*Placement Document*
*Subject to completion*
*Not for Circulation and Strictly Confidential*
*Serial Number:_________*

# PI INDUSTRIES LIMITED


**Registered Office**: Udaisagar Road, Udaipur 313 001, Rajasthan, India
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**Tel**: +91 124 679 0000 | **E-mail**: investor@piind.com
**Website**: www.piindustries.com | **Corporate Identity Number:** L24211RJ1946PLC000469


PI Industries Limited (the "**Issuer**" or our "**Company**") was originally incorporated as 'The Mewar Oil and General Mills Limited' on December 31, 1946 under the Mewar Companies Act, 1942 and received the certificate for commencement of business on March 3, 1947. The name of our Company was changed to 'Pesticides India Limited' pursuant to a fresh certificate of incorporation dated January 1, 1990. Subsequently, the name of our Company was changed to 'PI Industries Limited' pursuant to a fresh certificate of incorporation dated October 13, 1992. For further details, see "*General Information*" on page 198.

Our Company is issuing 13,605,442 equity shares of face value of ₹ 1 each ("**Equity Shares**") at a price of ₹ 1,470 per Equity Share ("**Issue Price**"), including a premium of ₹ 1,469 per Equity Share, aggregating to ₹ 20,000 million ("**Issue**"). For further details, see "*Summary of the Issue*" on page 21.

**THIS ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED ("SEBI ICDR REGULATIONS"), SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED ("PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013, AS AMENDED AND RULES FRAMED THEREUNDER ("COMPANIES ACT").**

Our Company's Equity Shares are listed on the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). The closing price of the Equity Shares on BSE and NSE as on July 1, 2020 was ₹ 1,534.25 and ₹ 1,533.95 per Equity Share, respectively. Our Company has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**") for listing of the Equity Shares to be issued pursuant to this Issue, from each of BSE and NSE on July 2, 2020. Our Company shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to this Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to this Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

**OUR COMPANY HAS PREPARED THIS PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.**

The information on our Company's website or any website directly or indirectly linked to our Company's website (except for this Placement Document) or the websites of the Book Running Lead Managers (as defined hereinafter) and their respective affiliates does not form part of this Placement Document, and prospective investors should not rely on such information contained in, or available through, such websites for their investment in this Issue. Copies of this Placement Document and the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Jaipur, Rajasthan ("**RoC**") within the stipulated period as required under the Companies Act and the PAS Rules. The Preliminary Placement Document and this Placement Document have not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority, and are intended only for use by Eligible QIBs (as defined hereinafter). The Preliminary Placement Document and this Placement Document have not been and shall not be filed as a prospectus with the RoC, shall not be circulated or distributed to the public in India or any other jurisdiction, and this Issue shall not constitute a public offer in India or any other jurisdiction. The placement of Equity Shares proposed to be made pursuant to the Preliminary Placement Document and this Placement Document is meant solely for Eligible QIBs on a private placement basis and is not an offer to the public or to any other class of investors.

**THIS ISSUE AND DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QIBS IN RELIANCE UPON CHAPTER VI OF THE SEBI ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT AND THE RULES FRAMED THEREUNDER. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PROSPECTIVE INVESTOR OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBS. THIS PLACEMENT DOCUMENT SHALL BE CIRCULATED ONLY TO SUCH ELIGIBLE QIBS WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC, OR TO ANY OTHER PERSON OR CLASS OF INVESTORS, WITHIN OR OUTSIDE INDIA, OTHER THAN TO ELIGIBLE QIBs.**

**YOU MAY NOT AND ARE NOT AUTHORISED TO: (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON, OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER, OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THIS ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE COMPANIES ACT, SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OF OTHER JURISDICTIONS.**

**INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" ON PAGE 25 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES ISSUED PURSUANT TO THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT. PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND OUR COMPANY. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THE PRELIMINARY PLACEMENT DOCUMENT AND THIS PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISOR AND/OR LEGAL ADVISOR.**

Invitations, offers and sales of Equity Shares to be issued pursuant to this Issue shall only be made pursuant to the Preliminary Placement Document, together with the Application Form, this Placement Document and the Confirmation of Allocation Note (each as defined herein). For further details, see "*Issue Procedure*" on page 141. The distribution of this Placement Document or the disclosure of its contents without our Company's prior consent to any person other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Company (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) (a "**U.S. QIB**") pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 156 and 164, respectively.

This Placement Document is dated July 8, 2020.

| BOOK RUNNING LEAD MANAGERS | | | |
|---|---|---|---|
| **Axis Capital Limited** | **Citigroup Global Markets India Private Limited** | **Kotak Mahindra Capital Company Limited** | **Ambit Capital Private Limited** |

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## NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for all of the information contained in this Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries, we confirm that this Placement Document contains all information with respect to us and the Equity Shares, which we consider material in the context of this Issue. The statements contained in this Placement Document relating to us and the Equity Shares are, in all material respects, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to us and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. There are no other facts in relation to us and the Equity Shares, the omission of which would, in the context of this Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. The information contained in this Placement Document has been provided by our Company and other sources identified herein.

The Book Running Lead Managers have not separately verified all the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Book Running Lead Managers nor any of their affiliates including any of their respective shareholders, employees, counsels, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Book Running Lead Managers or any of their affiliates including any of their respective shareholders, employees, counsels, officers, directors, representatives, agents or affiliates, as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with this Issue of Equity Shares or their distribution. Each person receiving this Placement Document acknowledges that such person has neither relied on the Book Running Lead Managers nor on any of their affiliates including any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of us and the merits and risks involved in investing in the Equity Shares issued pursuant to this Issue.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of us, or by or on behalf of the Book Running Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

**The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the United States Securities and Exchange Commission ("SEC"), any other federal or state authorities in the United States, the securities authorities of any non-United States jurisdiction and any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary may be a criminal offense in other jurisdictions.**

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Company (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 156 and 164, respectively.

The distribution of this Placement Document or the disclosure of its contents without our prior consent to any person, other than Eligible QIBs specified by the Book Running Lead Managers or their representatives, and those retained by Eligible QIBs to advise them with respect to their subscription of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document. Any reproduction or distribution of this Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Placement Document and this issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the Book Running Lead Managers which would permit an issue of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares in this Issue may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, investment, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the Book Running Lead Managers are making any representation to any investor, purchaser or subscriber of the Equity Shares in relation to this Issue regarding the legality of an investment in the Equity Shares in this Issue by such investor, subscriber or purchaser under applicable legal, investment or similar laws or regulations. Each investor of the Equity Shares should conduct their own due diligence on the Equity Shares and us. If you do not understand the contents of this Placement Document, you should consult an authorized financial advisor and/or legal advisor.

Each such investor, subscriber or purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is an Eligible QIB and is eligible to invest in India and in our Company under Indian law, including under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, read with Rule 14 of the PAS Rules and that is not prohibited by SEBI or any other statutory, regulatory or judicial authority in India or any other jurisdiction from buying, selling or dealing in securities including the Equity Shares or otherwise accessing the capital markets in India.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

The information on our Company's website, www.piindustries.com, any website directly and indirectly linked to the website of our Company or on the respective websites of the Book Running Lead Managers and of their affiliates, does not constitute nor form part of this Placement Document. Prospective investors should not rely on any such information contained in, or available through, any such websites.

## NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 156 and 164, respectively.

## REPRESENTATIONS BY INVESTORS

All references to "you" and "your" in this section are to the prospective investors in this Issue. By bidding for and/or subscribing to any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the Book Running Lead Managers, as follows:

1. You are a "**Qualified Institutional Buyer**" as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allotted (hereinafter defined) to you in accordance with Chapter VI of the SEBI ICDR Regulations, the Companies Act and all other applicable laws; and (ii) comply with all requirements under applicable law in this relation, including reporting obligations / making necessary filings with appropriate regulatory authorities including RBI, in connection with this Issue or otherwise in relation to accessing the capital markets;

2. That you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ("**FEMA Non-Debt Rules**") and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by the SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities or otherwise in relation to accessing capital markets in India;

3. If you are not a resident of India, but a QIB, you are an Eligible FPI (and are not an individual, corporate body or a family office) having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including the FEMA Non-Debt Rules, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, statutory authority or otherwise, from buying, selling, dealing in securities or otherwise accessing the capital markets. You confirm that you are not an FVCI;

4. You will provide the information as required under the Companies Act, the PAS Rules and applicable SEBI regulations and rules for record keeping by our Company, including your name, complete address, phone number, e-mail address, permanent account number and bank account details;

5. If you are Allotted Equity Shares pursuant to this Issue, you shall not sell the Equity Shares for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges;

6. You understand that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state securities laws. For more information, see "*Selling Restrictions*" on page 156;

7. You have made, or are deemed to have made, as applicable, the representations, warranties, acknowledgements and undertakings set forth under sections titled "*Transfer Restrictions*" and "*Selling Restrictions*" on pages 164 and 156, respectively;

8. If you are within the United States, you are a U.S. QIB, who is or are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the requirements of a U.S. QIB, for investment purposes only, and not with a view to, or for offer or sale in connection with, the distribution (within the meaning of any United States securities laws) thereof in whole or in part;

9. If you are outside the United States, you are purchasing the Equity Shares in an "offshore transaction" within the meaning of Regulation S;

10. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) or "directed selling efforts" (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the Securities Act provided by Section 4(a)(2) thereof, and the Equity Shares may not be eligible for resale under Rule 144A. You

understand and agree that the Equity Shares are transferable only in accordance with the restrictions described in "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 156 and 164, respectively;

11. You are aware that the Preliminary Placement Document and this Placement Document have not been, and will not be, filed as a prospectus with the RoC under the Companies Act, the SEBI ICDR Regulations, or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs. The Preliminary Placement Document and this Placement Document have not been reviewed, verified or affirmed by the SEBI, the RBI, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs. The Preliminary Placement Document and this Placement Document have been filed with the Stock Exchanges for record purposes only and be displayed on the websites of our Company, and the Stock Exchanges;

12. You are entitled to subscribe for and acquire the Equity Shares under the laws of India and that you have fully observed such laws and you have necessary capacity, have obtained all necessary consents and approvals, governmental or otherwise, and authorisations and complied with all necessary formalities, to enable you to commit to, and to, participate in this Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in this Placement Document), and will honour such obligations;

13. Neither our Company, the Book Running Lead Managers nor any of their affiliates including any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with this Issue and your participation in this Issue is on the basis that you are not, and will not, up to the Allotment of the Equity Shares, be a client of the Book Running Lead Managers. Neither the Book Running Lead Managers nor any of their affiliates including any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates has any duty or responsibility to you for providing the protection afforded to their clients or customers or for providing advice in relation to this Issue and are not in any way acting in any fiduciary capacity;

14. You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company Presentations**") with regard to us or this Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information relating to us and this Issue that was not publicly available;

15. All statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Placement Document. None of our Company, the Book Running Lead Managers or any of their affiliates including any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates assumes any responsibility to update any of the forward-looking statements contained in this Placement Document;

16. You are aware and understand that the Equity Shares are being offered only to Eligible QIBs in the manner set forth herein and are not being offered to the general public, and the Allotment of the same shall be on a discretionary basis;

17. You are aware that the Equity Shares being issued pursuant to this Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association of our Company and shall rank *pari passu* in all respects with the existing Equity Shares, as applicable;

18. You have been provided a serially numbered copy of the Preliminary Placement Document and this Placement Document, and have read it in its entirety, including in particular the "*Risk Factors*" on page 25;

19. In making your investment decision, you have (i) relied on your own examination of our Company and our Subsidiaries, Joint Venture and Associate and the terms of this Issue, including the merits and risks involved, (ii) made your own assessment of our Company and our Subsidiaries, Joint Venture and Associate, the Equity Shares and the terms of this Issue based on such information as is publicly available, (iii) consulted your own independent counsels and advisors or otherwise have satisfied yourself concerning, the effects of local laws (including tax laws), (iv) relied solely on the information contained in the Preliminary Placement Document and this Placement Document and no other disclosure or representation by our Company or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of us and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in this Issue;

20. Neither our Company nor the Book Running Lead Managers or any of their affiliates including any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including but not limited to this Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Managers or any of their affiliates including any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to this Issue and the use of the proceeds from the Equity Shares). You waive, and agree not to assert any claim against our Company or any of the Book Running Lead Managers or any of their affiliates including any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

21. You are seeking to subscribe to/acquire the Equity Shares in this Issue for your own investment and not with a view to resale or distribute. You are aware that Equity Shares are being offered only to Eligible QIBs and are not being offered to the general public. Eligible QIBs do not have the right of renunciation with respect to Equity Shares, proposed to be issued;

22. You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in a similar nature of business, similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of your investment in the Equity Shares, (ii) will not look to our Company and/or any of the Book Running Lead Managers or any of their affiliates including any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered in connection with this Issue, including losses arising out of non-performance by our Company of any of its respective obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investments in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the securities in the near future. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment;

23. If you are acquiring the Equity Shares to be issued pursuant to this Issue for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and to make (and you hereby make) the

representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

24. You have no rights under a shareholders' agreement or voting agreement entered into with our Promoters or members of our Promoter Group, no veto rights or right to appoint any nominee director on our Board, other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares;

25. You agree that in terms of Section 42 of the Companies Act and Rule 14 of PAS Rules, we shall make necessary filings with the RoC as may be required under the Companies Act;

26. You have no right to withdraw your Bid or revise your Bid downwards after the Issue Closing Date (as defined herein);

27. You are not a 'promoter' of our Company as defined under Section 2(69) of the Companies Act and the SEBI ICDR Regulations, and are not a person related to any of our Promoters, either directly or indirectly and your Bid does not directly or indirectly represent any of our Promoters or members of our Promoter Group or persons or entities related thereto;

28. You are eligible to apply and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to this Issue. Further, you confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

29. The Bid made by you would not eventually result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended ("**SEBI Takeover Regulations**");

30. To the best of your knowledge and belief, your aggregate holding, together with other Eligible QIBs in this Issue that belong to the same group or are under common control as you, pursuant to the Allotment under this Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    a) Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary or holding company and any other QIB; and

    b) 'Control' shall have the same meaning as is assigned to it under the SEBI Takeover Regulations;

31. You are aware that after Allotment, final applications will be made for obtaining listing and trading approvals for listing and admission of the Equity Shares and for trading on the Stock Exchanges, and that there can be no assurance that such approvals will be obtained on time or at all. Neither our Company nor the Book Running Lead Managers nor any of their affiliates including any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates shall be responsible for any delay or non-receipt of such final listing and trading approvals or any loss arising therefrom;

32. You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for such Equity Shares are issued by the Stock Exchanges;

33. You are aware that the pre-Issue and post-Issue shareholding pattern of our Company, as required by the SEBI Listing Regulations, will be filed by our Company with the Stock Exchanges, and if you together with any other Eligible QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in this Issue, our Company shall be required to disclose the name of such Allottees and the number of Equity Shares Allotted, to the Stock Exchanges and the Stock Exchanges will make the same available on their websites and you consent to such disclosures being made by our Company;

34. You are aware and understand that the Book Running Lead Managers have entered into a placement agreement with our Company, whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, undertaken to use their reasonable efforts to procure subscription for the Equity Shares on the terms and conditions set out therein;

35. You are subscribing to the Equity Shares to be issued pursuant to this Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act;

36. The contents of this Placement Document are exclusively the responsibility of our Company and neither the Book Running Lead Managers nor any person acting on its or their behalf or any of the counsels or advisors to this Issue has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting participation in this Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, and you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Book Running Lead Managers or our Company or any other person and neither the Book Running Lead Managers nor our Company or any of their respective affiliates, including any view, statement, opinion or representation expressed in any research published or distributed by them and the Book Running Lead Managers and their respective affiliates will not be liable for your decision to accept an invitation to participate in this Issue based on any other information, representation, warranty, statement or opinion;

37. Neither the Book Running Lead Managers nor any of their respective affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in this Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with this Issue, including non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise;

38. Any dispute arising in connection with this Issue will be governed and construed in accordance with the laws of the Republic of India, and the courts in Mumbai, India, shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;

39. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in this Issue. You agree to indemnify and hold our Company and the Book Running Lead Managers and their respective affiliates and their respective directors, officers, employees and controlling persons harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements, agreements and undertakings made by you in this Placement Document. You agree that the indemnity set out in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

40. Our Company, the Book Running Lead Managers, their respective affiliates, directors, officers, employees and controlling persons and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Company, and are irrevocable. You are not an affiliate of our Company, or a person acting on behalf of an affiliate of our Company;

41. You are aware that in terms of the requirements of the Companies Act, upon Allocation, our Company is required to disclose names and percentage of post-Issue shareholding of the proposed Allottees in the Placement Document. However, disclosure of such details in relation to the proposed Allottees in the

Placement Document will not guarantee Allotment to them, as Allotment in this Issue shall continue to be at the sole discretion of our Company, in consultation with the Book Running Lead Managers;

42. You will make the payment for subscription to the Equity Shares pursuant to this Issue from your own bank account. In case of joint holders, the monies shall be paid from the bank account of the person whose name appears first in the application;

43. You are aware that in terms of the SEBI FPI Regulations and the FEMA Non-Debt Rules, the total holding by each FPI including its investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than fifty percent or common control) shall be below 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis. In terms of the FEMA Non-Debt Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included. The existing individual and aggregate investment limits for an FPI in our Company are 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis and the sectoral cap applicable to our Company in accordance with the FEMA Non-Debt Rules, respectively. Hence, Eligible FPIs may invest in such number of Equity Shares in this Issue such that the individual investment of the FPI in our Company shall be less than 10% of the post-Issue paid-up Equity Share capital of our Company on a fully diluted basis. In case the holding of an FPI together with its investor group increases to 10% or more of the total paid-up Equity Share capital, on a fully diluted basis, such FPI together with its investor group shall divest the excess holding within a period of five trading days from the date of settlement of the trades resulting in the breach. If however, such excess holding has not been divested within the specified period of five trading days, the entire shareholding of such FPI together with its investor group will be re-classified as FDI, subject to the conditions as specified by SEBI and the RBI in this regard and compliance by our Company and the investor with applicable reporting requirements and the FPI and its investor group will be prohibited from making any further portfolio investment in our Company under the SEBI FPI Regulations;

44. You confirm that neither is your investment as an entity of a country which shares land border with India nor is the beneficial owner of your investment situated in or a citizen of such country (in each which case, investment can only be through the Government approval route), and that your investment is in accordance with press note no. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and Rule 6 of the FEMA Non-Debt Rules; and

45. You are aware and understand that you are allowed to place a Bid for Equity Shares. Please note that submitting a Bid for Equity Shares should not be taken to be indicative of the number of Equity Shares that will be Allotted to a successful Bidder. Allotment of Equity Shares will be undertaken by our Company, in its absolute discretion, in consultation with the Book Running Lead Managers.

## OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals, including in terms of Regulation 21 of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 ("**SEBI FPI Regulations**"), FPIs, including the affiliates of the Book Running Lead Managers, who are registered as category I FPI can issue, subscribe and otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it in India, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**") and persons who are eligible for registration as category I FPIs can subscribe to or deal in such P-Notes provided that in the case of an entity that has an investment manager who is from the Financial Action Task Force member country, such investment manager shall not be required to be registered as a Category I FPI. The above-mentioned category I FPIs may receive compensation from the purchasers of such instruments. An FPI will collect the regulatory fee of USD 1,000 or any other amount, as may be specified by SEBI from time to time, from every subscriber of offshore derivative instrument issued by it and deposit the same with SEBI by way of electronic transfer in the designated bank account of SEBI. Such P-Notes can be issued post compliance with the KYC norms and such other conditions as specified by SEBI from time to time. P-Notes have not been, and are not being offered, or sold pursuant to the Preliminary Placement Document and this Placement Document. This Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including, without limitation, any information regarding any risk factors relating thereto.

**Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company.** Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the Book Running Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers and do not constitute any obligations of or claims on the Book Running Lead Managers. Respective affiliates of the Book Running Lead Managers which are eligible FPIs may purchase the Equity Shares in this Issue, and may issue P-Notes in respect thereof, in each case to the extent permitted by applicable law.

**Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures from the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.**

## DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document and this Placement Document have been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document and this Placement Document;

2. warrant that the Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company,

and it should not for any reason be deemed or construed to mean that the Preliminary Placement Document and this Placement Document have been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors" and "potential investor" are to the Eligible QIBs pursuant to this Issue, references to "our Company", the "Company", or the "Issuer" are to PI Industries Limited on a standalone basis and references to "our", "us", or "we" are to PI Industries Limited together with our Subsidiaries, Joint Venture and Associate on a consolidated basis.

In this Placement Document, references to:

(a) "Rs.", "Rupees", "INR", "Indian Rupees" or "₹" are to the legal currency of the Republic of India;
(b) "Yen" or "JP¥" are to the legal currency of Japan; and
(c) "USD", "US$" and "U.S. Dollars" are to the legal currency of the United States.

All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions, all reference to "Japan" are to Japan and its territories and possessions and all references to "India" are to the Republic of India and its territories and possessions. All references herein to the "Central Government", "Government", "Government of India" or "State Government" are to the Government of India, central or state, as applicable. All the numbers in this document, have been presented in million or in whole numbers where the numbers have been too small to present in million, unless stated otherwise.

Our Fiscal year ends on March 31 of each year, and references to a particular Fiscal are to the twelve-month period ended March 31 of that year.

Our audited consolidated financial statements for the Fiscals 2020, 2019 and 2018 have been included in this Placement Document.

Our Company presents its financial statements under Ind AS. Ind AS differs from accounting principles with which prospective investors may be familiar in other countries, including generally accepted accounting principles followed in the U.S. ("**U.S. GAAP**") or International Financial Reporting Standards ("**IFRS**"). Our Company does not attempt to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Placement Document, nor does our Company provide a reconciliation of its audited consolidated financial statements to IFRS or U.S. GAAP. Accordingly, the degree to which the audited consolidated financial statements for Fiscals 2020, 2019 and 2018 included in this Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective Indian accounting policies and practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited.

Unless otherwise stated or unless the context requires otherwise, the financial information contained in this Placement Document is derived from our audited consolidated financial statements for Fiscals 2020, 2019 and 2018. For details, see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 199 and 58, respectively.

Price Waterhouse Chartered Accountants LLP have audited the consolidated financial statements for Fiscals 2020, 2019 and 2018, and have issued audit reports dated June 4, 2020, May 17, 2019 and May 15, 2018, respectively, on such financial statements. The audited consolidated financial statements for Fiscals 2020, 2019 and 2018 should be read along with the respective audit reports issued thereon.

Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31 and to a particular "Financial Year", "Fiscal", or "FY" are to the financial year of our Company ending on March 31 of a particular year.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off.

## INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by government bodies, data from other external sources and knowledge of the markets in which we compete.

Statistical information, industry and market data used throughout this Placement Document has been obtained from the report titled "India Speciality Chemicals and CSM Market Overview" dated June 23, 2020 ("**Frost & Sullivan Report**"), which is a commissioned report prepared by Frost and Sullivan (India) Private Limited ("**Frost & Sullivan**"). Further, Frost & Sullivan has issued the following disclaimer in the Frost & Sullivan Report:

"*The market research process for this study has been undertaken through detailed primary and secondary research, which involves discussing the status of the industry with leading industry participants and experts and compiling inputs from publicly available sources, including official publications and research reports. Quantitative market information is based primarily on such interviews and desk-based secondary research, therefore, making it subject to fluctuation.*

*The report does not purport to contain all the information that the recipient may require. In making any decision regarding the transaction, the recipient should conduct its own investigation and analysis of information contained in this report and the recipient must rely on its own examination and the terms of the transaction, as and when discussed. The recipient should not construe any of the contents herein as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation and other advisors concerning the transaction.*

*This Frost & Sullivan report is prepared for our client's internal use, submission and sharing with the relevant parties as well as for inclusion in the prospectus.*"

Frost & Sullivan, while preparing the Frost & Sullivan Report, has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in the Frost & Sullivan Report is guaranteed. The opinions expressed are not recommendation to buy, sell or hold an instrument.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither we nor the Book Running Lead Managers have independently verified this data and do not make any representation regarding the accuracy or completeness of such data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we have relied on internally developed estimates. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Book Running Lead Managers can assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Placement Document is meaningful depends solely on the reader's familiarity with and understanding of the methodologies used in compiling such data. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors – We have commissioned an industry report from Frost & Sullivan which has been used for industry related data in this Placement Document and such data has not been independently verified by us. Accordingly, prospective investors are advised not to place undue reliance on such information.*" on page 39. Thus, neither our Company nor the Book Running Lead Managers can assure you of the correctness, accuracy and completeness of such data. Accordingly, investment decisions should not be based solely on such information.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute 'forward looking statements'. Investors can generally identify forward-looking statements by terminology including 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', 'future', 'forecast', 'target', 'guideline', 'will likely result', 'is likely', 'are likely', 'expected to', 'will continue', 'will achieve', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our Company's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts. These forward-looking statements contained in this Placement Document (whether made by our Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our Company's expectations include, among others:

- events beyond our control may unfold in the future, which makes it difficult for us to predict the impact that COVID-19 will have on us, our customers or suppliers in the future;
- we depend on our relationships with multinational corporations and any adverse developments in such relationships could have an adverse effect on our business, results of operations and financial condition;
- our business is subject to climatic conditions and is cyclical in nature. Seasonal variations and unfavourable local and global weather patterns may have an adverse effect on our business, results of operations and financial condition;
- unplanned slowdowns or shutdowns in our manufacturing operations could have an adverse effect on our business, results of operations and financial condition; and
- our manufacturing facilities are concentrated in a single region and any adverse developments affecting this region could adversely affect our business, results of operations and financial condition.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited, to those discussed under "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry Overview*" and "*Our Business*" on pages 25, 58, 81 and 108, respectively.

The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management of our Company. Whilst our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and neither our Company nor any of the Book Running Lead Managers undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

## ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. Our chairman, all our Directors and key managerial personnel/ senior management personnel are residents of India. A substantial portion of our assets are located in India. As a result, it may be difficult for the investors to affect service of process upon our Company or such persons, outside India or to enforce judgments obtained against such parties outside India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments and execution of a foreign judgment is provided for under Sections 13 and 44A respectively, of the Code of Civil Procedure, 1908 (the "**Civil Procedure Code**") on a statutory basis.

Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India. A foreign judgment which is conclusive under section 13 of the Civil Procedure Code may be enforced either by a fresh suit upon the judgment or by proceedings in execution. Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Under Section 14 of the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction.

Each of the United Kingdom, Singapore and Hong Kong, amongst others has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the foreign judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

## EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currency of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rates between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) and the Rupee and the Japanese Yen (in Rupees per Japanese Yen), based on the reference rates released by the RBI/FBIL, which are available on the website of the RBI/FBIL. No representation is made that any Rupee amounts actually represent such amounts in U.S. dollars or Japanese Yen, or could have been, or could be converted into, U.S. dollars or Japanese Yen at any particular rate, the rates indicated, any other rates or at all.

*(₹ per US$ and JP¥)*

| **Period** | **Period End[(1)]** | | **Average[(2)]** | | **High[(3)]** | | **Low[(4)]** | |
|---|---|---|---|---|---|---|---|---|
| | **US$** | **JP¥** | **US$** | **JP¥** | **US$** | **JP¥** | **US$** | **JP¥** |
| **Fiscal:** | | | | | | | | |
| 2020 | 75.39 | 69.65 | 70.88 | 65.23 | 76.15 | 72.06 | 68.37 | 61.45 |
| 2019 | 69.17 | 62.52 | 69.89 | 63.04 | 74.39 | 66.29 | 64.93 | 60.54 |
| 2018 | 65.04 | 61.54 | 64.45 | 58.14 | 65.76 | 62.13 | 63.35 | 55.95 |
| **Month ended:** | | | | | | | | |
| June 30, 2020 | 75.53 | 70.15 | 75.73 | 70.38 | 76.21 | 71.27 | 75.33 | 69.03 |
| May 31, 2020 | 75.64 | 70.56 | 75.66 | 70.58 | 75.93 | 71.16 | 75.39 | 70.11 |
| April 30, 2020 | 75.12 | 70.48 | 76.24 | 70.79 | 76.81 | 71.41 | 75.12 | 69.68 |

*(Source: www.rbi.org.in and www.fbil.org.in)*

1. *The price for the period end refers to the price as on the last trading day of the respective calendar, quarterly or monthly periods.*
2. *Average of the official rate for each Working Day of the relevant period.*
3. *Maximum of the official rate for each Working Day of the relevant period.*
4. *Minimum of the official rate for each Working Day of the relevant period.*

*Notes:*

- *If the reference rate is not available on particular date due to a public holiday or being Saturday or Sunday, exchange rates of the previous Working Day have been disclosed.*
- *The reference rates are rounded off to two decimal places.*

## CERTAIN DEFINITIONS AND ABBREVIATIONS

*This Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Placement Document is intended for the convenience of the reader/ prospective investor only.*

*Unless otherwise specified, the capitalised terms used in this Placement Document shall have the meaning as defined hereunder. Further any references to any agreement, document, statute, rules, guidelines, regulations or policies shall include amendments made thereto, from time to time.*

*The words and expressions used in this Placement Document but not defined herein, shall have, to the extent applicable, the meanings ascribed to such terms under the Companies Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in "Statement of Possible Tax Benefits", "Industry Overview", "Financial Statements", "Legal Proceedings" and "Application Form" on pages 175, 81, 199, 189 and 403, respectively, shall have the meaning ascribed to such terms in these respective sections.*

### Terms Related to our Company

| Term | Description |
|---|---|
| Company, our Company, the Company or the Issuer | PI Industries Limited, on a standalone basis, a public limited company incorporated under the provisions of the Mewar Companies Act, 1942 and having its Registered Office situated at Udaisagar Road, Udaipur 313 001, Rajasthan, India |
| We, Our, Us or our Group | PI Industries Limited on a consolidated basis, including its Subsidiaries, Joint Venture, Associate and PII ESOP Trust, unless otherwise specified |
| Articles or Articles of Association | The articles of association of our Company, as amended from time to time |
| Associate | Associate company of our Company, being Solinnos Agro Sciences Private Limited |
| Audit Committee | Audit Committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 131 |
| Audited Consolidated Financial Statements | The audited consolidated financial statements of our Company as of and for the years ended March 31, 2020, 2019 and 2018 which have been prepared in all material aspects, in accordance with the recognition and measurement principles laid down in Ind AS as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 and other relevant provisions of the Act to the extent applicable. |
| Board of Directors or Board | Our board of directors or any duly constituted committee thereof |
| Corporate Office | Corporate office of our Company situated at 5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India |
| Corporate Social Responsibility Committee | Corporate social responsibility committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 131 |
| Directors | Any or all the directors on our Board, as may be appointed from time to time |
| Equity Shares | Equity shares of our Company of face value of ₹ 1 each |
| Independent Director | A non-executive and independent director of our Company as per the Companies Act and the SEBI Listing Regulations |
| Isagro | Isagro (Asia) Agrochemicals Private Limited |
| Joint Venture | Joint venture of our Company, being PI Kumiai Private Limited |
| Key Managerial Personnel or KMP | Key managerial personnel as decided by our Company pursuant to Section 2(51) of the Companies Act and Regulation 2(1)(bb) of the SEBI ICDR Regulations. For details, see "*Board of Directors and Senior Management*" on page 125 |
| Memorandum or MoA or Memorandum of Association | The memorandum of association of our Company, as amended |
| Nomination and Remuneration Committee | Nomination and remuneration committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 131 |
| Promoters | The promoters of our Company, being Ms. Madhu Singhal, Mr. Mayank Singhal, Ms. Pooja Singhal, Mr. Salil Singhal, Ms. Shefali Khushalani and SVVK Family Benefit Trust |
| Promoter Group | Unless the context requires otherwise, the promoter group of our Company as determined in accordance with Regulation 2(1)(pp) of the SEBI ICDR Regulations |
| Registered Office | Registered office of our Company situated at Udaisagar Road, Udaipur 313 001, Rajasthan, India |
| Registrar of Companies or RoC | Registrar of Companies, Jaipur, Rajasthan |
| Risk Management | Risk management committee of our Company, as disclosed in "*Board of Directors and* |

| Term | Description |
|---|---|
| Committee | *Senior Management*" on page 131 |
| Senior Management Personnel | Senior management personnel of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 132 |
| Shareholders | The equity shareholders of our Company |
| Stakeholders' Relationship Committee | Stakeholders' relationship committee of our Company, as disclosed in "*Board of Directors and Senior Management*" on page 131 |
| Statutory Auditors | The statutory auditors of our Company, being Price Waterhouse Chartered Accountants LLP |
| Subsidiaries | Subsidiaries of our Company, being Isagro (Asia) Agrochemicals Private Limited, Jivagro Limited, PILL Finance and Investments Limited, PI Japan Co., Ltd. and PI Life Science Research Limited |

**Issue Related Terms**

| Term | Description |
|---|---|
| Allocated or Allocation | The allocation of Equity Shares, following the determination of Issue Price, to Eligible QIBs on the basis of the Application Forms submitted by them, by our Company, in consultation with the Book Running Lead Managers and in compliance with Chapter VI of the SEBI ICDR Regulations |
| Allotment or Allotted or Allot | The issue and allotment of Equity Shares pursuant to this Issue |
| Allottees | Eligible QIB Bidders to whom Equity Shares are Allotted pursuant to this Issue |
| Application Form | The form, including any revisions thereof, pursuant to which an Eligible QIB was required to submit a bid for Equity Shares in this Issue. An indicative format of such form is set forth in "*Application Form*" on page 403 |
| Bid Amount | With respect to a Bidder, shall mean the aggregate amount paid by such Bidder at the time of submitting a Bid in this Issue in respect of the Equity Shares |
| Bid Closing Date/ Issue Closing Date | July 8, 2020, which is the date on which our Company (or the Book Running Lead Managers on behalf of our Company) has ceased acceptance of the Application Forms and the Bid Amount |
| Bid Opening Date/ Issue Opening Date | July 2, 2020, which is the date on which our Company (or the Book Running Lead Managers on behalf of our Company) has commenced acceptance of the Application Forms and the Bid Amount |
| Bid(s) | Indication of an Eligible QIB's interest, including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to this Issue. The term "Bidding" shall be construed accordingly |
| Bidder(s) | Any prospective investor, being an Eligible QIB, who made a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form |
| Bidding Period/ Issue Period | The period between the Bid Opening Date and Bid Closing Date, inclusive of both dates, during which Eligible QIBs could submit their Bids |
| Book Running Lead Managers | Collectively, Axis Capital Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited and Ambit Capital Private Limited |
| CAN or Confirmation of Allocation Note | Note or advice or intimation to the Successful Bidders confirming the Allocation of Equity Shares after determination of the Issue Price |
| Closing Date | The date on which Allotment of Equity Shares pursuant to this Issue shall be made, *i.e.*, on or about July 9, 2020 |
| Designated Date | The date of credit of Equity Shares pursuant to this Issue to the Allottees' demat accounts, as applicable to the relevant Allottees |
| Eligible FPI | FPIs that are eligible to Bid for Equity Shares to be Allotted in this Issue in terms of applicable laws, other than individuals, corporate bodies and family offices |
| Eligible QIBs or Eligible Qualified Institutional Buyer | QIBs which are eligible to participate in this Issue and who are (i) not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, and (ii) not restricted from participating in this Issue under applicable law, including the SEBI ICDR Regulations.<br><br>Within the United States, the Equity Shares are being offered and sold only to U.S. QIBs |
| Escrow Account | Special non-interest bearing, no-lien, current bank account without any cheques or overdraft facilities, opened with the Escrow Bank, subject to the terms of the Escrow Agreement, into which the Bid Amount was required to be deposited by Eligible QIBs and refunds, if any, remitted to unsuccessful Bidders |
| Escrow Agreement | Agreement dated July 2, 2020 amongst our Company, the Book Running Lead Managers and the Escrow Bank in relation to this Issue |
| Escrow Bank | Axis Bank Limited |
| Floor Price | The floor price of ₹ 1,534.24 per Equity Share, which has been calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Our Company has offered a discount of |

| Term | Description |
|---|---|
| | 4.19% on the Floor Price amounting to ₹ 64.24 in accordance with Shareholders' resolution dated March 23, 2020 and in terms of Regulation 176(1) of the SEBI ICDR Regulations |
| Issue | The issue, offer and Allotment of the Equity Shares to Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations and the applicable provisions of the Companies Act and the rules made thereunder |
| Issue Price | ₹ 1,470 per Equity Share |
| Issue Size | The issue of 13,605,442 Equity Shares, aggregating to ₹ 20,000 million |
| Placement Agreement | The placement agreement dated July 2, 2020 entered into between our Company and the Book Running Lead Managers |
| Placement Document | This placement document dated July 8, 2020 issued in accordance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and the rules thereunder |
| Preliminary Placement Document | The preliminary placement document dated July 2, 2020 for this Issue issued in accordance with Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and the rules thereunder |
| QIBs or Qualified Institutional Buyers | Qualified institutional buyers as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations |
| QIP | Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act read with the applicable rules of the PAS Rules |
| Refund Amount | The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all or part of the Bid Amount submitted by such Bidder pursuant to this Issue |
| Refund Intimation Letter | Letters from our Company intimating the Bidders on the amount to be refunded, if any, either in part or whole, to their respective bank accounts issued on the date of issuance of CAN |
| Relevant Date | July 2, 2020, which is the date of the meeting in which the QIP Committee decided to open this Issue |
| Stock Exchanges | Collectively, the BSE Limited and the National Stock Exchange of India Limited |
| Successful Bidder | The Bidders who have Bid at or above the Issue Price, duly paid the Bid Amount and who have been Allocated Equity Shares |
| Working Day | Any day other than second and fourth Saturday of the relevant month or a Sunday or a public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India or a trading day of the Stock Exchanges, as applicable |

