basic EPS (in No.) | 250,000 | 250,000 |
| Weighted average number of equity shares for diluted EPS (in No.) | 250,000 | 250,000 |
| Face value of equity shares (in Rs.) | 10 | 10 |
| Earnings per share Basic (in Rs.) | (0.62) | (0.18) |
| Earnings per share Diluted (in Rs.) | (0.62) | (0.18) |

- 8 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.
- 9 In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.



Jatin Vora
B.Com., F.C.A.

Jatin Vora & Associates
Chartered Accountants

Address:

203, Chheda Bhavan, 98, Surat Street,
Masjid (East), Mumbai - 400 009.

Tel: 022 – 4006 1063

Email: cajitvora@gmail.com

Independent Auditor's Report on the Standalone Ind AS Financial Statements

**To the Members of
Aarti Organics Limited**

Opinion

We have audited the accompanying standalone Ind AS financial statements of **Aarti Organics Limited** ("the Company") which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, Cash Flow Statement, and the Statement of Changes in Equity and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2021, its loss including other comprehensive income, its cash flows and the changes in equity for the period ended on that date.

Basis for Opinion

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

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises of Directors Report with its annexure, but does not include Financial Statements and our auditor's report thereon.

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

In connection with our audit of the standalone Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we required to report that fact. We have nothing to report in this regard.



Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under Section 133 of the Act.

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

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

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As a part of an audit in accordance with SA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A', a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards referred specified under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended.



- e) On the basis of written representations received from the directors as on 31st March, 2021, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021, from being appointed as a director in terms of section 164 (2) of the Companies Act, 2013.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197 (16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the period is in accordance with the provisions of section 197 of the Act; and
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The company does not any pending litigations on its financial position in its Financial Statements.
 - ii. The company did not have any long term contracts including derivative contracts which were any material foreseeable losses;
 - iii. There were no amounts which required to be transferred to the Investor Education and Protection Fund by the Company;

For **Jatin Vora & Associates**
Chartered Accountants
Firm Registration No. 118024W



Jatin Vora
Proprietor
Membership No. 103866
UDIN: 21103866AAAAFY7622



Place: Mumbai

Date: 15th May, 2021.

ANNEXURE – A TO INDEPENDENT AUDITORS' REPORT

The Annexure referred to in our Auditors' Report to the members of the Company on the standalone financial statements for the period ended 31st March, 2021, we report that:

- 1) In our opinion and according to the information and explanation given to us, the Company does not hold any have any fixed assets at any time during the period under audit, accordingly para 3(i) of the Order is not applicable.
- 2) In our opinion and according to the information and explanation given to us, the Company is not having any inventory at any time during the period ended under audit; accordingly para 3(ii) of the Order is not applicable.
- 3) According to the information and explanations given to us the company has not granted loans, secured or unsecured, to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- 4) In our opinion and according to the information and explanations given to us, the company has not given any loan, investment, guarantees, and security with respect to the provisions of Section 185 and 186 of the Act, accordingly, para 3(iv) of the Order is not applicable.
- 5) The Company has not accepted any deposits from the public covered under Section 73 to 76 of the Companies Act, 2013.
- 6) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148(I) of the Companies Act, 2013; accordingly, para 3(vi) of the Order is not applicable.
- 7) (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, amounts deducted/accrued in the books of the accounts in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Profession Tax, Goods & Service Tax (GST), Cess and any other statutory dues have been regularly deposited during the period by the company with the appropriate authorities.

(b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods & Service Tax (GST), Cess and any other statutory dues which have not been deposited by the company on account of disputes
- 8) According to the information and explanations given to us, the Company has not borrowed from any financial institution, banks, government; accordingly, para 3(viii) of the Order is not applicable.
- 9) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the period, Accordingly, para 3(ix) of the Order is not applicable.
- 10) To the best of our knowledge and according to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- 11) According to the information and explanations give to us and based on our examination of the records of the Company, no managerial remuneration has been paid or provided, Accordingly, para 3(xi) of the Order is not applicable.



- 12) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- 13) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS financial statements as required by the applicable accounting standards.
- 14) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made private placement of equity shares during the period; accordingly, paragraph 3(xiv) of the Order is not applicable.
- 15) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him; accordingly, paragraph 3(xv) of the Order is not applicable.
- 16) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **Jatin Vora & Associates**
Chartered Accountants
Firm Registration No. 118024W



Jatin Vora
Proprietor
Membership No. 103866
UDIN: 21103866AAAAFY7622



Place: Mumbai
Date: 15th May, 2021.

ANNEXURE – B TO INDEPENDENT AUDITORS' REPORT

Report on the Internal Financial Control under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("The Act")

We have audited the internal financial controls over financial reporting of **Aarti Organics Limited** ("the Company") as of 31st March, 2021 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the period ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;



(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Jatin Vora & Associates**
Chartered Accountants
Firm Registration No. 118024W



Jatin Vora
Proprietor
Membership No. 103866
UDIN: 21103866AAAAFY7622



Place: Mumbai

Date: 15th May, 2021.

AARTI ORGANICS LIMITED
Balance Sheet as at 31st March, 2021

| Particulars | Note No. | (Amount in Rs) | |
|--|----------|------------------------|------------------------|
| | | As at 31st March, 2021 | As at 31st March, 2020 |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | | NIL | NIL |
| Capital Work-in-Progress | | NIL | NIL |
| Intangible Assets | | NIL | NIL |
| Financial Assets | | | |
| Investments | | NIL | NIL |
| Other Non-Current Assets | | NIL | NIL |
| Total Non-Current Assets | | NIL | NIL |
| Current Assets | | | |
| Inventories | | NIL | NIL |
| Financial Assets | | | |
| Trade Receivables | | NIL | NIL |
| Cash and Cash Equivalents | 1 | 25,00,000 | 25,00,000 |
| Others Current Financial Assets | | NIL | NIL |
| Other Current Assets | | NIL | NIL |
| Total Current Assets | | 25,00,000 | 25,00,000 |
| TOTAL ASSETS | | 25,00,000 | 25,00,000 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Equity Share Capital | 2 | 25,00,000 | 25,00,000 |
| Other Equity | 3 | (2,32,711) | (1,86,751) |
| Total Equity | | 22,67,289 | 23,13,249 |
| LIABILITIES | | | |
| Non-Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | | NIL | NIL |
| Other Financial Liabilities | 4 | 1,86,751 | 1,86,751 |
| Deferred Tax Liabilities (Net) | | NIL | NIL |
| Total Non-Current Liabilities | | 1,86,751 | 1,86,751 |
| Current Liabilities | | | |
| Financial Liabilities | | | |
| Borrowings | | NIL | NIL |
| Trade Payables Due to: | | | |
| Micro and Small Enterprises | | NIL | NIL |
| Other Than Micro and Small Enterprises | | 25,960 | NIL |
| Other Current Liabilities | 5 | 20,000 | NIL |
| Provisions | | NIL | NIL |
| Total Current Liabilities | | 45,960 | NIL |
| Total Liabilities | | 2,32,711 | 1,86,751 |
| TOTAL EQUITY AND LIABILITIES | | 25,00,000 | 25,00,000 |

Summary of Significant Accounting Policies and other Explanatory Information 1-10

As per our report of even date
For **Jatin Vora & Associates**
Chartered Accountants
FRN No. : 118024W

Jatin S. Vora
Proprietor
Membership No. : 103866
Udin : 21103866AAAAFY7622



For and on behalf of the Board

Shyam Dhekekar
Director
DIN: 08620002

Chetan Gandhi
Director
DIN: 06843850



Place: Mumbai

AARTI ORGANICS LIMITED
Statement of Profit and Loss for the year ended 31st March, 2021

| Particulars | Note No. | (Amount in Rs) | |
|---|-------------|--|---|
| | | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
| REVENUE | | | |
| Revenue from Operations | | NIL | NIL |
| Other Income | | NIL | NIL |
| Total Revenue | | NIL | NIL |
| EXPENSES | | | |
| Cost of Materials Consumed (Incl. Packing Material, Fuel, Stores & Spares) | | NIL | NIL |
| Purchases of Stock-in-Trade | | NIL | NIL |
| Changes in Inventories of Finished Goods, Work-in- progress and Stock-in-Trade | | NIL | NIL |
| Employee Benefits Expense | | NIL | NIL |
| Finance Costs | | NIL | NIL |
| Depreciation and Amortisation Expenses | | NIL | NIL |
| Other Expenses | 6 | 45,960 | 1,86,751 |
| Total Expenses | | 45,960 | 1,86,751 |
| PROFIT BEFORE TAX | | (45,960) | (1,86,751) |
| TAX EXPENSES | | | |
| Current Year Tax | | NIL | NIL |
| Deferred Tax | | NIL | NIL |
| Total Tax Expenses | | NIL | NIL |
| PROFIT AFTER TAX | | (45,960) | (1,86,751) |
| OTHER COMPREHENSIVE INCOME | | NIL | NIL |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | (45,960) | (1,86,751) |
| Earnings Per Equity Share (EPS) (in Rs) Basic/Diluted | 7 | -0.18 | -0.75 |
| Summary of Significant Accounting Policies and other Explanatory Information | 1-10 | | |

As per our report of even date
For Jatin Vora & Associates
Chartered Accountants
FRN No. : 118024W

Jatin S. Vora
 Proprietor
Membership No. : 103866
 Udln : 21103866AAAAFY7622



For and on behalf of the Board


Shyam Dhekekar
 Director
 DIN: 08620002


Chetan Gandhi
 Director
 DIN: 06843850



Place: Mumbai
 Date: 15th May, 2021

AARTI ORGANICS LIMITED**Cash Flow Statement for the year ended 31st March, 2021**

(Amount in Rs)

| Particulars | 31.03.2021 | 31.03.2020 |
|---|------------|------------|
| A. Cash Flow from Operating Activities | | |
| Net Profit / (Loss) before extraordinary items and tax | -45,960 | -1,86,751 |
| Change in current Assets & Liabilities | | |
| Adjustments for increase / (decrease) in operating liabilities: | 45,960 | NIL |
| Other Current liabilities | | |
| Net Cash inflow/(out flow) from Operating Activities (A) | 0 | -1,86,751 |
| B. Cash Flow from Investing Activities | | |
| Capital WIP | NIL | NIL |
| Net Cash inflow/(outflow) from Investing activities (B) | NIL | NIL |
| C. Cash Flow from Financing Activities | | |
| Proceeds from issue of equity shares | NIL | 25,00,000 |
| Proceeds/(Repayment) of Other Borrowings | NIL | 1,86,751 |
| Net Cash inflow/(out flow) from Financing Activities (C) | - | 26,86,751 |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | 0 | 25,00,000 |
| Cash and Cash equivalent as at the commencement of the period | 25,00,000 | NIL |
| Cash and Cash equivalent as at the End of the period | 25,00,000 | 25,00,000 |

Note:

(i) Cash and Cash equivalent is Cash and Bank Balances as per Balance Sheet.

