

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF AARTI SPECIALITY CHEMICALS LIMITED**

#### **Report on the Audit of the Ind AS Financial Statements**

##### **Opinion**

We have audited the accompanying Ind AS Financial statements of Aarti Speciality Chemicals Limited (“the Company”), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as “the Ind AS Financial statements”).

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 (“the Act”) in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (“Ind AS”) and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the loss and total comprehensive loss, changes in equity and its cash flows for the year ended on that date.

##### **Basis for Opinion**

We conducted our audit of the Ind AS Financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor’s Responsibilities for the Audit of the Ind AS 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 (ICAI) together with the independence requirements that are relevant to our audit of the Ind AS Financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI’s Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS Financial statements.

**gokhale & sathe (regd.)**

chartered accountants

308/309, Udyog Mandir No. 1,

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**Information Other than the Ind AS 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 Board's Report including Annexures to Board's Report and Shareholder's Information but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS 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 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 Ind AS 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 other information, we are required to report that fact. We have nothing to report in this regard.

**Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS Financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 Ind AS Financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

**Auditor's Responsibilities for the Audit of the Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 Ind AS Financial statements.

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

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

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

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”) issued by the Central Government in terms of Section 143(11) of the Act, we give in “Annexure 1” a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

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- d) In our opinion, the aforesaid Ind AS Financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. As per information and explanations given to us the Company does not have any pending litigations which would impact financial position.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there are any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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



TEJAS. J. PARIKH  
PARTNER.

Membership No: 123215

UDIN:- 20123215AAAAAU6685

Place: Mumbai

Date: 14<sup>th</sup> May 2020

**ANNEXURE 1 TO THE INDEPENDENT AUDITOR’S REPORT**

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

- i. In respect of the Company’s fixed assets:

In our opinion and according to the information and explanations given to us, the Company has not acquired any fixed assets hence this clause is not applicable to the Company.

- ii. In our opinion and according to the information and explanations given to us, the Company has not started any manufacturing operations as on balance sheet date and hence they were no inventories as on balance sheet date. Therefore, this clause is not applicable to the Company.
- iii. The Company has not granted any loans to any party covered in the register maintained under section 189 of the Companies Act, 2013 (‘the Act’).
- iv. In our opinion and according to the information and explanations given to us, the company has not advanced any loans to directors/to a company in which the director is interested to which provisions of section 186 apply and hence not commented upon.
- v. The Company has not accepted any deposits from public during the year.
- vi. In our opinion and according to the information and explanations given to us, the Company has not started any operations as on balance sheet date hence there is no requirement to maintain cost records as required under sub section 1 of section 148 of the Companies Act, 2013 therefore this clause is not applicable.
- vii. According to the information and explanations given to us, in respect of statutory dues:
- a) The Company did not incur any statutory dues during the year including the Provident Fund, Employees state insurance, Income tax, Sales tax, Wealth tax, Service tax, duty of Customs, duty of Excise, Value added tax, GST, cess and any other statutory dues applicable, to appropriate authorities, therefore, no undisputed amounts payable in respect thereof were outstanding at the yearend for a period of more than six months from the date they become payable.

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- b) There are no dues of income tax, sales tax, service tax, custom duty, excise duty and value added tax which have not been deposited on account of any dispute.
- viii. In our opinion and according to the information and explanation given to us, the Company has not taken any term loan from financial institutions or bank or debenture holders hence this clause is not applicable.
- ix. In our opinion and according to the information and explanation given to us, the Company has not raised any the monies by way of term loans hence this clause is not applicable.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. According to the information and explanations given by the management and as per books of account, no managerial remuneration has been paid/provided in the books hence requisite approvals mandated by the provisions of section 197 read with schedule V to the Companies Act, 2013 is not required in the case of Company accordingly this clause is not applicable to the Company.
- xii. In our opinion and according to information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanation given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. During the year, the Company allotted shares to its Holding Company.
- xv. According to the information and explanation given to us, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

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- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934

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



TEJAS. J. PARIKH  
PARTNER.  
Membership No: 123215  
UDIN:- 20123215AAAAAU6685  
Place: Mumbai  
Date: 14<sup>th</sup> May 2020



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**ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT**

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

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

**Management's Responsibility for Internal Financial Controls**

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

**Auditor's Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over

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financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

**Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial

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

**Limitations of Internal Financial Controls Over Financial Reporting**

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

**gokhale & sathe (regd.)**

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**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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



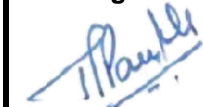
TEJAS. J. PARIKH  
PARTNER.  
Membership No: 123215  
UDIN: - 20123215AAAAAU6685  
Place: Mumbai  
Date: 14<sup>th</sup> May 2020

**AARTI SPECIALITY CHEMICALS LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH,2020**

Particulars	Note No.	Amount in Rs.
		As at 31st Mar 2020
<b>ASSETS</b>		
Cash and Bank Balances	1	25,00,000
<b>Total Current Assets</b>		<b>25,00,000</b>
<b>TOTAL ASSETS</b>		<b>25,00,000</b>
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITY</b>		
Equity Share Capital	2	25,00,000
Other Equity	3	(1,89,185)
<b>Total Equity</b>		<b>23,10,815</b>
<b>Current Liabilities</b>		
Other Current Liabilities	4	1,89,185
<b>Total Current Liabilities</b>		<b>1,89,185</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25,00,000</b>

As per our report of even date  
For GOKHALE & SATHE  
**CHARTERED ACCOUNTANTS**  
Firm Registration No.: 103264W

For Aarti Speciality Chemicals Limited




(CA Tejas J Parikh)  
Partner  
Membership No. 123215  
**PLACE : MUMBAI**  
**DATE: 14.5.2020**



**Adhish Patil**  
(Director)  
DIN 02629496




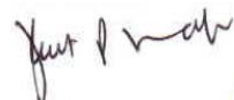


**Harit P Shah**  
(Director)  
DIN 00005501

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<b>AARTI SPECIALITY CHEMICALS LIMITED</b>			
<b>STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MAR, 2020</b>			
	<b>Particulars</b>	<b>Note No.</b>	<b>Amount in Rs.</b>
			<b>31st Mar 2020</b>
			<b>(Audited)</b>
<b>I</b>	Revenue from operations		-
	<b>Total Revenue</b>		-
	<b>Expenses :</b>		
	Other Expenses	5	1,89,185
<b>II</b>	<b>Total expenses</b>		<b>1,89,185</b>
	<b>Profit before exceptional items and tax (I - II)</b>		<b>(1,89,185)</b>
	Exceptional Items		-
	<b>Profit Before Tax</b>		<b>(1,89,185)</b>
	<b>Tax Expenses :</b>		
	Provision for Taxation - Current Year		-
	<b>Total Tax Expenses</b>		-
	<b>Profit/(Loss) for the period</b>		<b>(1,89,185)</b>
	<b>Other comprehensive Income</b>		-
	<b>Total Other Comprehensive Income,net</b>		<b>(1,89,185)</b>
	<b>Earnings per Equity Shares (EPS) (In Rupees)</b>		
	Basic/Diluted		<b>(3.73)</b>

<p>As per our report of even date For GOKHALE &amp; SATHE CHARTERED ACCOUNTANTS Firm Registration No.: 103264W</p> <p> (CA Tejas J Parikh) Partner Membership No. 123215 PLACE : MUMBAI DATE: 14.5.2020</p>		<p>For Aarti Speciality Chemicals Limited</p> <p> Adhish Patil (Director) DIN 02629496</p>	<p> Harit P Shah (Director) DIN 00005501</p>
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# AARTI SPECIALITY CHEMICALS LIMITED

Note No. 3 Statement of changes in Equity for the year ended 31st March,2020

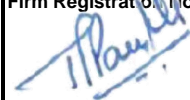
## A. EQUITY SHARE CAPITAL

Particulars	Amount in Rs.
As at 31st March,2019	-
Changes in equity share capital during the year 2019-20	25,00,000
As at 31st March,2020	25,00,000

## B. OTHER EQUITY

Particulars	Other Equity Reserve and Surplus				Other Comprehensiv e Income	Total Other Equity
	Capital Reserve	Capital Redemption Reserve	General Reserve	Retained Earnings		
Opening Balance	-	-	-	-	-	-
Profit for the Period	-	-	-	(1,89,185)	-	(1,89,185)
Balance as at 31st Mar,2020	-	-	-	(1,89,185)	-	(1,89,185)