### Industry related terms

| Term | Description |
|---|---|
| API | Active Pharmaceutical Ingredients |
| CII | The Confederation of Indian Industry |
| FAO | Food and Agriculture Organization |
| GAP | Global Agricultural Productivity |
| GVA | Gross Value Added |
| IBEF | India Brand Equity Foundation |
| IMF | International Monetary Fund |
| LPA | Long Period Average |
| MMT | Million Metric Tonne |
| MSME | Micro, small and medium enterprises |
| NBFI | Non-banking financial institutions |
| OECD | Organisation for Economic Co-operation and Development |
| TFP | Total Factor Productivity |

### Conventional and General Terms/ Abbreviations

| Term | Description |
|---|---|
| AGM | Annual general meeting |
| AIF(s) | Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 |
| BSE | BSE Limited |
| CAGR | Compound Annual Growth Rate |
| CCI | Competition Commission of India |
| CDSL | Central Depository Services (India) Limited |
| CEO | Chief executive officer |

| Term | Description |
|---|---|
| CFO | Chief financial officer |
| CIN | Corporate identity number |
| Civil Procedure Code or Civil Code or CPC | The Code of Civil Procedure, 1908 |
| Companies Act, 1956 | Erstwhile Companies Act, 1956 along with the rules made thereunder |
| Companies Act, 2013 / Companies Act | Companies Act, 2013, along with the rules made thereunder |
| Cr.P.C. or Cr. PC | The Code of Criminal Procedure, 1973 |
| CSR | Corporate social responsibility |
| Depositories Act | The Depositories Act, 1996 |
| Depository | A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 |
| Depository Participant | A depository participant as defined under the Depositories Act |
| DIN | Director identification number |
| DPIIT | Department for Promotion of Industry and Internal Trade (formerly Department of Industrial Policy and Promotion), Ministry of Commerce and Industry, GoI |
| EBITDA/ Earnings Before Interest, Taxes, Depreciation and Amortization Expenses | EBITDA, on a consolidated basis, is calculated as profit before tax reduced by other income and increased by depreciation and amortisation as presented in the statement of profit and loss in the financial statements |
| EGM | Extra-ordinary general meeting |
| EPS | Earnings per share |
| FDI | Foreign direct investment |
| FDI Policy | The Consolidated FDI Policy, effective from August 28, 2017, issued by the DPIIT, and any modifications thereto or substitutions thereof, issued from time to time |
| FEMA | The Foreign Exchange Management Act, 1999, as amended, and the regulations issued thereunder |
| FEMA Non-Debt Rules | Foreign Exchange Management (Non-debt Instruments) Rules, 2019 |
| FEMA Debt Regulations | Foreign Exchange Management (Debt Instruments) Regulations, 2019 |
| Financial Year, Fiscal, or FY | Period of 12 months ended March 31 of that particular year, unless otherwise stated |
| FIR | First information report |
| Form PAS-4 | The private placement offer cum application letter in terms of Form PAS-4 as prescribed under Rule 14 of the PAS Rules |
| GDP | Gross domestic product |
| Government/ GoI | Government of India, unless otherwise specified |
| GST | Goods and services tax |
| ICAI | The Institute of Chartered Accountants of India |
| IFRS | International Financial Reporting Standards |
| Ind AS | Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act |
| IPC | Indian Penal Code, 1860 |
| IT Act | Income-tax Act, 1961 |
| MCA | The Ministry of Corporate Affairs, Government of India |
| Mutual Fund | Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 |
| N.A. | Not Applicable |
| NCLT | National Company Law Tribunal |
| NI Act | Negotiable Instruments Act, 1881 |
| NRI | Non-resident Indian |
| NSDL | National Securities Depository Limited |
| NSE | The National Stock Exchange of India Limited |
| PAN | Permanent account number |
| PAS Rules | The Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended |
| PAT | Profit After Tax |
| RBI | The Reserve Bank of India |
| Regulation S | Regulation S under the Securities Act |
| Rule 144A | Rule 144A under the Securities Act |
| SCR (SECC) Rules | Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 |
| SCRA | Securities Contracts (Regulation) Act, 1956 |
| SCRR | Securities Contracts (Regulation) Rules, 1957 |
| SEBI | Securities and Exchange Board of India |

| Term | Description |
|---|---|
| SEBI Act | Securities and Exchange Board of India Act, 1992 |
| SEBI FPI Regulations | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 |
| SEBI ICDR Regulations | Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 |
| SEBI Insider Trading Regulations | Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 |
| SEBI Listing Regulations | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 |
| SEBI Takeover Regulations | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 |
| Securities Act | United States Securities Act of 1933, as amended |
| SME | Small and medium-sized enterprises |
| Stock Exchanges | Together, BSE and the NSE |
| STT | Securities transaction tax |
| Telegraph Act | Indian Telegraph Act, 1885 |
| U.S. or United States | The United States of America |
| U.S. QIB | Qualified institutional buyers as defined in Rule 144A under the Securities Act |
| VAT | Value added tax |
| VCF | Venture capital fund |

## SUMMARY OF THE ISSUE

The following is a general summary of the terms of this Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Placement Document, including under "*Risk Factors*", "*Use of Proceeds*", "*Issue Procedure*", "*Placement*" and "*Description of the Equity Shares*" on page 25, 47, 141, 154 and 171, respectively.

| | |
|---|---|
| **Issuer** | PI Industries Limited |
| **Issue Size** | Issue of 13,605,442 Equity Shares, aggregating to ₹ 20,000 million.<br><br>A minimum of 10 % of the Issue Size, *i.e.* 1,360,545 Equity Shares, was made available for Allocation to Mutual Funds only, and the balance 12,244,897 Equity Shares have been Allocated to all Eligible QIBs, including Mutual Funds. In case of under-subscription in the portion available for Allocation to Mutual Funds, such minimum portion or part thereof would be Allotted to other Eligible QIBs |
| **Face Value** | ₹ 1 per Equity Share |
| **Issue Price** | ₹ 1,470 per Equity Share (including a premium of ₹ 1,469 per Equity Share) |
| **Floor Price** | The floor price for the Equity Shares to be issued in this Issue, calculated in accordance with Regulation 176(1) under Chapter VI of the SEBI ICDR Regulations, is ₹ 1,534.24 per Equity Share.<br><br>Our Company has offered a discount of 4.19% amounting to ₹ 64.24, on the Floor Price in accordance with the approval of the Shareholders accorded through their resolution dated March 23, 2020 and in terms of Regulation 176(1) of the SEBI ICDR Regulations |
| **Date of Board resolution authorizing the Issue** | February 12, 2020 |
| **Date of Shareholders' resolution authorizing the Issue** | March 23, 2020 |
| **Eligible Investors** | The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form have been delivered were determined by the Book Running Lead Managers in consultation with our Company. For details, see "*Issue Procedure – Qualified Institutional Buyers*" on page 145 |
| **Equity Shares issued and outstanding immediately prior to this Issue** | Issued capital before this Issue: 138,284,568 Equity Shares<br>Subscribed and paid-up capital before this Issue: 138,107,993 Equity Shares |
| **Equity Shares issued and outstanding immediately after this Issue** | Issued capital after this Issue: 151,890,010 Equity Shares<br>Subscribed and paid-up capital after this Issue: 151,713,435 Equity Shares |
| **Issue Procedure** | This Issue is being made only to Eligible QIBs in reliance on Section 42 of the Companies Act, read with Rule 14 of the PAS Rules, and all other applicable provisions of the Companies Act and Chapter VI of the SEBI ICDR Regulations. For further details, see "*Issue Procedure*" on page 141 |
| **Listing and trading** | Our Company has obtained in principle approvals from each of NSE and BSE on July 2, 2020, under Regulation 28(1)(a) of the SEBI Listing Regulations. Our Company shall apply to the Stock Exchanges for the final listing and trading approvals, after the Allotment and after the credit of Equity Shares to the beneficiary account with the Depository Participant, respectively |
| **Lock-in** | For details in relation to lock-in, see "*Placement - Lock-up*" on page 154 for a description of restrictions on our Company and Promoters in relation to Equity Shares |
| **Transferability restriction** | The Equity Shares to be issued and Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For details on further transfer restrictions, see "*Transfer Restrictions*" on page 164 |
| **Use of Proceeds** | The gross proceeds from this Issue is approximately ₹ 20,000 million. The net proceeds of this Issue, after deduction of fees, commissions and expenses in relation to this Issue amounting to approximately ₹ 264.82 million, is approximately ₹ 19,735.18 million. For details regarding use of net proceeds of this Issue, see "*Use of Proceeds*" on page 47 |
| **Risk Factors** | See "*Risk Factors*" on page 25 for a discussion of risks that you should consider before investing in the Equity Shares |
| **Closing Date** | The Allotment of the Equity Shares pursuant to this Issue is expected to be made on or about July 9, 2020 |
| **Ranking** | The Equity Shares being issued pursuant to this Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* |

| | | |
|---|---|---|
| | in all respects with the existing Equity Shares, including rights in respect of dividends and voting rights.<br><br>The holders of Equity Shares (who hold Equity Shares as on the applicable record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act, SEBI Listing Regulations and other applicable laws and regulations. The holders of such Equity Shares may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act. For details, see "*Dividend Policy*" and "*Description of the Equity Shares*" on pages 57 and 171, respectively | |
| **Security Codes for the Equity Shares** | ISIN | INE603J01030 |
| | BSE Code | 523642 |
| | NSE Code | PIIND |

## SELECTED FINANCIAL INFORMATION

*Certain non-Ind AS (and non-generally accepted accounting principles) financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Placement Document. We compute and disclose such financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of our business, which provides such financial measures and other statistical and operational information when reporting their results. Such financial measures and such other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies.*

The following tables set forth the selected financial information derived from the Audited Consolidated Financial Statements. The selected financial information presented below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 58 and 199, respectively.

**Selected financial information for Fiscals 2020, 2019 and 2018 (Consolidated)**

*(Except ratios, in ₹ million)*

| Parameters | Fiscal 2020 | Fiscal 2019 | Fiscal 2018 |
|---|---|---|---|
| Net Worth[1] | 26,191 | 22,854 | 19,248 |
| Total Debt | 5,174 | 492 | 834 |
| of which<br>- Non-Current Maturities of Long Term Borrowing | 3,994 | 99 | 463 |
| - Short Term Borrowing | 1,083 | – | – |
| - Current Maturities of Long Term Borrowing | 97 | 393 | 371 |
| Property, Plant and Equipment | 17,338 | 11,791 | 9,906 |
| Non- Current Assets | 22,015 | 14,639 | 11,646 |
| Cash and Cash Equivalents | 1,244 | 614 | 1,173 |
| Current Investments | 1,325 | 1,119 | 1,595 |
| Current Assets | 20,233 | 16,909 | 14,618 |
| Current Liabilities | 11,005 | 8,115 | 6,136 |
| Net Sales (Revenue from Operations) | 33,665 | 28,409 | 23,087 |
| EBITDA | 7,186 | 5,764 | 4,936 |
| EBIT[2] | 5,819 | 4,834 | 4,106 |
| Interest Expense[3] | 170 | 50 | 53 |
| Profit After Tax[4] | 4,566 | 4,102 | 3,676 |
| Dividend Paid | 621 | 689 | 550 |
| Current ratio | 2 | 2 | 2 |
| Interest Coverage Ratio (Times)[5] | 42 | 115 | 93 |
| Gross debt / equity ratio[6] | 0.2 | 0.02 | 0.04 |
| Debt Service Coverage Ratios[7] | 1.34 | 10.63 | 5.56 |

*Notes:*

1. *Net Worth includes non-controlling interest*
2. *EBIT = EBITDA – Depreciation and Amortization*
3. *Interest Expense includes finance cost*
4. *Total Profit After Tax including amount attributable to non-controlling interest*
5. *Interest Coverage ratio: EBITDA / Interest Expense*
6. *Gross debt equity ratio: Total debt (borrowing long term incl. current maturity + short term borrowing) /Equity (Share capital + other equity + NCI)*
7. *Debt Service Coverage Ratio: EBITDA/(Interest Expense + Total Debt)*

The following table sets forth a reconciliation of our EBITDA to our profit for the year:

*(₹ in million)*

| | Fiscal | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Profit for the year | 4,566 | 4,102 | 3,676 |
| **Add:** | | | |
| Finance cost | 170 | 50 | 53 |
| Depreciation and amortisation expense | 1,367 | 930 | 830 |
| Total tax expenses | 1,572 | 1,277 | 979 |
| **Less:** | | | |
| Other Income | 489 | 595 | 602 |
| **EBITDA** | **7,186** | **5,764** | **4,936** |

EBITDA is a supplemental measure of performance that is not required by, nor presented in accordance with, Ind AS. EBITDA is not a measurement of financial performance or liquidity under Ind AS, and should not be considered as an alternative to profit or any other performance measures derived in accordance with Ind AS, nor as an alternative to cash flow from operating activities as a measure of liquidity. In addition, EBITDA is not a standardized term, hence, a direct comparison between companies using this term may not be possible. We present EBITDA because we believe that it is frequently used by securities analysts, investors and other interest parties in evaluating companies in our industry.

EBITDA has important limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under Ind AS. Some of the limitations with EBITDA are listed below:

- does not reflect cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, working capital needs;
- does not reflect certain tax payments that may represent reductions in cash available;
- does not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future; and
- does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on indebtedness.

# RISK FACTORS

*An investment in equity shares involves a high degree of risk. You should carefully consider each of the following risk factors together with all other information set forth in this Placement Document before making an investment in our Equity Shares. The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, prospects, results of operations and financial condition. In order to obtain a complete understanding about us, investors should read this section in conjunction with "Our Business", "Industry Overview" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" on pages 108, 81 and 58, respectively, as well as the financial statements, including the notes thereto, and other financial information included elsewhere in the Placement Document.*

*If any or some combination of the following risks, or other risks that are not currently known or believed to be adverse, actually occur, our business, results of operations and financial condition could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline and you may lose all or part of your investment. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. In making an investment decision with respect to this Issue, you must rely on your own examination of our Company and the terms of this Issue, including the merits and risks involved.*

*Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. This Placement Document also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Placement Document. See "Forward-Looking Statements" on page 13.*

*Unless otherwise stated, all financial information of our Company used in this section has been derived from our Audited Consolidated Financial Statements. References to 'we', 'us', 'our' and similar terms are to PI Industries Limited on a consolidated basis. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.*

## Internal Risks

***1. The extent to which the coronavirus disease (COVID-19) affects our business, results of operations and financial condition will depend on future developments, which are uncertain and cannot be predicted.***

In the first half of 2020, COVID-19 spread to a majority of countries across the world, including India and other countries where our suppliers and customers are located. The COVID-19 pandemic has had, and may continue to have, repercussions across local, national and global economies and financial markets. In particular, a number of governments and organizations have revised GDP growth forecasts for 2020 downwards in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the COVID-19 pandemic will cause a prolonged global economic crisis or recession.

The global impact of the COVID-19 pandemic has been rapidly evolving and public health officials and governmental authorities have reacted by taking measures, including in the regions in which we operate, such as prohibiting people from assembling in heavily populated areas, instituting quarantines, restricting travel, issuing lockdown orders and restricting the types of businesses that may continue to operate, among many others. On March 14, 2020, India declared COVID-19 as a "notified disaster" and imposed a nationwide lockdown announced on March 24, 2020. The lockdown remains in force in many cities, with progressive relaxations being granted for movement of goods and people and cautious re-opening of businesses and offices. However, lockdowns may be re-introduced or extended in the future. The COVID-19 pandemic may affect our business, results of operations and financial condition, in the future, in a number of ways such as:

- result in a complete or partial closure of, or disruptions or restrictions on our ability to conduct, our manufacturing operations and R&D activities, resulting from government action;
- impact our ability to travel, pursue partnerships and other business transactions and delay shipments of our products;

- our inability to source key raw materials as a result of the temporary or permanent closure of the facilities of suppliers of our key raw materials;
- non-availability of labour, which could result in a slowdown in our operations and delay the construction of new projects;
- our inability to access debt and equity capital on acceptable terms, or at all;
- the effects of the COVID-19 pandemic on our future results of operations, cash flows and financial condition could adversely impact our compliance with the covenants in our credit facilities and other financing agreements and could result in events of default and the acceleration of indebtedness;
- increased vulnerability to cyber-security threats and potential breaches, including phishing attacks, malware and impersonation tactics, resulting from the increase in numbers of employees working from home;
- uncertainty as to what conditions must be satisfied before government authorities completely lift lockdown orders; and
- the potential negative impact on the health of our employees, particularly if a significant number of them are afflicted by COVID-19, could result in a deterioration in our ability to ensure business continuity during this disruption.

On account of the lockdown, our operations were disrupted at our R&D center at Udaipur, Rajasthan, multi-purpose plants at Gujarat and sales depots across the country. This resulted in a reduction in our domestic and export revenues during the month of March 2020. We also incurred additional expenses to arrange for temporary housing for certain employees at our facilities and towards transportation costs. We were able to resume operations in April 2020 in a phased manner and we believe that since our business and operations are considered essential services, there was no significant impact of COVD-19 on our financial condition and results of operations for the financial year 2020. However, events beyond our control may unfold in the future, which makes it difficult for us to predict the impact that COVID-19 will have on us, our customers or suppliers in the future.

Our Statutory Auditors have included an emphasis of matter in their audit reports on our standalone and consolidated financial statements for the financial year 2020, noting that a definitive assessment of the impact of COVID-19 in the subsequent period is dependent upon the circumstances as they evolve.

Any intensification of the COVID-19 pandemic or any future outbreak of another highly infectious or contagious disease may adversely affect our business, financial condition and results of operations. Further, as COVID-19 adversely affects our business and results of operations, it may also have the effect of exacerbating many of the other risks described in this "*Risk Factors*" section.

2. ***We depend on our relationships with multinational corporations and any adverse developments in such relationships could have an adverse effect on our business, results of operations and financial condition.***

We perform custom synthesis and manufacturing services for multinational corporations and enter into in-licensing and co-marketing agreements with agrochemical companies to market their agrochemical products in India under the brands owned by them and registered by us for domestic sales and under our owned brands. Our custom synthesis and manufacturing contracts are typically long-term in nature where the validity of the contract ranges between five to eight years, with certain contracts being automatically renewed for a period of one year at a time. Our contracts impose stringent confidentiality and secrecy obligations on us and typically require us to comply with various international and organizational codes and practices including the ethical code of conduct in relation to bribery and kickbacks, code of conduct for service providers and privacy policies. Our contracts also provide our customers the right to inspect and audit our facilities and processes after providing reasonable notice to us.

In custom synthesis and manufacturing exports, we are also dependent on a limited number of customers for a significant portion of our revenues. For the financial years 2020, 2019 and 2018, our top five customers contributed ₹ 20,009 million, ₹ 15,280 million and ₹ 11,607 million, or 59.4%, 53.8% and 50.3% of our revenue of operations, respectively. However, some of our customers currently manufacture or may start manufacturing their own active ingredients and intermediates and may discontinue the use of our custom synthesis services. They may also establish a presence in India organically or inorganically and terminate their in-licensing or co-marketing arrangements with us. The loss of one or more of our significant customers or a reduction in the amount of business we obtain from them could have an adverse effect on our business, results of operations and financial condition. Our reliance on a select group of customers may also constrain our ability to negotiate our arrangements, which may have an impact on our profit margins and financial performance. The deterioration of the financial condition or business prospects of these customers could reduce their requirement of our services and their ability to pay us, on a timely basis or at all, which could result in a significant decrease in the revenues we derive from them. We cannot assure you that we will be able to maintain historic levels of business from our significant customers, or that we will be able to significantly reduce customer concentration in the future.

***3. Our business is subject to climatic conditions and is cyclical in nature. Seasonal variations and unfavourable local and global weather patterns may have an adverse effect on our business, results of operations and financial condition.***

As an agrochemical company, our business is sensitive to weather conditions such as drought, floods, cyclones and natural disasters, as well as events such as pest infestations. There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Our results of operations are significantly affected by weather conditions in the agricultural regions in which our products are used. The most important determinant of our sales is the volume of crops planted. Adverse conditions early in the season, especially drought conditions, can result in significantly lower than normal plantings of crops and therefore lower demand for crop protection products. This can result in our sales in a particular region varying substantially from year to year. Weather conditions can also result in earlier or later plantings and affect the levels of pest infestations, which may affect both the timing and volume of our sales or the product mix.

Adverse weather conditions may also cause volatility in the prices of commodities, which may affect growers' decisions about the types and quantum of crops to plant and may consequently affect the sales of our crop protection products. Further, we may be subjected to decreased availability of water, which could impact our manufacturing operations. The increasing concern over climate change may also result in enhanced regional and global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases, as well as more stringent regulation of water rights. In the event that such regulations are enacted and are more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions, improve our energy efficiency, and reduce and reuse water, we may experience significant increases in our costs of operations.

In addition, sales of agrochemical products in Indian are typically seasonal due to the monsoon. For example, demand for pesticides is generally higher during the monsoon season and majority of our product sales take place typically between the months of June and November. As a result of such seasonal fluctuations, our sales and results of operations may vary by fiscal quarter and may not be relied upon as indicators of the sales or results of operations of other fiscal quarters, or of our future performance.

***4. Unplanned slowdowns or shutdowns in our manufacturing operations could have an adverse effect on our business, results of operations and financial condition.***

Our business is dependent upon our ability to efficiently manage our manufacturing facilities, which are subject to various operating risks, including productivity of our workforce, compliance with regulatory requirements and circumstances beyond our control, such as the breakdown and failure of equipment or industrial accidents, severe weather conditions, natural disasters and infectious disease outbreaks such as the COVID-19 pandemic. Any significant malfunction or breakdown of our machinery may entail significant repair and maintenance costs and cause delays in our operations. In addition, due to COVID-19, operations at our manufacturing facilities were temporary suspended during the month of March 2020 and we resumed operations in April 2020 in a phased manner. The occurrence of any such event in the future could have an adverse effect on our business, results of operations and financial condition.

Moreover, some of our products are permitted to be manufactured at only such facility, which has received specific approvals, and any shut down of such facility, including due to non-renewal of specific approvals, will result in us being unable to manufacture a product for the duration of such shut down. Our inability to effectively respond to any shutdown or slowdown and rectify any disruption, in a timely manner and at an acceptable cost, could lead to an inability to comply with our customers' requirements and result in us breaching our contractual obligations.

5. ***Our manufacturing facilities are concentrated in a single region and any adverse developments affecting this region could adversely affect our business, results of operations and financial condition.***

Our manufacturing facilities are located in Panoli and Jambusar in Gujarat. In addition, the manufacturing facilities of Isagro, which we acquired in December 2019, are also located near our manufacturing facility in Panoli. Consequently, any significant social, political or economic disruption, or natural calamities or civil disruptions in this region, or changes in the policies of the state or local governments of this region or the Government of India, may require us to suspend our operations, either temporarily or permanently, incur significant capital expenditure and change our business strategy. The occurrence of, or our inability to effectively respond to any such event, could have an adverse effect on our business, results of operations and financial condition.

6. ***We derive almost all of our revenues from the sale of active ingredients and intermediates and formulations and any reduction in the demand for such products could have an adverse effect on our business, results of operations and financial condition.***

We derive almost all of our revenues from the sale of active ingredients and intermediates and formulations. For the financial years 2020, 2019 and 2018, the sale of active ingredients and intermediates accounted for 76.5%, 67.6% and 63.6% of our revenue from operations, while the sale of formulations accounted for 22.9%, 31.8% and 35.9% of our revenue from operations, respectively. However, our revenue from the sale of such products may decline as a result of increased competition, regulatory action, patent litigation, pricing pressures or fluctuations in the demand for or supply of such products, which may adversely affect our business, results of operations and financial condition.

7. ***We derive a significant portion of our revenues from operations from a limited number of markets and any adverse developments in these markets could adversely affect our business.***

We have historically derived a significant portion of our revenues from operations from a limited number of markets, namely North America, India and Asia (other than India). For the financial years 2020, 2019 and 2018, we derived 35.4%, 38.8% and 13.8% of our revenues from operations from business in North America, 26.7%, 33.7% and 37.0% of our revenues from operations from business in India and 25.6%, 13.7% and 37.6% of our revenues from operations from business in Asia (other than India), respectively. Our revenues from these markets may decline as a result of increased competition, regulatory action, pricing pressures, fluctuations in the demand for or supply of our products or services, or the outbreak of an infectious disease such as COVID-19. Our failure to effectively react to these situations or to successfully introduce new products or services in these markets could adversely affect our business, prospects, results of operations and financial condition.

Further, our international operations are subject to risks that are specific to each country and region in which we operate, as well as risks associated with international operations, in general. These risks include complying with changes in foreign laws, regulations and policies, including restrictions on trade, import and export license requirements, and tariffs and taxes, intellectual property enforcement issues and changes in foreign trade and investment policies.

8. ***Our inability to introduce new products and respond to changing customer preferences in a timely and effective manner, may have an adverse effect on our business, results of operations and financial condition.***

The success of our business depends upon our ability to anticipate and identify changes in the preferences of farmers and offer them products that they require, on a timely basis. Although we seek to identify such trends and introduce new products, we cannot assure you that our products would gain consumer acceptance or that we will be able to successfully compete in such new product segments. In order to remain competitive, we must develop, test and manufacture new products, which must meet regulatory standards and receive requisite regulatory approvals.

To accomplish this, we commit substantial effort, funds and other resources towards our R&D activities and we have set-up a dedicated R&D center in Udaipur, Rajasthan. For the financial years

2020, 2019 and 2018, our total expenditure for R&D activities (revenue expenditure and capital expenditure) was ₹ 1,149 million, ₹ 838 million and ₹ 820 million, constituting 3.4%, 2.9% and 3.6% of our revenue from operations, respectively. However, our ongoing investments in research and development for new products and processes may result in higher costs without a proportionate increase in revenues. Delays in any part of the process, our inability to obtain necessary regulatory approvals for our products or failure of a product to be successful at any stage could adversely affect our business. Consequently, any failure on our part to successfully introduce new products and processes may have an adverse effect on our business, results of operations and financial condition.

***9. If we are unable to obtain or maintain regulatory approvals for our products, we may be unable to sell such products, which could adversely affect our business and results of operations.***

The import, manufacture, storage, marketing and sale of agrochemical products require several regulatory approvals. The registration process for a new product in India is complex, lengthy and may be expensive. The time taken to obtain registration could range between three to five years from the date of application. This registration process increases the cost to us of developing new products and increases the risk that we may not succeed in selling them. For example, we are required to obtain pre-approval from the Central Insecticides Board and Registration Committee, GoI to manufacture or import insecticides in India as well as obtain individual registration for each insecticide pursuant to the Insecticides Act, 1968 and the Insecticides Rules, 1971. In addition, we must also re-register our crop protection products periodically and show that our products meet all requisite regulatory standards, which may have become more stringent since the prior registration. We cannot assure you that we will be able to obtain registration for all our new products, or re-register our existing products in the future in a timely manner, which could affect our ability to sell such products and adversely affect our results of operations. Our products may continue to be subject to governmental oversight even after we obtain requisite regulatory or governmental pre-approvals and registrations. For example, the pesticides that we sell may be subject to surprise sample checking by governmental agencies. In the event such samples do not comply with quality norms prescribed by the registration authorities, we may be subject to regulatory action and be unable to sell such products in the market.

Pesticides and insecticides laws, rules and regulations are also subject to change and may become more restrictive in the future. For example, in May 2020, the Ministry of Agriculture and Farmers Welfare issued a draft order, the Banning of Insecticides Order, 2020 to ban the import, manufacture, sale, transport, distribution and use of 27 pesticides in India. The introduction of any such legislation in the future that affects our ability to sell our products in the market, may have an adverse effect on our business and results of operations. Further, the Pesticide Management Bill, 2020, which is proposed as the successor to the Insecticides Act, 1968 contains provisions for registration of pesticides and the evaluation criteria for such registration, regulation of advertisements by manufacturers and compensation for loss due to use of low quality pesticides, amongst other provisions. The enactment of such legislation may impose further regulatory obligations on our Company and adversely affect our business, results of operations and financial condition.

***10. Non-compliance with and changes in, safety, health, environmental and labour laws and other applicable regulations, may adversely affect our business, results of operations and financial condition. Further, we may not be able to renew or maintain our statutory and regulatory permits and approvals required to operate our business.***

We are subject to laws and government regulations, including in relation to safety, health, environmental protection and labour. These laws and regulations impose controls on air and water discharge, noise levels, storage handling, employee exposure to hazardous substances and other aspects of our manufacturing operations. Further, our products, including the process of manufacture, storage and distribution of such products, are subject to numerous laws and regulations in relation to quality, safety and health. We handle and use hazardous materials in our R&D and manufacturing activities and the improper handling or storage of these materials could result in accidents, injure our personnel, property and damage the environment. We obtain the requisite registrations and approvals from time to time and aim to prevent such hazards by training our personnel, conducting industrial hygiene assessments and employing other prescribed safety measures. However, in June 2018, there was a fire at our godown in Jambusar but there were no deaths or injuries in relation thereto. In another incident in January 2020, there was an accident at our one of our multi-purpose plants at Jambusar, Gujarat, which resulted in the death of five workmen, injury to eight workmen and led to the temporary shutdown of our operations at such plant. In relation thereto, the Deputy Director, Industrial Safety and

Health, Bharuch issued a notice on January 15, 2020 alleging that the explosion took place because our Company did not follow certain technical specifications in breach of the Gujarat Factory Rules, 1963, and directed us to take preventive measures and to compensate the legal heirs of the deceased workmen. While the matter has been disposed off in March 2020, we cannot assure you that we will not experience accidents in the future. The occurrence of any such event in the future could have an adverse effect on our business, results of operations and financial condition.

Further, laws and regulations may limit the amount of hazardous and pollutant discharge that our manufacturing facilities may release into the air and water. The discharge of materials that are chemical in nature or of other hazardous substances into the air, soil or water beyond these limits may cause us to be liable to regulatory bodies or third parties. Any of the foregoing could subject us to litigation, which could lower our profits in the event we were found liable, and could also adversely affect our reputation. Additionally, the government or the relevant regulatory bodies may require us to shut down our manufacturing plants, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers.

We are also subject to the laws and regulations governing employees, including in relation to minimum wage and maximum working hours, overtime, working conditions, maternity leave, hiring and termination of employees, contract labour and work permits. We have incurred and expect to continue incurring costs for compliance with such laws and regulations. We have also made and expect to continue making capital expenditures on an on-going basis to comply with all applicable environmental, health and safety and labour laws and regulations. These laws and regulations have, however, become increasingly stringent and it is possible that they will become significantly more stringent in the future. If we are unable to remain in compliance with all applicable environmental, health and safety and labour laws, our business, results of operations and financial condition may be adversely affected.

We are required to obtain and maintain various statutory and regulatory permits and approvals to operate our business in relation to the above laws and regulations, which requires us to comply with certain terms and conditions to continue our operations. Although we have no reason to believe that such statutory and regulatory permits and approvals will not be granted and/or renewed as and when requested, we cannot assure you that we will be able to maintain, renew or obtain any required statutory and regulatory permits and approvals in the future, in a timely manner, or that no additional requirement will be imposed in connection with such request. We also cannot assure you that we will timely comply with all our obligations with governmental agencies, including obtaining the necessary operating permits in a timely manner. Currently, the factory license for our R&D centre at Udaipur, Rajasthan has expired and while we have made an application for renewal of the license which is pending with the relevant authorities, we cannot assure you that the renewal will be granted in a timely manner, or at all. In the event that we are unable to renew or maintain such statutory permits and approvals or comply with any or all of their applicable terms and conditions, or seek waivers or extensions of time for complying with such terms and conditions, our operations may be interrupted and penalties may be imposed on us by the relevant authorities.

***11. Our inability to expand or effectively manage our distribution network may have an adverse effect on our business, results of operations and financial condition.***

We have established an extensive, pan-India distribution network that comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. Our ability to expand and grow our product reach significantly depends on the reach and effective management of our distribution network. We continuously seek to increase the penetration of our products by appointing new distributors targeted at different customer groups and geographies. We cannot assure you that we will be able to successfully identify or appoint new distributors or effectively manage our existing distribution network. If the terms offered to such distributors by our competitors are more favourable than those offered by us, distributors may decline to distribute our products and terminate their arrangements with us. We may be unable to appoint replacement distributors in a timely fashion, or at all, which may reduce our sales volumes and adversely affect our results of operations.

Further, our competitors may have access to a wider base of farmers than us, or have exclusive arrangements with certain distributors who may be unable to stock and distribute our products, which may limit our ability to expand our distribution network. We typically do not have exclusive arrangements with our distributors and while we offer them certain incentive schemes to distribute our products, we may not be able to effectively implement them across our distribution network. Similarly our competitors may adopt innovative distribution models, which could be more effective than traditional distribution models resulting in a reduction in the sales of our products.

We may also face disruptions in the delivery of our products for various reasons beyond our control, including poor handling by distributors of our products, transportation bottlenecks, natural disasters and labour issues, which could lead to delayed or lost deliveries. In addition, failure to provide distributors with sufficient inventories of our products may result in a reduction in the sales of our products. If our distributors fail to distribute our products in a timely manner, or adhere to the terms of the distribution agreement, or if our distribution agreements are terminated, our business and results of operations may be adversely affected.

***12. Any delay, interruption or reduction in the supply of raw materials and equipment to manufacture our products may adversely affect our business, results of operations and financial condition.***

We depend on third-party vendors and suppliers for the purchase of raw materials and equipment, who are typically pre-approved by the multinational corporations with whom we work. While we have agreements to procure certain key materials, we source other raw materials from the open market and through purchase orders. We have historically sourced raw materials from multiple vendors in India and China and continue to diversify our procurement base. Although we have not faced significant disruptions in the procurement of raw materials in the past, the COVID-19 pandemic temporarily affected our ability to source raw materials from vendors China, who had either shut their facilities or were unable to transport raw materials to us. We cannot assure you that we will be able to continue to obtain adequate supplies of our raw materials, in a timely manner, in the future. Further, while our long-term agreements with multinational corporations typically cover price escalations on account of an increase in raw material costs, we are exposed to fluctuations in the prices of raw materials for the products that we manufacture for other customers who place purchase orders with us periodically. Any such reductions or interruptions in the supply of raw materials or equipment, and any inability on our part to find alternate sources for the procurement of such raw materials or equipment, may have an adverse effect on our ability to manufacture our products in a timely or cost-effective manner and we may be in breach of our contractual obligations. The occurrence of any such event may adversely affect our business, results of operations and financial condition.

***13. Our inability to accurately forecast demand for our products and manage our inventory may have an adverse effect on our business, results of operations and financial condition.***

Our business depends on our estimate of the long-term demand for our products from our customers. If we underestimate demand or have inadequate capacity due to which we are unable to meet the demand for our products, we may manufacture fewer quantities of products than required, which could result in the loss of business. While we forecast the demand for our products and accordingly plan our production volumes, any error in our forecast could result in surplus stock, which may not be sold in a timely manner. At times when we have overestimated demand, we may have incurred costs to build capacity or purchased more raw materials and manufactured more products than required. Our inability to accurately forecast demand for our products and manage our inventory may have an adverse effect on our business, results of operations, cash flows and financial condition.

***14. If we inadvertently infringe on the patents of others, we may be subjected to legal action and our business and reputation may be adversely affected.***

Patent litigation can result in significant damages being awarded and injunctions that could prevent the manufacture and sale of certain products or require us to pay significant royalties in order to manufacture or sell such products. While it is not possible to predict the outcome of patent litigation, we believe any adverse result of such litigation could include an injunction preventing us from selling our products or payment of significant damages or royalty, which would affect our ability to sell current or future products. Further, our contractual arrangements typically contain provisions, which permit our customers to terminate their agreements with us in the event we were to misappropriate a third party’s intellectual property. The occurrence of any of these events could subject us to legal action and adversely affect our business and reputation.

***15. If we are unable to patent new processes and protect our proprietary information or other intellectual property, our business may be adversely affected.***

We rely on a combination of trademarks, copyrights, designs, non-disclosure agreements and non-competition agreements to protect our proprietary intellectual property. In addition, our Company filed 22 patent applications during the financial year 2020. While we intend to defend against any threats to our intellectual property, we cannot assure you that our trademarks, copyrights, designs, patents, trade secrets or other agreements will adequately protect our intellectual property. Our patent rights may not prevent our competitors from developing, using or commercializing products that are functionally equivalent or similar to our products. Further, our patent applications may fail to result in patents being issued, and our existing and future patents may be insufficient to provide us with adequate protection or a commercial advantage. We cannot assure you that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors or that such patents will be found to be valid or sufficiently broad to protect our processes or to provide us with any competitive advantage. We may be required to negotiate licenses for patents from third parties to conduct our business, which may not be available on reasonable terms or at all.