As per our report of even date

For Jatin Vora & Associates

Chartered Accountants

FRN No. : 118024W


 Jatin S. Vora

Proprietor

Membership No. : 103866

Udin : 21103866AAAAFY7622



For and on behalf of the Board



Shyam Dhekeka Chetan Gandhi

Director Director

DIN: 08620002 DIN: 06843850



Place: Mumbai

Date: 15th May, 2021

AARTI ORGANICS LIMITED
Statement of Changes in Equity for the year ended 31st March, 2021

A. EQUITY SHARE CAPITAL (Amount in Rs)

| | |
|---|------------------|
| As at 1st April, 2019 | 25,00,000 |
| Changes in equity share capital during the year 2019-20 | NIL |
| As at 31st March, 2020 | 25,00,000 |
| Changes in equity share capital during the year 2020-21 | NIL |
| As at 31st March, 2021 | 25,00,000 |

B. OTHER EQUITY (Amount in Rs)

| Particulars | Other Equity | |
|---------------------------------------|----------------------|--------------------|
| | Reserves and Surplus | Total Other Equity |
| | Retained Earnings | |
| As at 1st April, 2019 | NIL | NIL |
| Profit for the Period | (1,86,751) | (186751) |
| Balance as at 31st March, 2020 | (1,86,751) | (186751) |
| Profit for the Period | (45,960) | (45,960) |
| Balance as at 31st March, 2021 | (2,32,711) | (2,32,711) |

As per our report of even date
For Jatin Vora & Associates
Chartered Accountants
FRN No. : 118024W

For and on behalf of the Board


Jatin S. Vora
Proprietor
Membership No. : 103866
Udin : 21103866AAAAFY7622




Shyam Dhekekar
Director
DIN: 08620002

C. B. Gandhi
Chetan Gandhi
Director
DIN: 06843850



Place: Mumbai
Date: 15th May, 2021

1 Significant Accounting Policies:**a Accounting Convention**

The Company has prepared the balance sheet as per Ind AS by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets and liabilities which are not permitted by Ind AS and applying Ind AS in measurement of Recognised assets and liabilities.

b Use of Estimates

The preparation of financial statements requires the management estimates and assumptions to be made that affect the reported amount of assets and liabilities (including contingent liabilities) on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

c Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

d Taxes on Income

i. Provision for current tax is determined on the basis of taxable income for the period as per the provisions of Income Tax Act, 1961.

ii. Deferred tax for the year is recognized, on timing differences, being difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

e Revenue Recognition**Sale of goods**

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales include sales tax and value added tax.

Other Incomes

Other incomes are accounted for on accrual basis except when the recovery is uncertain, it is accounted for on receipt basis.



Aarti Organics Limited**FY 2020-2021****f Earnings per Share:**

Basic EPS is computed by dividing the profit or loss attributable to the equity shareholders of the Company by the weighted average number of Ordinary shares outstanding during the year. Diluted EPS is computed by adjusting the profit or loss attributable to the ordinary equity shareholders and the weighted average number of ordinary equity shares, for the effects of all dilutive potential Ordinary shares.

g Provisions and Contingencies:

A provision is recognized when the company has legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate the amount of the obligation. A contingent liability is disclosed when the company has possible or present obligation where it is not certain that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.



AARTI ORGANICS LIMITED

Year 2020-2021

1 CASH AND CASH EQUIVALENTS:

| Particulars | (Amount in Rs) | |
|---------------------------------|------------------------|------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Cash on hand | NIL | NIL |
| Bank Balance in Current Account | 2,500,000 | 2,500,000 |
| TOTAL | 2,500,000 | 2,500,000 |

2 EQUITY SHARE CAPITAL:

| Particulars | (Amount in Rs) | | | |
|--|----------------|------------------------|----------------|------------------------|
| | No. of Shares | As at 31st March, 2021 | No. of Shares | As at 31st March, 2020 |
| Authorised Share Capital | | | | |
| Equity Shares of 10/- each | 500,000 | 5,000,000 | 250,000 | 2,500,000 |
| Issued, Subscribed & Paid up | | | | |
| Equity Shares of 10/- each fully paid up | 250,000 | 2,500,000 | 250,000 | 2,500,000 |
| TOTAL | 250,000 | 2,500,000 | 250,000 | 2,500,000 |

Reconciliation of the number of Shares outstanding as on 31st March, 2021:

| Particulars | No. of Shares outstanding | |
|---|---------------------------|------------------------|
| | As at 31st March, 2021 | As at 31st March, 2020 |
| Equity Shares at the beginning of the year | 250,000 | NIL |
| Equity Shares issued during the year | NIL | 250,000 |
| Equity Shares at the end of the year | 250,000 | 250,000 |

Details of shareholders holding more than 5% shares:

| Name of the Shareholders | As at 31st March, 2021 | | As at 31st March, 2020 | |
|--------------------------|------------------------|--------|------------------------|--------|
| | No. of Shares | % held | No. of Shares | % held |
| Aarti Industries Limited | 250,000 | 100 | 250,000 | 100 |

The details of Equity Shares outstanding during last 5 years:

| Particulars | Financial Year | | | | |
|----------------------------------|----------------|---------|---------|---------|---------|
| | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
| No. of Equity Shares outstanding | 250,000 | 250,000 | NA | NA | NA |



AARTI ORGANICS LIMITED

Year 2020-2021

3 OTHER EQUITY:

(Amount in Rs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|--------------------------------|---------------------------|---------------------------|
| Profit and Loss Account | | |
| Opening balance | (186,751) | - |
| Addition: | | |
| Net Profit/(Loss) for the year | (45,960) | (186,751) |
| Closing Balance | (232,711) | (186,751) |

(Amount in Rs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|---------------------------------------|---------------------------|---------------------------|
| 4 OTHER FINANCIAL LIABILITIES: | | |
| Loans & Advances from Related Parties | 186,751 | 186,751 |
| TOTAL | 186,751 | 186,751 |

(Amount in Rs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|--|---------------------------|---------------------------|
| 5 OTHER CURRENT LIABILITIES: | | |
| Other Current Liabilities & Provisions | 20,000 | NIL |
| TOTAL | 20,000 | NIL |

(Amount in Rs)

| Particulars | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
|--|---|---|
| 6 OTHER EXPENSES: | | |
| Office Administrative Expenses: | | |
| Rates & Taxes | NIL | 186,751 |
| Misc. Expenses/Charges | 3,960 | NIL |
| Auditor Remuneration | 42,000 | NIL |
| Total | 45,960 | 186,751 |

AUDITOR'S REMUNERATION:

| | | |
|--------------|---------------|------------|
| Audit Fees | 32,000 | NIL |
| Other Fees | 10,000 | NIL |
| TOTAL | 42,000 | NIL |



AARTI ORGANICS LIMITED

Year 2020-2021

7 EARNINGS PER SHARE

(Amount in Rs)

| Particulars | For the Year Ended 31st March, 2021 | For the Year Ended 31st March, 2020 |
|--|---|---|
| Profit after tax as per statement of profit and loss | (45,960) | (186,751) |
| Weighted average number of equity shares for basic EPS | 250,000 | 250,000 |
| Weighted average number of equity shares for diluted EPS (in No.) | 250,000 | 250,000 |
| Face value of equity shares (in Rs.) | 10 | 10 |
| Earnings per share Basic (in Rs.) | (0.18) | (0.75) |
| Earnings per share Diluted (in Rs.) | (0.18) | (0.75) |

- 8 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.
- 9 In the opinion of the Board, except as otherwise stated, the Current Assets and Loans and Advances have a value on realization at least equal to amounts at which they are stated in the Balance Sheet.



AARTI ORGANICS LIMITED**Year 2020-2021****10 RELATED PARTIES DISCLOSURES**

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

I Name of the Company

1 Aarti Industries Limited

Relationship

Holding Company

II Following are the individuals who with their relatives own Directly/indirectly 20% or more voting power in the Company or have significant influence or are Key Management Personnel

1 Chetan Bipin Gandhi

Director

2 Ajay Kumar Gupta

Director

3 Shyam Shankarrao Dhekekar

Director

The following transactions were carried out during the year with the related parties in the ordinary course of business.

(A) Details relating to parties referred to in item I above.