As per our report of even date  
For GOKHALE & SATHE  
CHARTERED ACCOUNTANTS  
Firm Registration No.: 103264W



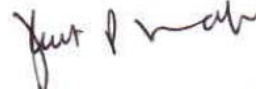
(CA Tejas J Parikh)  
Partner  
Membership No. 123215  
PLACE : MUMBAI  
DATE: 14.5.2020



For Aarti Speciality Chemicals Limited



Adhish Patil  
( Director)  
DIN 02629496




Harit P Shah  
(Director)  
DIN 00005501

**AARTI SPECIALITY CHEMICALS LIMITED**  
**CASH FLOW STATEMENT FOR YEAR ENDED 31st MARCH 2020**

		Amount in Rs.
S.No	Particulars	31st Mar 2020
1	<b><u>Cash Flow from Operating Activities:</u></b>	
	Net Profit before exceptional items and tax	(1,89,185)
	<b>ADJUSTMENT FOR:</b>	
	Depreciation	-
	Operating Profit before Working Capital Changes	(1,89,185)
	Increase/(Decrease) in Trade Payables & Other Current Liabilities	1,89,185
	Cash generated from operation	-
	Less: Direct Taxes Paid	-
	<b>Net Cash Flow from Operating Activities</b>	<b>A -</b>
2	<b><u>Cash Flow from Investing Activities:</u></b>	-
	<b>Net Cash Flow from Investing Activities</b>	<b>B -</b>
3	<b><u>Cash Flow from Financing Activities:</u></b>	
	Proceeds from Issue of Shares	25,00,000
	<b>Net Cash Flow from Financing Activities</b>	<b>C 25,00,000</b>
	Net Increase / (decrease) in Cash and Cash Equivalents (A+B+C)	<b>D 25,00,000</b>
	Add: Opening Cash and Cash Equivalents	<b>E -</b>
	<b>Closing Cash and Cash Equivalents (D+E)</b>	<b>25,00,000</b>
Note : (i) Figures in brackets indicate outflows (ii) Cash and cash equivalent is cash and bank balance as per balance sheet		


As per our report of even date  
 For GOKHALE & SATHE  
 CHARTERED ACCOUNTANTS  
 Firm Registration No.: 103264W

  
 (CA Tejas J Parikh)  
 Partner  
 Membership No. 123215  
 PLACE : MUMBAI  
 DATE: 14.5.2020



For Aarti Speciality Chemicals Limited

  
 Adhish Patil  
 (Director)  
 DIN 02629496

  
 Harit P Shah  
 (Director)  
 DIN 00005501

**AARTI SPECIALITY CHEMICALS LIMITED**

<b>Note No.5 Other Expenses</b>	<b>Amount in Rs.</b>
	<b>31st Mar 2020</b>
Auditors' Remuneration	15,000
Legal & Professional Charges	1,74,185
<b>Total</b>	<b>1,89,185</b>



Financial Statements for the year ended 31st March,2020

<b>AARTI SPECIALITY CHEMICALS LIMITED</b>	
<b>Note No.1 Cash and Cash Equivalents</b>	
<b>Cash and Bank Balances</b>	<b>Amount in Rs.</b>
Current Accounts	25,00,000
<b>TOTAL</b>	<b>25,00,000</b>

<b>AARTI SPECIALITY CHEMICALS LIMITED</b>			<b>Amount in Rs</b>
<b>Note No.2 Equity Share Capital</b>			
<b>Particulars</b>	<b>No. of Shares</b>	<b>As at 31st Mar 2020</b>	
<b>Authorised Share Capital</b>			
Equity shares of Rs. 10/- each	5,00,000		50,00,000
<b>Issued, Subscribed &amp; Paid up</b>			
Equity Shares of Rs. 10/- each fully paid up	2,50,000		25,00,000
			<b>25,00,000</b>

<b>Note No 2.1 : Reconciliation of the number of Shares outstanding as on 31st Mar,2020</b>		<b>No. of Shares outstanding</b>	
<b>Particulars</b>		<b>As at 31st Mar 2020</b>	
Equity Shares at the beginning of the year			-
Add:- Shares issued during the year			2,50,000
<b>Equity Shares at the end of the year</b>			<b>2,50,000</b>