Our Company has registered the "PI – Inspired by Science Label" under several classes as a trademark in India. Additionally, our Company has registered trademarks including word marks, logos and device marks in various classes in India including "BIOVITA", "ROKET 44% EC", "COSKO", "FOSMITE 50% EC", ""KEEFUN", ""VIBRANT" and "FANTOM", and has applied for the registration of certain trademarks, including "PI – Inspired by Science Label" under class 42, "PYROXEE", "BIOFITE" and "PISTAR". Our Company does not have any control over the registration of a trademark and a pending mark may not be granted registration for various reasons including being descriptive, non-distinctive or similar to a prior trademark or have been opposed by third parties that claim to have similar marks. Such actions are not within our control and may require us to undertake rebranding exercises, all of which may result in additional expenses for our Company and adversely affect our business and reputation.

The logo of our Company and its other artistic works are protected under copyright laws as artistic works from the date of publication of such artistic works. However, copyright may not provide adequate protection to artistic works and our Company may not be able to protect our copyright works or prevent their infringement solely on the basis of copyright. Our Company may be required to litigate to protect these works, which may increase our expenses. The occurrence of such events could have an adverse effect on our business and results of operations. Further, certain patents and trademarks, including "WARRANT", that are used by Isagro are registered in the name of another entity and the rights of such patents and trademarks have been transferred to Isagro by way of deeds of assignment. We may not be able to continue to use such patents and trademarks in the event of termination of these deeds.

We also rely on non-disclosure agreements and non-competition agreements with certain employees, consultants and other parties to protect trade secrets and other proprietary rights that belong to us. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that third parties will not otherwise gain access to our trade secrets or proprietary knowledge. Any inability to patent new processes and protect our proprietary information or other intellectual property, could adversely affect our business.

***16. We acquired Isagro in December 2019 and any failure to realize the anticipated benefits of this acquisition or any acquisition, joint venture or partnership that we may undertake in the future, may have an adverse effect on our business, results of operations and financial condition.***

In December 2019, we completed the acquisition of Isagro, which was engaged in the business of contract manufacturing, local distribution and exports of agrochemicals. The success of the Isagro acquisition or any other acquisition, joint venture or partnership that we may undertake in the future will depend, in part, on our ability to realize the anticipated growth opportunities and synergies from combining these businesses. Integrating the business of Isagro or another entity into ours could be a task that will require substantial time, expense and effort from our management. If there are any difficulties associated with integrating these businesses, our results of operations and cash flows could be adversely affected. Even if we are able to successfully combine the business operations, it may not be possible to realize the full benefits of the integration opportunities, the synergies and other benefits that we currently expect will result from this acquisition, or realize these benefits within the time frame that we currently expect. Further, we may be unable to find suitable companies to acquire, assets to purchase or joint ventures to pursue in the future. Any failure to identify suitable opportunities or to realize the anticipated benefits of any acquisition, joint venture or partnership, in a timely manner, or at all, could have an adverse effect on our business, results of operations and financial condition with consequential impact on financial statements.

17. ***We are in the process of demerging domestic business-to-customer business of Isagro into our Subsidiary, Jivagro Limited and amalgamating custom synthesis and manufacturing business of Isagro with and into our Company, subject to necessary statutory/regulatory approvals under applicable law. Since the schemes of demerger and amalgamation are subject to necessary statutory and regulatory approvals under applicable laws including approval of the NCLT, the timing of implementation thereof remains uncertain.***

We intend to demerge Isagro's domestic business-to-customer business into our Subsidiary, Jivagro Limited pursuant to the scheme of arrangement between Isagro, Jivagro Limited and their respective shareholders under Sections 230 to 232 of the Companies Act, 2013. Further, on February 12, 2020, our Board approved the scheme of amalgamation between Isagro and our Company and their respective shareholders under Sections 230 to 232 of the Companies Act, 2013, for amalgamation of technical and custom synthesis and manufacturing business of Isagro with and into our Company. Pursuant to such amalgamation, Isagro will stand dissolved.

The schemes are subject to necessary statutory/regulatory approvals under applicable laws, including approval of the NCLT. Accordingly, the timing of the demerger and amalgamation remains uncertain.

If we are unable to successfully demerge and amalgamate the business operations of Isagro, we may not be able to realize all the benefits we currently expect as a result of the demerger and amalgamation. Any failure to realize the anticipated benefits in a timely manner, or at all, could have an adverse effect on our business, results of operations, financial condition and cash flows with consequential impact on financial statements.

18. ***Genetic changes to crops and weed and insect resistance may reduce demand for our products and adversely affect our business and results of operations.***

Significant research is being carried out to develop and commercialize seed traits that carry resistance to many of the pests, such as insects and fungi, for which farmers currently use crop protection products. Successful commercialization of such traits may result in lower demand for certain of our products. Conversely, there have been instances of species of weeds and insects evolving to have resistance to crop protection products designed to control or eradicate them. Such resistance may result in reduced demand for the affected product, which may not be offset by increased sales of alternative products. If we fail to adapt our product range to respond to such developments, demand for our products or their price may decline and adversely affect our business and results of operations.

19. ***Our operations depend on the availability of timely and cost-efficient transportation and other logistic facilities and any prolonged disruption may adversely affect our business and results of operations.***

Our operations depend on the timely transport of raw materials to our manufacturing facilities and of our products to our customers. We use a combination of land and ocean transport for such purposes, which are subject to various bottlenecks and other hazards beyond our control, including customs, weather, strikes or civil disruptions. We typically rely on third party transportation providers and engage carrying and forwarding agents to supply most of our raw materials and to deliver products to our customers. Any failure to maintain a continuous supply of raw materials or to deliver our products to our customers in an efficient and reliable manner could have an adverse effect on our business and results of operations.

20. ***We face foreign exchange risks that could adversely affect our results of operations.***

We are exposed to foreign exchange risks since our business is dependent on imports and exports entailing large foreign exchange transactions, in currencies including the US Dollar, the Japanese Yen and the Euro. In addition, we have certain foreign currency borrowings and our future capital expenditures, including any imported equipment and machinery, may be denominated in foreign currencies. For details of a sensitivity analysis for a change in foreign currency rates, see "*Financial Statements – Notes to Consolidated Financial Statements - Note 40(III) – Market Risk – Foreign Currency Risk*", on page 385. Although we closely follow our exposure to foreign currencies and selectively enter into hedging transactions in an attempt to reduce the risks of currency fluctuations, these activities are not always sufficient to protect us against incurring potential losses if currencies fluctuate significantly. In addition, the policies of the RBI may also change from time to time, which may limit our ability to effectively hedge our foreign currency exposures and may have an adverse effect on our results of operations and cash flows.

***21. The agrochemical industry is intensely competitive and our inability to compete effectively may adversely affect our business, results of operations and financial condition.***

The agrochemical industry is a highly competitive market with several major companies present, and therefore it is challenging to maintain or improve market share and profitability. For example, our revenue from sale of formulation in India reduced to ₹ 7,700 million for the financial year 2020 from ₹ 9,030 million for the financial year 2019, primarily due to competitive pressures on certain products. Many of our competitors may have greater financial, manufacturing, R&D, marketing and other resources, more experience in obtaining regulatory approvals, greater geographic reach, broader product ranges or a stronger sales force. Our competitors may succeed in developing products that are more effective, popular or cheaper than ours, which may render our products uncompetitive and adversely affect our business, results of operations and financial condition. Further, some of our competitors, which include major multinational corporations, may consolidate and integrate their operations, and the strength of combined companies could affect our competitive position. Consolidated corporations may have greater financial, manufacturing, R&D, marketing and other resources, broader product ranges and larger, stronger sales forces, which may make them more competitive than us. Further, the multinational corporations with whom we work may establish a presence in India organically or inorganically and terminate their arrangements with us. Additionally, if one of our competitors or their customers acquire any of our customers or suppliers, we may lose business from the customer or lose a supplier of a critical raw material or component, which may adversely affect our business, results of operations and financial condition.

In addition, as a part of our in-licensing arrangements with multinational corporations, we enter into licenses to market products developed by them in the Indian markets for a stipulated time period, which enables us to introduce new and novel products. However, if we are unable to obtain such licenses from multinational corporations in the future, or if similar licenses for the same product are also granted to any of our competitors, we may face competition with respect to such products, which may adversely affect our business and results of operations.

***22. Changes in technology may render our current technologies obsolete or require us to incur substantial capital expenditure.***

Our industry rapidly changes due to technological advances and scientific discoveries. These changes result in the frequent introduction of new products and significant price competition. If our technologies become obsolete, and we are unable to effectively introduce new products or processes, our business and results of operations could be adversely affected. Although we strive to keep our technology, facilities and machinery current with the latest international standards, the technologies, facilities and machinery we currently employ may become less competitive or even obsolete due to advancement in technology or changes in market demand, which may require us to incur substantial capital expenditure. The cost of implementing new technologies and upgrading our manufacturing facilities could be significant. If our competitors introduce superior technology and we cannot make enhancements to ours to remain competitive, either because we do not have the resources to continually improve our technology by adequately investing in R&D or for any other reason, our competitive position, and in turn our business, results of operations and financial condition may be adversely affected.

***23. Orders in our order book may be delayed, modified or cancelled or may not translate to confirmed orders, which may have an adverse effect on our business, results of operations and financial condition.***

As of March 31, 2020, our order book for our custom synthesis and manufacturing exports, which we define as the value of projects for which we have entered into definitive agreements minus the revenue already recognized from those projects, was over USD 1.5 billion. Order book projects only represent business that is considered 'firm', although cancellations or unanticipated variations or scope or schedule adjustments may occur due to unforeseen circumstances. The occurrence of any such events may lead to a delay in the execution of planned projects in our order book and result in the cancellation of orders or the deferment of revenue, which may have an adverse effect on our business, results of operations and financial condition.

***24. We plan our capital expenditure for our custom synthesis and manufacturing exports against contracts that are either signed or being negotiated and our failure to successfully enter into such contracts could adversely affect our business and results of operations.***

We derive a substantial portion of our revenues from custom synthesis and manufacturing exports and have incurred capital expenditure over the years to grow our operations and set up additional manufacturing plants. We typically plan and incur capital expenditure for future periods against long-term contracts that are either signed or being negotiated. However, our inability to successfully enter into such contracts may result in us incurring expenses and making investments without a proportionate increase in our revenues. The occurrence of any such event could adversely affect our business and results of operations.

***25. Our management team and other key personnel are critical to our continued success and the loss of such personnel could adversely affect our business.***

Our success significantly depends upon the continued service of our management team and other key personnel and our ability to retain and attract qualified individuals is critical to our success. These executives possess technical and business capabilities that may be difficult to replace. Competition for individuals with specialized knowledge and experience is intense in our industry. If we lose the services of such members, we may be unable to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could adversely affect our business operations. Further, as we expect to continue to expand our operations and develop new products, we will need to continue to attract and retain experienced management personnel. If we are unable to attract and retain qualified personnel, our results of operations may be adversely affected.

***26. Significant disruptions of information technology systems or breaches of data security could adversely affect our business.***

We depend upon information technology systems, including internet-based systems, for our business operations. The size and complexity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and computer viruses. Although we have not experienced any significant disruptions to our information technology systems, we cannot assure you that we will not encounter disruptions in the future. Any such disruption may result in the loss of key information and disrupt our operations, which could adversely affect our business and results of operations. In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others that may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, customers and others. Any such security breaches could have an adverse effect on our business and reputation.

***27. We are susceptible to product liability claims that may not be covered by insurance, which may require substantial expenditure and may adversely affect our reputation and if successful, could require us to pay substantial sums.***

Our business inherently exposes us to potential product liability claims, and the severity and timing of such claims are unpredictable. We face the risk of loss resulting from, and the adverse publicity associated with, product liability lawsuits, whether or not such claims are valid. While our products are extensively researched before being commercialized, there is no certainty of their long-term effects on soil or water supplies and any adverse effects caused by such products could adversely affect our business and reputation. We may also be subject to claims resulting from manufacturing defects or negligence in storage or handling, which may lead to the deterioration of our products, or from defects arising from deterioration in our quality controls. Product liability claims, regardless of their merits or the ultimate success of the defense against them, are expensive. Even unsuccessful product liability claims would likely require us to incur substantial amounts on litigation, divert our management’s time, adversely affect our goodwill and impair the marketability of our products. Although we have obtained product liability coverage, if any product liability claim sustained against exceeds the policy limits, it could harm our business and financial condition.

A successful product liability claim that is excluded from coverage or exceeds our policy limits may require us to pay substantial sums and may adversely affect our financial position and results of operations. In addition, insurance coverage for product liability may become prohibitively expensive in the future. As a result, it is possible that, in the future, we may not be able to obtain the type and amount of coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

***28. The availability of counterfeit products passed off by others as our products, could adversely affect our reputation, goodwill and results of operations.***

Entities in India could pass off their own products as ours, including counterfeit or pirated products. For example, certain entities could imitate our brand names, packaging materials or attempt to create look-alike products. As a result, our market share could be reduced due to replacement of demand for our products and adversely affect our goodwill. The proliferation of unauthorized copies of our products, and the time and attention lost to defending claims and complaints about spurious products, could decrease our revenue and have an adverse effect on our reputation, goodwill and results of operations.

***29. Our insurance coverage may not be sufficient or adequate to protect us against all material hazards, which may adversely affect our business, results of operations and financial condition.***

We could be held liable for accidents that occur at our manufacturing facilities or otherwise arising out of our operations. In the event of personal injuries, fires or other accidents suffered by our employees or other people, we could face claims alleging that we were negligent, provided inadequate supervision or be otherwise liable for the injuries. Our principal types of coverage include burglary policy, business suraksha policy, public liability policy, fire and special perils policy, electronic equipment policy, marine insurance policy, erection all risks policy, commercial general liability insurance policy, industrial all risk insurance policy, and directors' and officers' liability insurance policy.

While we believe that the insurance coverage which we maintain would be reasonably adequate to cover the normal risks associated with the operation of our business, we cannot assure you that any claim under the insurance policies maintained by us will be honored fully, in part or on time, or that we have taken out sufficient insurance to cover all our losses. In addition, our insurance coverage expires from time to time and we may not be able to renew our policies in a timely manner, or at acceptable cost. To the extent that we suffer loss or damage, for which we have not obtained or maintained insurance, or which is not covered by insurance, which exceeds our insurance coverage or where our insurance claims are rejected, the loss would have to be borne by us and our results of operations and financial condition could be adversely affected.

***30. We may be affected by strikes, work stoppages or increased wage demands by our employees that could interfere with our operations.***

As at March 31, 2020, we had 3,024 employees, in addition to contractual labour. The success of our operations depends on availability of labour and maintaining good relationship with our workforce. We cannot assure you that our relations with our employees shall remain cordial at all times and that employees will not undertake or participate in strikes, work stoppages or other industrial actions in the future. Any labour disruptions may adversely affect our manufacturing operations, increasing our cost of production or even halting a portion of our production. Since these disruptions are difficult to predict or control, they may also cause us to miss sales commitments, hurt our relationships with customers and disrupt our supply chain, which could adversely affect our business and results of operations.

***31. If we are unable to raise additional capital, our business, results of operations and financial condition could be adversely affected.***

We will continue to incur significant expenditure in maintaining and growing our existing infrastructure. We cannot assure you that we will have sufficient capital resources for our current operations or any future expansion plans that we may have. While we expect our cash on hand and cash flow from operations to be adequate to fund our existing commitments, our ability to incur any future borrowings is dependent upon the success of our operations. Our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions and the effect of events such as the COVID-19 pandemic, credit availability from banks, investor confidence, the continued success of our operations and laws that are conducive to our raising capital in this manner. Any unfavourable change to terms of borrowings may adversely affect our cash flows, results of operations and financial conditions. If we decide to meet our capital requirements through debt financing, we may be subject to certain restrictive covenants and may have to grant security interests over certain of our assets. If we are unable to raise adequate capital in a timely manner and on acceptable terms, or at all, our business, results of operations and financial condition could be adversely affected.

Further, in terms of SEBI circular dated November 26, 2018, our Company is a large corporate and, therefore, needs to arrange capital in a certain manner, including from the capital markets in accordance with such circular. We can provide no assurance that we will be able to do so. Further, in the event of shortfall in the mandatory borrowing in the required manner, our Company may be subjected to fines.

***32. Our ability to access capital at attractive costs depends on our credit ratings. Non-availability of credit ratings or a poor rating may restrict our access to capital and thereby adversely affect our business and results of operations.***

The cost and availability of capital, among other factors, depend on our credit rating. Our debt instruments/facilities have been rated CRISIL AA/Positive (long-term rating) and CRISIL A1+ (short-term rating) by CRISIL Limited by way of letter dated September 23, 2019. Our credit rating reflects, amongst other things, the rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. Our inability to obtain such credit rating in a timely manner or any non-availability of credit ratings, or poor ratings, or any downgrade in our ratings may increase borrowing costs and constrain our access to capital and lending markets and, as a result, could adversely affect our business and results of operations. In addition, non-availability of credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements.

***33. Our lenders have imposed certain restrictive conditions on us under our financing arrangements. This may limit our ability to pursue our business and limit our flexibility in planning for, or reacting to, changes in our business or industry.***

As of March 31, 2020, we had total outstanding borrowings of ₹ 5,174 million. Many of our financing agreements include conditions and restrictive covenants, including the requirement that we obtain consent from or intimate our respective lenders prior to carrying out certain activities and entering into certain transactions including, among others, (a) the amendment of our memorandum and articles of association; (b) incurrence of additional debt; (c) issuance of new securities and changing our capital structure or management structure; (d) formulating any scheme of amalgamation or reconstruction; (e) implementation of any scheme of expansion; and (f) declaration or payment of dividend. These restrictions may limit our flexibility in responding to business opportunities, competitive developments and adverse economic or industry conditions. Further, while we have received consents from all our lenders for undertaking this Issue (to the extent required under the relevant facility agreements), in respect of one of our financing arrangements, while we have been provided a consent from the relevant lender to proceed with and consummate this Issue, we have been unable to procure waivers in respect of: (i) our non-compliance with certain covenants related to this Issue, including notifying the lender in advance of issuing notice to our Shareholders in respect of this Issue, and providing the lender a right of first refusal of *pro rata* business on this Issue, and (ii) certain rights of the lender that will be triggered by our undertaking this Issue, including the right to require money received from applicants for allotment of shares to be paid into the joint account of our Company and the lender, and use of the Issue proceeds for repayment of principal or interest due to the lender. The respective lender has been made aware of the situations that may arise under (i) and (ii) above and has not declared any event of default in relation thereto as on date. A breach of any of the covenants, or a failure to pay interest or indebtedness when due, under this or any of our other financing arrangements, could result in a variety of adverse consequences, including the termination of one or more of our credit facilities, levy of penal interest, the enforcement of any security provided, acceleration of all amounts due under such facilities, right to appoint nominee on our Board and cross-defaults under certain of our other financing agreements, any of which may adversely affect our business, results of operations and financial condition.

Our financing agreements also generally contain certain financial covenants including the requirement to maintain, among others, specified debt-to-equity ratios. These covenants vary depending on the requirements of the financial institution extending the loan and the conditions negotiated under each financing document. Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. We cannot assure you that we will comply with the covenants with respect to our financing arrangements in the future or that we will be able to secure waivers for any such non-compliance in a timely manner or at all. If the obligations under any of our financing agreements are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes.

***34. Any change in Government policies towards the agriculture sector or a reduction in subsidies and incentives provided to farmers could adversely affect our business and results of operations.***

We expect that state and central government policies will continue to affect the income available to farmers to purchase agrochemical products. Consequently, any changes in Government policies relating to the agriculture sector such as the reduction of government expenditure towards agriculture, the withdrawal of or changes in incentives and subsidies provided to farmers, export restrictions on crops, adverse changes in commodity prices or minimum support prices could affect the ability of farmers to spend on agrochemical products, which in turn could adversely affect our business and results of operations.

***35. We do not own premises for our manufacturing facilities, corporate office, zonal offices and certain depots from which we operate. Further, some of the leases for our zonal offices and depots have expired.***

We do not own premises for our manufacturing facilities, corporate office, zonal offices and certain depots from which we operate. Further, some of the leases for our zonal offices and depots have expired. We cannot assure you that we will be able to renew our leases on commercially acceptable terms, or at all. In the event that we are required to vacate our current premises, we would be required to make alternative arrangements for new offices and other infrastructure and we cannot assure that the new arrangements will be on commercially acceptable terms. If we are required to relocate our business operations or shut down our manufacturing units, we may suffer a disruption in our operations or have to pay increased charges, which could have an adverse effect on our business, prospects, results of operations, cash flows and financial condition.

***36. We have in the past entered into related party transactions and will continue to do so in the future and we cannot assure you that we could not have achieved more favourable terms if such transactions had not been entered into with related parties.***

We have in the past entered into transactions with certain of our related parties. For details, see "*Related Party Transactions*" on page 56. While we believe that all such transactions have been conducted on an arm's length basis, we cannot assure you that we could not have obtained more favourable terms had such transactions been entered into with unrelated parties. Further, it is likely that we may enter into related party transactions in the future. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

***37. There is outstanding litigation against our Company and its Subsidiaries. An adverse outcome in any of these proceedings may affect our business, reputation and results of operations.***

There are certain outstanding legal proceedings pending against our Company and its Subsidiaries. See "*Legal Proceedings*" on page 189. Further, Ms. Ramni Nirula, our Independent Director's name had appeared in the Ministry of Corporate Affairs' list of disqualified directors under Section 164(2)(a) of the Companies Act, 2013, and it has been removed from such list as per the order of Delhi High Court dated December 20, 2017. Additionally, a suit before the Principal Senior Civil Judge of Bharuch and a miscellaneous application before the National Company Law Tribunal at Mumbai have been filed against our Company and other parties, in relation to the land allotted to our Company and other parties by Sterling SEZ and Infrastructure Limited at village Sarod, Jambusar. We cannot assure you that these proceedings will be decided in favor of our Company or its Subsidiaries, management, Directors and employees involved therein. Further, we cannot assure you that the financial provisions we have made for such legal proceedings will be sufficient. Such legal proceedings could divert the management's time and attention, and consume financial resources in their defense or prosecution. In addition, should any new developments arise such as changes in Indian law or rulings against our Company by the regulators, appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. An adverse outcome in such proceedings could have an adverse effect on the ability of our management, Directors and employees, who are involved in the above proceedings, to serve us, and may also have an adverse effect on our business, reputation and results of operations.

***38. Our Promoters will be able to exercise significant influence and control over our Company after this Issue and may have interests that are different from those of our other shareholders.***

As of March 31, 2020, our Promoters held 51.35% of the subscribed and paid-up Equity Share capital of our Company. By virtue of their shareholding, our Promoters will have the ability to exercise significant influence over our Company and our affairs and business, including the election of our Directors, the timing and payment of dividends, the adoption of and amendments to our Memorandum and Articles of Association, the approval of a merger, amalgamation or sale of our assets and the approval of most other actions requiring the approval of our Shareholders. The interests of our Promoters may be different from or conflict with the interests of our other Shareholders and their influence may result in change of management or control of our Company, even if such a transaction may not be beneficial to our other shareholders.

***39. Our Directors and Senior Management Personnel have interests in us other than the reimbursement of expenses incurred and normal remuneration and benefits.***

Our Directors and Senior Management Personnel may be deemed to be interested to the extent of Equity Shares held by them, directly or indirectly, in our Company, as well as to the extent of any dividends, bonuses or other distributions on such shareholding. For details, see "*Capital Structure*" on page 49.

We cannot assure you that our Directors and our Senior Management Personnel, if they are also our shareholders, will exercise their rights as shareholders to the benefit and best interest of our Company. For details, see "*Board of Directors and Senior Management – Interests of Directors of Company*" and "*Board of Directors and Senior Management – Interests of Senior Management*" on pages 126 and 133, respectively.

***40. Information relating to the historical installed capacity and capacity utilization of our manufacturing facilities included in the Preliminary Placement Document and this Placement Document is based on various assumptions and estimates and our future production and capacity may vary.***

Information relating to the historical installed capacity and capacity utilization of our manufacturing facilities included in the Preliminary Placement Document and this Placement Document is based on various assumptions and estimates of our management and an independent chartered engineer, including assumptions relating to availability and quality of raw materials and assumptions relating to potential utilization levels and operational efficiencies. Actual production volumes and capacity utilization rates may differ significantly from the estimated production capacities of our manufacturing facilities. Investors should therefore not place undue reliance on our historical installed capacity information for our existing manufacturing facilities included in the Preliminary Placement Document and this Placement Document.

***41. We have commissioned an industry report from Frost & Sullivan which has been used for industry related data in this Placement Document and such data has not been independently verified by us. Accordingly, prospective investors are advised not to place undue reliance on such information.***

We have commissioned Frost & Sullivan to prepare a report on the agrochemical industry and they have provided us with a report titled "India Speciality Chemicals and CSM Market Overview" (the "**Frost & Sullivan Report**"), which has been used for industry related data that has been disclosed in this Placement Document. The Frost & Sullivan Report uses certain methodologies for market sizing and forecasting. Neither we, nor any of the Managers have independently verified such data and therefore, while we believe them to be true, we cannot assure you that they are complete or reliable.

Accordingly, investors should read the industry related disclosure in this Placement Document in this context. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. While industry sources take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data. Accordingly, investors should not place undue reliance on, or base their investment decision solely on the information in the Frost & Sullivan Report.

42. ***Our ability to pay dividends in the future will depend upon our earnings, financial condition, cash flows and capital requirements.***

Dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. Our ability to pay dividends depends on our earnings, financial condition, cash flows and capital requirements. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. We cannot assure you that we will be able to pay dividends in the future. For further details on our dividend policy, see "*Dividend Policy*" on page 57.

Additionally, the Finance Act, 2020 ("**Finance Act**") provides, amongst other things that dividend distribution tax ("**DDT**") will not be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident.

43. ***We have certain contingent liabilities, which, if materialized, may adversely affect our financial condition and results of operations.***

As of March 31, 2020, our contingent liabilities were as follows:

*(₹ in million)*

| Matters | As of March 31, 2020 |
|---|---|
| Claims against us not acknowledged as debt: | |
| - Sales tax including GST | 62 |
| - Excise duty | 248 |
| - Income tax | 125 |
| - ESI | 1 |
| - Other matters, including claims relating to customers, labour and third | 19 |
| Guarantees excluding financial guarantees: | |
| - Performance bank guarantees | 442 |
| Other money for which we are contingently liable: | |
| - Letter of credit | 1,393 |

If a significant portion of these liabilities materialize, it could have an adverse effect on our results of operations and financial condition.

44. ***We engage contract labour for carrying out certain business operations.***

We engage independent contractors through whom we engage contract labour for performance of certain functions at our manufacturing units as well as at our offices. Although we do not engage these labourers directly, we are responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. Any requirement to fund their wage requirements may have an adverse impact on our results of operations and our financial condition.

45. ***The success of our business and operations are dependent upon certain quality accreditations which are valid for a limited time period. An inability to renew such accreditations in a timely manner, or at all, may adversely affect our business and prospects.***

Our manufacturing plants are certified ISO 9001:2015 for quality management systems, ISO 14001:2015 for environment management systems and OHSAS 18001:2007 for occupational health and safety systems. The analytical laboratories at our R&D centre at Udaipur, Rajasthan have GLP certification and NABL ISO/IEC 17025:2005 accreditation that expired on June 29, 2020 and our Company has made an application for its renewal. Receipt of certifications and accreditations under the standards of quality is important for the success and wide acceptability of our products. If we fail to comply with the requirements for applicable quality standards, or if we are otherwise unable to obtain or renew such quality accreditations in the future, in a timely manner, or at all, our business and prospects may be adversely affected.

***46. If we are unable to manage our growth strategy effectively, our business and prospects may be adversely affected.***

The primary elements of our business strategy are to continue to grow our custom synthesis and manufacturing exports by expanding our technology platforms, leveraging customer reach and product portfolio to increase market share in the domestic market and selectively pursuing inorganic growth opportunities to diversify into adjacencies and de-risk existing operations. However, our growth strategies may strain our managerial, operational, financial and other resources. If we are unable to manage our growth strategy effectively, our business, results of operations and financial condition may be adversely affected.

***47. Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and have not been independently appraised and may be subject to change based on various factors, some of which are beyond our control.***

Our funding requirements and deployment of the Net Proceeds are based on internal management estimates based on current market conditions and have not been appraised by any bank or financial institution or other independent agency. Furthermore, in the absence of such independent appraisal, our funding requirements may be subject to change based on various factors which are beyond our control. For details, please see "*Use of Proceeds*" on page 47.

***48. We receive certain tax benefits under the provisions of the IT Act, which if withdrawn, may adversely affect our business, results of operations, cash flows and financial condition.***

Our business enjoys various tax benefits under the IT Act and is also expected to benefit from special economic zone related tax benefits. Our Company has installed captive power plant ("**CPP**") at Panoli, Gujarat which qualifies as power generating unit as per the provisions of Section 80-IA of the IT Act. The CPP was commissioned in Fiscal 2011. As per the provisions of Section 80-IA of the IT Act, the profits and gains from the business of generation of power will be eligible for deduction of 100% for a period of 10 consecutive years in a block 15 years starting from the year in which the company starts generating power, subject to compliance with conditions specified in Section 80-IA of the IT Act. Our Company has started claiming deduction under Section 80-IA of the IT Act from the Fiscal 2012. In the event that these benefits are no longer available to us due to any change in law or a change in the nature of our property developments, the effective tax rates payable by us will increase and consequently our business, results of operations, cash flows and financial condition may be adversely affected.

Further, our Company has established an industrial undertaking at Jambusar, Gujarat which is referred to in clause (zc) of Section 2 of the Special Economic Zones Act, 2005. As per the provisions of the Section 10AA of the IT Act, the undertaking would be eligible for deduction of 100% of the profits and gains derived from the export of such articles or things or from services for a period of five consecutive assessment years relevant to the previous year in which the unit begins to manufacture or produce such article or things or provide services, and 50% of such profits and gains for further five assessment years and thereafter for the next five consecutive assessment years, so much of the amount not exceeding 50%, of the profits as is debited to profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be called the "Special Economic Zone Re-investment Reserve Account" to be created and utilized for the purposes of the business of the assessee in the manner laid down in Section 10AA of the IT Act. For details, see "*Statement of Possible Tax Benefits*" on page 175.

***49. There can be no assurance that we will not be a PFIC for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. investors that hold Equity Shares.***

For U.S. federal income tax purposes, we will be a passive foreign investment company ("**PFIC**") for any taxable year in which, after the application of certain look-through rules with respect to subsidiaries, either (i) at least 75% of our gross income consists of passive income or (ii) at least 50% of the average quarterly value of our assets consists of assets that produce, or are held for the production of, passive income. Passive income generally includes dividends, interest, rents, royalties, and certain capital gains. Based on the current and projected composition of our income and assets, and the valuation of our assets, including goodwill, we do not expect to be a PFIC for the current taxable year or the foreseeable future. However, because PFIC status is determined on an annual basis, and therefore our PFIC status for the current taxable year and any future taxable year will depend upon the future composition of our income and assets, there can be no assurance that we will not be a PFIC for any taxable year.

If we are a PFIC for any taxable year during which a U.S. investor holds Equity Shares, we generally would continue to be treated as a PFIC with respect to that U.S. investor for all succeeding years during which the U.S. investor holds such Equity Shares, even if we ceased to meet the threshold requirements for PFIC status. Such a U.S. investor may be subject to adverse U.S. federal income tax consequences, including (i) the treatment of all or a portion of any gain on disposition as ordinary income, (ii) the application of a deferred interest charge on such gain and the receipt of certain dividends and (iii) compliance with certain reporting requirements. We do not intend to provide the information that would enable investors to make a qualified electing fund election that could mitigate the adverse U.S. federal income tax consequences should we be classified as a PFIC. You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of owning and disposing of Equity Shares if we are to become classified as a PFIC.

For further details, see "*Taxation - Certain U.S. Federal Income Tax Considerations*" in this Placement Document.

***50. Some of our corporate records, regulatory filings, including those relating to allotments and forfeiture of our equity shares in the past and certain documents evidencing the biographies of certain our Senior Management Personnel are not traceable.***

Certain corporate records and regulatory filings in relation to certain allotments and forfeiture of equity shares of our Company from its incorporation on December 31, 1946 up to the period prior to year 1993, are not traceable. We have been unable to trace these documents despite conducting a search at the relevant Registrar of Companies, and may be unable to obtain copies of these documents in the future to ascertain details of the relevant transactions. We have placed reliance on other documents, including our annual reports, audited financial statements for the period prior to the year 1992 and minutes of the meetings of the Board of Directors and Shareholders for corroborating the share capital history of our Company for such period, and we cannot assure that the information gathered through other alternative available documents are accurate. For details, see "*Capital Structure*" on page 49.

Further, the brief biographies of our Senior Management Personnel are disclosed in "*Board of Directors and Senior Management*" chapter on page 125, which includes details of their educational qualifications and work experience. However, original documents such as appointment letter, relieving letter, experience certificate etc. evidencing the work experience of Dr. KVS Ram Rao, CEO – CSM Export and Mr. Rahul Gautam, Chief People Officer, at certain organizations for a particular period out of their total period of work experience till date, are not available and we have relied on affidavits provided by such Senior Management Personnel, to verify the authenticity of such disclosures. We cannot assure you that such disclosures do not have any inadvertent errors or omissions.

***51. Our audited financial statements for the financial year 2020 have not yet been placed before our Shareholders in a general meeting.***

Pursuant to a resolution dated June 4, 2020, our Board approved the financial results for the quarter and year ended March 31, 2020, as recommended by the audit committee of our Company. In terms of Section 134(3) of the Companies Act, 2013, as amended, read with Rule 8 of Companies (Accounts) Rules, 2014, as amended, a board report shall be prepared based on the reporting period which shall be placed before our Shareholders in a general meeting. Our Company, in due course will hold its annual general meeting for the year ended March 31, 2020 and place our audited financial statements before our Shareholders. Such audited financial statements, which include the Audited Consolidated Financial Statements for Fiscal 2020 included in this Placement Document, the Board of Directors of our Company shall lay such financial statements in the annual general meeting for adoption by our Shareholders.

**Risks Relating to India**

***52. Adverse geopolitical conditions such as increased tensions between India and China, could adversely affect our business, results of operations and financial condition.***

Adverse geopolitical conditions such as increased tensions between India and China resulting in any military conflict in the region could adversely affect our business and operations. Such events may lead to countries imposing restrictions on the import or export of products or raw materials, among others, and affect our ability to procure raw materials required for our manufacturing operations. We could also be affected by the introduction of import tariffs in India, or in the countries to which we export our products, or changes in trade agreements between countries.

***53. If there is a change in policies related to tax, duties or other such levies applicable to us, it may affect our results of operations.***

New or revised accounting policies or policies related to tax, duties or other such levies promulgated from time to time by relevant tax authorities may adversely affect our results of operations. For instance, the General Anti Avoidance Rules ("**GAAR**") became effective from April 1, 2017. The tax consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit, among other consequences. In the absence of any precedents on the subject, the application of these provisions is uncertain. If the GAAR provisions are made applicable to our Company, it may have an adverse tax impact on us. We cannot assure you as to what action current or future Governments will implement regarding tax incentives or excise duty benefits. Moreover, any Government policies restricting the allotment of land in areas where we intend to establish facilities could adversely affect our plans to expand our manufacturing facilities. We may not be able to comply with the obligations and stipulations that would allow us to avail ourselves of such benefits or concessions, and consequently, we may lose such benefits and concessions.

***54. It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.***

We are incorporated under the laws of India and all our Directors and executive officers reside in India. A substantial majority of our assets, and the assets of our Directors and officers, are also located in India. As a result, you may be unable to:

- effect service of process outside of India upon us and such other persons or entities; or
- enforce in courts outside of India judgments obtained in such courts against us and such other persons or entities.

For further details, see "*Enforcement of Civil Liabilities*" on page 14.

**Risks Relating to the Equity Shares and this Issue**

***55. The trading price of our Equity Shares may be subject to volatility and you may not be able to sell your Equity Shares at or above the Issue Price.***

The Issue Price has been determined by us in consultation with the Managers, based on the Bids received, in compliance with Chapter VI of the SEBI ICDR Regulations, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete.

The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our Equity Shares.

***56. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.***

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. The IT Act levies taxes on such long-term capital gains exceeding ₹ 100,000 per financial year arising from sale of equity shares on or after April 1, 2018, while continuing to exempt the unrealized capital gains earned up to January 31, 2018 on such equity shares subject to specific conditions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of securities transaction tax ("**STT**"), on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realized on the sale of Equity Shares held for more than 12 months, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India.

Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

***57. Fluctuations in the exchange rate between the Rupee and the U.S. dollar could have an adverse effect on the value of our Equity Shares, independent of our operating results.***

Our Equity Shares are quoted in Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will be paid in Rupees and subsequently converted into foreign currencies for repatriation. Any adverse movement in exchange rates during the time such conversion is undertaken may reduce the net dividend to investors. In addition, any adverse movement in exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by shareholders. The exchange rate between the Rupee and the U.S. dollar has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of our Equity Shares and returns from our Equity Shares, independent of our operating results.

***58. A downgrade in ratings of India, may affect the trading price of the Equity Shares.***

Our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. India's sovereign rating decreased from Baa2 with a "negative" outlook to Baa3 with a "negative" outlook by Moody's and from BBB with a "stable" outlook to BBB with a "negative" outlook (Fitch) in June 2020; and from BBB "stable" to BBB "negative" by DBRS in May 2020. India's sovereign ratings from S&P is BBB- with a "stable" outlook. Any further adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available, including raising any overseas additional financing. A downgrading of India's credit ratings may occur, for example, upon a change of government tax or fiscal policy, which are outside our control. Such events may adversely affect our business and results of operations as well as the trading price of the Equity Shares.