(Amount in Rs)

| Sr. No. | Description of Transaction | Holding Company (I) |
|---------|--|---------------------|
| 1 | Sales of Finished Goods/Sales Income | NIL |
| 2 | Purchases of Raw Materials/Finished Goods | NIL |
| 3 | Other Expenses | NIL |
| 4 | Equity Contribution | NIL |
| 5 | Outstanding items pertaining to the related parties at the balance-sheet date Receivable/(Payable) | -1,86,751 |





AARTI INDUSTRIES LIMITED

Annexure 10

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF AARTI INDUSTRIES LIMITED ("COMPANY") IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013, AT ITS MEETING HELD ON AUGUST 19, 2021

1. The Board of Directors ("**Board**") of the Company at their meeting held on August 19, 2021 approved a draft of the proposed scheme of arrangement between Aarti Industries Limited ("**AIL**" or "**Demerged Company**") and Aarti Pharmed Labs Limited ("**APL**" or "**Resulting Company**") and their respective shareholders ("**Scheme**"), which would involve transfer by way of demerger of Pharma Division Business of the Company ("**Demerged Undertaking**") to APL in consideration for issuance of shares by APL to the shareholders of the Demerged Company, pursuant to provisions of Sections 230-232 and other applicable provisions of the Companies Act, 2013 (including those of the Companies Act, 1956 that continue to remain in force), as applicable. The Scheme was approved by the Audit Committee of the Company at its meeting held on August 19, 2021.
2. As per Section 232(2)(c) of the Companies Act, 2013, a report is required to be adopted by the directors explaining effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders of the Company laying out in particular the share exchange ratio ("**Report**").
3. This Report is accordingly being made pursuant to the requirements of Section 232(2) (c) of the 2013 Act. While deliberating on the Scheme, the Board *inter-alia* considered and took on record the following documents along with this report:
 - (i) Draft scheme of arrangement
 - (ii) **Fair Share Entitlement Report** dated August 19, 2021 issued by SSPA & Co.- Chartered Accountant and Registered Valuer (IBBI Registration No: IBBI/RV/06/2018/10140) (appointed by the Company) ;
 - (iii) **Fairness Opinion Report** dated August 19, 2021 issued by Inga Ventures Private Ltd., a SEBI Registered Merchant Banker, providing its opinion on the fairness of the Share Entitlement Ratio of the Pharma Division as recommended by SSPA & Co, Registered Valuer, Chartered Accountants;
 - (iv) **Statutory Auditors' Certificate** dated August 19, 2021 issued by Kirtane & Pandit LLP., the statutory auditors of the Company as required under Section 232(3) of the Companies Act, 2013 certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards and applicable law;
 - (v) A copy of **Audit Committee Report** dated August 19, 2021 in terms of the requirement of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and master circular dated December 22, 2020 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2020/249, issued by the Securities and Exchange Board of India;
 - (vi) **Report of the Committee of Independent Directors**, dated August 19, 2021, in terms of the requirement of circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and master circular dated December 22, 2020 bearing reference no. SEBI/HO/CFD/DIL1/CIR/P/2020/249, issued by the Securities and Exchange Board of India;

After taking on the record the documents /confirmations referred above, the Board of the Demerged Company approved the draft Scheme of Arrangement and Demerger.

www.aarti-industries.com | CIN: L24110GJ1984PLC007301

Admin. Office : 71, Udyog Kshetra, 2nd Floor, Mulund Goregaon Link Road, Mulund (W), Mumbai - 400080, INDIA.
T : 022-67976666, F : 022-2565 3234 | E : info@aarti-industries.com

Regd. Office : Plot No. 801, 801/23, Illrd Phase, GIDC Vapi-396195, Dist- Valsad, INDIA. T : 0260-2400366.

4. Following is the Report with respect to the aforesaid provisions:

A. Rationale of the Scheme

- First Applicant Company basically has 2 (Two) business verticals i.e., speciality chemicals and pharmaceuticals with divergent business profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other.
- The Demerged Undertaking relates to pharma manufacturing units, allied activities, investments and cash balance & cash equivalents for future Capital Expenditures of Demerged Undertaking. In order to create overall value for the shareholders and also to enable management of the company to focus and adopt the relevant strategies necessary for promoting growth and expansion of the Demerged Undertaking, it is proposed that the Demerged Undertaking, (as specifically set out in the Scheme), be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.
- The shareholders of Demerged Company, pursuant to the demerger, will get Equity Shares of Resultant Company for the Values of Business Transferred in the manner set out under this Scheme.
- The demerger will also result in Demerged Company and Resulting Company achieving operational efficiencies by streamlining of the relevant businesses.
- By demerger of the Demerged Undertaking into Resulting Company, the financial resources will be conveniently raised in accordance with the requirement of the business, leading to optimum utilization of resources towards expansion and growth of the business of Resulting Company.
- The demerger will enable Resulting Company to expand its presence in the fast-moving Pharma Business in India and abroad.
- The demerger will result into two dedicated and focused business segments i.e. Speciality Chemical and Pharma without any risk or overlap of one business over the other

B. Share Entitlement Ratio

1. **Fair Share Entitlement Report** dated August 19, 2021 issued by SSPA & Co.- Chartered Accountant and Registered Valuer (IBBI Registration No: IBBI/RV/06/2018/10140) (appointed by the Company) recommends the following Share entitlement ratio

"1 (one) fully paid up equity share of Rs. 5 (Rupees Five only) each of APL shall be issued and allotted for every 4 (four) fully paid up equity shares of Rs. 5 (Rupees Five only) each held in the Company."

The recommendation of the share entitlement ratio has been approved by the Board of the Company. The Scheme provides that upon the Scheme becoming effective and in consideration of vesting of the Demerged Undertaking of the Company in APL in terms of the Scheme, APL shall allot equity shares, credited as fully paid-up, to the members of the Company, holding fully paid up equity shares in the Company and whose names appear in the register of members of the Company on the relevant record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date.





2. Fairness Opinion Report dated August 19, 2021 issued by Inga Ventures Private Ltd., a SEBI Registered Merchant Banker, providing its opinion on the fairness of the Share Entitlement Ratio of the Pharma Division as recommended by SSPA & Co.- Chartered Accountant and Registered Valuer.

C. Effect of Scheme on stakeholders

| S. No | Category of Stakeholder | Effect of the Scheme on Stakeholders |
|-------|---|---|
| (i) | Shareholders (including Promoter & Non-Promoter Shareholders) | <ul style="list-style-type: none"> > There is only one class of shareholders, i.e., equity shareholders, which includes the promoter as well as non-promoter shareholders of the Demerged Company. > On demerger, the Resulting Company will issue and allot equity shares to each member of the Demerged Company, whose name is recorded in the register of members on the Record Date, as per the share entitlement ratio mentioned in the Scheme. > The equity shares so issued and allotted as provided above shall be subject to the provisions of the Memorandum and Articles of Association of the Resulting Company and shall rank pari-passu in all respects > There would be no dilution or increase in the shareholding of the promoter or non-promoter shareholders of the Demerged Company. > In terms of the Scheme, consequent upon demerger, on the Record Date, the set of shareholders and their holding proportion being proposed in the Resulting Company, is identical to that of the Demerged Company, and thus, the overall economic interest of equity shareholders of the Demerged Company shall remain the same. > The equity shares of APL shall be listed on the stock exchanges i.e. BSE Limited and National Stock Exchange of India ("Stock Exchanges") in accordance with the SEBI Circular No. CED/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time, and therefore shareholders of AIL (as of the Record Date) shall, upon the Scheme becoming effective, hold equity shares of 2 (two) listed entities, AIL and APL. |
| (ii) | Key Managerial Personnel ("KMPs") | The Directors and KMPs of the Demerged Company, and their relatives, do not have any concern or interest, financially or otherwise, in the Scheme except as shareholders in general. Therefore, the Scheme will have no effect on them, except to the extent of their respective shareholding and effect thereon as explained in point (i) above. |



| | | |
|-------|---------------------------------|--|
| (iii) | Creditors (Secured & Unsecured) | Under the Scheme, there is no arrangement or compromise offered to the creditors of the Demerged Company. Liabilities of any of the creditors of the Demerged Company would neither be reduced nor be extinguished in pursuance of the Scheme. |
|-------|---------------------------------|--|

5. Adoption of the Report by the Directors

The directors of the Company have adopted this Report after noting and considering the information set forth in this Report. The Board or any duly authorised committee by the Board is entitled to make relevant modifications to this Report, if required, and such modifications or amendments shall be deemed to form part of this Report.

For Aarti Industries Limited



 **Rajendra V. Gogri**
Chairman & Managing Director
DIN: 00061003

Date: August 19, 2021
Place: Mumbai



(Formerly Known As Aarti Organics Limited)

Annexure 11

AARTI PHARMALABS LIMITED

REPORT ADOPTED BY THE BOARD OF DIRECTORS OF AARTI PHARMALABS LIMITED ("COMPANY") IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013, AT ITS MEETING HELD ON AUGUST 19, 2021

1. The Board of Directors ("**Board**") of the Company at their meeting held on August 19, 2021 approved a draft of the proposed scheme of arrangement between Aarti Industries Limited ("**AIL**" or "**Demerged Company**") and Aarti Pharmalabs Limited (Formerly known as Aarti Organics Limited) ("**APL**" or "**Resulting Company**") and their respective shareholders ("**Scheme**"), which would involve transfer by way of demerger of Pharma Division Business of the Company ("**Demerged Undertaking**") to APL in consideration for issuance of shares by APL to the shareholders of the Demerged Company, pursuant to provisions of Sections 230-232 and other applicable provisions of the Companies Act, 2013 (including those of the Companies Act, 1956 that continue to remain in force), as applicable.
2. This Report is accordingly being made pursuant to the requirements of Section 232(2) (c) of the 2013 Act. While deliberating on the Scheme, the Board *inter-alia* considered and took on record the following documents along with this report:
 - (i) Draft scheme of arrangement
 - (ii) **Fair Share Entitlement Report** dated August 19, 2021 issued by SSPA & Co.- Chartered Accountant and Registered Valuer (IBBI Registration No: IBBI/RV/06/2018/10140) (appointed by the Company);
 - (iii) **Fairness Opinion Report** dated August 19, 2021 issued by Inga Ventures Private Ltd., a SEBI Registered Merchant Banker, providing its opinion on the fairness of the Share Entitlement Ratio of the Pharma Division as recommended by SSPA & Co, Registered Valuer, Chartered Accountants;
 - (iv) **Statutory Auditors' Certificate** dated August 19, 2021 issued by Jatin Vora & Associates, the statutory auditors of the Company as required under Section 232(3) of the Companies Act, 2013 certifying that the accounting treatment in the draft Scheme is in accordance with the accounting standards and applicable law;