<b>Note No 2.2 : Details of shareholders holding more than 5% shares</b>		
Name of the shareholders	<b>As at 31st Mar,2020</b>	
	No. of Shares	% held
Aarti Drugs Limited	2,50,000	100

Financial Statements for the year ended 31st March,2020

<b>AARTI SPECIALITY CHEMICALS LIMITED</b>	
<b>Note No. 4 Other current liabilities</b>	
	<b>Amount in Rs</b>
Payable to Holding Company	1,74,185
Other Payables	15,000
<b>TOTAL</b>	<b>1,89,185</b>

# AARTI SPECIALITY CHEMICALS LIMITED

Notes to the Financial Statements for the period ended 31st March, 2020

## Corporate Information:-

Aarti Speciality Chemicals Limited (“the Company”) is a public limited company incorporated on 20<sup>th</sup> November 2019 and domiciled in India. Its wholly owned subsidiary of Aarti Drugs Limited. The registered office of Company is located Ground Floor, Mahendra Industrial Estate, Plot No-109-D, Road No. 29, Sion (East) Mumbai, Maharashtra-400022 and is incorporated under the provisions of the Companies Act applicable in India. The Company is primarily involved in manufacturing of Specialty Chemicals.

The financial statements are approved for issue by the Company's Board of Directors on 14<sup>th</sup> May, 2020.

## 6. 1 Summary of Significant Accounting Policies:

### (a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind-AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

The financial statements are presented in Indian Rupees which is the functional currency of the company

### (b) Revenue Recognition

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:** incentives and licenses 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.

**(c) Property, plant and equipment: -**

All items of property, plant and equipment other than Leasehold Land are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes cost of acquisition, installation or construction, other direct expenses incurred to bring the assets to its working condition and finance costs incurred up to the date the asset is ready for its intended use and excludes cenvat / value added tax / Goods and Services Tax (GST) eligible for credit / setoff. Estimated cost of dismantling and removing the item and restoring in the site on which it is located.

Capital work-in-progress in respect of assets which are not ready for their intended use are carried at cost, comprising of direct costs, related incidental expenses and attributable interest.

All identifiable Revenue expenses including interest incurred in respect of various projects / expansion, net of income earned during the project development stage prior to its intended use, are considered as pre - operative expenses and disclosed under Capital Work-in-Progress.

Property, plant and equipment are eliminated from financial statements, on disposal Losses arising in the case of the retirement of property, plant and equipment and gains or losses arising from disposal of property, plant and equipment are recognized in the statement of profit and loss in the year of occurrence.

Impairment loss indicates the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of the net selling price of an asset or its value in use. Value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The company will recognize such losses whenever they arise.

**Intangible Assets:-**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably.

Intangible assets are stated at cost or acquisition less accumulated amortisation and

impairment loss, if any.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Software is amortised over their estimated useful life on straight line basis from the date they are available for intended use, subject to impairment test.

The amortisation period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the assets is derecognised.

#### **Depreciation:-**

Depreciable amount of all items of property, plant and equipment other than Leasehold Land is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Property, plant and equipment are provided on straight line method, over the useful life of the assets, as specified in Schedule II to the Companies Act, 2013.

Property, plant and equipment which are added / disposed off during the year, depreciation is provided on pro-rata basis.

Building constructed on leasehold land is depreciated based on the useful life specified in Schedule II to the Companies Act, 2013.

Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively; if appropriate an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

#### **(d) Financial Instrument: -**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **Financial Assets:-**

##### *Classification:*

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

#### *Initial recognition and measurement*

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### *Subsequent measurement*

For the purpose of subsequent measurement financial assets are classified in two broad categories:

- Financial assets at fair value ( FVTPL /FVTOCI)
- Financial assets at amortised cost

When assets are measured at fair value, gains and losses are either recognized in the statement of profit and loss (i.e. fair value through profit or loss (FVTPL)), or recognized in other comprehensive income (i.e. fair value through other comprehensive income (FVTOCI)).

Financial Assets measured at amortised cost (net of write down for impairment, if any):

Financial assets are measured at amortised cost when asset is held within a business model, whose objective is to hold assets for collecting contractual cash flows and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method less impairment, if any. The losses arising from impairment are recognised in the Statement of profit and loss.