***59. There is no guarantee that our Equity Shares issued pursuant to this Issue will be listed, or continue to be listed, on the Indian stock exchanges in a timely manner, or at all, and prospective investors***

***will not be able to immediately sell their Equity Shares on a Stock Exchange.***

In accordance with Indian law and practice, final approval for listing and trading of our Equity Shares issued pursuant to this Issue will not be applied for or granted until after our Equity Shares have been issued and allotted. Such approval will require the submission of all other relevant documents authorizing the issuance of our Equity Shares. Accordingly, there could be a failure or delay in listing our Equity Shares on the NSE and BSE, which would adversely affect your ability to sell our Equity Shares.

***60. Applicants to this Issue were not allowed to withdraw their Bids after the Bid/Issue Closing Date.***

In terms of the SEBI ICDR Regulations, applicants in this Issue were not allowed to withdraw or revise downwards their Bids after the Bid/Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the applicant's demat account with its depository participant could take approximately seven days and up to 10 working days from the Bid/Issue Closing Date. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation or financial condition, or other events affecting the applicant's decision to invest in the Equity Shares, would not arise between the Bid/Issue Closing Date and the date of Allotment of Equity Shares in this Issue. Occurrence of any such events after the Bid/Issue Closing Date could also impact the market price of the Equity Shares. The applicants shall not have the right to withdraw their Bids in the event of any such occurrence without the prior approval of SEBI. We may complete the Allotment of the Equity Shares even if such events may limit the applicants' ability to sell the Equity Shares after this Issue or cause the trading price of the Equity Shares to decline.

***61. Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.***

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI will be required. Further, in accordance with press note 3 of 2020, dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, the FDI Policy has been recently amended to state that all investments by entities incorporated in a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country will require prior approval of the Government of India. These investment restrictions shall also apply to subscribers of offshore derivative instruments.

In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

***62. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

The Equity Shares will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond a certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the stock exchanges based on historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

***63. Any future issuance of Equity Shares or convertible securities or other equity linked securities by us may dilute your shareholding and adversely affect the trading price of our Equity Shares.***

Any future issuance of our Equity Shares or convertible securities or other equity linked securities by us could dilute your shareholding. Any such future issuance of our Equity Shares or convertible securities or other equity linked securities or sales of our Equity Shares by any of our significant Shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further Equity Shares or convertible securities, or other equity linked securities or that the Shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

***64. An investor will not be able to sell any of our Equity Shares purchased in the Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of issue of such Equity Shares.***

Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the issue of our Equity Shares in this Issue, investors purchasing our Equity Shares in the Issue may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of their Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of our Equity Shares.

***65. Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.***

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since our Equity Shares are currently traded on the BSE and the NSE, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

***66. Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.***

Under the Companies Act, 2013 a company incorporated in India must offer holders of its Equity Shares pre-emptive rights to subscribe and pay for a proportionate number of Equity Shares to maintain their existing ownership percentages prior to the issuance of any new Equity Shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the Equity Shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

## USE OF PROCEEDS

The gross proceeds of this Issue is approximately ₹ 20,000 million. The net proceeds of this Issue, after deducting fees, commissions and expenses relating to this Issue amounting to approximately ₹ 264.82 million, is approximately ₹ 19,735.18 million ("**Net Proceeds**").

### Purpose of this Issue

Our Company proposes to utilize the Net Proceeds for (i) funding the organic or inorganic growth opportunities in the area of its operations and adjacencies, (ii) other long-term capital requirements, (iii) investments in Subsidiaries, joint venture(s) and affiliate(s) (either through debt or equity or any convertible securities), (iv) pre-payment and / or repayment of outstanding borrowings and/ or, (v) general corporate requirements or any other purposes, as may be permissible under the applicable law and approved by our Board or its duly constituted committee.

The Net Proceeds are proposed to be deployed towards the purpose set out above and are not proposed to be utilized towards any specific project. Accordingly, the requirement to disclose (i) the break-up of cost of the project (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project, is not applicable.

Our Company intends to deploy the entire Net Proceeds towards the purpose set out above by December 31, 2021. The proposed deployment of funds from the Net Proceeds are based on internal management estimates based on current market conditions and have not been appraised by any bank or financial institution or other independent agency. Our Company may have to revise these estimates from time to time on account of various factors beyond our control, such as market conditions, competitive environment, costs of commodities, interest or exchange rate fluctuations.

In accordance with applicable laws, we undertake to not utilize proceeds from the Issue unless Allotment is made and the corresponding return of Allotment is filed with the RoC, or final listing and trading approvals are received from each of the Stock Exchanges, whichever is later.

As permissible under applicable laws, our Company's management will have flexibility in deploying the Net Proceeds. The amounts and timing of any expenditure will depend on, among other factors, the amount of cash generated by our operations, competitive and market developments and the availability of acquisition or investment opportunities on terms acceptable to us. Pending utilization of the Net Proceeds, our Company intends to invest the funds in creditworthy instruments, including money market, mutual funds, and deposits with banks. Such investments will be in accordance with the investment policies approved by the Board and/ or a duly authorized committee of the Board, from time to time, and in accordance with applicable laws.

Our Company shall disclose the utilization of funds raised through QIP in its annual report every year until such funds are fully utilized.

Neither our Promoters nor our Directors are making any contribution either as a part of this Issue or separately in furtherance of the use of the Net Proceeds.

## CAPITALIZATION STATEMENT

The following table sets forth our capitalization statement as at March 31, 2020 on a consolidated basis derived from the Audited Consolidated Financial Statements, and as adjusted for this Issue. This table should be read in conjunction with "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 25, 58 and 199, respectively.

*(₹ in million)*

| Particulars | Pre-Issue (as at March 31, 2020) (on a consolidated basis) | Proposed gross proceeds from this Issue of Equity Shares | Post-Issue(*) (as at March 31, 2020) (on a consolidated basis) |
|---|---|---|---|
| | **(a)** | **(b)** | **(c)=(a)+(b)** |
| **Short term borrowings** | | | |
| - Secured | 1,083 | - | 1,083 |
| - Unsecured | - | - | - |
| **Long term borrowings (excluding current maturities)** | | | |
| - Secured | 3,994 | - | 3,994 |
| - Unsecured | - | - | - |
| | | | |
| **Total borrowings (A)** | 5,077 | - | 5,077 |
| | | | |
| Equity share capital | 138 | 14 | 152 |
| Other equity | 26,053 | 19,986 | 46,039 |
| | | | |
| **Total equity (B)** | 26,191 | 20,000 | 46,191 |
| | | | |
| **Total capitalization (A+B)** | 31,268 | 20,000 | 51,268 |
| | | | |
| **Ratio: Total debts/ Total equity (A/B)** | 0.16 | | 0.10 |

**The figures for the respective financial statements line items under Post-Issue column above, are derived after considering the impact due to proposed issue of Equity Shares and it does not consider any other transactions or movements for such financial statements line items after March 31, 2020. The debt-equity ratio post the Issue is indicative on account of the gross proceeds (before adjusting any issue expense) of ₹ 20,000 million from the proposed Issue of the Equity Shares as on March 31, 2020. The actual debt -equity ratio post the Issue would depend on the actual position of debt and equity on the date of Allotment.*

## CAPITAL STRUCTURE

The equity share capital of our Company as at the date of this Placement Document is set forth below:

*(In ₹ except share data)*

| Particulars | | Aggregate value at face value (except for securities premium account) |
|---|---|---|
| **A** | **AUTHORISED SHARE CAPITAL** | |
| | 723,000,000 Equity Shares of face value of ₹ 1 each | 723,000,000 |
| **B** | **ISSUED CAPITAL BEFORE THIS ISSUE** | |
| | 138,284,568 Equity Shares | 138,284,568 |
| **C** | **SUBSCRIBED AND PAID-UP CAPITAL BEFORE THIS ISSUE** | |
| | 138,107,993 Equity Shares | 138,107,993 |
| **D** | **PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT**(1) | |
| | 13,605,442 Equity Shares, aggregating to ₹ 20,000 million | 13,605,442 |
| **E** | **ISSUED CAPITAL AFTER THIS ISSUE** | |
| | 151,890,010 Equity Shares | 151,890,010 |
| **F** | **SUBSCRIBED AND PAID-UP CAPITAL AFTER THIS ISSUE** | |
| | 151,713,435 Equity Shares | 151,713,435 |
| **G** | **SECURITIES PREMIUM ACCOUNT** | |
| | Before this Issue | 2,166,055,975 |
| | After this Issue(2) | 22,152,450,273 |

1) *This Issue has been authorized by our Board pursuant to their resolution dated February 12, 2020 and by our Shareholders pursuant to their special resolution passed by way of postal ballot dated March 23, 2020.*
2) *The securities premium account after the Issue is calculated on the basis of Gross Proceeds*

### Equity Share Capital History of our Company

(a) The history of the equity share capital of our Company is provided in the following table.

| Date of issue | No. of equity shares | Face value per equity share (in ₹) | Issue price (in ₹) | Nature of consideration |
|---|---|---|---|---|
| April 12, 1947 | 17,818 | 10 | 10.00 | Cash |
| July 19, 1947 | 5,690 | 10 | 10.00 | Cash |
| September 20, 1947 | 2,450 | 10 | 10.00 | Cash |
| January 31, 1949 | 625 | 10 | 10.00 | Cash |
| September 11, 1949 | 484 | 10 | 10.00 | Cash |
| Pursuant to the board resolution passed in year 1949, Company has forfeited 465 equity shares of face value of ₹ 10 each. | | | | |
| Pursuant to the board resolution dated March 25, 1951, Company has forfeited 1609 equity shares of face value of ₹ 10 each. | | | | |
| June 30, 1966 | 465 | 10 | 10.00 | Cash |
| September 15, 1966 | 8,597 | 10 | 10.00 | Cash |
| March 16, 1967 | 178 | 10 | 10.00 | Cash |
| June 22, 1967 | 585 | 10 | 10.00 | Cash |
| June 14, 1969 | 336 | 10 | 10.00 | Cash |
| June 28, 1971 | 11,155 | 10 | 10.00 | Cash |
| March 13, 1974 | 23,155 | 10 | N.A. | N.A. |
| June 25, 1976 | 49,890 | 10 | 10.00 | Cash |
| June 28, 1980 | 5,057 | 10 | 10.00 | Cash |
| December 4, 1983 | 75,000 | 10 | 10.00 | Cash |
| June 29, 1985 | 199,388.5 | 10 | 10.00 | Cash |
| May 16, 1986 | 398,799 | 10 | N.A. | N.A. |
| June 16, 1989 | 228,114 | 10 | 10.00 | Cash |
| May 7, 1990 | 512,856 | 10 | N.A. | N.A. |
| January 29, 1991 | 1,000,327 | 10 | 10.00 | Cash |
| | 3,750 | 10 | 10.00 | Cash |
| March 31, 1992 | 999,500 | 10 | 10.00 | Cash |
| August 23, 1993 | 1,609 | 10 | 10.00 | Cash |
| April 10, 2009 | 35,43,754 | 10 | N.A. | N.A. |
| June 21, 2010 | 370,826 | 10 | 337.09 | Cash |
| July 12, 2010 | 3,729,167 | 10 | N.A. | N.A. |

| Date of issue | No. of equity shares | Face value per equity share (in ₹) | Issue price (in ₹) | Nature of consideration |
|---|---|---|---|---|
| April 23, 2011 | 311,658 | 10 | 259.90 | Cash |
| | 1,025,030 | 10 | 259.90 | Cash |
| Pursuant to the Shareholders' resolution dated July 16, 2011, each equity share of our Company of face value of ₹ 10 was split into two equity shares of our Company of ₹ 5 each, therefore 12,524,189 equity shares of our Company of ₹ 10 each were split into 25,048,378 equity shares of our Company of ₹ 5 each. | | | | |
| July 26, 2012 | 96,000 | 5 | 233.88 | Cash |
| | 22,796 | | 263.12 | |
| January 31, 2013 | 1,924,656 | 5 | 609.60 | Cash |
| Pursuant to the Shareholders' resolution dated April 3, 2013, each equity share of our Company of face value of ₹ 5 each was split in five equity shares of our Company of ₹ 1 each, therefore 27,091,830 equity shares of our Company of ₹ 5 each were split into 135,459,150 equity shares of our Company of ₹ 1 each. | | | | |
| August 3, 2013 | 442,500 | | 46.78 | Cash |
| | 154,640 | 1 | 52.62 | |
| | 52,790 | | 89.10 | |
| September 19, 2014 | 191,827 | 1 | 52.62 | Cash |
| | 95,212 | | 89.10 | |
| | 180,063 | | 110.07 | |
| October 15, 2015 | 1,46,127 | 1 | 52.62 | Cash |
| | 1,07,465 | | 89.10 | |
| | 2,55,125 | | 110.07 | |
| | 42,323 | | 409.28 | |
| October 25, 2016 | 101,852 | 1 | 89.10 | Cash |
| | 263,760 | | 110.07 | |
| | 61,372 | | 409.28 | |
| | 32,418 | | 613 | |
| November 17, 2017 | 202,264 | 1 | 110.07 | Cash |
| | 49,579 | | 409.28 | |
| | 41,336 | | 613 | |
| | 27,515 | | 744 | |
| December 5, 2018 | 34,934 | 1 | 409.28 | Cash |
| | 44,142 | | 613 | |
| | 44,257 | | 744 | |
| November 14, 2019 | 36,308 | 1 | 613 | Cash |
| | 41,034 | | 744 | |
| | **Total** | **138,107,993** | | |

*Notes:*

*(1) Certain corporate records and regulatory filings, with respect to certain allotments and forfeiture of equity shares of our Company from its incorporation on December 31, 1946 up to the period prior to year 1993, are not traceable. For details, see "Risk Factors - Some of our corporate records, regulatory filings, including those relating to allotments and forfeiture of our equity shares in the past and certain documents evidencing the biographies of certain our Senior Management Personnel are not traceable" on page 42.*

*(2) Our Company had issued certain fully paid up fractional coupons of ₹ 5 each, from time to time, of which every two fractional coupons were convertible into one equity share of our Company. Initial allotments of the fractional coupons were made in the year 1974 by our Company and fractional coupons were converted into equity shares of our Company, from time to time. The last conversion of outstanding fractional coupons into equity shares of our Company was made in the Fiscal 2009, subsequent to which no fresh fractional coupons were issued. As on date of this Placement Document, there are no outstanding fractional coupons, convertible into Equity Shares.*

## PI Industries Employees Stock Option Scheme

### *Employee Stock Option Scheme 2010 ("ESOP 2010")*

Our Company, pursuant to our Board resolution dated December 15, 2010 and our shareholders' resolution dated January 21, 2011, adopted ESOP 2010 that came into effect from January 21, 2011. Presently, ESOP 2010 is administered through the PII ESOP Trust ("**PII Trust**"), a trust created pursuant to a trust deed dated December 15, 2011 and implemented by a committee constituted by our Board ("**Compensation Committee**"). Our Company has allotted Equity Shares to PII Trust, from time to time, for allocation to the employees of our Company and its subsidiaries, upon exercise of employee stock options under the ESOP 2010. For details of the Equity Shares allotted to PII Trust, see "- *Equity Share Capital History of our Company*" on page 49**.**

ESOP 2010 authorizes the issuance of employee stock options, exercisable into not more than five percent of the paid up equity share capital of our Company (as on effective date of ESOP 2010), or such adjusted numbers of such face value, pursuant to any changes in the capital structure of our Company including as a result of splitting up of the face value of the equity shares, and in accordance with the terms and conditions of the ESOP 2010. Under ESOP 2010, the minimum vesting period of options from the grant date is one year, and the maximum vesting period of options from the grant date is six years. The period in which vested options may be exercised is six years from the date of vesting of options. The options which are not exercised in the vesting period, will lapse and employees have no right over such lapsed or cancelled options.

Pursuant to the recommendations of the Nomination & Remuneration Committee by way of its resolution dated October 25, 2017, our Company has discontinued the grant of stock options under ESOP 2010 and the existing options granted under ESOP 2010 would vest as per the terms and conditions contained in the respective grant letters and the ESOP 2010. As on the date of the Preliminary Placement Document, the details of options pursuant to ESOP 2010 are as follows:

| | **Number of options** |
|---|---|
| Total number of options | 6,262,090 |
| Options granted | 4,828,721 |
| Options vested | 3,279,593 |
| Options exercised | 3,102,382 |
| Options lapsed / forfeited | Nil |
| Options cancelled | 1,553,986 |
| Total options outstanding | 172,353 |

**Proposed Allottees in this Issue**

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotments of Equity Shares pursuant to this Issue shall be made by our Company, in consultation with the Book Running Lead Managers, to Eligible QIBs only, on a discretionary basis. For the names of the proposed Allottees and the percentage of post-Issue capital that may be held by them, please see "*Details of Proposed Allottees*" on page 398:

**Pre-Issue and post-Issue shareholding pattern**

The pre-Issue and post-Issue shareholding pattern of our Company is set forth below:

| **S. No.** | **Category** | **Pre-Issue as of June 26, 2020** | | **Post-Issue (for Institutional Investors) (As of June 26, 2020 for all other categories)*** | |
|---|---|---|---|---|---|
| | | **No. of Equity Shares held** | **% of share holding** | **No. of Equity Shares held** | **% of share holding** |
| **A.** | **Promoters' holding#** | | | | |
| 1. | Indian | | | | |
| | - Individual | 70,920,494 | 51.35 | 70,920,494 | 46.75 |
| | - Bodies corporate | Nil | Nil | Nil | Nil |
| | **Sub-total** | 70,920,494 | 51.35 | 70,920,494 | 46.75 |
| 2. | Foreign promoters | Nil | Nil | Nil | Nil |
| | **Sub-total (A)** | **70,920,494** | **51.35** | **70,920,494** | 46.75 |
| **B.** | **Non-promoter holding** | | | | |
| 1. | Institutional investors | 42,546,426 | 30.81 | 56,151,868 | 37.01 |
| 2. | Non-Institutional investors | 24,498,586 | 17.74 | 24,498,586 | 16.15 |
| | - Private Corporate Bodies | 1,920,075 | 1.39 | 1,920,075 | 1.27 |
| | - Directors and relatives | 609,771 | 0.44 | 609,771 | 0.40 |
| | - Indian public | 20,311,010 | 14.71 | 20,311,010 | 13.39 |
| | - Others including Non resident Indians (NRIs) | 1,657,730 | 1.20 | 1,657,730 | 1.09 |
| 3. | Non Promoter-Non | 142,487 | 0.10 | 142,487 | 0.09 |

| S. No. | Category | Pre-Issue as of June 26, 2020 | | Post-Issue (for Institutional Investors) (As of June 26, 2020 for all other categories)* | |
|---|---|---|---|---|---|
| | | No. of Equity Shares held | % of share holding | No. of Equity Shares held | % of share holding |
| | Public | | | | |
| | **Sub-total (B)** | **67,187,499** | **48.65** | **80,792,941** | **53.25** |
| | **Grand Total (A+B)** | **138,107,993** | **100** | **151,713,435** | **100** |

**The post-Issue shareholding pattern of our Company reflects the shareholding of the institutional investors category on basis of the Allocation made in the Issue, and reflects the shareholding of all other categories as of June 26, 2020.*

*# Includes the shareholding of the members forming part of Promoter Group.*

**Other confirmations**

Our Company has not allotted securities on preferential basis or private placement or by way of rights issue in the last one year preceding the date of this Placement Document.

Our Company has not made any allotments for consideration other than cash, in the last one year preceding the date of this Placement Document.

Our Equity Shares have been listed for a period of at least one year prior to the date of issuance of postal ballot notice dated February 12, 2020, to the Shareholders for the approval of this Issue.

Our Company shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue. Further, Equity Shares allotted pursuant to this Issue shall not be sold by the Allottee for a period of one year from the date of allotment, except on the Stock Exchanges.

## MARKET PRICE INFORMATION

As on the date of this Placement Document, our Company's issued Equity Share capital is ₹ 138,284,568 and subscribed and paid-up Equity Share capital is ₹ 138,107,993. The Equity Shares are listed and actively traded on NSE under the symbol PIIND and BSE under the scrip code 523642. The Equity Shares were listed on BSE and NSE on January 6, 1993 and June 15, 2011, respectively.

On July 2, 2020, the closing price of the Equity Shares on the BSE and the NSE was ₹ 1,562.65 and ₹ 1,561.95, respectively. Since the Equity Shares are available for trading on the BSE and the NSE, the market price and other information for each of the BSE and the NSE has been given separately.

A. The following tables set out the reported high, low and average of the closing prices of our Equity Shares on the NSE and the BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for, and the volume of Equity Shares traded in, for the calendar years 2019, 2018 and 2017:

**BSE**

| Year | High (₹) | Date of high | Total volume on date of high (Number of equity shares traded on the date of high) | Total turnover of equity shares traded on the date of high (₹ in million) | Low (₹) | Date of low | Total volume on date of low (Number of equity shares traded on the date of low) | Total turnover of equity shares traded on the date of low (₹ in millions) | Total volume during the calendar year (Number of equity shares traded) | Total turnover of equity shares traded in value (₹ in million) | Average price for the year (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | 1,505.6 | December 2, 2019 | 33,975 | 50.90 | 833.45 | February 5, 2019 | 449 | 0.37 | 3,823,488 | 4,445.17 | 1,141.22 |
| 2018 | 1,015.85 | January 10, 2018 | 10,687 | 10.77 | 696.1 | October 1, 2018 | 5,308 | 3.70 | 5,526,033 | 4,540.55 | 826.34 |
| 2017 | 982.5 | December 20, 2017 | 9,276 | 9.21 | 694.45 | August 11, 2017 | 633,548 | 443.26 | 9,579,294 | 7,461.91 | 824.06 |

*(Source: bseindia.com)*

*Notes:*
*1. High, low and average prices are based on the daily closing prices.*
*2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.*
*3. In case of two days with the same high or low price, the date with the higher volume has been chosen.*

**NSE**

| Year | High (₹) | Date of high | Total volume on date of high (Number of equity shares traded on the date of high) | Total turnover of equity shares traded on the date of high (₹ in million) | Low (₹) | Date of low | Total volume on date of low (Number of equity shares traded on the date of low) | Total turnover of equity shares traded on the date of low (₹ in millions) | Total volume during the calendar year (Number of equity shares traded) | Total turnover of equity shares traded in value (₹ in million) | Average price for the year (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | 1,506.55 | December 2, 2019 | 141,347 | 211.67 | 832.05 | February 5, 2019 | 26,930 | 22.48 | 32,783,055 | 37,605.61 | 1,141.33 |
| 2018 | 1,016.2 | January 10, 2018 | 247,179 | 249.96 | 696.8 | October 1, 2018 | 72,472 | 50.59 | 30,225,429 | 24,845.36 | 827.48 |
| 2017 | 986.4 | December 19, 2017 | 191,077 | 188.16 | 692.25 | August 11, 2017 | 666,871 | 464.73 | 51,387,514 | 42,019.55 | 825.20 |

*(Source: nseindia.com)*

*Notes:*
*1. High, low and average prices are based on the daily closing prices.*
*2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.*
*3. In case of two days with the same high or low price, the date with the higher volume has been chosen.*

B. The following tables set out the reported high, low and average of the closing prices of our Equity Shares recorded on the NSE and the BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for, and the volume of Equity Shares traded in each of the last six months:

**BSE**

| Month | High (₹) | Date of high | Total volume on date of high (Number of equity shares traded on the date of high) | Total turnover of equity shares traded on the date of high (₹ in million) | Low (₹) | Date of low | Total volume on date of low (Number of equity shares traded on the date of low) | Total turnover of equity shares traded on the date of low (₹ in millions) | Total volume during the calendar year (Number of equity shares traded) | Total turnover of equity shares traded in value (₹ in million) | Average price for the year (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| June 2020 | 1,631.30 | June 10, 2020 | 14,643 | 23.77 | 1504.60 | June 30, 2020 | 3,134 | 4.74 | 260,881 | 412.65 | 1,566.92 |
| May 2020 | 1,591.10 | May 28 2020 | 2,097 | 3.31 | 1,459.35 | May 18 2020 | 2,520 | 3.67 | 79,891 | 122.81 | 1,520.90 |
| April 2020 | 1,590.70 | April 30, 2020 | 12,317 | 19.41 | 1,182.10 | April 3, 2020 | 1,054 | 1.24 | 197,350 | 281.18 | 1,419.08 |
| March 2020 | 1,576.85 | March 4 2020 | 6,339 | 9.94 | 1,008 | March 24 2020 | 5,000 | 5.24 | 189,578 | 245.99 | 1,302.90 |
| February 2020 | 1,598.7 | February 7, 2020 | 10,749 | 17.21 | 1,515.1 | February 1, 2020 | 2,947 | 4.49 | 501,605 | 779.52 | 1,545.46 |
| January 2020 | 1,574.1 | January 28, 2020 | 36,615 | 57.47 | 1,409.65 | January 7, 2020 | 47,671 | 67.18 | 773,913 | 1,159.44 | 1,470.16 |

*(Source: bseindia.com)*

*Notes:*
*1. High, low and average prices are based on the daily closing prices.*
*2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.*
*3. In case of two days with the same high or low price, the date with the higher volume has been chosen.*

**NSE**

| Month | High (₹) | Date of high | Total volume on date of high (Number of equity shares traded on the date of high) | Total turnover of equity shares traded on the date of high (₹ in million) | Low (₹) | Date of low | Total volume on date of low (Number of equity shares traded on the date of low) | Total turnover of equity shares traded on the date of low (₹ in millions) | Total volume during the calendar year (Number of equity shares traded) | Total turnover of equity shares traded in value (₹ in million) | Average price for the year (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| June 2020 | 1630.65 | June 10, 2020 | 227,260 | 368.74 | 1503.95 | June 30, 2020 | 156721 | 237.22 | 5,596,083 | 8,830.45 | 1,567.08 |
| May 2020 | 1,586.45 | May 28 2020 | 103,424 | 163.32 | 1,451.95 | May 18, 2020 | 190,998 | 276.30 | 3,283,725 | 5,041.52 | 1,519.96 |
| April 2020 | 1,589.55 | April 30, 2020 | 414,142 | 652.34 | 1,177.8 | April 3, 2020 | 82,806 | 96.91 | 3,445,543 | 4,939.83 | 1,418.47 |
| March 2020 | 1,575.65 | March 4, 2020 | 169,828 | 266.43 | 1,010.05 | March 24, 2020 | 236,961 | 247.70 | 4,527,450 | 5,647.38 | 1,302.85 |
| February 2020 | 1,598.5 | February 7, 2020 | 230,550 | 368.27 | 1,501.30 | February 1, 2020 | 102,475 | 155.76 | 3,901,042 | 6,026.46 | 1,545.66 |
| January 2020 | 1,572.2 | January 28, 2020 | 206,631 | 323.97 | 1,410.25 | January 7, 2020 | 324,873 | 456.52 | 3,485,268 | 5,137.61 | 1,469.37 |

*(Source: nseindia.com)*

*Notes:*
*1. High, low and average prices are based on the daily closing prices.*
*2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.*
*3. In case of two days with the same high or low price, the date with the higher volume has been chosen.*

C. The following table sets forth the market price on the Stock Exchanges on February 13, 2020, the first Working Day following the approval of our Board for this Issue:

**BSE**

| Date | Open (₹) | High (₹) | Low (₹) | Close (₹) | Traded volume (Number of equity shares) | Total value of Equity Shares traded (₹ million) |
|---|---|---|---|---|---|---|
| February 13, 2020 | 1,581.65 | 1,584.55 | 1,543.05 | 1,546.80 | 3,381 | 5.25 |

*(Source: bseindia.com)*

**NSE**

| Date | Open (₹) | High (₹) | Low (₹) | Close (₹) | Traded volume (Number of equity shares) | Total value of Equity Shares traded (₹ million) |
|---|---|---|---|---|---|---|
| February 13, 2020 | 1,584.00 | 1,590.00 | 1,542.00 | 1,545.05 | 177,334 | 275.37 |

*(Source: nseindia.com)*

# RELATED PARTY TRANSACTIONS

For details of the related party transactions during Fiscals 2020, 2019 and 2018, as per the requirements under Ind AS 24 '*Related Party Disclosures*', see "*Financial Statements*" on page 199.

## DIVIDEND POLICY

The declaration and payment of final dividend, if any, will be recommended by our Board and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association and the applicable laws, including the Companies Act. Our Board may also, from time to time, declare interim dividends.

Our Board has approved and adopted a formal dividend distribution policy in terms of Regulation 43A of the SEBI Listing Regulations, effective from October 25, 2016. For further information, see "*Description of the Equity Shares*" on page 171.

The details of the dividends declared by our Company in respect of Fiscals 2020, 2019, and 2018 are set out below:

| **Fiscal Year** | **Rate of dividend** | **Dividend per Equity Share** | **Total Amount of Dividend** | **Dividend Distribution Tax^** |
|---|---|---|---|---|
| | **(% of face value)** | **(in ₹)** | **(in ₹ million)** | **(in ₹ million)** |
| 2020* | 100* | 1* | 138.10* | N.A.^ |
| 2020# | 300 | 3 | 414.32 | 85.17 |
| 2019 | 150 | 1.5 | 207.04 | 42.56 |
| 2019# | 250 | 2.5 | 344.76 | 70.87 |
| 2018 | 250 | 2.5 | 344.76 | 70.87 |
| 2018# | 150 | 1.5 | 206.38 | 42.01 |

\# *Our Company has declared and paid an interim dividend for Fiscals 2020, 2019 and 2018.*

* *The Board in its meeting convened on June 4, 2020 recommended a final dividend of ₹ 1 (Rupees One only) per Equity Share for the financial year ended March 31, 2020, subject to the approval of the Shareholders at the Annual General Meeting of the Company.*

^ *Pursuant to the Finance Act 2020, dividend distribution tax ("**DDT**") is not required to be paid in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020.*

The amounts paid as dividends in the past are not necessarily indicative of the dividend distribution policy of our Company or dividend amounts, if any, in the future.

The declaration of dividend by our Company depends on a number of internal and external factors, including, but not limited to, on-going projects of our Company, expansion plans and capital requirements of our Company, liquidity position of our Company, repayment, leverage and debt/equity ratio, past dividend payment trend, creation of reserves and funds, management practice, legal restriction and taxes, macroeconomic condition, and such other factors that our Board may deem relevant in its discretion, subject to the approval of the Shareholders.

For a summary of certain Indian tax consequences of dividend distributions to the Shareholders, see "*Statement of Possible Tax Benefits*" on page 175.

The Equity Shares to be issued in connection with this Issue shall qualify for dividend declared in respect of the Fiscal in which they have been Allotted. However, investors are cautioned to not rely on past dividends as an indication of the future performance of our Company or for an investment in the Equity Shares offered in the Issue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion in conjunction with our Audited Consolidated Financial Statements as of and for each of the financial years ended March 31, 2020, 2019 and 2018.*

*Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12-month period ended March 31 of that year.*

*This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. Actual results may differ from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Forward-looking Statements" and "Risk Factors" on pages 13 and 25, respectively.*

**Overview**

Founded in 1946, we are an established, research and development driven agri-sciences company in India. We have an integrated business model where we undertake research, development, manufacturing, marketing and distribution of products, provide innovative solutions to and collaborate with multinational corporations across the value chain of agrochemicals. Within our differentiated business model, we provide custom synthesis and manufacturing services to multinational corporations and also engage in the marketing and distribution of agrochemical products under brands in-licensed by us, owned by us and through generic brands, to Indian farmers through our distribution network.

In custom synthesis and manufacturing exports, the breadth of our services range from contract research and process development to large-scale commercial production, primarily of patented molecules for multinational corporations. We have established a presence in Japan, Germany and China to support our business development and raw material sourcing activities. As of March 31, 2020, we work with 20 multinational corporations, manufacturing over 25 products at commercial scale and are evaluating over 60 molecules in our R&D center. As of March 31, 2020, our order book for our custom synthesis and manufacturing, which we define as the value of projects for which we have entered into definitive agreements minus the revenue already recognized from those projects, was over USD 1.5 billion.

In the domestic market, we market and distribute agrochemical products through the in-licensing of patented molecules from multinational corporations under the brands owned by them and in-licensed to us, or co-market their agrochemical products under our brands through our pan-India marketing and distribution network. We also manufacture and market select branded generic agrochemicals whose patents have expired. We leverage our brand reputation with Indian farmers, pan-India marketing and distribution network, differentiated delivery mechanism, product portfolio of unique solutions and experienced team to grow our business.

We have established relationships with over 20 multinational corporations in the agrochemical sector. We believe that our reputation of quality, trust, reliability and respect for intellectual property rights has enabled us to strengthen our relationships with multinational corporations and enter into long-term contracts with them and grow our business sustainably. We also believe that we have a non-conflicting business model as we do not directly compete with such multinational corporations and are rather a material service provider to them. We believe these attributes of our business enable multinational corporations to choose our services over those of our competitors.

We believe that our focus on R&D has been critical to our success and a differentiating factor from our competitors. We have a R&D centre at Udaipur in Rajasthan, which has process development and process innovation laboratories, new chemical screening laboratories, a green house facility, biological testing laboratories, analytical laboratories, a kilo plant and a pilot plant. The analytical laboratories have GLP certification, and NABL ISO/IEC 17025:2005 accreditation that expired on June 29, 2020 and our Company has made an application for its renewal. As of March 31, 2020, we employed 300 researchers and scientists including 130 personnel who had obtained a doctoral degree and specialize in process research and complex chemistries.

We have enhanced our technological capabilities to assist us with our operations and implemented research IT and artificial intelligence tools, molecular modelling and an efficient supply chain management and logistics system. Our biology department provides broad screening facilities for in vitro and in vivo testing and we have a mode-of-action laboratory and early toxicology and eco-toxicology screening facilities. We have implemented electronic lab notebook software and a centralized laboratory information management system for data and information ensuring paperless management. Within process research and process innovation, we develop scalable proprietary processes for intermediates and final active ingredients.

Within our manufacturing operations, we currently operate five multi-product plants at Panoli, Gujarat and six multi-product plants at Jambusar, Gujarat. Further, in December 2019, we completed the acquisition of Isagro (Asia) Agrochemicals Private Limited ("**Isagro**"), which was engaged in the business of contract manufacturing, local distribution and exports of agrochemicals. Isagro's manufacturing site and two production plants are located near our manufacturing unit in Panoli, Gujarat. Over the years, we have received several leading awards and recognitions. Our manufacturing plant at Panoli, Gujarat was awarded the Golden Peacock Award for environment management in 2017 and 2016. Our Company was also rated by EcoVadis in the 'Gold Category' in 2018 and 2017 demonstrating our focus on corporate social responsibility initiatives.

We have established an extensive, pan-India distribution network for our domestic branded products business. Our network comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. We have also set up nine zonal offices and 28 stock points in 19 states at locations across India, as of March 31, 2020. Our widespread distribution network is further aided by our SAP based ERP system and other effective business intelligence tools which provide efficient last mile connectivity and an extensive geo-tagged farmer database of approximately 2.5 million farmers.

Among our Promoters, Mr. Salil Singhal who is our Chairman Emeritus, is also the Chairman of the Confederation of Indian Industry's National Council on Agriculture for the year 2019-20 and has been the Chairman of the Pesticides Association of India (now known as the Crop Care Federation of India). Mr. Mayank Singhal who is our Vice Chairman and Managing Director, has over two decades of experience in the agrochemical industry.

**Significant Factors Affecting Our Results of Operations**

Our results of operations and financial condition are affected by a number of important factors including:

***Our Relationships with Multinational Corporations***

We depend on our relationships with multinational corporations for our custom synthesis and manufacturing exports as well as for the marketing and distribution of domestic branded products. These relationships give us the opportunity to enter into long-term contracts to perform custom synthesis and contract manufacturing services for multinational corporations with respect to patented molecules and procure repeat orders from them. They also enable us to introduce new agrochemical products in India from time to time through our in-licensing arrangements. Further, we depend on select multinational corporations for a significant portion of our revenues. For the financial years 2020, 2019 and 2018, our top five customers contributed ₹ 20,009 million, ₹ 15,280 million and ₹ 11,607 million, or 59.4%, 53.8% and 50.3% of our revenue of operations, respectively. Although we have longstanding relationships with such key customers, any adverse developments in such relationships could adversely affect our business and results of operations.

In addition, certain our contracts with multinational corporations for our custom synthesis and manufacturing set forth minimum quantities of products that they will purchase from us. However, it is difficult for us to predict with certainty when our customers will decide to increase or reduce inventory levels or levels of production, which strategic direction they will pursue, when they might launch new products or whether future inventory levels will be consistent with historical levels.

***Brand, Molecules and Distribution Network in India***

In the marketing and distribution of branded products, we leverage our pan-India marketing and distribution network and brand building capabilities to deliver in-licensed, branded generics and co-marketed products. We have built several strong brands over the years and some of our key brands, which we own or license include "NOMINEE GOLD", "OSHEEN", "BIOVITA", "ROKET", "FOSMITE", "KEEFUN", "VIBRANT" and "COSKO". We derive a significant portion of our domestic branded products revenue from the sale of such brands.

Further, we derived over 60% of our revenues in our domestic branded products business from in-licensed molecules during the financial years 2020, 2019 and 2018. However, as the patents for such molecules expire and they become generic in nature, our competitors will be able to manufacture similar products, which may affect our ability to charge a premium for such products and reduce our margins.