After taking on the record the documents /confirmations referred above, the Board of the Resulting Company approved the draft Scheme of Arrangement and Demerger.
3. Following is the Report with respect to the aforesaid provisions:
 - A. Rationale of the Scheme**
 - First Applicant Company basically has 2 (Two) business verticals i.e., speciality chemicals and pharmaceuticals with divergent business profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other.
 - The Demerged Undertaking relates to pharma manufacturing units, allied activities, investments and cash balance & cash equivalents for future Capital Expenditures of Demerged Undertaking. In order to create overall value for the shareholders and also to enable management of the company to focus and adopt the relevant strategies necessary for promoting growth and expansion of the Demerged Undertaking, it is proposed that the Demerged Undertaking, (as specifically set out in the Scheme), be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.
 - The shareholders of Demerged Company, pursuant to the demerger, will get Equity Shares of Resultant Company for the Values of Business Transferred in the manner set out under this Scheme.
 - The demerger will also result in Demerged Company and Resulting Company achieving operational efficiencies by streamlining of the relevant businesses.
 - By demerger of the Demerged Undertaking into Resulting Company, the financial resources will be conveniently raised in accordance with the requirement of the business, leading to optimum utilization of resources towards expansion and growth of the business of Resulting Company.
 - The demerger will enable Resulting Company to expand its presence in the fast-moving Pharma Business in India and abroad.

www.aarti-pharmalabs.com | CIN : U24100GJ2019PLC110964

Corporate Office : 204, Udyog Kshetra, 2nd Floor, Mulund-Goregaon Link Road, Mulund (W), Mumbai - 400 080.

T : 022-6797 6666 | F : 022-2565 3234 | E : info@aarti-pharmalabs.com

Regd. Office : Plot No. 22/C/1 & 22/C/2, Phase-I, G.I.D.C. Estate, Vapi, District Valsad, Gujarat - 396 195

- The demerger will result into two dedicated and focused business segments i.e. Speciality Chemical and Pharma without any risk or overlap of one business over the other

B. Share Entitlement Ratio

1. **Fair Share Entitlement Report** dated August 19, 2021 issued by SSPA & Co.- Chartered Accountant and Registered Valuer (IBBI Registration No: IBBI/RV/06/2018/10140) (appointed by the Company) recommends the following Share entitlement ratio

"1 (one) fully paid up equity share of Rs. 5 (Rupees Five only) each of APL shall be issued and allotted for every 4 (four) fully paid up equity shares of Rs. 5 (Rupees Five only) each held in the Company."

The recommendation of the share entitlement ratio has been approved by the Board of the Company.. The Scheme provides that upon the Scheme becoming effective and in consideration of vesting of the Demerged Undertaking of the Company in APL in terms of the Scheme, APL shall allot equity shares, credited as fully paid-up, to the members of the Company, holding fully paid up equity shares in the Company and whose names appear in the register of members of the Company on the relevant record date or to such of their respective heirs, executors, administrators or other legal representative or other successors in title as on the record date.

2. **Fairness Opinion Report** dated August 19, 2021 issued by Inga Ventures Private Ltd., a SEBI Registered Merchant Banker, providing its opinion on the fairness of the Share Entitlement Ratio of the Pharma Division as recommended by SSPA & Co.- Chartered Accountant and Registered Valuer.

C. Effect of Scheme on stakeholders

| S. No | Category of Stakeholder | Effect of the Scheme on Stakeholders |
|-------|-------------------------|--|
| (i) | Shareholders | <ul style="list-style-type: none"> > There is only one class of shareholder i.e. equity shareholders of the Resulting Company. > Upon the Scheme becoming effective, the equity shares of the Resulting Company, shall stand cancelled as provided in the Scheme. Accordingly, the existing shareholders would no longer hold any shares in the Resulting Company. > On demerger, the Resulting Company will issue and allot equity shares to each member of the Demerged Company, whose name is recorded in the register of members of the Demerged Company on the Record Date, as per the share entitlement ratio mentioned in the Scheme. > In terms of the Scheme, consequent upon demerger, on the Record Date, the set of shareholders and their holding proportion being proposed in the Resulting Company, is identical to that of the Demerged Company, and thus, the overall economic interest of equity shareholders of the Demerged Company shall remain the same. > The equity shares of the company shall be listed on the stock exchanges i.e. BSE Limited and National Stock Exchange of India ("Stock Exchanges") in accordance with the SEBI Circular No. CED/DIL3/ CIR/2017/21 dated March 10, 2017, as amended from time to time, and therefore shareholders of AIL (as of the Record Date) shall, upon the Scheme becoming effective, hold equity shares of 2 (two) listed entities, AIL and APL. |





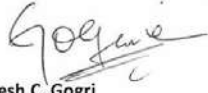

(Formerly Known As Aarti Organics Limited)

| | | |
|-------|--|---|
| (ii) | Key Managerial Personnel and Directors | > The Resulting Company has Directors as on present date. Further, the Resulting Company would be changing / would be appointing new KMP's / Directors in pursuance of the Scheme becoming effective in order to comply with the requirements of the relevant provisions of various applicable acts, rules, regulations, and guidelines, applicable for listed companies. |
| (iii) | Creditors (Secured & Unsecured) | > Under the Scheme, there is no arrangement or compromise offered to the creditors (secured and unsecured) of the Demerged Company. As on date, there are no secured creditors of the Company. Liabilities of any of the creditors of the Demerged Company would neither be reduced nor be extinguished in pursuance of the Scheme. |

4. Adoption of the Report by the Directors

The directors of the Company have adopted this Report after noting and considering the information set forth in this Report. The Board is entitled to make relevant modifications to this Report, if required, and such modifications or amendments shall be deemed to form part of this Report.

For Aarti Pharmalabs Limited


Rashesh C. Gogri
 Director
 DIN: 00066291

Date: August 19, 2021
 Place: Mumbai

www.aarti-pharmalabs.com | CIN : U24100GJ2019PLC110964

Corporate Office : 204, Udyog Kshetra, 2nd Floor, Mulund-Goregaon Link Road, Mulund (W), Mumbai - 400 080.

T : 022-6797 6666 | F : 022-2565 3234 | E : info@aarti-pharmalabs.com

Regd. Office : Plot No. 22/C/1 & 22/C/2, Phase-I, G.I.D.C. Estate, Vapi, District Valsad, Gujarat - 396 195



DCS/AMAL/MJ/R37/2136/2021-22

"E-Letter"

November 9, 2021

The Company Secretary,
AARTI INDUSTRIES LTD.
 Plot Nos. 801, 801/23, GIDC Estate, Phase III,
 Vapi, Gujarat-396195.

Dear Sir,

Sub: Observation letter regarding Draft Scheme of Arrangement between Aarti Industries Limited and Aarti Pharmalabs Limited and their respective shareholders.

We are in receipt of the Draft Scheme of Arrangement filed by Aarti Industries Limited as required under SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017; SEBI vide its letter dated November 08, 2021 has inter alia given the following comment(s) on the draft scheme of Arrangement:

- "Company shall ensure that the financials in the scheme including financials considered for valuation report are not for period more than 6 months old."
- "Company shall ensure that additional information and undertakings, if any, submitted by the Company, after filing the scheme with the stock exchange, and from the date of receipt of this letter is displayed on the websites of the listed company and the stock exchanges."
- "Company shall duly comply with various provisions of the Circular."
- "The Company shall disclose all details of ongoing adjudication & recovery proceedings, prosecution initiated and all other enforcement action taken, if any, against the Company, its promoters and directors, before Hon'ble NCLT and shareholders while seeking approval of the scheme."
- "Company is advised that the observations of SEBI/Stock Exchanges shall be incorporated in the petition to be filed before National Company Law Tribunal (NCLT) and the company is obliged to bring the observations to the notice of NCLT."
- "It is to be noted that the petitions are filed by the company before NCLT after processing and communication of comments/observations on draft scheme by SEBI/stock exchange. Hence, the company is not required to send notice for representation as mandated under section 230(5) of Companies Act, 2013 to SEBI again for its comments / observations / representations."

Accordingly, based on aforesaid comment offered by SEBI, the company is hereby advised:

- To provide additional information, if any, (as stated above) along with various documents to the Exchange for further dissemination on Exchange website.
- To ensure that additional information, if any, (as stated aforesaid) along with various documents are disseminated on their (company) website.
- To duly comply with various provisions of the circulars.

In light of the above, we hereby advise that we have no adverse observations with limited reference to those matters having a bearing on listing/de-listing/continuous listing requirements within the provisions of Listing Agreement, so as to enable the company to file the scheme with Hon'ble NCLT. Further, where applicable in the explanatory statement of the notice to be sent by the company to the shareholders, while seeking approval of the scheme, it shall disclose information about unlisted companies involved in the format prescribed for abridged prospectus as specified in the circular dated March 10, 2017.



However, the listing of equity shares of Aarti Pharmed Labs Limited shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957 and compliance with the requirements of SEBI circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017. Further, Aarti Pharmed Labs Limited shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authority and Rules, Byelaws, and Regulations of the Exchange.