#### *Financial Assets measured at Fair Value Through Other Comprehensive Income (“FVTOCI”):*

Financial assets under this category are measured initially as well as at each reporting date at fair value, when asset is held within a business model, whose objective is to hold assets for both collecting contractual cash flows and selling financial assets. Fair value movements are recognized in the other comprehensive income.

#### *Financial Assets measured at Fair Value Through Profit or Loss (“FVTPL”):*

Financial assets under this category are measured initially as well as at each reporting date at fair value with all changes recognised in profit or loss.

#### *Investment in Equity Instruments:*

Equity instruments which are held for trading are classified as at FVTPL. All other equity instruments are classified as FVTOCI. Fair value changes on the instrument, excluding

dividends, are recognised in the other comprehensive income. There is no recycling of the amounts from other comprehensive income to profit or loss.

*Investment in Debt Instruments:*

A debt instrument is measured at amortised cost or at FVTOCI. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the Statement of profit and loss.

**(e) Inventories: -**

Raw materials and packing materials are valued at lower of cost and the net realisable value. The cost of raw materials and packing materials includes all costs of purchase, duties and taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to its present location and condition includes customs duty. Finished products including traded goods and work-in-progress are valued at lower of cost and net realizable value. Cost is arrived on moving stock on FIFO basis.

The cost of finished goods & work in progress have been computed to include all cost of purchases, cost of conversion, appropriate share of fixed production overheads based on normal operating capacity and other related cost incurred in bringing the inventories to their present condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Slow and non-moving material, obsolesces, defective inventory valued at net realisable value.

Goods and materials in transit are valued at actual cost incurred up to the date of balance sheet. Materials and other items held for use in production of inventories are not written down, if the finished products in which they will be used are expected to be sold at or above cost.

**G) Foreign Currency Transactions: -**

Foreign currency transactions are accounted at the rates that approximates the actual rate prevailing at the date of transaction. The exchange rate differences arising out of such transactions are dealt with in the Profit and Loss Account.

**H) 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 fixed assets and depreciation is provided on the same basis as for other fixed assets.

## **I) 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, 1961 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 re-assessed 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) credit is recognized 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

## **J) Borrowing Costs: -**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of cost of the asset. All other borrowing costs are expensed in the period in which they occur.

## **6.2 Provision and Contingent Liabilities**

### Provisions:-

Provisions for legal claims, chargebacks and sales returns are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an

outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**Contingencies:-**

Disclosure of contingent liabilities is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provisions or disclosures are made.

There is no contingent liability as on 31st March, 2020.

**6.3 Related Party Disclosure under IND AS 24**

**A Name and Relationship of the Related Parties:**

**3(a) Enterprise that directly or indirectly through one or more intermediaries control**

1. Aarti Drugs Limited.( Holding Company)

**B Transaction with the related parties during the year:**

Transaction with Related Parties	Enterprise that directly or indirectly through one or more intermediaries control
	C.Y. (Rs in Lakhs)
Sales and Income from Operations	0
Others Expenses	1.74
Borrowing Cost	0
Outstanding Payable	1.74
Outstanding Receivable	0

**6.4 Auditors' remuneration includes (Rs. In Lakhs)**

Particulars	Current Year
Statutory Audit	0.15
Other Audit Services	0.00
Certification	0.00
<b>Total</b>	<b>0.15</b>



**6.5 Earnings Per Share:**

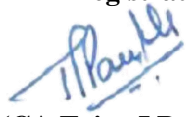
(Amount in Rs in Lakhs, except share data)

Particulars	Current Year
Net Profit available for Equity Shareholders	(1.89)
Weighted Number of Equity Shares (Nos.)	50,685
Basic & Diluted EPS (after extraordinary items) (Rs.)	(3.73)
Nominal value per share (Rs.)	10.00

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AS PER OUR REPORT OF EVEN DATE

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



(CA Tejas J Parikh)

Partner

Membership No. 123215

Place: Mumbai

Date :14<sup>th</sup> May,2020.



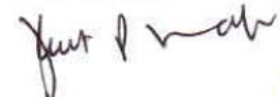
**FOR AND ON BEHALF OF THE BOARD OF  
DIRECTORS**



**Adhish P. Patil**

(Director)

DIN: 02629496



**Harit P. Shah**

(Director)

DIN: 00005501