We have established an extensive, pan-India distribution network for our domestic branded products business, which comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. We constantly seek to grow our product reach to under-penetrated geographies and widen the portfolio of our products available in those markets by growing our distribution network. We may, however, not be successful in appointing new distributors to expand our network or effectively manage our existing distribution network. Further, we may also face disruptions in the delivery of our products for reasons beyond our control, including poor handling of our products by third parties, transportation bottlenecks, natural disasters and labour issues, which could lead to delayed or lost deliveries. If our distributors fail to distribute our products in a timely manner, or fail to adhere to the terms of the distribution agreements, or if our distribution agreements are terminated, our business and results of operations may be adversely affected.

***Manufacturing Capacity and Volume and Mix of Products Manufactured***

We seek to maintain optimum levels of capacity utilization and an appropriate standard of quality at our manufacturing facilities in order to sustain the growth of our operations. Attaining and maintaining this level of utilization and quality requires considerable expense and planning. During the financial year 2020, we derived a significant majority of our custom synthesis and manufacturing revenues from the long-term contracts that we have entered into with multinational corporations, while the remainder of our revenues were obtained through annual purchase orders placed by other customers. These purchase orders assist us in maintaining optimum levels of capacity utilization at our manufacturing facilities. However, actual volumes and specifications of customer orders are fixed only if and when customers place purchase orders with us. Our actual production volumes may differ significantly from our estimates due to variations in customer demand for our products. Further, since the number of purchase orders that our customers place with us may differ from quarter to quarter, our revenues, results of operations and cash flows have fluctuated in the past and we expect this trend to continue in the future. If we are unable to achieve and maintain optimum levels of capacity utilization at our manufacturing facilities, our financial condition and results of operations may be adversely affected.

The key driver in the growth of our revenue from operations has been the volume of products manufactured and sold by us. Increased sales volume favorably affects our results of operations as it enables us to benefit from economies of scale in procurement and manufacturing and improves our operating margins through our ability to leverage our relatively fixed cost base. For details of the volume of products that we manufactured and our capacity utilization during the financial years 2020, 2019 and 2018, see "*Our Business - Production Capacity and Utilization*" on page 118.

Our results of operations are also affected by our product mix. In general, a higher percentage of value added product sales will have a positive impact on our revenues as such products tend to have higher prices and profit margins than other products. High value added products generally also benefit from lower volatility in sale prices, and therefore result in more predictable revenues.

***Climate and Weather Conditions***

Our business is sensitive to weather conditions, including extremes such as drought and natural disasters. Our results of operations are significantly affected by weather conditions in the agricultural regions in which our products are used. Weather can affect the presence of disease and pest infestations on a regional basis and consequently affect the demand for our products. Weather conditions and outlook are particularly important at the start of the planting season when farmers are making planting decisions and purchasing many of their crop protection products. Adverse weather conditions may cause volatility in the prices of commodities, which may affect farmers' decisions about the types and quantum of crops to plant and may consequently affect the sales of our products. For instance, a drought can reduce demand for pesticides significantly. During periods of lower sales activities, we may continue to incur substantial operating expenses despite the fact that our revenues may be lower.

***Research and Development Initiatives and Investment***

We are focused on undertaking dedicated R&D in our existing products and in areas where we believe there is significant growth potential. We have set up a dedicated R&D centre at Udaipur in Rajasthan and we employed

300 scientists, as of March 31, 2020. To develop our product pipeline, we commit substantial time, funds and other resources in R&D. For the financial years 2020, 2019 and 2018, our total expenditure for R&D activities (revenue expenditure and capital expenditure) was ₹ 1,149 million, ₹ 838 million and ₹ 820 million, constituting 3.4%, 2.9% and 3.6% of our revenue from operations, respectively. In addition, we must adapt to rapid changes in our industry due to technological advances and scientific discoveries. We strive to keep our technology, facilities and machinery current with the latest international standards. The cost of implementing new technologies, upgrading our manufacturing facilities and retaining our research staff is significant and affects our results of operations and cash flows.

***Availability of Raw Materials***

Our cost of materials consumed constitutes the largest component of our cost structure. For the financial years 2020, 2019 and 2018, our cost of materials consumed was ₹ 16,877 million, ₹ 13,728 million and ₹ 10,837 million, or 49.4%, 47.3% and 45.7% of our total income, respectively. We currently source our key raw materials from vendors who are pre-approved by the multinational corporations with whom we work. As we continue to grow our product portfolio and increase our production capacities, we would need to procure additional volumes of raw materials. While our long-term agreements with multinational corporations typically cover price escalations on account of an increase in raw material costs, we are exposed to fluctuations in the prices of raw materials for the products that we manufacture for other customers who place purchase orders with us periodically. Further, the COVID-19 pandemic affected our ability to source raw materials from vendors in jurisdictions such as China. Any inability on our part to procure sufficient quantities of raw materials and on commercially acceptable terms, could lead to a change in our manufacturing and sales volumes.

***Government Regulations and Policies***

Government regulations and policies of India as well as the countries to which we export our products can affect the demand for, expenses related to and availability of our products. We have incurred and expect to continue incurring costs for compliance with such laws and regulations. These regulations and policies and the tax regimes, including tax incentives, to which we are subject could change at any time, with little or no warning or time for us to prepare. Any changes in government policies relating to the agriculture sector such as the reduction of government expenditure towards agriculture, the withdrawal of or changes in incentives and subsidies provided to farmers, export restrictions on crops, adverse changes in commodity prices or minimum support prices could affect the ability of farmers to spend on agrochemical products, which in turn could adversely affect our business and results of operations. Further, all our manufacturing facilities are located in Gujarat and any significant changes in the policies of the state or local government or the Government of India, could require us to incur significant capital expenditure and change our business strategy.

***COVID-19 Pandemic***

The COVID-19 pandemic and the preventative or protective actions that governments around the world have taken to counter the effects of the pandemic have resulted in a period of economic downturn and business disruption in India, as well as in countries where our customers and suppliers are located. On March 14, 2020, India declared COVID-19 as a “notified disaster” and imposed a nationwide lockdown from March 25, 2020 onwards. The lockdown remains in force in many cities, with limited relaxations being granted for movement of goods and people in other places. On account of the lockdown, our operations were disrupted at our R&D center at Udaipur, multi-purpose plants at Gujarat and sales depots across the country. This resulted in a reduction in our domestic and export revenues during the month of March 2020. We also incurred additional expenses to arrange for temporary housing for key employees at our facilities and towards transportation costs.

We were able to resume operations in April 2020 in a phased manner and we believe that since our business and operations are considered essential services, there was no significant impact of COVD-19 on our financial condition and results of operations for the financial year 2020. However, events beyond our control may unfold in the future, which makes it difficult for us to predict the impact that COVID-19 will have on us, our customers or suppliers in the future. We continue to closely monitor the effect that COVID-19 may have on our business and results of operations. To the extent, the COVID-19 pandemic adversely affects us, it may also significantly increase the effect of the aforementioned factors affecting our results of operations. Further, our Statutory Auditors have included an emphasis of matter in their audit reports on our standalone and consolidated financial statements for the financial year 2020, noting that a definitive assessment of the impact of COVID-19 in the subsequent period is dependent upon the circumstances as they evolve. See “*Risk Factors - Internal Risks - The extent to which the coronavirus disease (COVID-19) affects our business, results of operations and financial* *condition will depend on future developments, which are uncertain and cannot be predicted*.” on page 25.

**Significant Accounting Policies**

The critical accounting policies followed by us in the preparation of our Audited Consolidated Financial Statements are set out below. Our accounting policies are fully described in our Audited Consolidated Financial Statements included elsewhere in this Placement Document.

***Property, Plant and Equipment***

*Recognition and measurement*

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located. Borrowing costs relating to acquisition of qualifying fixed assets, if material, are also included in cost to the extent they relate to the period till such assets are ready to be put to use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment or major inspections performed, are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to us and its cost can be measured reliably. The costs of all other repairs and maintenance are recognized in the statement of profit and loss as incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

An item of property, plant and equipment is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*Depreciation*

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values, and is recognised in the statement of profit and loss. Depreciation on property, plant and equipment is provided on the straight line method based on the useful life of assets estimated by our management which coincide with the life specified under Schedule II of the Companies Act, 2013, which are as follows:

| | |
|---|---|
| Buildings including factory buildings and roads | 3 to 60 years |
| General plant and equipment | 15 years |
| Electrical installations and equipments | 10 years |
| Furniture and fixtures | 10 years |
| Office equipments | 5 years |
| Vehicles | 8 to 10 years |
| Computer and data processing units | 3 to 6 years |
| Laboratory equipments | 10 years |

We have estimated the useful lives different from the lives prescribed in schedule II of Companies Act, 2013, in the following cases:

| | |
|---|---|
| Plant and equipment (continuous process plant) | 15 years |
| Special plant and equipment (used in manufacture of chemicals) | 15 years |

Leasehold land and Cost of improvement on leasehold building is amortised over the lease period or useful life, whichever is shorter. Based on assessment made by technical experts, our management believes that the useful lives as given above best represent the period over which it expects to use these assets.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and changes, if any, are accounted for prospectively. Depreciation on additions to or on disposal of assets is calculated on pro-rata basis i.e. from (up to) the date on which the property, plant and equipment is available for use (disposed of).

***Intangible Assets***

*Recognition and measurement*

*Intangible assets acquired separately*. Intangible assets that are acquired by us are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

*Internally generated intangible assets - research and development*. Research costs are expensed as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and we intend to and have sufficient resources to complete development and to use or sell the asset. The expenditure to be capitalized includes the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred. Subsequent to initial recognition, the assets are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. Internally generated intangible assets which are not yet available for use are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in profit or loss. An item of intangible asset is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of intangible assets is recognized in profit or loss.

***Impairment of Non-Financial Assets***

At each reporting date, we review the carrying amounts of our non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash flows are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("**CGUs**"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. In respect of assets for which impairment loss has been recognised in prior periods, we review at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

***Financial Instruments***

*Initial recognition*

We recognize financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables, which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities that are not at fair value through profit or loss, are added to the fair value on initial recognition.

*Subsequent measurement*

*Financial assets carried at amortised cost.* A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. When the financial asset is derecognised or impaired, the gain or loss is recognised in the statement of profit and loss.

*Financial assets at fair value through other comprehensive income ("**FVOCI**").* A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income ("**OCI**"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss and recognised in other income. Equity instruments are subsequently measured at fair value. On initial recognition of an equity investment that is not held for trading, we may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis. Fair value gains and losses recognised in OCI are not reclassified to profit and loss.

*Financial assets at fair value through profit or loss.* A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

*Financial liabilities*. Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

*Impairment of financial assets*

We assess on a forward looking basis the expected credit losses associated with our assets carried at amortised cost and FVOCI debt instruments. Except trade receivables, expected credit losses are measured at an amount equal to the 12-month expected credit loss ("**ECL**"), unless there has been a significant increase in credit risk from initial recognition, in which case those are measured at lifetime ECL. With regard to trade receivable, we apply the simplified approach, which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

*Derecognition*

*Financial assets.* We derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or we transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which we neither transfer nor retain substantially all of the risks and rewards of ownership and does not retain control of the financial asset. If we enter into transactions whereby we transfer assets recognised on our balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

*Financial liabilities.* We derecognize a financial liability when our contractual obligations are discharged or cancelled, or expire.

*Reclassification of financial assets and financial liabilities*

We determine classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets, which are equity instruments and financial liabilities. For financial assets, which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If we reclassify financial assets, we apply the reclassification prospectively from the reclassification date, which is the first day of the immediately next reporting period following the change in business model.

*Derivative financial instruments*

We are exposed to exchange rate risk, which arises from our foreign exchange revenues. We use foreign exchange forward contracts (derivative financial instruments), to hedge foreign currency risk associated with highly probable forecasted transactions and classify them as cash flow hedges. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recorded in our hedging reserve as a component of equity through OCI and later reclassified to profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. At inception of designated hedging relationships, we document the risk management objective and strategy for undertaking the hedge. We also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

We make an assessment, on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For cash flow hedges to be "highly effective", a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income/(loss), remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognized immediately in the statement of profit and loss.

*Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, we have a legally enforceable right to set off the amounts and we intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

***Fair Value Measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation technique. In estimating the fair value of an asset or a liability, we take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair values for measurement and/ or disclosure purposes are categorised into level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1- This includes financial instruments measured using quoted prices.

Level 2- The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

***Inventories***

Inventories (including stock-in-transit) of finished goods, stock in trade, work in progress, raw materials, packing materials and stores and spares are stated at lower of cost and net realizable value. By-products are measured at estimated realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of raw materials, packing materials, stores and spares, stock in trade and other products are determined on weighted average basis and are net of CENVAT/goods and service tax credit. Cost of work in progress and finished goods is determined on weighted average basis considering direct material cost and appropriate portion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty until June 30, 2017. Obsolete, slow moving and defective inventories are identified as and when required, and where necessary, the same are written off or provision is made for such inventories.

***Provisions, Contingent Liabilities and Contingent Assets***

A provision is recognized if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liability is disclosed after careful evaluation of facts, uncertainties and possibility of reimbursement, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are not recognised but are disclosed in notes to the Consolidated Financial Statements. Contingent assets are not disclosed in the Audited Consolidated Financial Statements unless an inflow of economic benefits is probable.

***Revenue Recognition***

*Sale of goods*

We manufacture and sell a range of products to various customers. Revenue is recognised over the period of time for contracts wherein our performance does not create an asset with alternative use to us and the entity has an enforceable right to payment for performance completed till date. For remaining contracts, revenue is recognised when the significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods to the degree usually associated with the ownership, and the amount of revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. Revenue recognised in relation to these contracts in excess of billing is recognised as a “contract asset”. Accumulated experience is used to estimate and provide for the discounts and returns and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other current liabilities) is recognized for expected returns from the customer. Liability (included in other financial liabilities) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Amounts disclosed as revenue are inclusive of excise duty and net of returns, discounts, volume rebates and net of goods and service tax.

*Sale of services*

Revenue from sale of services is recognised over the period of time as per the terms of the contract with customers based on the stage of completion when the outcome of the transactions involving rendering of services can be estimated reliably.

*Export incentives*

Incentives on exports are recognised in books after due consideration of certainty of utilisation/receipt of such incentives.

*Interest income*

Interest income is accrued on a time basis, by reference to the principal 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 the asset's net carrying amount on initial recognition. Interest income is included in other income in the statement of profit and loss.

*Dividends*

Dividend income is recognized when our right to receive dividend is established, and is included in other income in the statement of profit and loss.

***Foreign Currency Transactions***

*Initial recognition*

Transactions in foreign currencies are translated into our functional currency at the exchange rates at the dates of the transactions.

*Conversion*

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

*Exchange difference*

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

In accordance with Ind AS 101 'First Time Adoption of Indian Accounting Standards', we have continued the policy of capitalisation of exchange differences on foreign currency loans taken before the transition date. Accordingly, exchange differences arising on translation of long-term foreign currency monetary items relating to acquisition of depreciable fixed assets taken before the transition date are capitalized and depreciated over the remaining useful life of the asset.

***Borrowing Costs***

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

***Income Tax***

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year after taking credit of the benefits available under the IT Act and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if, we: (i) have a legally enforceable right to set off the recognised amounts; and ii) intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that we are able to control the timing of the reversal of the temporary differences and it is probable that we will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which we expect, at the reporting date, to recover or settle the carrying amount of our assets and liabilities. For operations carried out in tax-free units, deferred tax assets or liabilities, if any, have been recognised for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset only if: (i) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. In respect of entities incorporated in India deferred tax assets include minimum alternative tax ("**MAT**") paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is probable evidence that we will pay normal income tax in future. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

***Cash and Cash Equivalents***

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

***Cash Flow Statement***

Cash flow statements are prepared in accordance with "Indirect Method" as explained in the Accounting Standard on Statement of Cash Flows (Ind AS 7). The cash flows from our regular revenue generating, financing and investing activity are segregated.

***Leases***

We lease various offices, warehouses, IT equipment and vehicles. Rental contracts are typically made for fixed periods of six months to nine years but may have extension and termination options. Until the financial year 2019, leases of office and warehouses, IT equipment and vehicles leases were classified as either finance leases or operating leases. From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for our use. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by us under residual value guarantees;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects us exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for our leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Until March 31, 2019

At inception of an arrangement, it is determined whether the arrangement is or contains a lease, based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*As lessee under finance lease*

Assets held under finance lease are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance expenses and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance expenses are recognised in the statement of profit and loss.

*As lessee under operating lease*

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as an integral part of the total lease expense over the term of the lease.

***Share-Based Payment Transactions***

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and is adjusted to reflect the actual number of share options that vest. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions and excluding the impact of any service and non-market performance vesting conditions.

***Basis of Consolidation***

*Subsidiaries*

Subsidiaries are entities controlled by us. We control an entity when we are exposed to, or has rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. The financial statements of subsidiaries are included in the Audited Consolidated Financial Statements from the date on which control commences until the date on which control ceases. The subsidiary companies considered in the Audited Consolidated Financial Statements are:

| **Name of the Company** | **Country of Incorporation** | **% Voting Power held as at March 31, 2020 (March 31, 2019)** |
|---|---|---|
| PILL Finance and Investment Limited | India | 100% (100%) |
| PI Life Science Research Limited | India | 100% (100%) |
| PI Japan Co., Ltd. | Japan | 100% (100%) |
| Jivagro Limited | India | 100% (NA) |
| Isagro (Asia) Agrochemicals Private Limited | India | 100% (Nil) |

*Equity accounted investees*

An associate is an entity in which we have significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which we have joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Audited Consolidated Financial Statements include our share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases. The joint venture and associate companies considered in the Audited Consolidated Financial Statements are:

| **Name of the Company** | **Country of Incorporation** | **% Voting Power held as at March 31, 2020 (March 31, 2019)** |
|---|---|---|
| PI Kumiai Private Limited | India | 50% (50%) |
| Solinnos Agro Sciences Private Limited | India | 49% (49%) |

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of our interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*Foreign operations*

The assets and liabilities of foreign operations (subsidiaries, associates, joint arrangements, branches) including goodwill and fair value adjustments arising on acquisition, are translated into Indian rupees, our functional currency, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into ₹ at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The resulting exchange difference arising on translations are recognised in OCI and accumulated in other equity, except to the extent that they are allocated to non-controlling interest.

**Segment Reporting**

Since we operate in the field of agro chemicals, both in the domestic and export markets, we have one reportable business segment – agro chemicals.

The following table sets forth the product wise split of our revenue from operations, for the financial years indicated:

*(₹ in million)*

| Particulars | Financial Year | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Active Ingredients and Intermediates* | 25,737 | 19,205 | 14,687 |
| Formulations** | 7,700 | 9,030 | 8,286 |
| Others*** | 228 | 174 | 114 |
| **Total Revenue from Operations** | **33,665** | **28,409** | **23,087** |

* *Our Active Ingredients and Intermediates revenues comprise revenues generated from our custom synthesis and manufacturing for multinational corporations.*
** *Our Formulations revenues comprise revenues generated from our domestic branded products business.*
*** *Our Others revenues comprise revenues generated from the sale of scrap, export incentives received and provision of certain services.*

The following table sets forth the split of our revenue from operations, based on the location of our customers, for the financial years indicated:

*(₹ in million)*

| Particulars | Financial Year | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| India# | 9,003 | 9,574 | 8,534 |
| Asia (other than India) | 8,615 | 3,893 | 8,683 |
| North America | 11,911 | 11,012 | 3,191 |
| Europe | 2,715 | 2,802 | 1,911 |
| Rest of the world | 1,421 | 1,128 | 768 |
| **Total Revenue from Operations** | **33,665** | **28,409** | **23,087** |

# *Primarily comprises revenues generated from our domestic branded products but also includes revenues generated from our custom synthesis and manufacturing from India.*

**Revenue and Expenses**

Our revenues and expenditure are reported in the following manner:

***Revenues***

Total revenue consists of revenue from operations and other income.

*Revenue from operations.* Revenue from operations comprises revenue from sale of products (including excise duty in India), sale of services, and other operating revenues comprising revenue from the sale of scrap and export incentives.

*Other income.* Other income comprises interest income from financial assets at amortized cost, unwinding of discount on security deposits, net gain on investments, net foreign exchange differences, dividend income and miscellaneous income.

***Expenses***

Expenses comprise cost of materials consumed, purchase of stock in trade, changes in inventories of finished goods, work in progress and stock in trade, excise duty on sale of goods, employee benefit expense, finance cost, depreciation and amortisation expense and other expense.

*Cost of materials consumed.* Cost of materials consumed comprises cost towards the purchase of raw materials and packing material consumed. Materials are imported from countries such as Japan and China.

*Purchase of stock in trade.* Our expenses on purchase of stock in trade comprises of costs incurred towards purchase of finished goods, primarily "COSKO", "ELITE" and "MELSA", for trading purposes.

*Changes in inventories of finished goods, work in progress and stock in trade.* Our expense line item due to changes in inventories comprises of inventories for finished goods, work-in-progress and stock in trade.

*Employee benefit expense.* Our employee benefit expense comprises salaries, wages and bonus, contribution to provident fund and other funds, gratuity, long term compensated expenses, employee welfare expenses and expense on employee stock option scheme.

*Finance cost.* Our finance cost comprises of interest on financial liabilities measured at amortised costs and other borrowing costs.

*Depreciation and amortisation expense.* Depreciation and amortisation expense comprise of depreciation of property, plant and equipment and amortization of intangible assets.

*Other expenses.* Our other expenses comprise power costs, fuel and water costs, consumption of stores and spares, repairs and maintenance costs towards building, plant and machinery and others, environmental and pollution control expenses, laboratory and testing charges, freight and cartage costs, advertisement and sale promotion charges, traveling and conveyance costs, rental charges, rates and taxes, insurance payments, donations, losses on sale and retirement of property, plant and equipment (net), payments to auditors, telephone and communication charges, provisions for bad and doubtful debts and advances, director sitting fees and commission, legal and professional expenses, bank charges, corporate social responsibility expenses and miscellaneous expenses.

**Our Results of Operations**

The following table sets forth select financial data from our consolidated statement of profit and loss for the financial years 2020, 2019 and 2018, the components of which are also expressed as a percentage of total income for such financial years:

| | **For the financial year** | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | **2019** | | **2018** | |
| | **(₹ in million)** | **% of Total Income** | **(₹ in million)** | **% of Total Income** | **(₹ in million)** | **% of Total Income** |
| **Income:** | | | | | | |
| Revenue from operations | 33,665 | 98.6 | 28,409 | 97.9 | 23,087 | 97.5 |
| Other income | 489 | 1.4 | 595 | 2.1 | 602 | 2.5 |
| **Total income** | **34,154** | **100.0** | **29,004** | **100.0** | **23,689** | **100.0** |
| **Expenses:** | | | | | | |
| Cost of materials consumed | 16,877 | 49.4 | 13,728 | 47.3 | 10,837 | 45.7 |
| Purchase of stock in trade | 1,619 | 4.7 | 1,274 | 4.4 | 776 | 3.3 |
| Changes in inventories of finished goods, work in progress and stock in trade | (22) | (0.1) | 500 | 1.7 | 78 | 0.3 |
| Excise duty on sale of goods | - | - | - | - | 316 | 1.3 |
| Employee benefit expense | 3,209 | 9.4 | 2,647 | 9.1 | 2,431 | 10.3 |
| Finance cost | 170 | 0.5 | 50 | 0.2 | 53 | 0.2 |
| Depreciation and amortisation expense | 1,367 | 4.0 | 930 | 3.2 | 830 | 3.5 |
| Other expenses | 4,804 | 14.1 | 4,496 | 15.5 | 3,715 | 15.7 |
| **Total expenses** | **28,024** | **82.1** | **23,625** | **81.5** | **19,036** | **80.4** |

| | For the financial year | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | (₹ in million) | % of Total Income | (₹ in million) | % of Total Income | (₹ in million) | % of Total Income |
| Share of profit and (loss) of associates and joint venture accounted for using the equity method | 8 | 0.0 | - | - | 1 | - |
| **Profit before tax** | **6,138** | **18.0** | **5,379** | **18.5** | **4,655** | **19.7** |
| **Income tax expense** | | | | | | |
| Current tax | (1,259) | (3.7) | (1,176) | (4.1) | (1,001) | (4.2) |
| Deferred tax | (313) | (0.9) | (101) | (0.3) | 22 | 0.1 |
| **Total tax expense** | **(1,572)** | **(4.6)** | **(1,277)** | **(4.4)** | **(979)** | **(4.1)** |
| **Profit for the year** | **4,566** | **13.4** | **4,102** | **14.1** | **3,676** | **15.5** |
| **Total comprehensive income for the year** | **4,010** | **11.7** | **4,179** | **14.4** | **3,602** | **15.2** |

***Financial Year 2020 compared to Financial Year 2019***

Our results of operations for the financial year 2020 were particularly driven by the following factors:

- the growth of our custom synthesis and manufacturing exports particularly from Asia (other than India) and the United States;

- competitive pressures on our "NOMINEE GOLD" product in our domestic branded products business; and

- the COVID-19 pandemic and the related lockdown in India, which resulted in resulted in a reduction in our domestic and export revenues during the month of March;

***Total Income***

Our total income increased by 17.8% to ₹ 34,154 million for the financial year 2020 from ₹ 29,004 million for the financial year 2019, primarily due to an increase in revenue from operations.

*Revenue from operations.* Our revenue from operations increased by 18.5% to ₹ 33,665 million for the financial year 2020 from ₹ 28,409 million for the financial year 2019 due to:

- an increase in the revenue from sale of active ingredients and intermediates to ₹ 25,737 million for the financial year 2020 from ₹ 19,205 million for the financial year 2019, primarily on account of an increase in the sale of products in Asia (other than India), the United States and rest of the world, which was partially offset by a decrease in revenues from sale of products in India and Europe; and

- a marginal increase in the revenue (others) to ₹ 228 million for the financial year 2020 from ₹ 174 million for the financial year 2019, primarily on account of an increase in export incentives and sale of scrap.

This increase was partially offset by a decrease in the revenue from sale of formulations in India to ₹ 7,700 million for the financial year 2020 from ₹ 9,030 million for the financial year 2019, primarily due to competitive pressures on certain products.

*Other income.* Our other income decreased by 17.8% to ₹ 489 million for the financial year 2020 from ₹ 595 million for the financial year 2019, primarily due to a decrease in net gain on investments to ₹ 13 million for the financial year 2020 from ₹ 109 million for the financial year 2019.

***Expenses***

*Cost of materials consumed.* Cost of materials consumed increased by 22.9% to ₹ 16,877 million for the financial year 2020 from ₹ 13,728 million for the financial year 2019, on account of expenses incurred to purchase greater volumes of raw materials due to an overall increase in the manufacturing and sale of our products.

*Purchase of stock in trade.* Expenses for the purchase of stock in trade increased by 27.1% to ₹ 1,619 million for the financial year 2020 from ₹ 1,274 million for the financial year 2019, primarily due to an increase in the volume of traded goods sold by us.

*Changes in inventories of finished goods, work in progress and stock in trade.* Changes in inventories of finished goods, work in progress and stock in trade was a reduction of ₹ 22 million for the financial year 2020 as compared to an increase of ₹ 500 million for the financial year 2019, primarily due to the growth of our business and the timing of completion of contracts.

*Employee benefit expense.* Our employee benefit expense increased by 21.2% to ₹ 3,209 million for the financial year 2020 from ₹ 2,647 million for the financial year 2019, primarily on account of increase in salaries, wages and bonus given to our employees to ₹ 2,859 million for the financial year 2020 from ₹ 2,372 million for the financial year 2019. The increase in salaries, wages and bonus was due to an increase in our number of employees as a result of growth in our business and compensation increments given to our employees. Our number of employees increased to 3,024 employees as of March 31, 2020 from 2,338 employees as of March 31, 2019.

*Finance cost.* Our finance cost increased to ₹ 170 million for the financial year 2020 from ₹ 50 million for the financial year 2019, on account of an increase in interest on financial liabilities measured at amortised cost to ₹ 121 million (net of amount transferred to capital work-in-progress) for the financial year 2020 from ₹ 47 million for the financial year 2019 as a result of an increase in average outstanding borrowings during the financial year 2020 and an increase in interest and finance charges on lease liability of ₹ 47 million for the financial year 2020 as a result of implementation of Ind AS 116 with effect from April 1, 2019.

*Depreciation and amortisation expense.* Our depreciation and amortisation expense increased by 47.0% to ₹ 1,367 million for the financial year 2020 from ₹ 930 million for the financial year 2019, primarily due to an increase in depreciation of property, plant and equipment to ₹ 1,330 million for the financial year 2020 from ₹ 910 million for the financial year 2019, primarily as a result of additions relating to acquisition of Isagro, recognition of right of use asset on account of the implementation of Ind AS 116, commissioning of plant and machinery at our plant at Jambusar, Gujarat and purchase of vehicles.

*Other expenses.* Our other expenses increased by 6.9% to ₹ 4,804 million for the financial year 2020 from ₹ 4,496 million for the financial year 2019, primarily due to increase in expenses towards:

- power, fuel and water to ₹ 1,094 million for the financial year 2020 from ₹ 912 million for the financial year 2019;

- consumption of stores and spares to ₹ 353 million for the financial year 2020 from ₹ 251 million for the financial year 2019; and

- legal and professional fees to ₹ 310 million for the financial year 2020 from ₹ 218 million for the financial year 2019,

which was partially offset by a decrease in:

- provision for bad and doubtful debts and advances to ₹ 75 million for the financial year 2020 from ₹ 179 million for the financial year 2019; and

- expenses towards freight and cartage to ₹ 314 million for the financial year 2020 from ₹ 406 million for the financial year 2019.

***Profit before tax***

Our profit before tax increased by 14.1% to ₹ 6,138 million for the financial year 2020 from ₹ 5,379 million for the financial year 2019 as a result of the factors discussed above.

***Total tax expense***

Our total tax expense increased to ₹ 1,572 million for the financial year 2020 from ₹ 1,277 million for the financial year 2019. This was on account of increase in our profit before tax resulting in an increase of current tax expense to ₹ 1,259 million for the financial year 2020 from ₹ 1,176 million for the financial year 2019 and an increase of deferred tax charge to ₹ 313 million for the financial year 2020 from ₹ 101 million for the financial year 2019.

***Profit for the year***

Our profit for the year increased by 11.3% to ₹ 4,566 million for the financial year 2020 from ₹ 4,102 million for the financial year 2019 as a result of the factors discussed above.

***Financial Year 2019 compared to Financial Year 2018***

Our results of operations for the financial year 2019 were particularly driven by the following factors:

- the growth of our custom synthesis and manufacturing exports particularly from the United States;
- the growth of our domestic branded products business particularly due to an increase in the sale of "NOMINEE GOLD" and "OSHEEN"; and
- the implementation of Ind AS 115 – Revenue from Contracts with Customers, with effect from the financial year 2019.

***Total Income***

Our total income increased by 22.4% to ₹ 29,004 million for the financial year 2019 from ₹ 23,689 million for the financial year 2018, primarily due to an increase in revenue from operations.

*Revenue from operations.* Our revenue from operations increased by 23.1% to ₹ 28,409 million for the financial year 2019 from ₹ 23,087 million for the financial year 2018 due to:

- an increase in the revenue from sale of active ingredients and intermediates to ₹ 19,205 million for the financial year 2019 from ₹ 14,687 million for the financial year 2018, primarily on account of an increase in the sale of products in the United States, Europe, India and rest of the world and the implementation of Ind AS 115 with effect from the financial year 2019, which was partially offset by a decrease in revenues from sale of products in Asia (other than India);
- an increase in the revenue from sale of formulations in India to ₹ 9,030 million for the financial year 2019 from ₹ 8,286 million for the financial year 2018; and
- a marginal increase in the revenue (others) to ₹ 174 million for the financial year 2019 from ₹ 114 million for the financial year 2018, primarily on account of an increase in export incentives as a result of an increase in export of our products.

*Other income.* Our other income decreased marginally to ₹ 595 million for the financial year 2019 from ₹ 602 million for the financial year 2018, primarily due to a decrease in the interest income from financial assets at amortized cost to ₹ 194 million for the financial year 2019 from ₹ 266 million for the financial year 2018, which was partially offset by an increase in net gain on investments to ₹ 109 million for the financial year 2019 from ₹ 84 million for the financial year 2018.

***Expenses***

*Cost of materials consumed.* Cost of materials consumed increased by 26.7% to ₹ 13,728 million for the financial year 2019 from ₹ 10,837 million for the financial year 2018, primarily on account of expenses incurred to purchase greater volumes of raw materials due to an overall increase in the manufacturing and sale of our products.

*Purchase of stock in trade.* Expenses for the purchase of stock in trade increased by 64.2% to ₹ 1,274 million for the financial year 2019 from ₹ 776 million for the financial year 2018, primarily due to an increase in the volume of traded goods sold by us.

*Changes in inventories of finished goods, work in progress and stock in trade.* Changes in inventories of finished goods, work in progress and stock in trade was an increase of ₹ 500 million for the financial year 2019 as compared to an increase of ₹ 77 million for the financial year 2018, primarily due to the growth of our business and the timing of completion of contracts.

*Excise duty on sale of goods*. Excise duty on sale of goods was ₹ 316 million in the financial year 2018 as compared to nil in the financial year 2019. Goods and Service Tax ("**GST**") came into effect from July 1, 2017, and consequently, excise duty was replaced with GST with effect from July 1, 2017.

*Employee benefit expense.* Our employee benefit expense increased by 8.9% to ₹ 2,647 million for the financial year 2019 from ₹ 2,432 million for the financial year 2018, primarily on account of increase in salaries, wages and bonus given to our employees to ₹ 2,372 million for the financial year 2019 from ₹ 2,139 million for the financial year 2018. The increase in salaries, wages and bonus was due to an increase in our number of employees as a result of growth in our business and compensation increments given to our employees. Our number of employees increased to 2,338 employees as of March 31, 2019 from 2,075 employees as of March 31, 2018.

*Finance cost.* Our finance cost decreased by 5.7% to ₹ 50 million for the financial year 2019 from ₹ 53 million for the financial year 2018, due to a decrease in the interest on financial liabilities measured at amortized cost to ₹ 47 million for the financial year 2019 from ₹ 50 million for the financial year 2018.

*Depreciation and amortisation expense.* Our depreciation and amortisation expense increased by 12.0% to ₹ 930 million for the financial year 2019 from ₹ 830 million for the financial year 2018 due to an increase in depreciation of property, plant and equipment to ₹ 910 million for the financial year 2019 from ₹ 810 million for the financial year 2018, primarily as a result of commissioning of plant and machinery at our plant at Jambusar, Gujarat, additions to the buildings and addition in the leasehold land.

*Other expenses.* Our other expenses increased by 21.0% to ₹ 4,496 million for the financial year 2019 from ₹ 3,715 million for the financial year 2018, primarily due to increase in:

- expenses towards power, fuel and water to ₹ 912 million for the financial year 2019 from ₹ 755 million for the financial year 2018;

- provision for bad and doubtful debts and advances to ₹ 179 million for the financial year 2019 from ₹ 69 million for the financial year 2018; and

- environment and pollution control expenses to ₹ 454 million for the financial year 2019 from ₹ 350 million for the financial year 2018.

***Profit before tax***

Our profit before tax increased by 15.5% to ₹ 5,379 million for the financial year 2019 from ₹ 4,655 million for the financial year 2018 as a result of the factors discussed above.

***Total tax expense***

Our total tax expense increased to ₹ 1,277 million for the financial year 2019 from ₹ 979 million for the financial year 2018. This was on account of increase in our profit before tax resulting in an increase of current tax expense to ₹ 1,176 million for the financial year 2019 from ₹ 1,001 million for the financial year 2018 and a deferred tax charge of ₹ 101 million for the financial year 2019 as compared to a deferred tax credit of ₹ 22 million for the financial year 2018.

***Profit for the year***

Our profit for the year increased by 11.6% to ₹ 4,102 million for the financial year 2019 from ₹ 3,676 million for the financial year 2018 as a result of the factors discussed above.

**Cash Flows**

The following table sets forth our cash flows for the periods indicated:

*(₹ in million)*

| | Financial Year | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Net cash generated from operating activities | 6,981 | 3,908 | 3,194 |
| Net cash (used in) investing activities | (9,851) | (3,216) | (1,805) |
| Net cash generated from / (used in) financing activities | 3,500 | (1,251) | (1,061) |
| **Net increase/(decrease) in cash and cash equivalents** | 630 | (559) | 328 |

***Operating Activities***

Net cash generated from the operating activities was ₹ 6,981 million for the financial year 2020. While our profit before tax was ₹ 6,138 million, we had an operating profit before working capital changes of ₹ 7,774 million, primarily due to depreciation and amortization expense of ₹ 1,367 million. Our changes in working capital for the financial year 2020, primarily consisted of an increase in inventories of ₹ 1,850 million, an increase in current contract assets of ₹ 502 million and income taxes paid of ₹ 1,048 million, partially offset by decrease in trade receivables of ₹ 1,267 million and decrease in other current assets of ₹ 771 million.