The Company shall fulfill the Exchange's criteria for listing the securities of such company and also comply with other applicable statutory requirements. However, the listing of shares of Aarti Pharmed Labs Limited is at the discretion of the Exchange. In addition to the above, the listing of Aarti Pharmed Labs Limited pursuant to the Scheme of Arrangement shall be subject to SEBI approval and the Company satisfying the following conditions:

1. To submit the Information Memorandum containing all the information about Aarti Pharmed Labs Limited in line with the disclosure requirements applicable for public issues with BSE, for making the same available to the public through the website of the Exchange. Further, the company is also advised to make the same available to the public through its website.
2. To publish an advertisement in the newspapers containing all Aarti Pharmed Labs Limited in line with the details required as per the aforesaid SEBI circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as BSE.
3. To disclose all the material information about Aarti Pharmed Labs Limited on a continuous basis so as to make the same public, in addition to the requirements if any, specified in Listing Agreement for disclosures about the subsidiaries.
4. The following provisions shall be incorporated in the scheme:
 - i. The shares allotted pursuant to the Scheme shall remain frozen in the depository system till listing/trading permission is given by the designated stock exchange."
 - ii. "There shall be no change in the shareholding pattern of Aarti Pharmed Labs Limited between the record date and the listing which may affect the status of this approval."

Further you are also advised to bring the contents of this letter to the notice of your shareholders, all relevant authorities as deemed fit, and also in your application for approval of the scheme of Arrangement.

Kindly note that as required under Regulation 37(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the **validity of this Observation Letter shall be Six Months from the date of this Letter**, within which the scheme shall be submitted to the NCLT.

The Exchange reserves its right to withdraw its 'No adverse observation' at any stage if the information submitted to the Exchange is found to be incomplete / incorrect / misleading / false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines/Regulations issued by statutory authorities.

Please note that the aforesaid observations does not preclude the Company from complying with any other requirements.

Further, it may be noted that with reference to Section 230 (5) of the Companies Act, 2013 (Act), read with Rule 8 of Companies (Compromises, Arrangements and Amalgamations) Rules 2016 (Company Rules) and Section 66 of the Act read with Rule 3 of the Company Rules wherein pursuant to an Order passed by the Hon'ble National Company Law Tribunal, a Notice of the proposed scheme of compromise or arrangement filed under sections 230-232 or Section 66 of the Companies Act 2013 as the case may be **is required to be served upon the Exchange seeking representations or objections if any.**



In this regard, with a view to have a better transparency in processing the aforesaid notices served upon the Exchange, the Exchange has **already introduced an online system of serving such Notice along with the relevant documents of the proposed schemes through the BSE Listing Centre.**

Any service of notice under Section 230 (5) or Section 66 of the Companies Act 2013 seeking Exchange's representations or objections if any, **would be accepted and processed through the Listing Centre only and no physical filings would be accepted.** You may please refer to circular dated February 26, 2019 issued to the company.

Sd/-

Rupal Khandelwal
Assistant General Manager



National Stock Exchange Of India Limited

Ref: NSE/LIST/28287_II

November 09, 2021

The Company Secretary
Aarti Industries Limited
Plot No: 801, 801/23,
GIDC Estate, Phase III,
Vapi – 396195.

Kind Attn.: Mr. Raj Sarraf

Dear Sir,

Sub: Observation Letter for draft scheme of arrangement between Aarti Industries Limited and Aarti Pharmalabs Limited and their respective shareholders in respect of demerger of Pharma division of Aarti Industries Limited into Aarti Pharmalabs Limited

We are in receipt of draft scheme of arrangement (“the Scheme”) between Aarti Industries Limited (“Demerged Company”) and Aarti Pharmalabs Limited (“Resulting Company”) and their respective shareholders in respect of demerger of Pharma division of Aarti Industries Limited into Aarti Pharmalabs Limited vide application dated September 09, 2021.

Based on our letter reference no. NSE/LIST/28287_I submitted to SEBI and pursuant to SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (“Circular”), kindly find following comments on the draft scheme:

- a. *The Company shall disclose all details of ongoing adjudication & recovery proceedings, prosecution initiated and all other enforcement action taken, if any, against the Company, its promoters and directors, before Hon’ble NCLT and shareholders while seeking approval of the scheme.*
- b. *The Company shall ensure that additional information and undertakings, if any, submitted by the Company, after filing the scheme with the stock exchange, from the date of receipt of this letter is displayed on the websites of the listed company and the stock exchanges.*
- c. *The entities involved in the scheme shall duly comply with various provisions of the Circular.*
- d. *Company shall ensure that the financials in the scheme including financials considered for valuation report are not for period more than 6 months old.*
- e. *The Company is advised that the observations of SEBI/Stock exchanges shall be incorporated in the petition to be filed before NCLT and the company is obliged to bring the observations to the notice of NCLT.*
- f. *It is to be noted that the petitions are filed by the company before NCLT after processing and communication of comments/observations on draft scheme by SEBI/stock exchange. Hence, the*

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Signer: Harshad P. Dhanoo
Date: Tue, Nov 9, 2021 22:01:44 IST
Location: NSE



company is not required to send notice for representation as mandated under Section 230(5) of Companies Act, 2013 to SEBI again for its comments/ observations/ representations.

It is to be noted that the petitions are filed by the company before NCLT after processing and communication of comments/observations on draft scheme by SEBI/ stock exchange. Hence, the company is not required to send notice for representation as mandated under section 230(5) of Companies Act, 2013 to National Stock Exchange of India Limited again for its comments/observations/representations.

Further, where applicable in the explanatory statement of the notice to be sent by the company to the shareholders, while seeking approval of the scheme, it shall disclose information about unlisted companies involved in the format prescribed for abridged prospectus as specified in the Circular.

Based on the draft scheme and other documents submitted by the Company, including undertaking given in terms of Regulation 11 of SEBI (LODR) Regulations, 2015, we hereby convey our “No objection” in terms of Regulation 94 of SEBI (LODR) Regulations, 2015, so as to enable the Company to file the draft scheme with NCLT.

However, the listing of equity shares of Aarti Pharmalabs Limited (Resulting Company) on the National Stock Exchange India Limited shall be subject to SEBI granting relaxation under Rule 19(2)(b) of the Securities Contract (Regulation) Rules, 1957. Further, Aarti Pharmalabs Limited shall comply with SEBI Act, Rules, Regulations, directions of the SEBI and any other statutory authorities and Rules, Byelaws and Regulations of the Exchange.

The Company should also fulfil the Exchange’s criteria for listing of such company and also comply with other applicable statutory requirements. However, the listing of shares of Aarti Pharmalabs Limited is at the discretion of the Exchange.

The listing of Aarti Pharmalabs Limited pursuant to the Scheme of Arrangement shall be subject to SEBI approval & Company satisfying the following conditions:

1. To submit the Information Memorandum containing all the information about Aarti Pharmalabs Limited and its group companies in line with the disclosure requirements applicable for public issues with NSE for making the same available to the public through website of the companies.
2. To publish an advertisement in the newspapers containing all the information about Aarti Pharmalabs Limited in line with the details required as per SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017. The advertisement should draw a specific reference to the aforesaid Information Memorandum available on the website of the company as well as NSE.
3. To disclose all the material information about Aarti Pharmalabs Limited to NSE on the continuous basis so as to make the same public, in addition to the requirements, if any,

Signer: Harshad P Dharod
Date: Tue, Nov 9, 2021 22:01:44 IST
Location: NSE





specified in SEBI (LODR) Regulations, 2015 for disclosures about the subsidiaries.

4. The following provision shall be incorporated in the scheme:

(a) “The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.”

(b) “There shall be no change in the shareholding pattern or control in Aarti Pharmed Labs Limited between the record date and the listing which may affect the status of this approval.”

However, the Exchange reserves its rights to raise objections at any stage if the information submitted to the Exchange is found to be incomplete/ incorrect/ misleading/ false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Regulations, Guidelines/ Regulations issued by statutory authorities.

The validity of this “Observation Letter” shall be six months from November 09, 2021 within which the scheme shall be submitted to NCLT.

The Company shall ensure filing of compliance status report stating the compliance with each point of Observation Letter on draft scheme of arrangement on the following path: NEAPS > Issue > Scheme of arrangement > Reg 37(1) of SEBI LODR, 2015> Seeking Observation letter to Compliance Status.

Yours faithfully,
For National Stock Exchange of India Limited

Harshad Dharod
Manager

P.S. Checklist for all the Further Issues is available on website of the exchange at the following URL:
<https://www.nseindia.com/companies-listing/raising-capital-further-issues-main-sme-checklist>

This Document is Digitally Signed



Signer: Harshad P Dharod
Date: Tue, Nov 9, 2021 22:01:44 IST
Location: NSE

To,
The Board of Directors,
Aarti Industries Limited
 Plot No. 801/23, GIDC Estate,
 Phase III, Vapi – 396195
 Guajrat, India

Sub: Scheme of Arrangement, pertaining to Aarti Pharmalabs Limited in relation to proposed demerger of Pharma Business ("Demerged Undertaking") of Aarti Industries Limited ("Demerged Company or AIL") into Aarti Pharmalabs Limited ("Resulting Company or APL") and their respective shareholders under section 230 to 232 of the Companies Act, 2013 and the rules made thereunder ("Scheme").

Dear Sirs,

This is with reference to our engagement letter dated April 28, 2021 entered with the Demerged Company for *inter-alia* certifying the accuracy and adequacy of disclosures pertaining to APL made in the abridged prospectus, to be sent to the shareholders of the Company, pursuant to the Scheme.