Net cash generated from the operating activities was ₹ 3,908 million for the financial year 2019. While our profit before tax was ₹ 5,379 million, we had an operating profit before working capital changes of ₹ 6,594 million, primarily due to depreciation and amortization expense of ₹ 930 million. Our changes in working capital for the financial year 2019, primarily consisted of an increase in trade receivables of ₹ 1,493 million, an increase in inventories of ₹ 837 million and income taxes paid of ₹ 1,183 million, partially offset by an increase in current provisions and trade payables of ₹ 1,498 million.

Net cash generated from the operating activities was ₹ 3,194 million for the financial year 2018. While our profit before tax was ₹ 4,655 million, we had an operating profit before working capital changes of ₹ 5,202 million, primarily due to depreciation and amortization expense of ₹ 830 million. Our changes in working capital for the financial year 2018, primarily consisted of an increase in trade receivables of ₹ 903 million, an increase in other current assets of ₹ 729 million and income taxes paid of ₹ 963 million, partially offset by an increase in current provisions and trade payables of ₹ 819 million.

***Investing Activities***

Net cash used in investing activities was ₹ 9,851 million for the financial year 2020, primarily comprising payments for purchase of property, plant and equipment including capital work in progress, intangible assets and capital advances of ₹ 6,743 million and consideration paid for the acquisition of subsidiaries, net of cash acquired, of ₹ 4,345 million, which was partially offset by a net cash inflow on account of purchase and sale of current investments of ₹ 1,014 million.

Net cash used in investing activities was ₹ 3,216 million for the financial year 2019, primarily comprising payments for purchase of property, plant and equipment including capital work in progress, intangible assets and capital advances of ₹ 3,685 million, which was partially offset by a net cash inflow on account of purchase and sale of current investments of ₹ 427 million.

Net cash used in investing activities was ₹ 1,805 million for the financial year 2018, primarily comprising payments for purchase of property, plant and equipment including capital work in progress, intangible assets and capital advances of ₹ 1,697 million, which was partially offset by interest received of ₹ 266 million.

***Financing Activities***

Net cash generated from financing activities was ₹ 3,500 million for the financial year 2020, primarily comprising term loan availed of ₹ 3,886 million and short-term borrowings (net) of ₹ 1,083 million.

Net cash used in financing activities was ₹ 1,251 million for the financial year 2019, primarily comprising dividends paid (including tax) of ₹ 831 million and repayment of term loan of ₹ 399 million.

Net cash used in financing activities was ₹ 1,061 million for the financial year 2018, primarily comprising dividends paid (including tax) of ₹ 662 million and repayment of term loan of ₹ 365 million.

**Financial Indebtedness**

As of March 31, 2020, we had total indebtedness of ₹ 5,174 million.

Our interest coverage ratio for the financial years 2020, 2019 and 2018 was 42.27, 115.28 and 93.13, respectively. (Interest coverage ratio = earnings before interest and tax/finance cost)

**Capital and Other Commitments**

The following table sets forth our capital and other commitments, as of March 31, 2020:

*(₹ in million)*

| Particulars | As of March 31, 2020 |
|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 388 |
| Export commitment | 5,712 |

**Contingent Liabilities**

The following table sets forth our contingent liabilities, as of March 31, 2020:

*(₹ in million)*

| Matters | As of March 31, 2020 |
|---|---|
| Claims against us not acknowledged as debt: | |
| - Sales tax including GST | 62 |
| - Excise duty | 248 |
| - Income tax | 125 |
| - ESI | 1 |
| - Other matters, including claims relating to customers, labour and third parties | 19 |
| Guarantees excluding financial guarantees: | |
| - Performance bank guarantees | 442 |
| Other money for which we are contingently liable: | |
| - Letter of credit | 1,393 |

**Off-Balance Sheet Commitments and Arrangements**

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

**Capital Expenditure**

For the financial year 2020, we added property, plant and equipment of ₹ 6,916 million, primarily relating to the acquisition of Isagro and addition of plant and machinery at our plant at Jambusar, Gujarat, intangible assets of ₹ 380 million primarily relating to the acquisition of Isagro, computer software and product development and intangible assets under development of ₹ 87 million. For the financial year 2019, we added property, plant and equipment of ₹ 2,816 million, primarily for plant and machinery, buildings and leasehold land at our plant at Jambusar, Gujarat, intangible assets of ₹ 15 million for computer software and intangible assets under development of ₹ 76 million. For the financial year 2018, we added property, plant and equipment of ₹ 1,346 million, primarily for plant and machinery and buildings at our plant at Jambusar, Gujarat, intangible assets of ₹ 17 million for computer software and intangible assets under development of ₹ 49 million.

**Quantitative and Qualitative Disclosures about Market Risk**

In the course of our business, we are exposed to certain financial risks such as credit risk, liquidity risk, market risk and price risk.

***Credit Risk***

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises from the operating activities primarily (trade receivables) and from our financing activities including cash and cash equivalents, deposits with banks, derivatives and other financial instruments. For details of our exposure to credit risk, see "*Financial Statements – Notes to Consolidated Financial Statements - Note 40(I)*", on page 381.

***Liquidity Risk***

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our approach to managing liquidity is to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation. Due to the dynamic nature of underlying businesses, we maintain flexibility in funding by maintaining availability under committed credit lines. We monitor rolling forecast of our liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, our liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. For details on financing arrangements and maturities of financial liabilities, see "*Financial Statements – Notes to Consolidated Financial Statements - Note 40(II)*", on page 383.

***Market Risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, could affect our income or the value of our holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. We are exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and market value of our investments. Accordingly, out exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

*Foreign Currency Risk*

We are exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$ and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not our functional currency. We use forward exchange contracts to hedge our currency risk and are used exclusively for hedging purposes and not for trading and speculative purposes. The objective of the hedges is to minimise the volatility of the ₹ cash flows of highly probable forecast transactions. For details of a sensitivity analysis for a change in foreign currency rates, see "*Financial Statements – Notes to Consolidated Financial Statements - Note 40(III) – Market Risk – Foreign Currency Risk*", on page 385.

*Interest Rate Risk*

Our main interest rate risk arises from long-term foreign currency and working capital borrowings at variable rates. Our investments are primarily in fixed deposits, which are short-term in nature and do not expose us to interest rate risk. We regularly evaluate the interest rate hedging requirement to align with interest rate views and defined risk appetite, in order to ensure most cost effective interest rate risk management. For details of our exposure to interest rate risk, see "*Financial Statements – Notes to Consolidated Financial Statements - Note 40(III) – Market Risk –Interest Rate Risk*", on page 387.

***Price Risk***

Our exposure to price risk arises from investment in mutual funds and classified in our balance sheet as fair value through profit and loss. Mutual fund investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields, which may impact the return and value of such investments. However, due to very short tenor of the underlying portfolio in the liquid schemes, these do not pose any significant price risk. We review these mutual fund investments based on safety, liquidity and yield on a regular basis.

**Unusual or Infrequent Events or Transactions**

Except as described in this Placement Document, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

**Known Trends or Uncertainties**

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "*Significant Factors Affecting our Results of Operations*" on page 59 and the uncertainties described in "*Risk Factors*" on page 25. To our knowledge, except as disclosed in this Placement Document, there are no known factors, which we expect to have a material adverse effect on our income.

**New Products or Business Segments**

Other than as disclosed in this section and in "*Our Business*" on page 108, there are no new products or business segments that have or are expected to have a material impact on our business prospects, results of operations or financial condition.

**Dependence on a Few Customers**

We are dependent on a limited number of customers for a significant portion of our revenues. For the financial years 2020, 2019 and 2018, our top five customers contributed ₹ 20,009 million, ₹ 15,280 million and ₹ 11,607 million, or 59.4%, 53.8% and 50.3% of our revenue of operations, respectively. See, "*Risk Factors – Internal Risks - We depend on our relationships with multinational corporations and any adverse developments in such relationships could have an adverse effect our business, results of operations and financial condition"* on page 26.

**Seasonality of Business**

Our business is affected by seasonal variations and adverse weather conditions. For further details, see "*Risk Factors - Our business is subject to climatic conditions and seasonal variations and unfavourable local and global weather patterns may have an adverse effect on our business, results of operations and financial condition"* on page 27.

**Competitive Conditions**

We operate in a competitive environment. Please refer to "*Our Business*", "*Industry Overview*" and *"Risk Factors*" on pages 108, 81 and 25, respectively for further information on our industry and competition.

**Significant developments subsequent to March 31, 2020**

Except as disclosed above, and in this Placement Document, to our knowledge no circumstances have arisen since the date of the last financial statements disclosed in this Placement Document, which materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

*The information contained in this section is derived from the report titled "India Speciality Chemicals and CSM Market Overview" dated June 23, 2020, prepared and issued by Frost & Sullivan (India) Private Limited (the "**Frost & Sullivan Report**"), and commissioned by us in relation to the Issue. Neither we, nor any other person connected with the Issue has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decisions solely on such information. Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.*

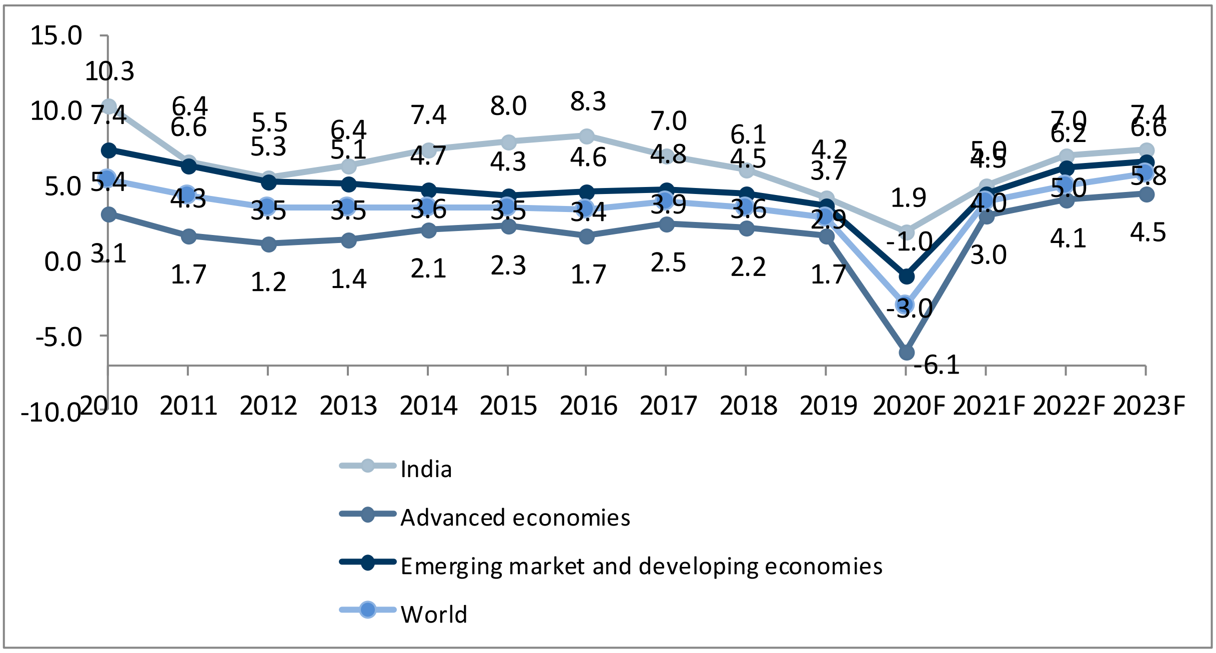
## Global and India Macroeconomic Overview

## Global Economic Overview

***GDP growth and outlook***

The global economic crisis amid the COVID-19 pandemic has severely impacted the gross domestic product ("**GDP**") in 2020. While the projections of GDP growth have aggravated to significant downfalls due to global lockdowns imposed to curb the spread of this pandemic, many rating agencies have reported a "V" shaped recovery in the GDP growth rates; giving an overall positive outlook of the global economy. The average forecasted GDP growth rates of advanced economies are expected to be in the range of 3% to 5% in 2021, according to the projections by the International Monetary Fund ("**IMF**"). While GDP is expected to recover in a "U" shape in the developed nations, the developing nations (predominantly emerging Asia and ASEAN region) are expected to see a rapid recovery in the GDP, as illustrated below.

**Real GDP Growth (%) (2010 to 2023F)**




*(Source: IMF Estimate, April 2020 and Frost & Sullivan Research and Analysis)*

Many institutions, including the IMF, Moody's Corporation, World Economic Forum and Organisation for Economic Co-operation and Development ("**OECD**"), have assessed the impact of COVID-19 to be worse off than the 2009 global economic and financial recession, and have compared it with the great depression in 1930's. Two major emerging markets and developing economies, India and China are expected to show a low but positive growth at 1.9% and 1.2%, respectively, in 2020, according to the projections by the IMF Other rating agencies project the global growth in 2020 to range from -2.7% (Bank of America) to 1.95% (mid-point of range provided by OECD).

***Macroeconomic Overview of India***

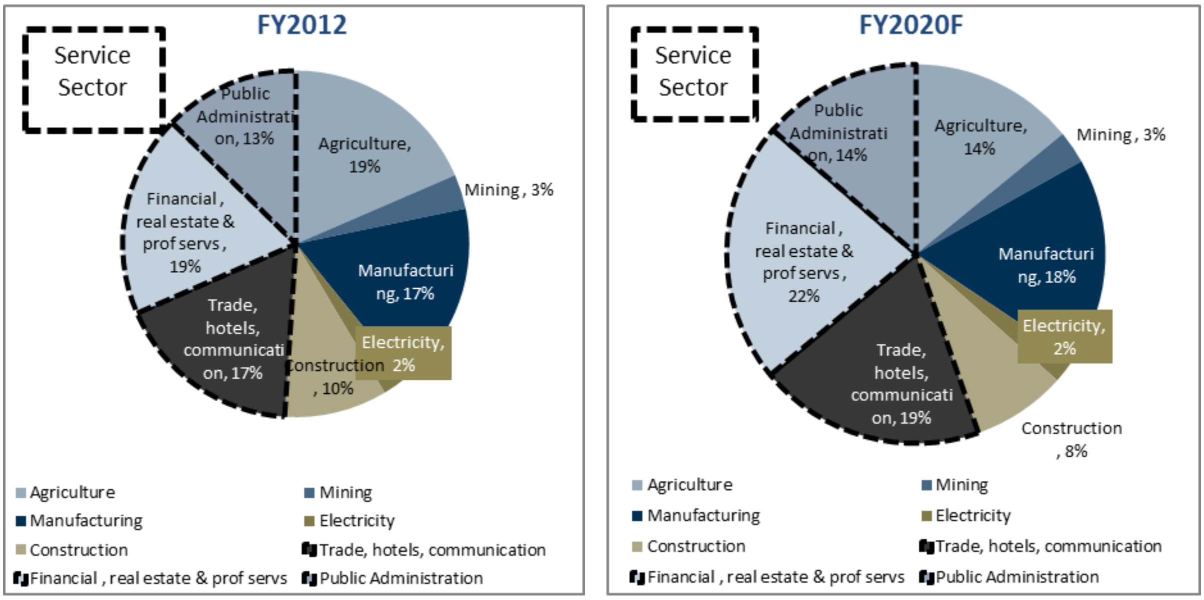
*GDP growth and outlook*

Market-friendly policies, improved macroeconomic fundamentals and robust capital inflow strengthened India's economic growth from 5.5% in 2012 to 8.3% in 2016. However, in 2017, the GDP declined to 7%, due to external vulnerabilities such as the global slowdown, the impact of demonetization and the transitory effect of goods and services tax ("**GST**") implementation. Further, the economic growth continued to slip downwards in 2018 and 2019 to 6.1% and 4.2%, respectively, as a result of the lingering effect of demonetization and other political reforms. Growth has remained relatively weak as a result of prolonged de-leveraging cycle and ongoing stress among non-banking financial institutions ("**NBFI**"), which has constrained the financial system's overall provision of credit. Significant slowdown in the financial sector credit growth due to NBFI liquidity constraints as well as asset quality issues among public sector banks has exacerbated prolonged weakness in private investment and a material decline in consumption, due to financial stress among rural households and weak job creation. India, being a major emerging market and developing economy, is expected to show a low but positive growth at 1.9% in 2020. The impact of COVID-19 is severe in India due to a strict lockdown imposed. The medium-term growth outlook is expected to improve and record a growth of approximately 7.4% during 2021, on account of favourable macroeconomic fundamentals, including moderate inflation, among others, and liquidity injections by the Reserve Bank of India ("**RBI**"). Recently, the Government of India has announced an economic package worth ₹ 20 trillion. A ₹ 3 trillion package for micro, small and medium enterprises ("**MSME**"), in terms of loan, is expected to generate local demand and help MSMEs survive during this pandemic. According to the Confederation of Indian Industry ("**CII**"), MSMEs currently contribute approximately 30.0% of India's GDP.

*Sectoral share of GVA*

In terms of the contribution of various sectors to India's Gross Value Added ("**GVA**") in FY 2018, the service sector was the dominant sector with a share of 54%, followed by industry at 31% and agriculture at 15%.

**Sectoral Share of India's GVA (%) (FY 2012 and FY 2020F)**




*(Source: Ministry of Statistics and Programme Implementation ("**MOSPI**") (Economist Intelligence Unit) - First Advance Estimates of National Income, 2019 - 2020, at 2011- 2012 prices)*

The service and manufacturing sectors are severely hit due to the COVID-19 pandemic. Despite the severe impact, both these sectors have a joint sectoral share of 85% in FY 2020. The impact of COVID-19 on the agriculture sector remained low in FY 2020. According to Frost & Sullivan, the manufacturing sector is expected to show a positive share in the GVA by latter half of FY 2021, predominantly due to optimistic outlook of specialty chemicals, pharmaceuticals and essential products in India.

*Overall impact of COVID-19 in India*

The number of cases in India has grown significantly over a short duration, which required the Government to impose a stricter lockdown. This has led to a severe migrant crisis, economic downturn, and nationwide shutdown of manufacturing as well as service sectors. Amid the COVID-19 pandemic, the Government has announced a stimulus equivalent to 10% of India's GDP. The RBI has provided monetary stimulus four times till 2020 May end. First stimulus worth ₹ 2.8 trillion (1.4% of GDP) was provided in February 2020, second stimulus worth ₹ 3.74 trillion (1.8% of GDP) was provided in March 2020 and the remaining two stimulus worth ₹ 1.5 trillion (0.75% of GDP) were provided in April 2020. In addition to the liquidity injections, the Government has ensured the well-being of MSMEs with a ₹ 3 trillion stimulus package, supporting the corporate sector to minimise adverse economic impact and facilitate quick recovery.

With the partial re-opening of the Indian economy, all the other sectors (apart from essential services) are also picking up gradually. While the pace is slow and cautious as of now, it is projected to grow in the coming quarters. Amid the pandemic, the manufacturing of pharmaceutical drugs have recorded a positive growth along with the specialty chemicals and the essential products. Also, the global manufacturing base may shift to India as a supplement to China as a result of reduced dependence on China post the COVID-19 pandemic. The GDP growth estimates are also positive for India. Countries that are able to take advantage of the post-COVID economic shifts are expected to emerge as world powers in the next two decades. India needs to make sure it capitalises on the inevitable shift in the supply chain; whether by boosting manufacturing, services or ease of doing business. India has a favourable demographic dividend, massive entrepreneurial base and technological capabilities. Additionally, unlike China and Vietnam, that have single-party rule, India is a democratic nation following a policy of multi-alignment, making it a trusted partner globally for economic and strategic collaborations.

**Global and Indian Agriculture Overview**

***Global Overview***

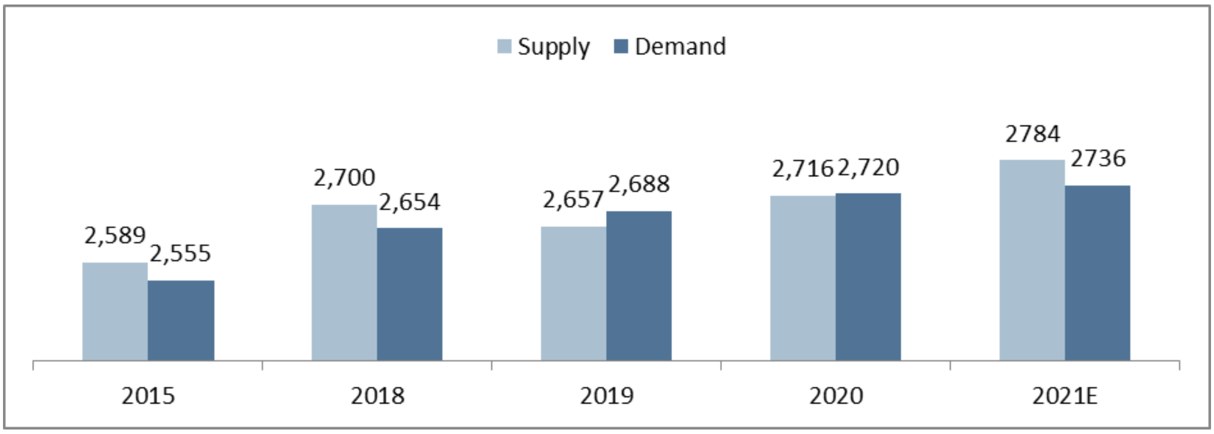
*Arable land availability*

The total agriculture land as measured in 2017 was 4,827 million hectares. The world has lost a third of its arable land due to erosion or pollution in the past 40 years. The repeated ploughing of fields combined with the heavy use of fertilizers, have degraded soils across the world. Also, most of the arable lands are being converted into residential or commercial lands as agriculture is not yielding the required returns to the farmers. The growing food demand is expected to require approximately 320 to 850 million hectares of additional agricultural land by 2050.

*Food demand and production*

Cereals (food grains) are the most important sources of food supply and, hence, a good representative of demand and supply requirement snapshot at global level. Cereals also occupy more than half of the world's harvested area. Global food demand is growing fast and much of the world's current cropland has yields well below their potential, and, therefore, year-on-year imbalance of supply and demand is clearly visible. As per the projections made by Food and Agriculture Organization ("**FAO**"), to meet the food demand in 2050, the current agriculture land would have to double their output. Technology improvement and land clearing for agriculture are some of the options to enhance the crop productivity.

**Global Food Grain Supply and Demand Outlook (Million Metric Tonne ("MMT"))**

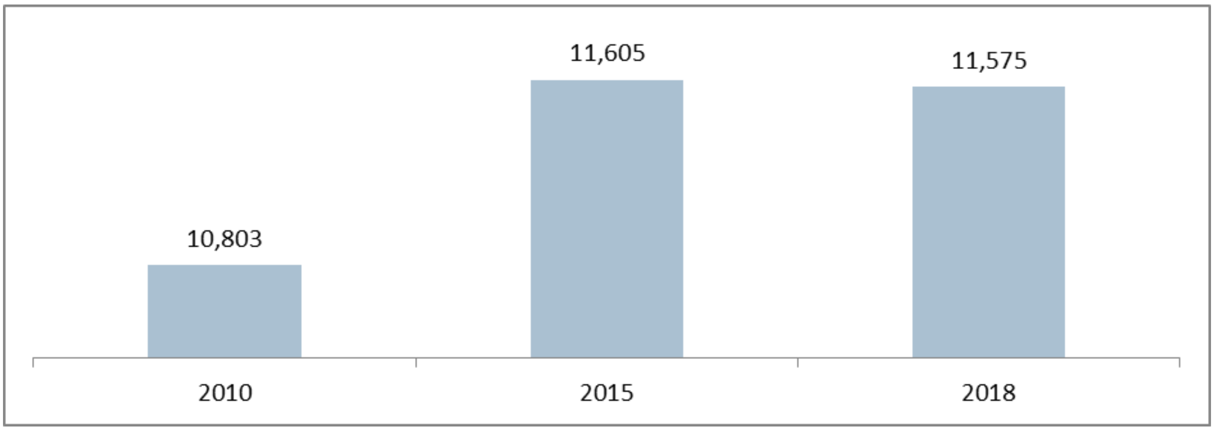



*(Source: Frost & Sullivan Research and Analysis)*

*Agricultural productivity and crop yield*

The 2018 Global Agricultural Productivity ("**GAP**") Index shows that, for the fifth straight year, global agricultural productivity growth is not growing fast enough to substantially meet the food, feed, fibre and biofuel needs of nearly 10 billion people in 2050. GAP is measured on the basis of Total Factor Productivity ("**TFP**") - gross amount of crop and livestock outputs per inputs of labour, capital and materials. TFP is required to grow by 1.75% annually to meet the demand in 2050. However, it has been growing at an average annual rate of only 1.51%. Low-income countries are a major concern area, as TFP has not grown beyond 0.96% in such countries in the recent years.

**Global Crop Yield Trend (MT/Hectare)**




*(Source: Global Harvest Initiative GAP Report 2019, FAO)*

*Climate change and its impact on harvest*

Temperature and precipitation play an important role in crop yields and are directly related to climate change. It was concluded from various studies across the globe and compiled by Arizona State University that without CO2 fertilization, effective adaptation and genetic improvement, each degree-Celsius increase in global mean temperature would, on an average, reduce global yields of wheat by 6%, rice by 3.2%, maize by 7.4 % and soybean by 3.1%.

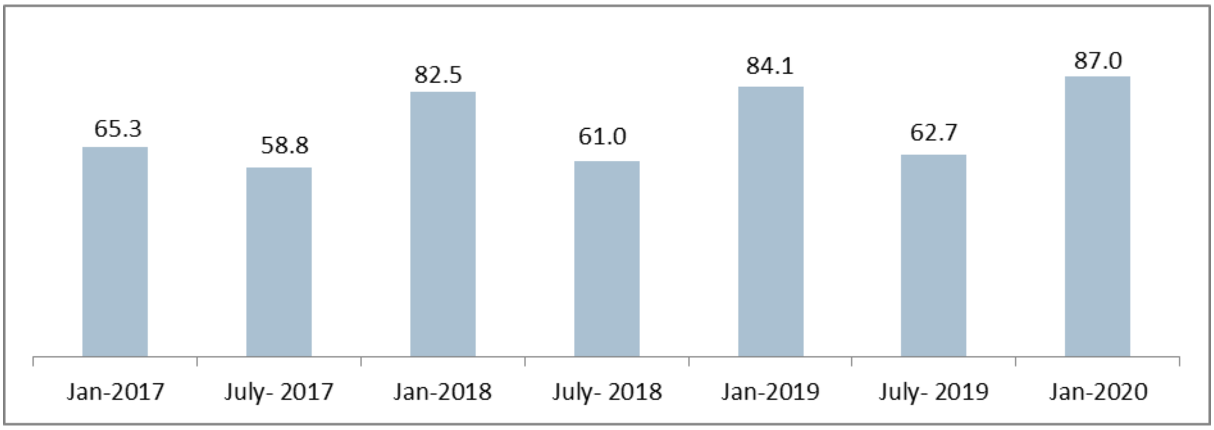
*Impact of COVID-19*

The significant slowdown of all the economies of the world due to the COVID-19 pandemic is expected to make the countries, especially food import dependent countries, struggle to have the needed resources to buy food. There are likely to be disruptions in the food supply chains especially in the high value commodities such as fruits, vegetables, meat, fish and milk. The need to upgrade international standards for hygiene, working conditions and living facilities in relation to agricultural activities are being reconsidered and is expected to have a bearing on trade dependent economies in the long run.

***India Trends***

The Central Statistics Office valued India's GDP growth to be 6.8% in 2018-2019 as compared to 7.2% in 2017-2018. India's agriculture sector is expected to account for approximately 14% of its economy in 2019-2020. Gross fixed capital formation in agriculture has decreased from 17.7% in 2013-2014 to 15.2% in 2017-2018. Io increase the size of India's GDP to US$ 5 trillion by 2025, agriculture and manufacturing sectors are required to contribute US$ 1 trillion each, while the contribution from the services sector has been fixed at US$ 3 trillion.

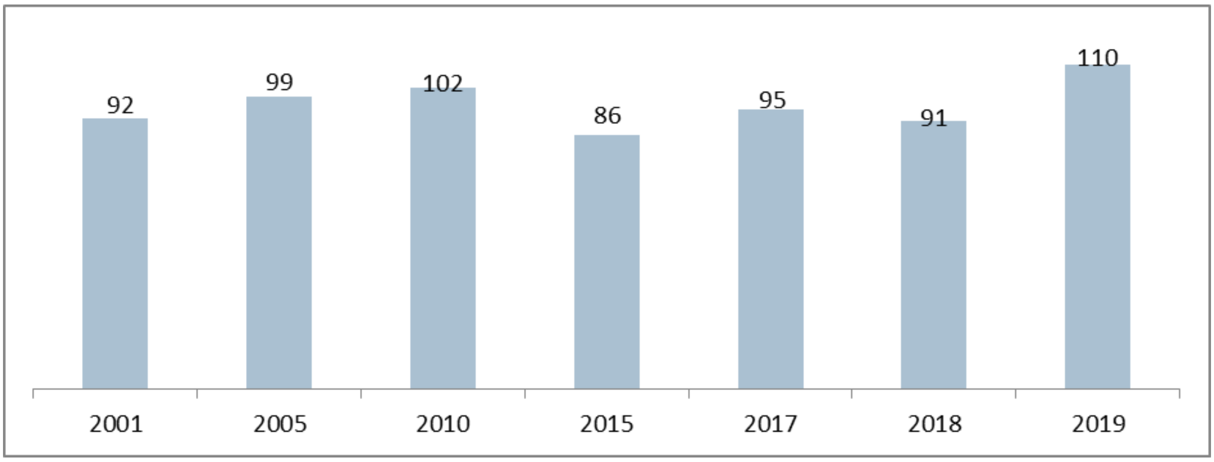
**India's Agriculture GDP Trend (2017 to 2019) (US$ Billion)**




*(Source: MOSPI)*

Amid the COVID-19 lockdown, the Government is expecting that agriculture sector could be a silver lining for the Indian economy as it is estimated to grow at a rate of 3% for 2020-2021, according to NITI Aayog. Currently, the growth of the agriculture sector is 60% more than the non-agriculture sectors. NITI Aayog attributed the estimated growth in the agricultural sector to normal monsoon this year along with India's water availability in reservoirs, which is 40% to 60% higher than the previous year.

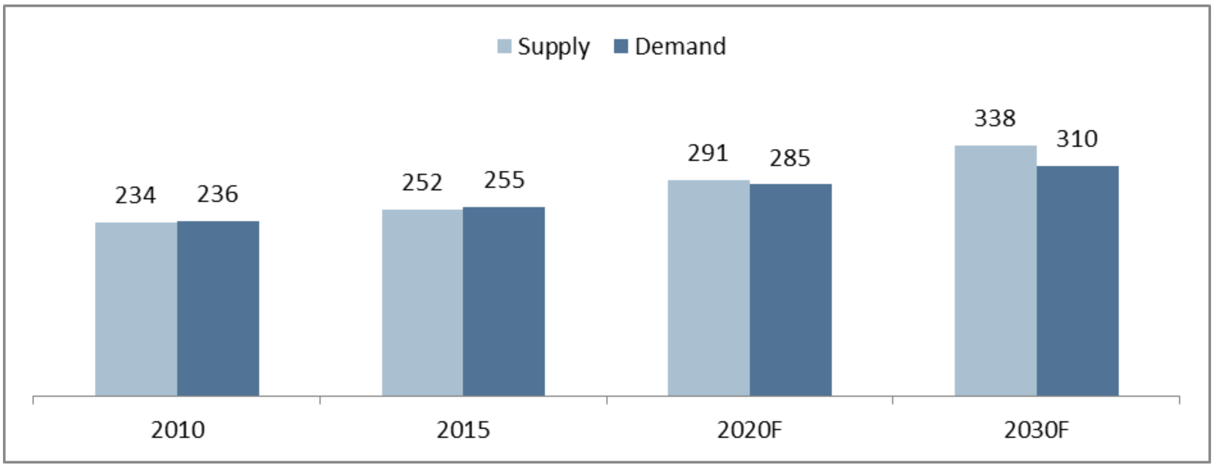
**Rainfall in India, % of Long Period Average ("LPA")**




*(Source: India Meteorological Department)*
*Note: LPA is considered to be the 'normal' rainfall in India. It is derived from the average rainfall from June to September across the country over a 50-year time period. Previously, the normal rainfall figure for India was 887.5 mm, which is the average amount of monsoon rainfall from 1951 to 2000. For the revised value, the time frame under consideration has been shifted to 1961 to 2010. The average rainfall during these years was 880.6 mm*

With approximately 55% of India's arable land dependent on precipitation, the amount of rainfall during the monsoon season is important for the economic activity in the agriculture sector. Approximately 89% of groundwater is extracted for irrigation. Further, crops such as paddy and sugarcane consume more than 60% (% of ground water extracted) of irrigation water available in India, which reduces water availability for other crops.

**India Food Grain Supply and Demand Outlook (MMT)**




*(Source: Proceedings of the Indian National Science Academy, Ministry of Agriculture and Farmers' Welfare and Frost & Sullivan Research and Analysis)*

Though the availability of food grains looks stable, there is a huge mismatch when it comes to distribution of the same across social sectors. Also, the demand for the other agriculture products such as vegetables, fruits and milk have been increasing at a much higher rate compared to the projected supplies. This is due to the increasing consumption of high fibre and other healthy diet habits that are being followed by the urban population.

In FY 2019, agriculture exports were US$ 38.54 billion. India is also the largest producer, consumer and exporter of spices and spice products. With good yields on food grains, especially that of wheat and rice, the imports have declined substantially over the last two years and exports have increased considerably. India ranks first not only in the production and consumption of pulses, but also in their import. By 2050, the domestic requirement necessitates increasing production by 81.50%, i.e. 11.9 MMT additional produce at 1.86% annual growth rate. India ranks second in the world (production of 97.3 MMT in 2018), next to China (production of 259 MMT in 2018), when it comes to fruit production. There has also been a steep rise in the import of fresh fruits recently. Apples constitute 22% of the total import of fruits in India, kiwifruit import has been growing at 60% annually, along with citrus fruits at 30%.

*Impact of COVID-19 on the Indian agriculture sector*

In India, the impact of COVID-19 has been complex on the agriculture sector, as the extent of impact and the type varies across the value chain. The two major challenges that have arisen due to COVID-19 has been the availability of labor and lowered access to market for the produce due to logistical issues. The labour issue is prominent in commercial crops, where migrants were used for harvesting the crops. Though the agriculture belts that have been closer to the urban areas have had better access to the market, the logistical challenges still persist due to presence of containment zones on the way to the actual markets. Produce such as onions, cotton, mango, inland fisheries, flowers and vegetables have suffered due to the ongoing issues and lack of any proper storage facilities at the farm end. Without any proper market or harvest support, many farmers have let the crops rot in the fields as they cannot afford to pay higher labour charges with low sales.

In the next two to three months, there is expected to be an increase in the price of vegetables and other commercial crops due to large-scale changes in the cropping patterns. For instance, the farmers are expected to grow higher shelf life crops in the coming season owing to the uncertainty over the complete re-opening of the economies, which is expected to result in higher prices of lower shelf life farm produces such as vegetable due to low supply. Another serious issue that is expected to be faced by the sector is accumulating loans, as with the current market conditions, farmers would not have been able to pay the loans they had taken for crops which have either rotten in the fields or have been sold at a loss. To support farmers, some states have announced the provision of agricultural inputs, such as seeds and farming equipment on rent. Other government initiatives include allowing movement of seasonal workers and transport operators across borders and identifying collection centres closer to producers. For instance, developing storage facilities, such as the warehouse receipt system, where farmers can deliver their produce without the need to go to the markets is expected to help to manage the situation to a certain extent.

Low consumer demand and port hurdles are expected to impact exports to a large extent as major destinations such as US and Europe are expected to take another couple of months to completely re-open their businesses and offices. However, the agriculture sector is likely to be less affected than other sectors that are more exposed to logistical disruptions and weakened demand, such as travel, manufacturing and energy sectors.

*Developments in Indian agriculture sector amid COVID-19*

- Concessional credit flow to strengthen agriculture infrastructure, special Kisan Credit Card saturation drive for PM-Kisan beneficiaries and facilitating inter and intra-state trade of agriculture produce to ensure fair return to farmers.

- Developing eNAM or the National Agriculture Market into a "platform of platforms" to enable e-commerce is one of the important topics of discussion for the Government.

- A uniform statutory framework to facilitate new ways for farming, which would infuse capital and technology in the agrarian economy.

- A discussion around the challenges of the Model Agricultural Land Leasing Act, 2016 and ways to protect the interest of small and marginal farmers.

- Ways to make the Essential Commodities Act, 1955 compatible with present times so that large-scale private investment in post-production agriculture infrastructure is incentivised.