We have been provided the abridged prospectus pertaining to Aarti Pharmalabs Limited ("Abridged Prospectus"), enclosed as Annexure 1 dated February 3, 2022, prepared by Aarti Industries Limited and Aarti Pharmalabs Limited. The Abridged Prospectus will be circulated to the members of Aarti Industries Limited and Aarti Pharmalabs Limited at the time of seeking their approval to the Scheme as part of the explanatory statement to the notice.

Based on the information, confirmations, undertakings and documents provided to us by the AIL and APL, we hereby confirm that the information contained in the Abridged Prospectus is accurate and adequate, in terms of the paragraph 3(a) of Annexure I of the SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Circular") read with the format provided in Part E of Schedule VI of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("Abridged Prospectus Format").

Disclaimer and Limitation:

- This certificate is a specific purpose certificate issued in terms of and in compliance with SEBI circular and hence it should not be used for any other purpose.
- This certificate contains the certification on adequacy and accuracy of disclosure of information pertaining to the unlisted entity viz., Aarti Pharmalabs Limited and is not an opinion on the Scheme of Arrangement or its success.
- The above confirmation is based on the information furnished and explanations provided to us by the management of the AIL and APL assuming the same is complete and accurate in all material aspects on an as is basis. We have relied upon the financials, information, undertakings and representations furnished to us on an as is basis and have not carried out an audit of such information. Our scope of work does not constitute an audit of financial information and accordingly we are unable to and do not express an opinion on the fairness of any such financial information referred to in the Abridged Prospectus.
- We shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out here in this report.
- Our opinions are not nor should it be constructed as our opining or certifying the compliance of the proposed Scheme of Arrangement with the provision of any law including companies, taxation, Securities market, related laws or as regards any legal implications or issues arising thereon, in their respective jurisdiction.



- We express no opinion whatsoever and make no recommendation at all as to the Company's underlying decision to effect the Scheme or as to how the holders of equity shares of the Company should vote at their respective meetings held in connection with the Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the Scheme or its success. We also express no opinion, and accordingly, accept no responsibility for or as to the price at which the equity shares of Company will trade following the Scheme for or as to the financial performance of the AIL or APL following the consummation of the Scheme. We express no opinion whatsoever and make no recommendations at all (and accordingly take no responsibility) as to whether shareholders/ investors should buy, sell or hold any stake in the AIL.

For Inga Ventures Private Limited

K. R. Shah

**Kavita Shah
Partner**



Dated : February 3, 2022

Place : Mumbai

ABRIDGED PROSPECTUS

IN THE NATURE OF ABRIDGED PROSPECTUS - MEMORANDUM CONTAINING SALIENT FEATURES IN RESPECT OF DEMERGER OF PHARMA DIVISION OF AARTI INDUSTRIES LIMITED INTO AARTI PHARMALABS LIMITED ON A GOING CONCERN BASIS PURSUANT TO A SCHEME OF ARRANGEMENT ("SCHEME") UNDER SECTIONS 230 TO 232 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 ("ACT") AND THE RULES MADE THEREUNDER.

This is an abridged prospectus prepared to comply with the requirements of regulations 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ("**Listing Regulations**") read with SEBI Circular No. CFD/DIL 3/CIR/2017/21 dated March 10, 2017 read with Circular SEBI/HO/CED/DILUC1UP/2020/249 dated December 22, 2020, as amended from time to time, issued by Securities and Exchange Board of India ("**SEBI Circulars**") and is in accordance with the disclosure required to be made in the Abridged Prospectus as provided in Part E of Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, to the extent applicable. You are also encouraged to read the greater details available in the Scheme.

This is an Abridged Prospectus/ Memorandum containing information pertaining to the unlisted company, Aarti Pharmalabs Limited which is a party to the Scheme of Arrangement proposed to be made between Aarti Industries Limited (hereinafter referred as "**AIL**" or "**Demerged Company**") and the said Aarti Pharmalabs Limited (hereinafter referred as "**APL**" or "**Resulting Company**") and their respective shareholders pursuant to Section 230 to 232 of the Companies Act, 2013 (hereinafter referred to as the "**Scheme**").

The Scheme along with the Abridged Prospectus is also available on the website of BSE Limited ("**BSE**") i.e. <https://www.bseindia.com>, National Stock Exchange of India Limited ("**NSE**") i.e. <https://www.nseindia.com> and Aarti Industries Limited i.e. <http://www.aarti-industries.com>. Nothing in this document constitutes an offer or an invitation by or on behalf of APL to subscribe for or purchase any of the securities of APL.

THIS ABRIDGED PROSPECTUS CONSISTS OF 10 (TEN) PAGES. PLEASE ENSURE YOU HAVE READ ALL THE PAGES.

| AARTI PHARMALABS LIMITED | |
|---|--|
| Registered Office: Plot No. 22/C/1 & 22/C/2, 1st Phase, G.1.D.C. Vapi, District Valsad Gujarat - 396195 - IN | |
| Contact Person: Shri Nikhil Natu, Company Secretary | |
| Phone No: +91 22 67976666 | |
| Email: nikhil.natu@aarti-industries.com Website: NA | |
| Corporate Identity Number: U24100GJ2019PLC110964 | |

| NAME OF THE PROMOTERS OF AARTI PHARMALABS LIMITED | |
|--|---------------------------------|
| 1. Aarti Industries Limited (AIL) | 7. Shri Mananjay Singh Garewal |
| 2. Shri Chandrakant V. Gogri | 8. Smt. Monisha Bhatia |
| 3. Shri Rajendra V. Gogri | 9. Smt. Shreya Suneja |
| 4. Shri Parimal H. Desai | 10. Shri Jayesh Shah |
| 5. Smt. Sarla S. Shah | 11. Orchid Family Trust |
| 6. Smt. Bhavna Shah Lalka | 12. Bhavna Family Private Trust |




(For further details refer to the para titled "PROMOTERS OF the RESULTING COMPANY" on page 3 of this Abridged Prospectus)

SCHEME DETAILS, LISTING AND PROCEDURE

The Scheme of Arrangement between the Aarti Industries Limited ("**AIL**" or "**Demerged Company**") and Aarti Pharmed Labs Limited ("**APL**" or "**Resulting Company**") and their respective Shareholders for demerger is presented under the provisions of Section 230 to 232 read with Sections 52 and 66 and other relevant provisions of the Companies Act, 2013, as may be applicable, and also read with Section 2(19AA) and other relevant provisions of the Income-Tax Act, 1961, as may be applicable, for Demerger of the Pharma Undertaking of the Demerged Company and vesting of the same in the Resulting Company on a going concern basis.

Upon the Scheme becoming effective, all the Assets, Liabilities, interests and obligations, as applicable of the Pharma Undertaking of the Demerged Company, be transferred to and vested in the Resulting Company on a going concern basis without requirement of any further act, instrument or deed so as to become as and from the Appointed Date i.e. July 1, 2021, the Assets, Liabilities, interests and obligations, as applicable, of the Resulting Company. 1 (One) equity shares of Rs. 5/- each fully paid up of Aarti Pharmed Labs Limited shall be issued and allotted for every 4 (four) equity shares of Rs. 5/- each fully paid up held in Aarti Industries Limited to the shareholders of Aarti Industries Limited.

Such equity shares (issued by the Resulting Company to the eligible equity shareholders of the Demerged Company) will be listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**") (hereinafter collectively referred as "**Stock Exchanges**"), in accordance with the provisions of SEBI Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017, as amended from time to time. Further, as an integral part of the Scheme, existing Equity Shares of APL shall stand canceled without any further act and deed.

INDICATIVE TIMELINE

The Abridged Prospectus is issued pursuant to the Scheme and is not an offer to the public at large. The time frame cannot be established with absolute certainty, as the Scheme is subject to approvals from relevant regulatory authorities.

GENERAL RISKS

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of the Resulting Company and the issue, including the risk involved.

The Equity shares in this issue have not been recommended or approved by Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of the contents of the Scheme - **Not Applicable as the offer is not for the public.**

Specific attention of the readers is invited to the sections titled 'Internal Risk Factors' on page 9 of this Abridged Prospectus.

PRICE INFORMATION OF LEAD MANAGER

Not Applicable since the proposed issue is not to public shareholders but to the shareholders of the Demerged Company pursuant to the Scheme.

STATUTORY AUDITORS OF AARTI PHARMALABS LIMITED

Jatin Vora & Associates
Chartered Accountants
203, Chheda Bhavan, 98, Surat Street, Masjid (East), Mumbai – 400 009

Contact Person Name : Shri Jatin Vora
Ph: : 022 40061063
Email id: cajitvora@gmail.com
Firm registration No. :118024W

PROMOTERS OF AARTI PHARMALABS LIMITED

| Sr. No. | Name | No. of Share held | % |
|---------|--------------------------------|-------------------|--------|
| 1 | Aarti Industries Limited (AIL) | 2,50,000 | 100.00 |
| 2 | Shri Chandrakant V. Gogri | - | - |
| 3 | Shri Rajendra V. Gogri | - | - |
| 4 | Shri Parimal H. Desai | - | - |
| 5 | Smt. Sarla S. Shah | - | - |
| 6 | Smt. Bhavna Shah Lalka | - | - |
| 7 | Shri Mananjay Singh Garewal | - | - |
| 8 | Smt. Monisha Bhatia | - | - |
| 9 | Smt. Shreya Suneja | - | - |
| 10 | Shri Jayesh Shah | - | - |
| 11 | Orchid Family Trust | - | - |
| 12 | Bhavna Family Private Trust | - | - |

BUSINESS MODEL OVERVIEW AND STRATEGY

APL was incorporated on 22nd November, 2019 under the provisions of the Companies Act 2013 vide certificate of incorporation with CIN: U24100GJ2019PLC110964 issued by the Registrar of Companies. APL is an unlisted public limited company, having its registered office at Plot No. 22/C/1 & 22/C/2, 1st Phase, G.I.D.C. Vapi, District Valsad Gujarat - 396195. APL is authorised by its Memorandum of Association to carry on the main objects of

1. "To carry on the business of manufacturers, producers, processors, job worker, buyers, sellers, importers, exporters, stockists, agents, merchants, distributors of and/or otherwise dealers in fine chemicals, industrial and pure chemicals, organic and inorganic chemicals, speciality chemicals, dyes, drugs, pharmaceuticals and allied products including but not limited to perfumes, toilet goods, detergents, flavours,

solvents, chemical / drug / dye intermediates, cosmetics, insecticides, pesticides, fertilizers, heavy chemicals, alkalis, acids, chemical, industrial preparations, synthetics, resins, chemicals for plastic, pigments, varnishes, paints, alcohols, agrochemicals, petrochemicals, makers and dealers in preparatory formulations and articles of the above nature within and / or outside India."

APL shall undertake the business of "Demerged Undertaking" of AIL which is proposed to be demerged as per vide Scheme of Arrangement.

BOARD OF DIRECTORS

| Details of Board of Directors of Aarti Pharmalabs Limited | | | | |
|---|--------------------------------------|-----------|-------------|--|
| Sr. No | Name | PAN / DIN | Designation | Other directorship as on date |
| 1 | Shri Rajendra Vallabhaji Gogri | 00061003 | Director | 1. Aarti Polychem Private Limited 2. Alchemie Finserv Private Limited 3. Crystal Millennium Realtors Private Limited 4. Gala Precision Engineering Private Limited 5. Gloire Trusteeship Services Private Limited 6. Kutchi Angel Network Private Limited 7. Pinnacle Life Science Private Limited 8. Prince Pipes And Fittings Limited 9. Relacion Trusteeship Services Private Limited 10. Safechem Enterprises Private Limited 11. Aarti Industries Limited |
| 2 | Shri Rashesh Chandrakant Gogri | 00066291 | Director | 1. Aarti Drugs Limited 2. Aarti Polychem Private Limited 3. Aashay Finance and Investments Private Limited 4. Alabhya Trusteeship Private Limited 5. Alchemie Dye Chem Private Limited 6. Alchemie Financial Services Limited 7. Alchemie Multichem Private Limited 8. Anushakti Enterprise Private Limited |

| | | | | |
|---|-------------------------------|----------|----------|--|
| | | | | 9. Crystal Millennium Realtors Private Limited 10. Gogri Finserv Private Limited 11. Saswat Trusteeship Private Limited 12. Spark Pharmachem Private Limited 13. Vahal Welfare Foundation 14. Aarti Industries Limited |
| 3 | Mrs. Hetal Gogri Gala | 00005499 | Director | 1. Aarti Nature Care Private Limited 2. Aashay Finance and Investments Private Limited 3. Alabhya Trusteeship Private Limited 4. Alchemie Dye Chem Private Limited 5. Alchemie Financial Services Limited 6. Alchemie Multichem Private Limited 7. Anushakti Enterprise Private Limited 8. Gogri Finserv Private Limited 9. Saswat Trusteeship Private Limited 10. Vahal Welfare Foundation 11. Aarti Industries Limited |
| 4 | Shri Narendra Jagannath Salvi | 00299202 | Director | 1. Aarti Drugs Limited 2. Aarti Pharmachem Limited 3. Aarti Industries Limited |
| 5 | Shri Chetan Bipin Gandhi | 06843850 | Director | 1. Ganesh Polychem Limited 2. Aarti Bharuch Limited 3. Aarti Pharmachem Limited 4. Aarti Spechem Limited 5. Aarti Corporate Services Limited 6. Polygamma Industries Private Limited |

BRIEF EXPERIENCE OF THE DIRECTORS

1. Shri Rajendra Vallabhaji Gogri : Shri Rajendra V. Gogri has been part of Aarti Industries Limited since its inception and was appointed as the Managing Director in 1993. He became the Chairman and Managing Director in 2012. He holds a master's degree in Chemical Engineering from the USA and is a rank holder from ICT, Mumbai. He worked along with Shri Chandrakant V. Gogri to help Aarti Industries Limited achieve its present

| | |
|-------------------------------------|--|
| | stature. In addition to his technical qualification, he has expertise in handling financial and commercial matters. |
| 2. Shri Rashesh Chandrakant Gogri : | Shri Rashesh C. Gogri was appointed as the Vice Chairman and Managing Director of Aarti Industries Limited in 2012. Prior to that, he was the Director of Aarti Industries Limited since June 1997. He holds a degree in Production Engineering from Mumbai University. He has played a key role in the growth of various business units of Aarti Industries Limited. He presently handles the commercial aspects and is involved in strategic decision-making for Aarti Industries Limited. |
| 3. Smt. Hetal Gogri Gala : | Smt. Hetal Gogri Gala is an Executive Director of Aarti Industries Limited since November 2001. She holds a Bachelor's degree in Electronics Engineering from Mumbai University and has done her Management Education from IIM Ahmedabad. She manages the Pharmaceuticals segment and is also involved in supply chain management of Aarti Industries Limited. |
| 4. Shri Narendra Jagannath Salvi | Shri Narendra Salvi is an Executive Director of Aarti Industries Limited since April 1, 2020. He has been associated with Aarti Industries Limited since 2001. He oversees the operations, projects, regulatory compliances and sustainability initiatives for the Pharmaceuticals segment of Aarti Industries Limited. |
| 5. Shri Chetan Bipin Gandhi | Shri Chetan Bipin Gandhi is a qualified Chartered Accountant. He is currently acting as the Chief Financial Officer of Aarti Industries Limited. |

OBJECTS - RATIONALE OF THE SCHEME

- Aarti Industries Limited basically has 2 (Two) business verticals i.e., specialty chemicals and pharmaceuticals with divergent business profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other.
- The Demerged Undertaking relates to pharma manufacturing units, allied activities, investments and cash balance & cash equivalents for future Capital Expenditures of Demerged Undertaking. In order to create overall value for the shareholders and also to enable management of the company to focus and adopt the relevant strategies necessary for promoting growth and expansion of the Demerged Undertaking, it is proposed that the Demerged Undertaking, (as specifically set out in the Scheme), be demerged and transferred to the Resulting Company under the terms and conditions of this Scheme.

- The shareholders of Demerged Company, pursuant to the demerger, will get Equity Shares of Resultant Company for the Values of Business Transferred in the manner set out under this Scheme.
- The demerger will also result in Demerged Company and Resulting Company achieving operational efficiencies by streamlining of the relevant businesses.
- By demerger of the Demerged Undertaking into Resulting Company, the financial resources will be conveniently raised in accordance with the requirement of the business, leading to optimum utilization of resources towards expansion and growth of the business of Resulting Company.
- The demerger will enable Resulting Company to expand its presence in the fast-moving Pharma Business in India and abroad.
- The demerger will result into two dedicated and focused business segments i.e. Speciality Chemical and Pharma without any risk or overlap of one business over the other.

The Board of Directors of the Demerged Company and the Resulting Company believe that the Scheme is in the best interests of the respective entities and their respective stakeholders including its minority shareholders, employees, and creditors.

For further details, please refer to the Scheme.

SHAREHOLDING PATTERN

Pre-Scheme Shareholding Pattern of Demerged Company as on September 30, 2021

| Sr. No. | Particulars | Pre-Scheme number of shares | % holding - pre Scheme |
|---------|-----------------------------|-----------------------------|------------------------|
| 1. | Promoter and Promoter Group | 16,27,74,644 | 44.90 |
| 2. | Public | 19,97,29,391 | 55.10 |
| | Total | 36,25,04,035 | 100.00 |

Post-Scheme Shareholding Pattern of Demerged Company*

| Sr. No. | Particulars | Post-Scheme number of shares | % holding - post Scheme |
|---------|-----------------------------|------------------------------|-------------------------|
| 1. | Promoter and Promoter Group | 16,27,74,644 | 44.90 |
| 2. | Public | 19,97,29,391 | 55.10 |
| | Total | 36,25,04,035 | 100.00 |

* Please note that demerged company's paid up share capital will not have any change due to Scheme of Arrangement.

Pre-Scheme Shareholding Pattern of Resulting Company as on September 30, 2021

| Sr. No. | Particulars | Pre-Scheme number of shares | % holding - pre Scheme |
|---------|-----------------------------|-----------------------------|------------------------|
| 1. | Promoter and Promoter Group | 2,50,000 | 100.00 |
| 2. | Public | - | - |
| | Total | 2,50,000 | 100.00 |

Post-Scheme Shareholding Pattern of Resulting Company*




| Sr. No. | Particulars | Post-Scheme number of shares* | % holding - post Scheme |
|--------------|-----------------------------|-------------------------------|-------------------------|
| 1. | Promoter and Promoter Group | 4,06,93,661 | 44.90 |
| 2. | Public | 4,99,32,348 | 55.10 |
| Total | | 9,06,26,009 | 100.00 |

* subject to rounding off

AUDITED FINANCIALS

(Rs. In lakhs)

| | As on September 30, 2021 | As on March 31, 2021 | As on March 31, 2020 | As on March 31, 2019 |
|--|--------------------------|----------------------|----------------------|--|
| Revenue from Operations | - | - | - | N.A. - Date of Incorporation November 22, 2019 |
| Other Income | - | - | - | |
| Total Revenues | - | - | - | |
| Net Profit / Loss before tax and extraordinary items | -1.56 | -0.46 | -1.87 | |
| Extraordinary items | - | - | - | |
| Net Profit / Loss after tax and extraordinary items | -1.56 | -0.46 | -1.87 | |
| Equity Share Capital (Issued Subscribed & Paid Up) | 25.00 | 25.00 | 25.00 | |
| Reserves and Surplus (other equity) | -3.89 | -2.33 | -1.87 | |
| Net Worth | 21.11 | 22.67 | 23.13 | |
| Basic Earnings per Share (INR) | -0.62 | -0.18 | -0.75 | |
| Diluted Earnings Per Share (INR) | -0.62 | -0.18 | -0.75 | |
| Return on Net Worth % | -7.39% | -2.03% | -8.07% | |
| Net Asset Value per Share (INR) | 8.45 | 9.07 | 9.25 | |

Note:

- Information has been taken from Annual Reports of Aarti Pharmed Labs Limited for all the above periods.
- For the year ended March 31, 2021 and March 31, 2020 are based on Ind AS.
- Net worth has been calculated for the year ended 31st March 2020 - Net Worth is the sum of Equity capital + Preference Capital + Reserves & Surplus. For other years - Net Worth is the sum of Equity capital + Other Equity
- Basic EPS and Diluted EPS has been calculated by - Net profit/(Loss) for the year divided by Weighted Average No. of Equity shares.
- Return on Net Worth % - Net profit/(Loss) for the period divided by Net Worth X 100.
- Net Asset Value per Share (INR) calculated - Net worth less preference capital, if any, divided by No of Equity shares.