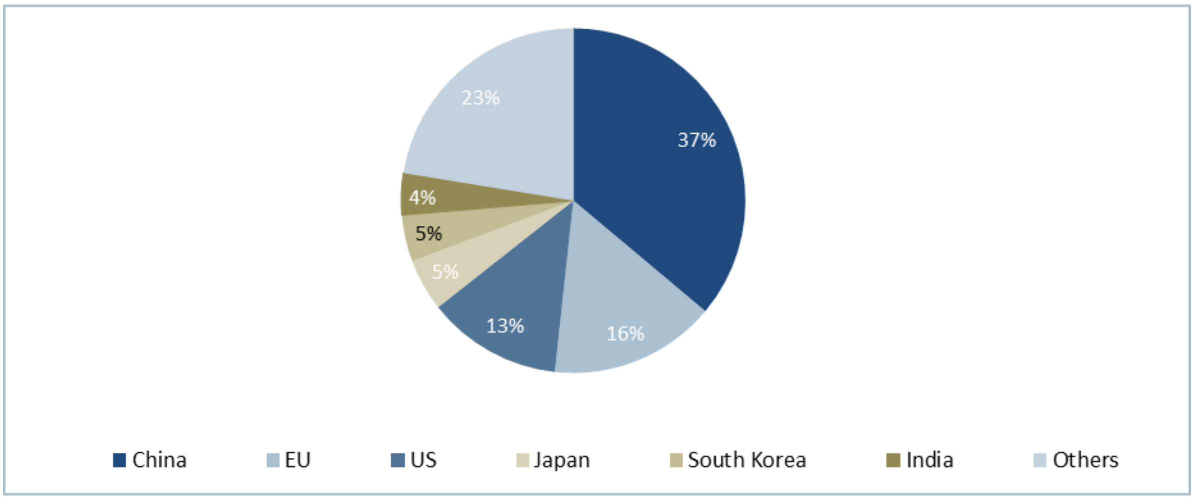
- Developing "Brand India", creation of commodity specific boards and councils and promotion of agri-clusters or contract farming.

**Overview of Speciality Chemicals**

***Global Overview***

Global chemicals market is valued at approximately US$ 5 trillion, with China accounting for major market share (37%), followed by European Union (16%) and the United States (13%). India accounts for 4% market share in the global chemicals market.

**Global Chemicals Market, 2019, US$ 5 Trillion**



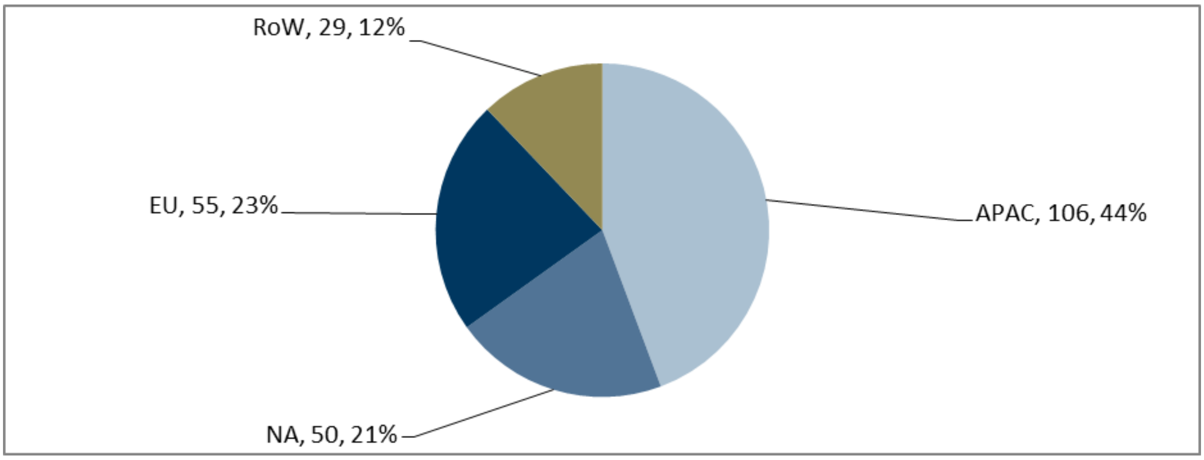

*(Source: Frost & Sullivan Research and Analysis)*

*Global speciality chemicals market*

Specialty chemicals are low-volume and high-value products, which are sold on the basis of their quality or utility, rather than composition. Therefore, they may be used primarily as additives or to provide a specific attribute to the end product. Specialty chemicals are more likely to be prepared and processed in batches. The focus is on value addition to the end product and the properties or technical specifications of the chemical. Rapid industrialisation in India and China is expected to drive demand for specialty chemicals. Asia-Pacific ("**APAC**") dominates the speciality chemicals market across the world, with a share of 44%, owing to a huge customer base, leading to high demand for specialty chemicals, increasing industrial production and robust growth of the construction sector in the region. APAC is followed by North America and Europe. The global specialty chemicals market is expected to grow at 5.4% CAGR, reaching US$ 6,500 billion by 2024. Going forward, APAC is expected to grow at a rate of 6% to 7% during 2019-2024. The specialty chemicals markets in Western Europe, North America, and Japan are relatively mature and, hence, are expected to record slow growth rates of approximately 3% to 4%.

*Market segmentation – by geography*

**Segmentation of Global Specialty Chemicals Market, by Geography, Value US$ 240 Billion, 2019**



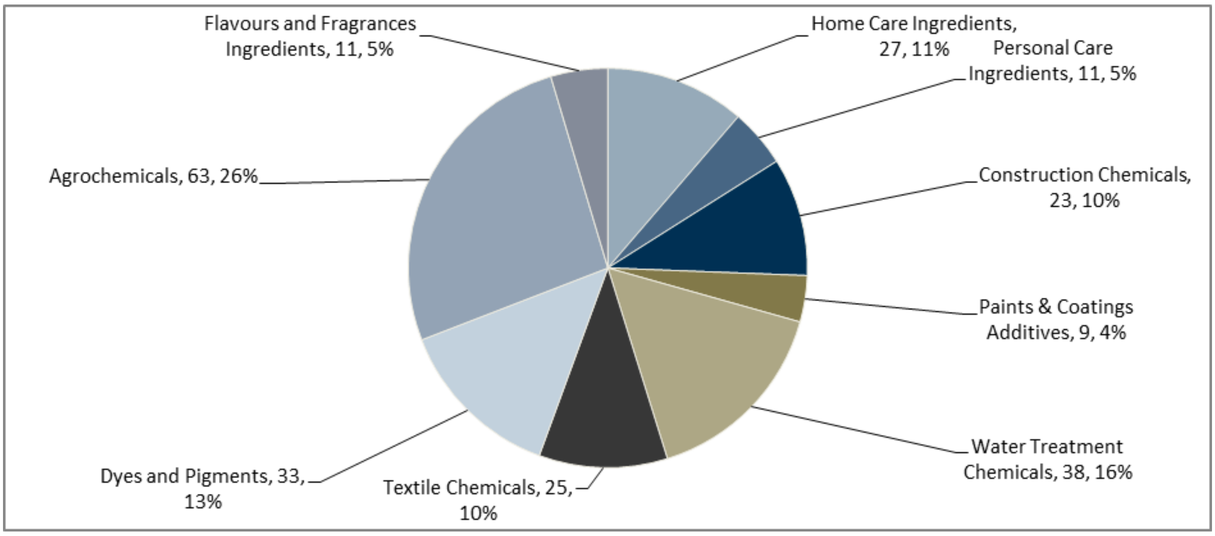

*(Source: Frost & Sullivan Research and Analysis)*

With high population base and majority of countries in APAC being underdeveloped or developing nations, there is a high rate of construction activities resulting in high demand for construction chemicals and paints and coatings additives. All these factors lead to higher growth rate of approximately 7% CAGR for APAC in 2021.

*Market segmentation – by industry and application type*

Specialty chemicals industry can be categorised into a mix of end-use driven segments and application-driven segments. In terms of attractiveness, the various segments across specialty chemicals differ in competitive intensity, margin profiles and defensibility against the raw material cost movements.

**Segmentation of Global Specialty Chemicals Market, by Industry and Application Type, Value US$ 240 Billion, 2019**




*(Source: Frost & Sullivan Research and Analysis)*

*Growth drivers*

Growing consumption of green chemicals (environmental friendly products): With increasing awareness of the ill effects of certain chemicals on humans and environment, there is a growing trend in the chemicals industry to shift towards "green" chemicals or sustainable chemistry. These are products which are bio-degradable and which show a significant reduction in environmental impact when applied – this can be either through reducing energy and water consumption in the process or reducing the chemical and biochemical oxygen demand of the waste generated which reduces treatment costs and is environmental friendly. The evolution of green chemistry in the chemical industry is expected to be a critical trend driving the growth of the green chemicals market. Global green chemicals market is expected to grow at a CAGR of 10.5% during 2019-2024.

The following table sets out five-year growth forecast, split by key industries, highlighting key factors that are driving growth:

| **Segments** | **Key Growth Drivers** | **(2019-2024 CAGR)** |
|---|---|---|
| Home Care Ingredients | • Growth in household and industrial and institutional cleaners market<br>• Growing consumption of environmental friendly products | 5% |
| Personal Care Ingredients | • Growth in demand for personal care products is driven primarily by emerging markets in the Asia-Pacific region, particularly China and India, which are expected to grow at a CAGR of more than 10%<br>• USA and Europe are expected to grow at approximately 4%, primarily driven by the shift towards natural active ingredients | 4.2% |
| Construction Chemicals | • Rise in construction projects across emerging markets and increased adoption of construction chemicals for improvement in quality of projects | 6.5% |
| Paints and Coatings Additives | • Demand driven by growing automotive industry, increasing urban population, rising household consumption expenditure and improving economic conditions | 6.5% |
| Water Treatment Chemicals | • Strengthening environmental regulations and rising water quality standards for municipal consumption in matured markets of North America and Europe<br>• In emerging markets, strong economic growth resulting in greater municipal and industrial spending in water treatment effort to drive growth of this segment | 5.7% |
| Textile Chemicals | • Increasing demand for finishing chemicals that allow a variety of beneficial properties such as anti-microbial properties, wrinkle-free properties and stain-resistance to be imparted to the textile | 4% |

| | | |
|---|---|---|
| Agrochemicals | • Increasing global population, decreasing arable land, and consequent requirement to improve crop yields<br>• New demand for agricultural products would also be created by the use of agricultural products for industrial applications such as in fuel blending and polymer manufacturing and opening up new avenues of applications for agrochemicals | 6.6% |
| Flavours and Fragrances Ingredients | • Strong growth in low-fat and low-carbohydrate foods and beverages in North America<br>• Higher consumer willingness to experiment with new flavours and fragrances<br>• Increased production of processed foods in developing countries causing a spurt in the demand for flavours<br>• A shift in perception of fragrance from being a nonessential attribute to an indispensable part of personal care | 5.9% |
| Dyes and Pigments | • Growth is demand for high performance pigments, which are highly durable pigments, resistant to UV radiation, heat and chemical<br>• Use of eco-friendly colorants such as low impact dyes is emerging | 5% |

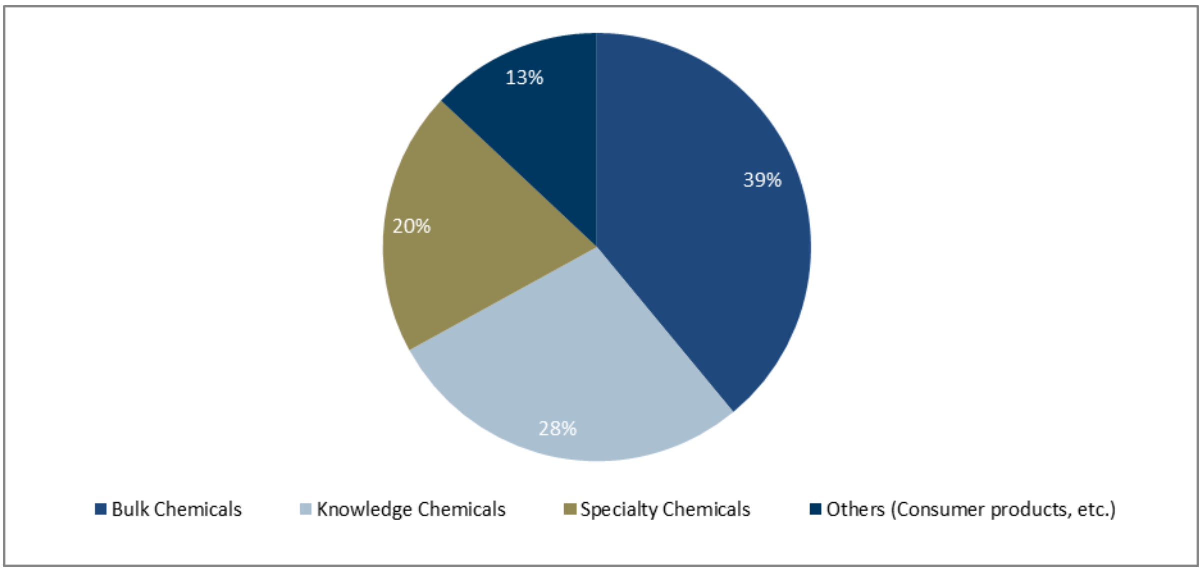
*Impact of COVID-19*

Many leading chemical manufacturers have reduced capital and operational expenditure to address the COVID-19 pandemic. Capacity utilizations have scaled down to 40% to 60% capacity due to labour shortages and disruptions in the supply of raw material. The supply chains are being reconfigured as the competitive order of chemicals producers in the US, Middle East, China and Europe has changed. Demand for chemicals for automotive, transportation and consumer products sectors have declined by approximately 30%. Products that have less exposure to the price of oil have seen stable prices whereas the crude dependent ones have been highly impacted. Wherever possible, companies in the chemical industry have stepped up to produce raw materials for sanitization and safety products. Companies are also looking at innovations around 3D printing, polymer recycling and green hydrogen as a source of energy and bio-based products to have better sustainability and higher margins.

***India Overview***

The India chemicals market is valued at approximately US$ 200 billion with basic chemicals (also known as commodity chemicals or bulk chemicals) accounting for the major share (39%). Basic chemicals comprise of various bulk polymers, petrochemical intermediates, inorganic chemicals and fertilizers. The Active Pharmaceutical Ingredients ("**API**") and the bulk drugs industry (bucketed under knowledge chemicals) accounts for 28% of the overall market share, which comprises differentiated chemicals, pharmaceuticals and diagnostics chemicals.

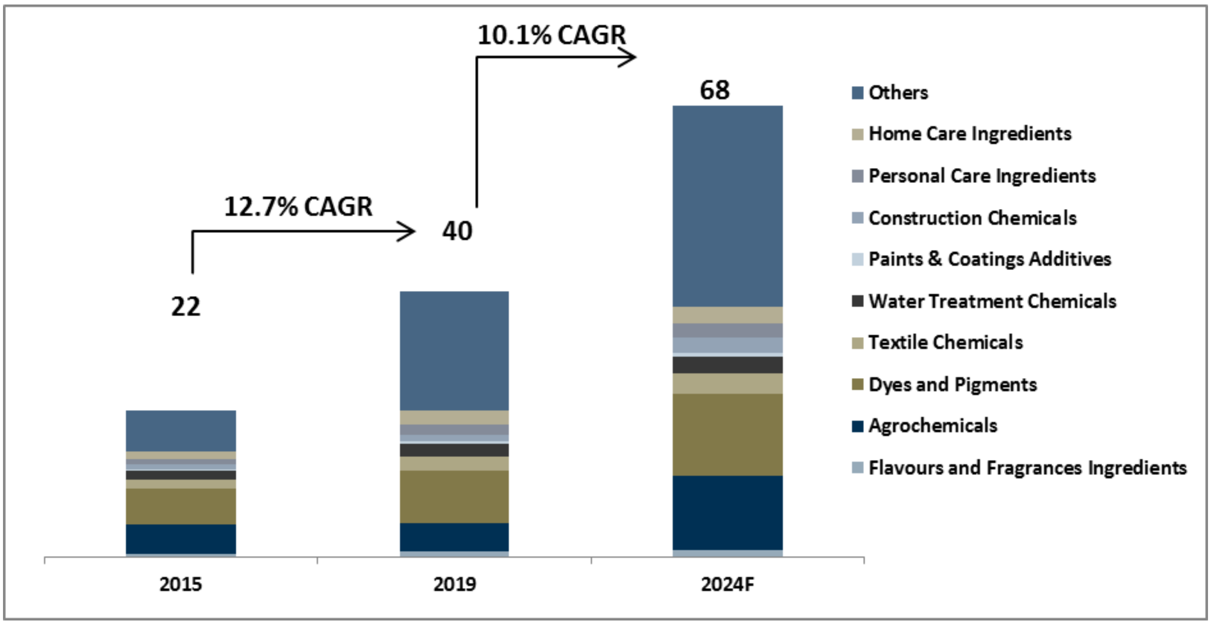
**Indian Chemicals Market, 2019 (in US$ 200 Billion)**




*(Source: Frost & Sullivan Research and Analysis)*

The specialty chemicals industry is driven by both domestic consumption and exports. Home and personal care chemicals, water treatment chemicals and construction chemicals are areas where specialty chemicals are applied. The growth of the market is in conjunction with the overall growth of the Indian economy. The 'Make in India' campaign is also expected to add impetus to the emergence of India as a manufacturing hub for the chemicals industry in the medium term. Through incentives, subsidies and grants under this campaign, Indian companies could gain further ground as companies might want to reduce dependence on China after the COVID-19 pandemic and shift their supply chains. The decline in raw materials prices could also help the margins and reduce the working capital need. However, input costs are a pass through for most companies and benefits could be limited. Overall, the specialty chemicals industry is likely to continue to perform well in the near to medium term and is expected to capitalize on the 'Make in India' benefits to assume leadership position in the market.

**Indian Specialty Chemicals Market, Value (US$ Billion) (2015, 2019 and 2024F)**




*(Source: Frost & Sullivan Research and Analysis)*
*Note: Others include paints and coatings and sealants and adhesives.*

Exports are on the rise as India is becoming a central manufacturing hub for such chemicals. Tightening of environmental norms (such as Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") regulations) in developed countries and the slowdown of China's specialty chemicals market are contributing to the growth of exports.

China's specialty chemicals market has seen a downturn in recent years, primarily due to the introduction of stringent environmental norms. Stringent environmental norms increased the operating costs and led to factory closures in high-polluting sectors, which weighed on industrial production. Stringent environment regulations have negatively impacted industrial output since 2017. Under these circumstances, the growth of the Chinese specialty chemicals market also has been slow. In addition, recent trade friction between the United States and China reduced Chinese exports to the United States to approximately 17% in 2019 from 20% in 2018. The Chinese Government started implementing stringent environmental protection norms from January 2015. In

2018, approximately 40% of the chemical manufacturing capacity in China was temporarily shut down for safety inspections, with over 80,000 manufacturing units charged and fined for breaching emission limits. China's Ministry of Environmental Protection enforced strict penalties on polluting industries, including chemicals. In 2016, the Government of Jiangsu, China, issued a development plan for the Yangtze River Delta Economic Belt. Pollution in the river has reached dangerous levels with several chemical manufacturers located near the river owing to the proximity to the ports.

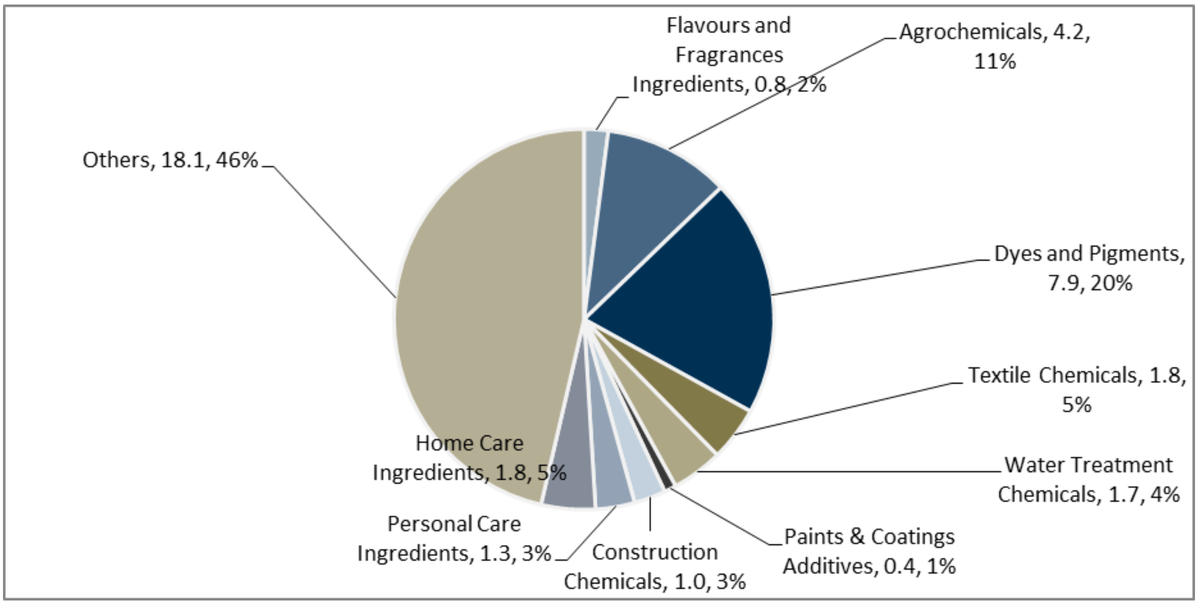
As per the plan, the Chinese Government has set a goal of shutting down or relocating nearly 1,000 chemical plants, which use old technology or are located near the Yangtze River, within three years (2018-2020). By 2020, 134 chemical firms are expected to be shut down, relocated or renovated. No factories will be allowed within one km of the river. Also, the Chinese Government has mandated the construction of effluent treatment plants and imposed green tax on the chemicals industry to combat pollution. As a result, the overall cost of production is likely to go up on account of capital expenditure incurred towards the construction of effluent treatment plants as well as increase in the compliance cost. The cost is expected to be higher for the smaller non-integrated plants operated by medium and small-scale players. This is likely to impact production in the medium term and thereby overall chemical exports. Additionally, the labour cost (hourly cost of compensation) in China was lower than that of India till 2007. However, over 2005 to 2015, the average labour cost in China increased at a CAGR of 19% to 20%, against a CAGR of 4% to 5% in India. In fact, over the last five years, this cost has more than doubled compared to India, rendering Chinese manufacturers' uncompetitive vis-à-vis India in terms of labour cost.

All these factors are increasing the capital expenditure as well as operational expenditure, making Chinese chemical companies less competitive in the export market. This slowdown provides an opportunity to India to enhance its share in the global export market. Owing to shutdowns in China and lack of capacity additions in other developed countries, India stands to benefit in the export market. Also, India's ability to manufacture at a lower price compared to its western counterparts is supporting the growth of India's share in the global export market. Moreover, the specialty chemicals consumption in India is low compared with the global average, which provides enormous scope. Also, the increasing availability of basic chemicals is likely to support further investments in the specialty chemicals segment. Specialty chemical companies are expected to grow in India because of the chemistry, R&D skillset and economies of scales achieved.

*Market segmentation – by industry and application type*

Traditionally, low-cost labour and raw material availability are the advantages enjoyed by the Indian manufacturing companies. However, the specialty chemicals companies are now focusing beyond these traditional cost advantages. Product development capabilities have increasingly become important across various segments and differentiate the top and bottom performers.

**Segmentation of Indian Specialty Chemicals Market, by Industry and Application Type, Value (US$ 40 Billion), 2019**



*(Source: Frost & Sullivan Research and Analysis)*
*Note: Others include paints and coatings and sealants and adhesives.*

The following table sets out five-year growth forecast split, by key industries, highlighting key factors that are driving growth:

| **Segments** | **Key Growth Drivers** | **India Market, (2019-2024 CAGR)** |
|---|---|---|
| Home Care Ingredients | • Growth in population and per capita income to drive growth in this segment | 9.8% |
| Personal Care Ingredients | • Rapid increase in the adoption of personal care products, especially in rural markets | 12.4% |
| Construction Chemicals | • Growth in Indian construction industry over the next five years, driven by housing and infrastructure projects<br>• Increase in adoption of global standards of construction in India will lead to growth of this market | 10.5% |
| Paints and Coatings Additives | • Growth in per capita paint consumption in India<br>• Strong growth in automotive industry | 11.4% |
| Water Treatment Chemicals | • The growing urban population is adding to the demand for water purification and waste water management<br>• 'Namami Gange Programme', an Integrated Conservation Mission, approved as 'Flagship Programme' by the Union Government in June 2014 with budget outlay of ₹ 200 trillion to accomplish the twin objectives of effective abatement of pollution, conservation and rejuvenation of National River Ganga | 7.1% |
| Textile Chemicals | • Driven by domestic demand and exports of high quality textiles | 6.5% |
| Agrochemicals | • Increase in awareness levels of farmers<br>• Improvement in rural income encouraged by various government schemes<br>• Need to improve agricultural yields at a faster pace compared to the growth in demand to be able to meet food sufficiency targets | 6.2% |
| Flavours and Fragrances Ingredients | • Marketing by fast-moving consumer goods companies have created demand for categories such as deodorants, room fresheners and perfumed soaps in rural markets<br>• Increasing demand for processed food | 12.8% |
| Dyes and Pigments | • The current strategy of most European pigment producers is to use their local facilities for high-end performance colorants for new and niche markets and source non differentiated dye, pigments from low-cost facilities based in China and India | 11.5% |

*Impact of COVID-19*

Due to COVID-19, demand for most chemicals in India are expected to decline by approximately 50% in 2020. Also, the regulatory pressure to ensure standardized quality is expected to significantly impact the supply going forward. With approximately 65% of the key raw materials imported from China, supplies are expected to get affected for approximately three to four months even after the markets open up.

It is an opportunity for MSMEs to fill the gap in the import of select chemicals. The Government has deferred EMIs to ease the flow of working capital. Fundamental factors such as growing population and per capita chemical consumption represent a positive future. Opportunities for domestic capacity scale-up, developing alternative sources of supply and investment in backward integration have opened up. With increased awareness on sanitation and cleanliness, there is a surge in demand for cleaning chemicals, personal hygiene and personal care products including soaps, surface cleaners and hand sanitizers. Planned capacity expansions are expected to be delayed by a couple of quarters due to financial stress on the investors as well as non-availability of migrant labour.

*Impact of Make in India*

The chemicals industry contributes approximately 2% to 3% towards India's GDP and accounts for 15% to 17%

of India's manufacturing sector. Manufacturing of most chemical products, including organic/inorganic, dyestuff and pesticides, is de-licensed. Factors such as boost to specialty (as well as fine agrochemicals) chemicals due to rapid development in the construction and agricultural sectors, inadequate per capita consumption and strong demand from paints and textiles and diversified manufacturing base is expected to contribute towards the development of the Indian chemicals sector.

According to Frost & Sullivan, the 'Make in India' program and the Government's permit for 100% foreign direct investment ("**FDI**") is positively impacting the specialty chemicals segment on account of competitive manufacturing costs, high investments in R&D, cheap transportation and availability of raw material, strong demand from end-use segments and overall supportive ecosystem. Within specialty chemicals, manufacturing of fine chemicals (pesticide ingredients as well as APIs), flavour and fragrance ingredients, surfactants and colorants are expected to be the most attractive segments in the next five years. This is primarily due to their strong growth potential, highly differentiated product portfolio and high penetration levels.

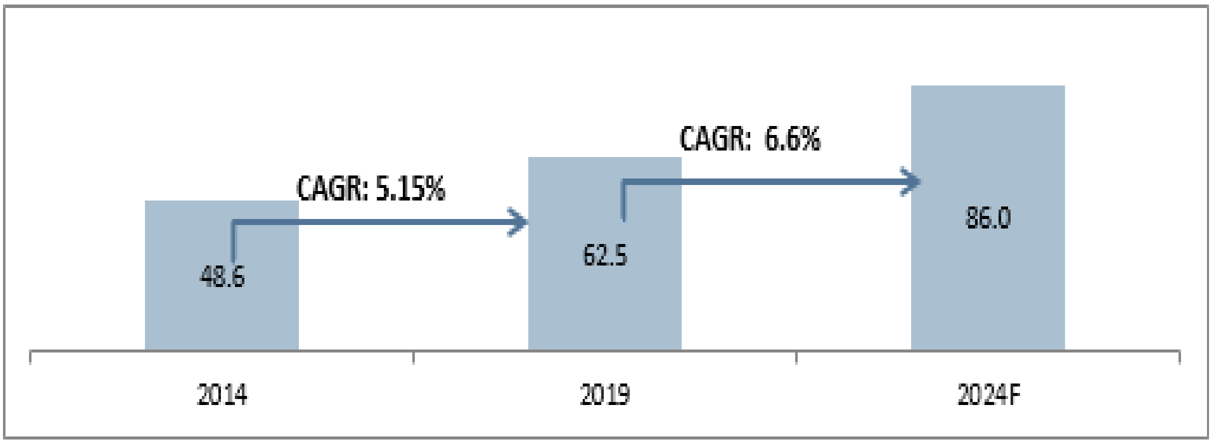
Moreover, India's specialty chemical companies are gaining prominence with global multinational corporations since they would like to reduce dependence on China after COVID-19. Increasing tariff levels and changing environmental policies in China along with 'Make in India' initiative and 100% FDI permission by India is expected to help in shifting the specialty chemicals manufacturing base from China to India over the next five years.

**Crop Protection Industry Overview**

***Global Overview***

Crop protection chemicals are primary classified into insecticides, herbicides and fungicides, followed by nematicides and rodenticides. This classification is based on whether a crop needs protection from insects, herbs, fungus, nematodes or rodents. The global crop protection market was valued at US$ 62.5 billion in 2019 and is expected to grow at a CAGR of 6.6% to reach US$ 86 billion by 2024.

**Global Crop Protection Chemicals Market (in US$ Billion)**




*(Source: Frost & Sullivan Research and Analysis)*

The primary demand driver for the crop protection chemicals market is the increasing demand for food security in order to meet the needs of the growing population. Due to instances of increased pest attacks across the world, crop protection chemicals are expected to see a rapid growth.

The COVID-19 outbreak has affected the production of crop protection chemicals. Since China is a major exporter of agrochemical products, temporary closure of its production plants, located in Zhejiang, Jiangsu, Shandong, Hubei, Sichuan, Inner Mongolia, Shaanxi, Guangdong, Guangxi and other belts, have resulted in the disruption of the supply of crop protection chemicals (mainly technical materials) from China. However, with the re-opening of business and operations, the production plants in China have resumed the production of pesticides recently.

The critical success factors for companies involved in the crop protection chemicals are as follows:

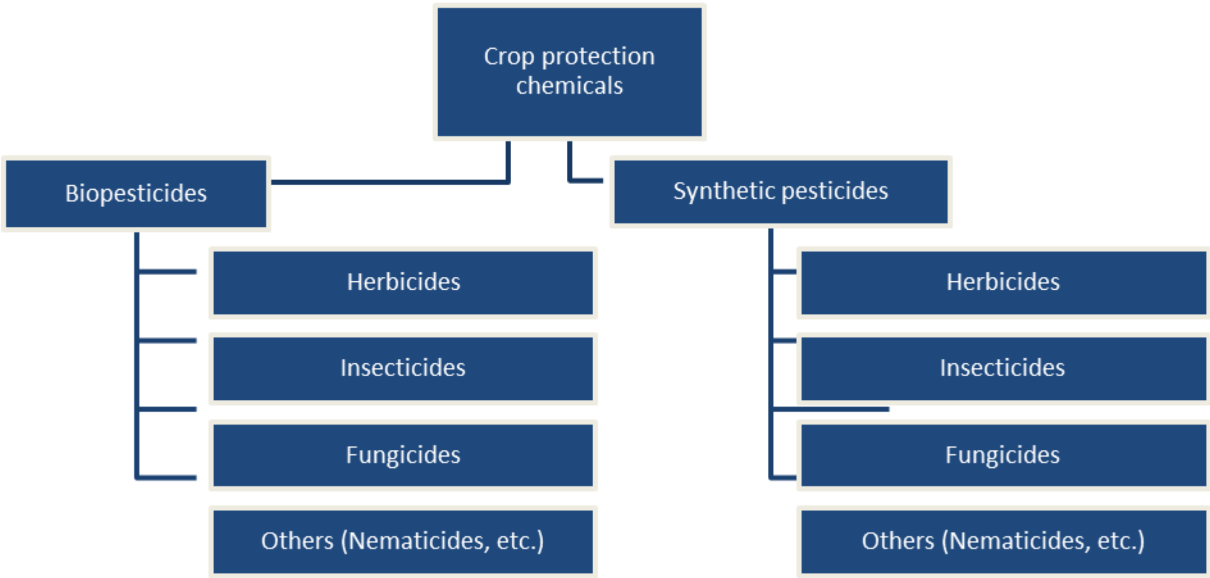
- Backward integration of technical active ingredients: Many formulators are required to have backward integration of their technical active ingredients in order to succeed in gaining high profit margins in the market.

- Comprehensive product portfolio: 'One stop solution' for farmers of all the agrochemical needs drives the success of one firm over another.

- Strong distribution network: Distribution network plays a vital role in reaching the fragmented farmers' base across the world, enabling excellent feedback mechanism and deep customer relations.

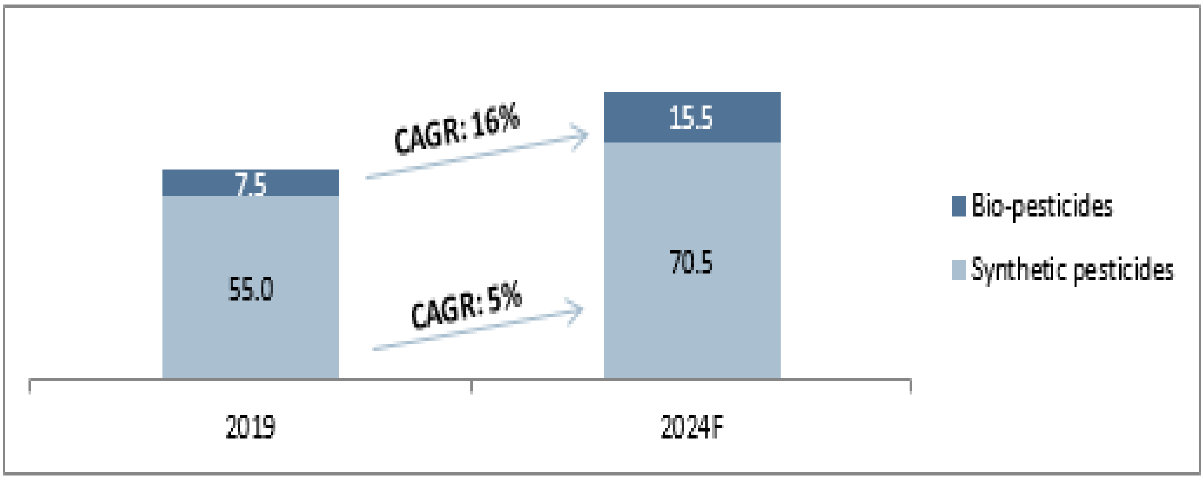
*Global crop protection chemicals market segmentation*

Crop protection chemicals are segmented based on product types such as insecticides, herbicides and fungicides, depending on the biodegradability index associated with the chemicals.




Globally, synthetic pesticides are consumed widely compared to bio-pesticides, which are under developmental phase.

**Global Crop Protection Chemicals Market Segmentation, by Nature of Pesticide (US$ Billion)**

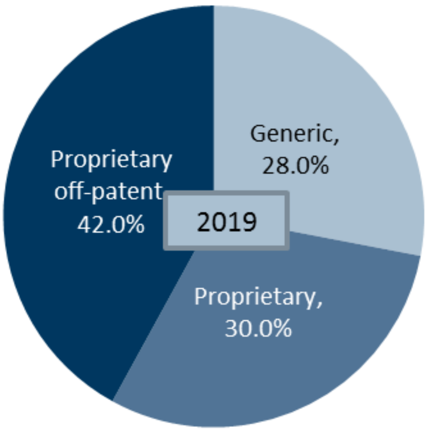



*(Source: Frost & Sullivan Research and Analysis)*

Global crop protection market is segmented based on intellectual property rights ("**IPR**"), where companies are trying to introduce new molecules in the market which are more effective than their predecessors. Based on the IPR of the active ingredient, the crop protection chemicals market is split into:

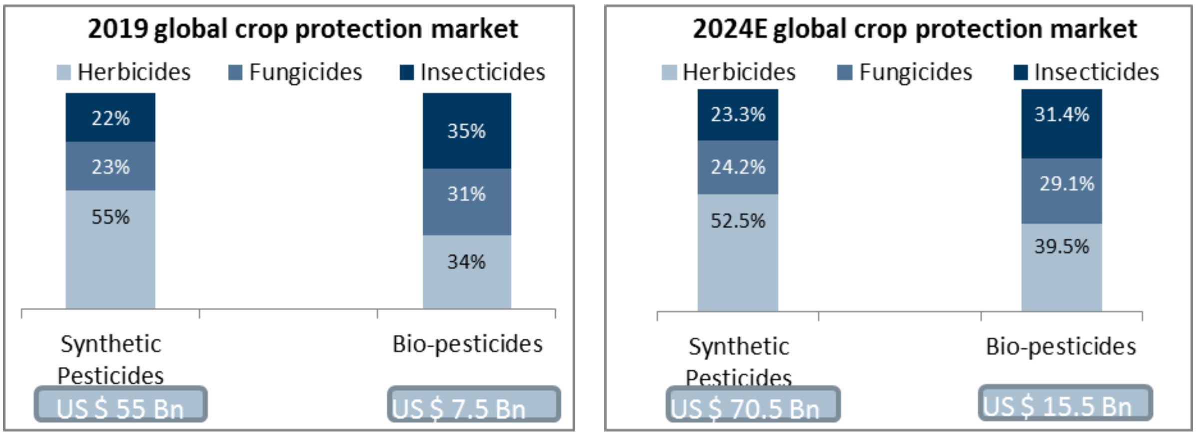
- Patented product, in which product is protected by a granted patent;
- Generic product, in which generic companies have registered products based on their own data and are not bound to the main or original data holder (more competitive); and
- Proprietary off-patent, in which the active ingredient is off-patent but the final formulated product has some proprietary technology such as a new delivery system.