INTERNAL RISK FACTORS RELATED TO AARTI PHARMALABS LIMITED

1. The proposed Scheme is subject to the approval of NCLTs and requisite approvals of Shareholders and creditors. If the proposed Scheme does not receive the requisite approvals, the objects and benefits mentioned in the proposed Scheme will not be achieved.
2. The new equity shares issued by APL pursuant to the scheme shall remain frozen in the depository system until listing/trading permission is given by the Stock Exchanges for the equity shares of APL.
3. The proposed pharmaceutical business is subject to extensive regulation. If the company fails to comply with the applicable regulations prescribed by governments and regulatory agencies or our customers, our business, financial condition and results of operations could be adversely affected.
4. The business is dependent on manufacturing facilities, and subject to certain risks in the manufacturing process. Any slowdown or shutdown in manufacturing operations or under-utilisation of manufacturing facilities or strikes, work stoppages or increased wages demands etc. could adversely affect the business operations of the company.
5. Non-compliance with and changes in, safety, health, environmental and labour laws and other applicable regulations, may adversely affect business, financial condition and results of operations.
6. The Company is facing immense competition from both domestic as well as multinational corporations and inability to compete effectively may have adverse impact on the business operation of the company.
7. The operations of the company are subject to multiple challenges under the present uncertainty arising from COVID-19 pandemic.

SUMMARY OF OUTSTANDING LITIGATION

- a. Total Number of outstanding litigation against the Company- NIL
- b. Brief details of top 5 material outstanding litigations against the company: NIL
- c. Regulatory Action, if any – disciplinary action taken by SEBI or stock exchanges against the promoters/Group Companies in the last 5 financial years including outstanding action, if any - NIL
- d. Brief details of outstanding criminal proceedings against Promoters – NIL

ANY OTHER IMPORTANT INFORMATION AS PER ISSUER

Nil




DECLARATION

We hereby declare that all relevant provisions of the Companies Act, 1956, the Companies Act, 2013 and the guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with. No statement made in the Abridged Prospectus is contrary to the provisions of the Companies Act, 1956, the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines or regulations issued thereunder as the case may be. We further certify that all statements in this document are true and correct.

For **AARTI PHARMALABS LIMITED**



Director: Rashesh C. Gogri
DIN : 00066291

Place: Mumbai
Date : February 3, 2022

To,

Manager,
Division of Issues and Listing,
BSE Limited
P J Tower, Dalal Street,
Mumbai - 400 001

Sub : Complaints Report

Ref.: Application under Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 for the proposed Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013 ("Scheme"), between the Aarti Industries Limited ("AIL" / Demerged Company) and Aarti Pharmed Labs Limited (Formerly known as Aarti Organics Limited) ("APL"/ Resulting Company) and their respective Shareholders.

Dear Sirs,

With reference to the Scheme filed by the Company with BSE Limited ("BSE") on September 09, 2021 and subsequent uploading of the said Scheme along with other relevant documents by BSE on its website on September 28, 2021.

As per Part I(A)(6) of Annexure I to the SEBI Circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, the Company is required to submit a "Report on Complaints" containing the details of the complaints /comments received by the Company on the Draft Scheme of Arrangement from various sources within 7 days of expiry of 21 days (i.e. from September 29, 2021 to October 19, 2021) from date of filing of the Scheme with the Exchange and uploading of the same on its website.

The Period of 21 days from uploading of said documents by the BSE on its website expired on October 19, 2021; accordingly, we attach herewith a "Report on Complaints", as "Annexure A" to this letter.

You are requested to take this on record and issue your NOC at the earliest.

For Aarti Industries Limited

Raj Saraf
Company Secretary
ICSI M. No. A15526



Date: **20 OCT 2021**
Place: **Mumbai**



Annexure A

**COMPLAINT REPORT
AS ON OCTOBER 19, 2021**

[September 29, 2021 to October 19, 2021]

Part A

| Sr. No. | Particulars | Number |
|---------|--|----------------|
| 1. | Number of complaints received directly | NIL |
| 2. | Number of complaints forwarded by Stock Exchange | NIL |
| 3. | Total Number of complaints/comments received (1+2) | NIL |
| 4. | Number of complaints resolved | NOT APPLICABLE |
| 5. | Number of complaints pending | NOT APPLICABLE |

Part B

| Sr. No. | Name of complainant | Date of complaint | Status (Resolved/Pending) |
|---------|---------------------|-------------------|---------------------------|
| 1. | NOT APPLICABLE | | |

Date: 20 OCT 2021
Place: Mumbai

For Aarti Industries Limited

Raj Saraf
Company Secretary
ICSI M. No. A15526



www.aarti-industries.com | CIN: L24110GJ1984PLC007301

Admin. Office : 71, Udyog Kshetra, 2nd Floor, Mulund Goregaon Link Road, Mulund (W), Mumbai - 400080, INDIA.
T : 022-67976666, F : 022-2565 3234 | E : info@aarti-industries.com

Regd. Office : Plot No. 801, 801/23, IIIrd Phase, GIDC Vapi-396195, Dist- Valsad. INDIA. T : 0260-2400366.



October 11, 2021

To,
 Manager - Listing Compliance
 National Stock Exchange of India
 Limited 'Exchange Plaza' C-1,
 Block G, Bandra Kurla Complex,
 Bandra (E), Mumbai - 400 051
Company Code: AARTIIND

Sub: Complaints Report

Ref.: Application under Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the proposed Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013 ("Scheme"), between the Aarti Industries Limited ("AIL" / Demerged Company) and Aarti Pharmed Labs Limited (Formerly known as Aarti Organics Limited) ("APL" / Resulting Company) and their respective Shareholders.

Dear Sirs,

With reference to the Scheme filed by the Company with National Stock Exchange of India Limited ("NSE") on September 9, 2021 and subsequent uploading of the said Scheme along with other relevant documents by NSE on its website on September 17, 2021.

As per Part I(A)(6) of Annexure I to the SEBI Circular no. SEBI/HO/CFDIDIL1/CIR/P/2020/249 dated December 22, 2020, the Company is required to submit a "Report on Complaints" containing the details of the complaints /comments received by the Company on the Draft Scheme of Arrangement from various sources within 7 days of expiry of 21 days [i.e. from September 18, 2021 to October 9, 2021] from date of filing of the Scheme with the Exchange and uploading of the same on its website.

The period of 21 days from uploading of said documents by the NSE on its website expired on October 9, 2021; accordingly, we attach herewith a "Report on Complaints", as "Annexure A" to this letter.

You are requested to take this on record and issue your NOC at the earliest.

Yours faithfully,

For Aarti Industries Limited


 Raj Sarma
 Company Secretary
 (ICSI M. No. A15526)





Annexure A

COMPLAINT REPORT

[September 18, 2021 to October 9, 2021]

Part A

| Sr. No. | Particulars | Number |
|---------|--|----------------|
| 1. | Number of complaints received directly | NIL |
| 2. | Number of complaints forwarded by Stock Exchange | NIL |
| 3. | Total Number of complaints/comments received (1+2) | NIL |
| 4. | Number of complaints resolved | NOT APPLICABLE |
| 5. | Number of complaints pending | NOT APPLICABLE |

Part B

| Sr. No. | Name of complainant | Date of complaint | Status (Resolved/Pending) |
|---------|---------------------|-------------------|---------------------------|
| 1. | NOT APPLICABLE | | |

For Aarti Industries Limited

Raj Sarraf
 Company Secretary
 (ICSI M. No. A15526)



Date: October 11, 2021

www.aarti-industries.com | CIN: L24110GJ1984PLC007301

Admin. Office : 71, Udyog Kshetra, 2nd Floor, Mulund Goregaon Link Road, Mulund (W), Mumbai - 400080, INDIA.
 T : 022-67976666, F : 022-2565 3234 | E : info@aarti-industries.com

Regd. Office : Plot No. 801, 801/23, Ilird Phase, GIDC Vapi-396195, Dist- Valsad. INDIA. T : 0260-2400366.



BSE - 524208 | NSE - AARTIIND | CIN - L24110GJ1984PLC007301

Registered Office

Plot Nos. 801, 801/23 GIDC Estate
Phase III, Vapi - 396 195
Dist. Valsad, Gujarat
Website: www.aarti-industries.com

Corporate Office

71, 2nd Floor, Udyog Kshetra,
Mulund-Goregaon Link Road,
Salpa Devi Pada, Mulund West,
Mumbai - 400 080, Maharashtra