**Global Crop Protection Chemicals Market Segmentation, by IPR**




*(Source: Frost & Sullivan Research and Analysis)*

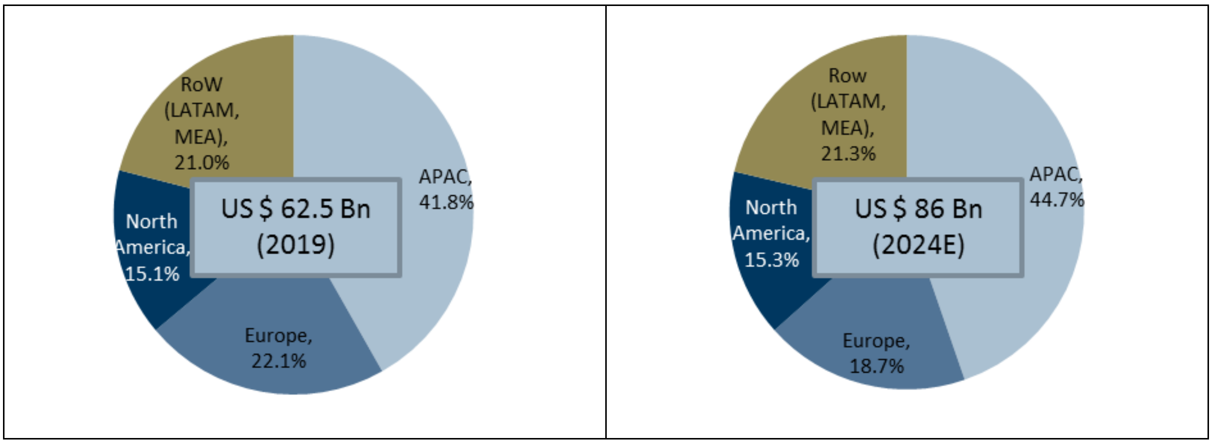
**Global Crop Protection Chemicals Market Segmentation, by Product Type**




*(Source: Frost & Sullivan Research and Analysis)*

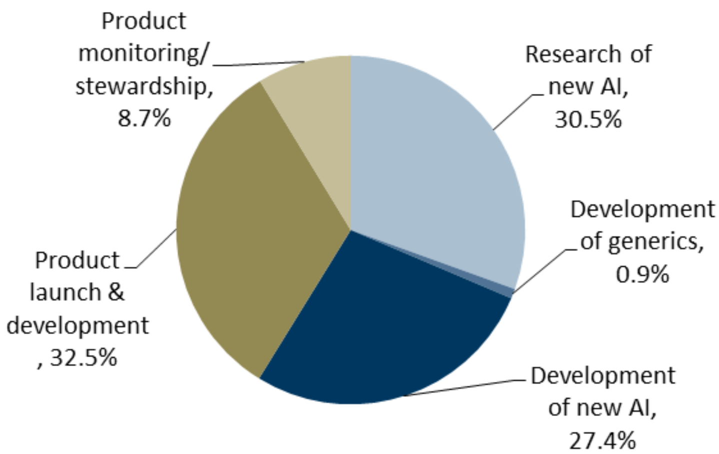
Bio-pesticides market is expected to grow with double-digit growth rate in the next five years (2019-2024) due to strong demand from the end-use customers. This demand is expected to further stimulate strong research and development activities in the bio-pesticides space. Pertaining to the stringent environmental regulations in many countries, bio-pesticides are expected to be the future of crop protection chemicals.

**Global Crop Protection Chemicals Market Segmentation, by Geography, 2019**



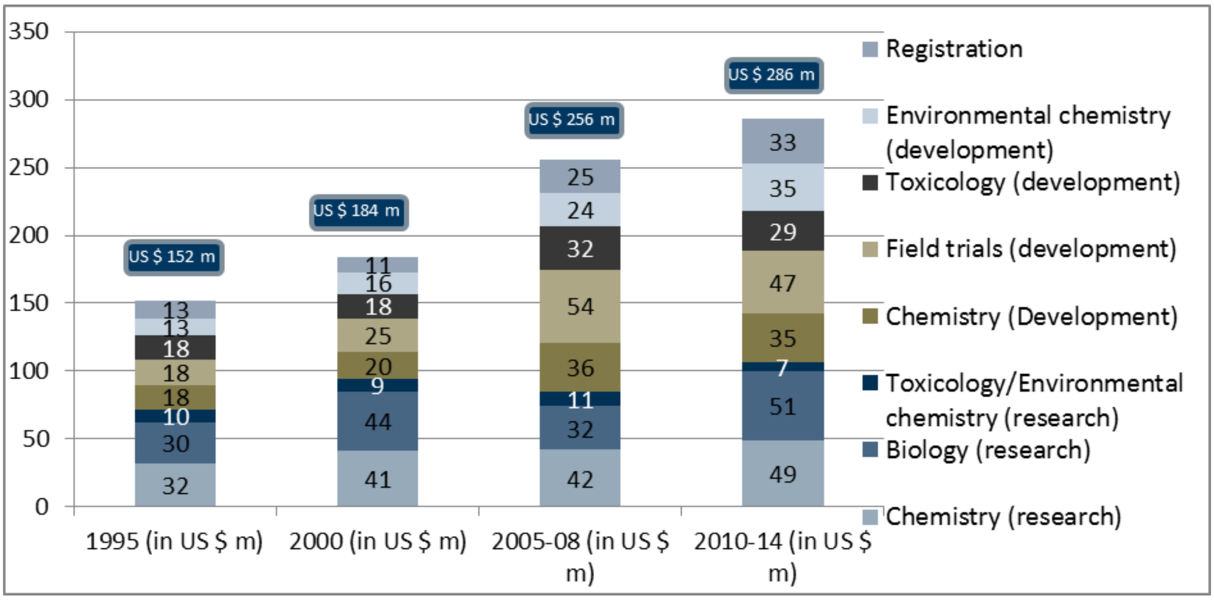

*(Source: Frost & Sullivan Research and Analysis)*

**Global Average R&D Expenditures by Companies Segmentation, Function Wise, 2019**




*(Source: ECPA)*

**Discovery and Development Costs of New Crop Protection Chemical Molecules**



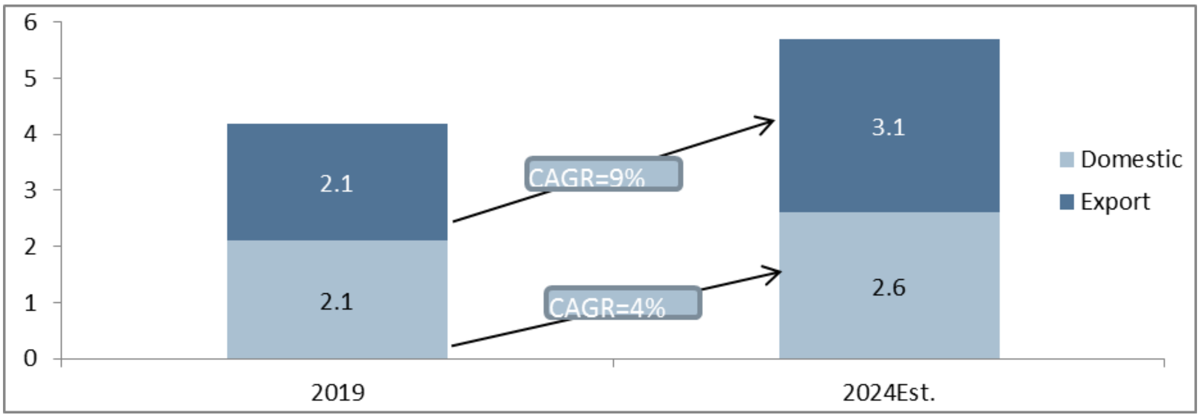

*(Source: Phillips McDougall)*

*India Overview*

The export of India's crop protection chemicals have grown at a CAGR of approximately 9% during 2015-2019. The export of India's crop protection chemicals contributed 50% of total domestic production (by value) in 2019. The exports are projected to grow to approximately 55% in 2024 (by value). In 2019, US$ 2.1 billion was exported from India and an equal amount of crop protection chemicals were meeting domestic demand in 2019. In 2024, exports are expected to grow to US$ 3.1 billion, contributing 55% of the total domestic production, which is valued at US$ 5.7 billion.

India ranked 13th in the import of pesticides, by volume, in 2018, with Brazil leading the import of crop protection chemicals with 7% market share in the world imports. Brazil is followed by France (5%), Canada (5%), US (4%), Germany (4%), Thailand (4%), Australia (3%), Belgium (3%), UK (3%), Nigeria (3%), Spain (3%), Italy (3%) followed by India (2%). India was world's third largest pesticide exporter by volume in 2018. China leads the export of pesticides with 27% market share in the world exports, followed by Germany (8.3%), India (8%), US, Belgium and France.

**Indian Crop Protection Chemicals Market, by Exports and Domestic Consumption (US$ Billion)**

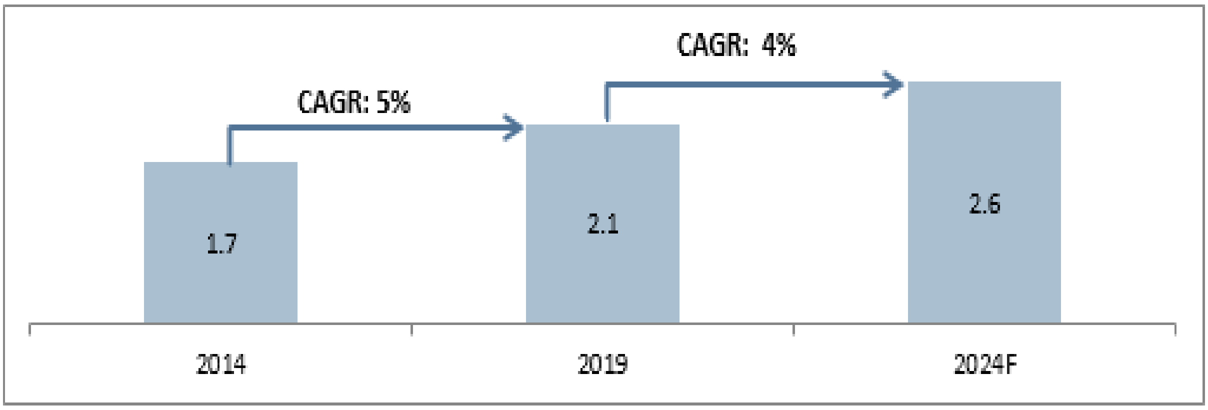



*(Source: Frost & Sullivan Research and Analysis)*

India's per capita arable land is decreasing in order to accommodate housing needs for the growing population. Although arable land availability is huge as compared to some smaller countries such as Israel, there has been low crop yield in India due to low level of mechanisation, erratic climate conditions, high dependence on monsoons, poor logistics infrastructure and poor post-harvest support.

India has been ranked fourth globally in the production of agrochemicals (crop protection chemicals/pesticides) after USA, Japan and China, as per the India Brand Equity Foundation ("**IBEF**") report 2019. The Indian crop protection chemicals market is valued at US$ 2.1 billion, which is expected to grow at 4% in the next five years to US$ 2.6 billion by 2024.

**Indian Crop Protection Chemicals Domestic Market (in US$ Billion)**

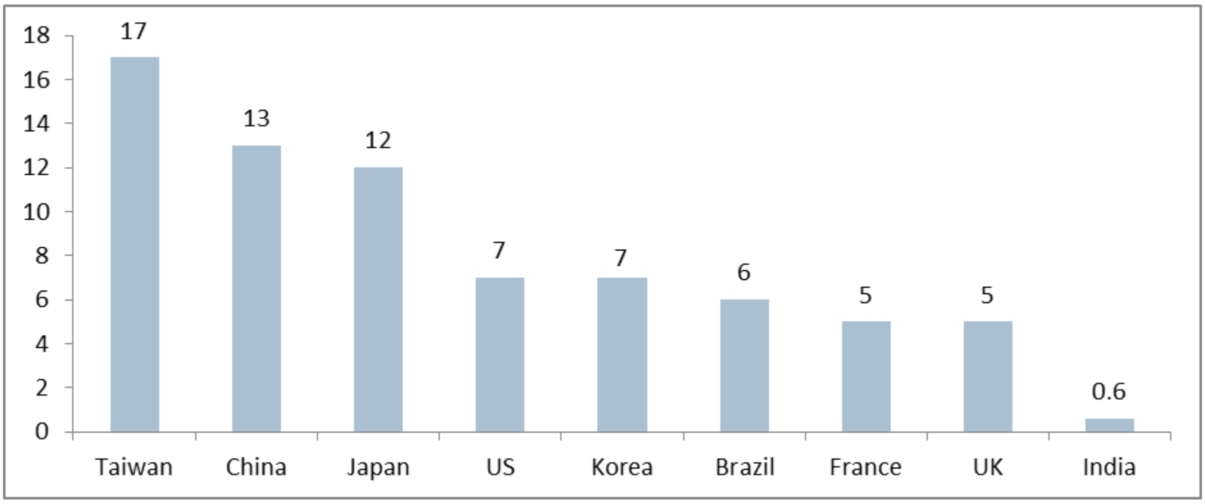



*(Source: Frost & Sullivan Research and Analysis)*

*Per hectare crop protection chemicals consumption in India*

India has one of the lowest consumption of crop protection chemicals per hectare. The consumption per hectare is higher in the developed nations, as illustrated below.

**Per Hectare Crop Protection Chemicals Consumption (in Kg/Hectare, 2019)**

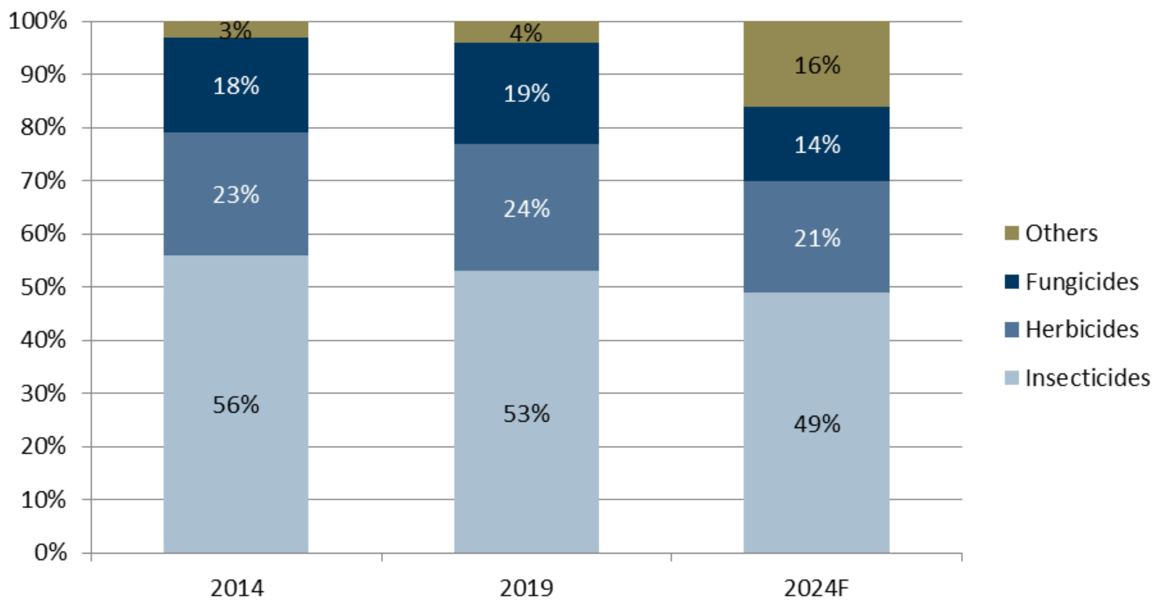



*(Source: Care Ratings)*

*Indian crop protection chemicals market segmentation – by product type*

Insecticides contribute the highest market share in the Indian crop protection chemicals market, accounting for slightly more than half of the total market share. India has approximately10,000 types of plant eating insects. In the agriculture value chain, agrochemicals are the final external stimulus provided to the plants.

**Indian Crop Protection Chemicals Market Segmentation, by Product Type, (2014-2024)**



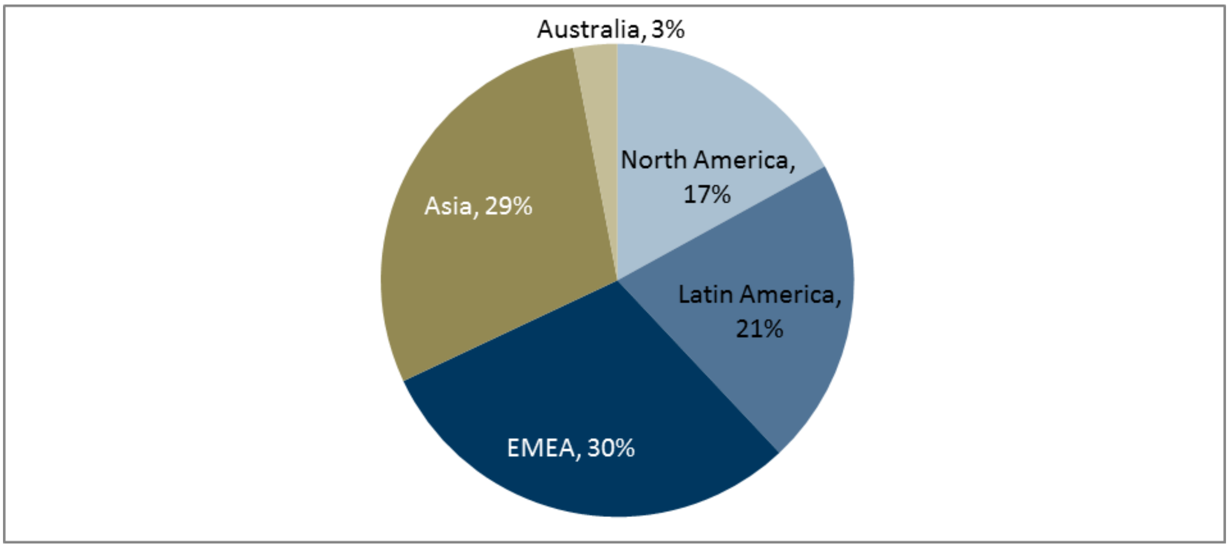

*(Source: FICCI, Industry research)*

India's crop protection chemicals market is expected to have a high market share of 'other' crop protection chemicals, such as bio-pesticides, nematicides, rodenticides and plant growth regulators, in 2024. Since bio-pesticides are expected to grow at a high CAGR during 2019-2024, it is expected to have the highest market share in the 'others' category.

*Indian crop protection chemicals market segmentation – by trade*

India is a net exporter of crop protection chemicals, with approximately 50% of all its production being exported to other countries. The primary markets of export constitute US, Brazil, Netherland and France.

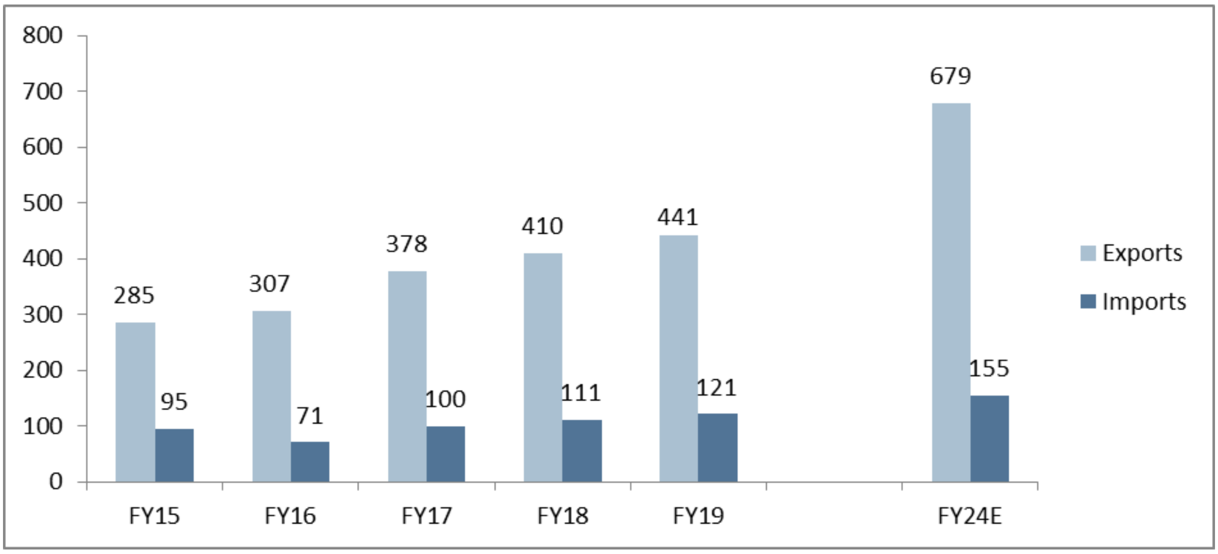
**Indian Crop Protection Market, by Export Destinations, 2019**




*(Source: FICCI, Industry research)*

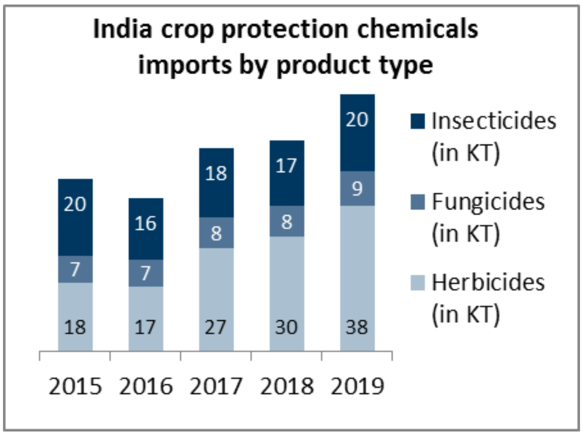
The export of crop protection chemicals constitute both active ingredients and formulations. Formulations also contain inert materials such as fillers, which facilitates the active ingredient on the crop. The active ingredient is responsible for killing insect, herb and fungus.

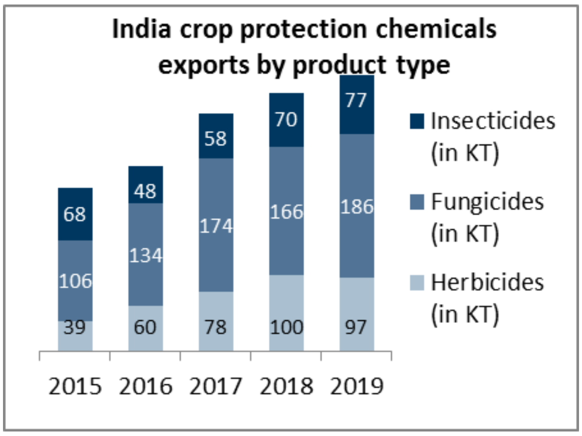
**Indian Crop Protection Chemicals Market, by Exports and Imports (in '000 MT)**




*(Source: Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals, Government of India ("**GOI**"))*

**Indian Crop Protection Chemicals Trade Segmentation, by Product Type, 2019**




*(Source: Ministry of Commerce, GOI)*

*Indian crop protection chemicals market trends and drivers*

India is experiencing a slowdown in terms of economic growth due to the ongoing issues such as the COVID-19 outbreak and the NBFI/liquidity crisis. Although India's GDP growth has come down in the past couple of years, domestic food demand has grown along with the increasing population. 100% FDI is also allowed in agriculture in India. Also, increase in demand for food grains, with emphasis on food grain self-sufficiency by the Government, is expected to drive crop protection chemicals market in India. Few of the demand drivers of the crop protection chemicals market are as follows:

Increasing food demand due to increasing population. India's population is estimated at 1.35 billion in 2019, which is approximately 18% of the world population. This population is growing at the rate of 1.32% annually, according to the World Bank. In order to meet the food demand, usage of crop protection chemicals is expected to increase in the next five years.

Government's initiative to double farmers' income. The Government of India is proactively looking for measures to significantly improve the farmers' income in the coming decade. There have been budgetary provisions in the recent budget, 2020-2021, for the farmers' welfare, where ₹ 142,762 crore were allocated to the Ministry of Agriculture and Farmers' Welfare. This allocation is 30% higher than the revised estimate for 2019-2020. Crop protection chemicals market is expected to have a positive impact of huge government spending to protect the crop from losses. The Government has decided to increase minimum support prices on Rabi crops from 50% to 109%, which are to be marketed in Rabi marketing season, 2020-2021.

Increase in horticulture and floriculture production. Fruits and vegetables contribute approximately 90% of the total horticulture produced in India. The Government has been promoting export of horticulture products, which is expected to increase the income of the farmers. In order to avoid horticulture crop losses, crop protection chemicals market is expected to increase over the next five years. Horticulture is a higher margin business and is, therefore, expected to contribute more to the growth of crop protection chemicals market. Floriculture is another segment, which goes hand in hand with horticulture, in terms of providing growth avenues resulting in increased demand of crop protection chemicals in India.

Increasing shortage of labour. Urban population in India is expected to cross 40% by 2030, according to a survey conducted by the UN department of population. This percentage is expected to increase to 50% in India by 2050. Increasing urbanization has led to shortage of labour in the rural agriculture sector. This has further led to increase in wages for the labour. Due to this change, use of herbicides is expected to improve the soil fertility, as against the traditional usage of labour for herb removal from farms.

Shrinking agriculture land. Due to improved urbanization, agricultural land is shrinking. This shrinkage in agricultural land is demanding the improved crop production per hectare. In order to have improved crop yield in the shrinking agricultural land, crop protection chemicals (herbicides, insecticides and fungicides) is expected to be used extensively.

Increased usage of bio-pesticides. The current market size of Indian bio-pesticides is less than 4% of the total crop protection market in India, which is approximately equal to market size of less than US$ 84 million. The bio-pesticide market is expected to witness double-digit growth in India in the next five years (2019-2024). The bio-pesticides are pesticides, with biodegradable content in it, which avoid crop losses by not affecting the soil fertility. These bio-pesticides are witnessing an increase in the usage due to large-scale awareness and promotion by the Government.

*Indian crop protection chemicals market regulatory framework*

The Central Insecticide Board of India regulates and controls the usage, export, sales, distribution, quality, transport and manufacture of pesticides in India, and its approval is required to introduce new molecules in the market or prior to sales or manufacture of any pesticide in India.

Pesticide Management Bill, 2020. Pesticides are currently regulated by the Insecticides Act, 1968. The main objective of the Pesticide Management Bill, 2020 is to secure the interest of the farmers and propagate safe and effective usage of pesticides in India. This bill is intended to promote organic pesticides having stringent environmental regulations and sustainable agriculture effects. This bill has received cabinet approval in February 2020, and is currently tabled in the parliament. After passage of the bill, even advertisements for the promotion of pesticides will be regulated by the Government, and hefty penalties are proposed in the bill for violator entities.

Insecticides Act, 1968. Pursuant to the Insecticides Act, Central Insecticides Board and Registration Committee has been formed, which regulates the pesticide usage in the country. The procedure has been laid by the registration committee to register a pesticide in India and appeal against the non-registration or cancellation of pesticides license.

Regulations on certain pesticides. The regulation on certain pesticides includes increased restrictions and the government regulations on usage of pesticides. Banned pesticides such as Endosulfan had proven adverse effects on the human health due to its excessive usage in the farms. Hence, the once heavily used Endosulfan has negligible market share in India now. In the similar way, many other insecticides were banned in India for their adverse effect on the biodiversity.

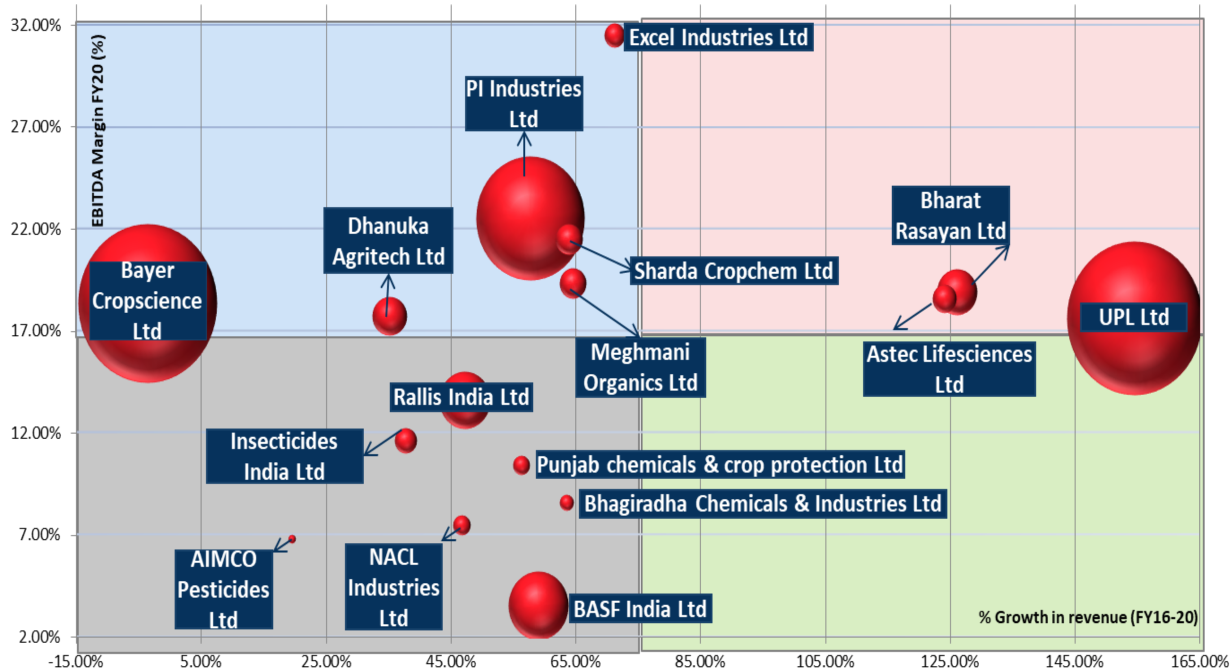
*Competitive landscape of crop protection chemicals industry*

The Indian crop protection chemicals market is fragmented and there are multiple players involved in it, as set forth below.

**List of Competitors in Crop Protection Chemicals Market, 2019**

| Multinational Companies | Listed Indian Companies |
|---|---|
| China National Corporation Limited | UPL Limited |
| Sumitomo Chemicals Company Limited | PI Industries Limited |
| BASF SE | Jubilant Lifesciences Limited |
| Yara International ASA | Gharda Chemicals Limited |
| AMVAC Chemical Corporation | Bharat Rasayan Limited |
| FMC Corporation | Meghmani Organics Limited |
| Bayer AG | Rallis India Limited |
| Corteva Inc. | Punjab Chemicals Limited |

**Competitive Landscape of Indian Crop Protection Players on Growth Share Matrix, 2019**




*(Source: Frost & Sullivan Research and Analysis)*
*Note: Bubble size signifies market capitalization (in ₹ crore) as of March 31, 2020.*

Growth share matrix is plotted as EBITDA margin of a company (y-axis) in FY 2020 versus revenue growth (x-axis) from FY 2016-2020. As illustrated above, PI Industries Limited has high EBITDA margin and moderate growth in revenue from FY 2016-2020.

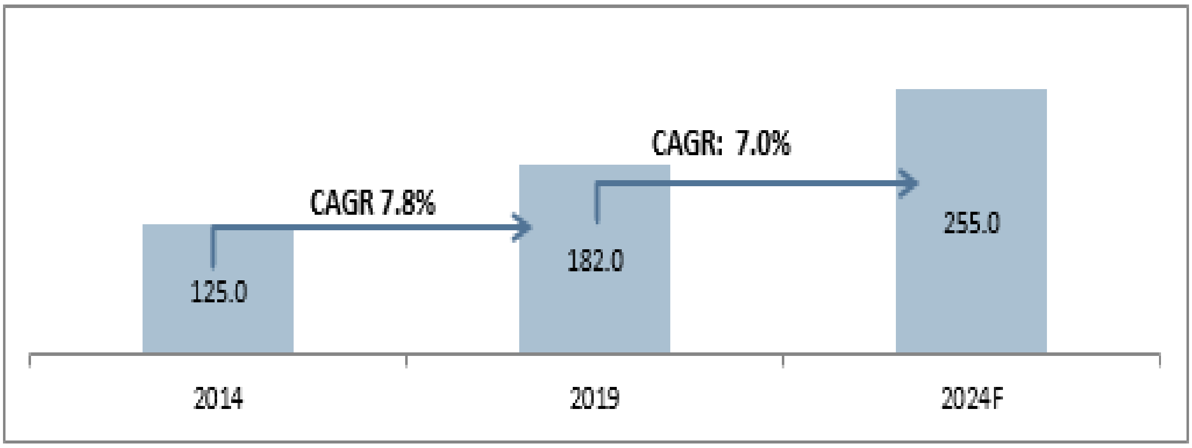
**API Industry Overview**

***Global Overview***

Pharmaceutical production has two general steps. First, convert raw materials into APIs and then convert it into usable format called the formulation. API production is a highly sophisticated and technical chemical and/or biochemical process. APIs constitute a significant portion of the total cost of a drug with a minimum contribution of 50% of the formulation cost.

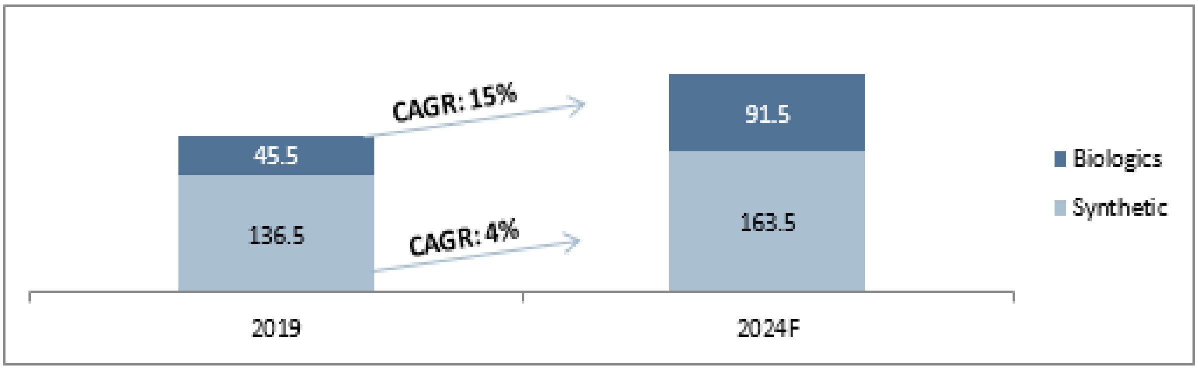
The global API market was valued at US$ 182 billion in 2019. The global API market has grown at a CAGR of 7% to 8% in the last five years and is expected to grow by approximately 7% in the next five years.

**Global API Market (in US$ Billion)**



*(Source: Frost & Sullivan Research and Analysis)*

**Global API Market Segmentation, by Nature (US$ Billion)**



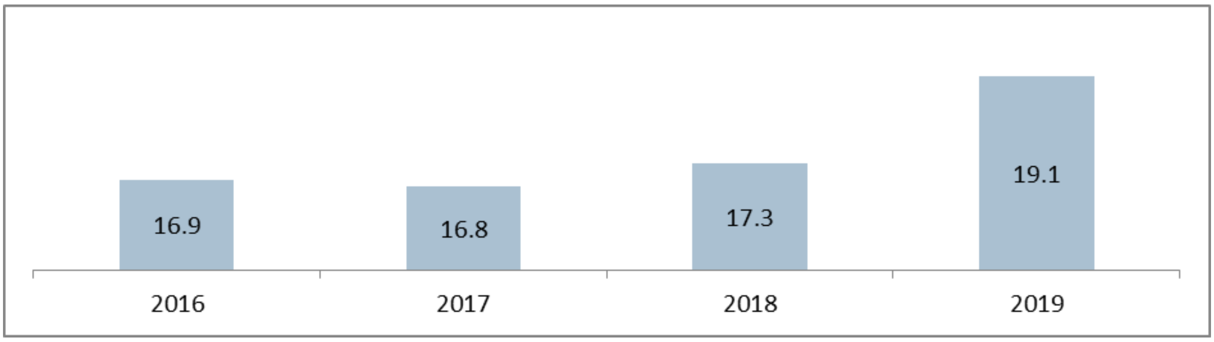

*(Source: Frost & Sullivan Research and Analysis)*

Synthetic API's constitute approximately 64% of the total market, while biologics constitute approximately 36%. Complicated process, strict regulations and high investments have been some of the key reasons for the low market share of biologics. Biological drugs are gaining importance in the treatment of chronic diseases. These have been expensive due to challenging manufacturing requirements and difficult replication as against synthetic APIs. Advancements in the production technology have enabled production of bio-similars, which are not exact copies of innovator drugs, but are comparable in terms of safety and efficacy. However, with increased interests in oncology products, this segment is expected to have a high growth.

***India Overview***

The Indian pharmaceutical industry was valued at approximately US$40 billion in 2019 and is expected to value US$69 billion by 2024, growing at a CAGR of approximately 12%. India accounts for approximately 20% of global exports in generics. Exports play a major role accounting for US$18 billion or approximately 45% of the Indian pharmaceutical industry. The generics market constituted 70% of the total market in 2019, and is expected to grow at a CAGR of approximately 10% over the next five years.

**Indian Pharmaceutical Exports in US$ Billion (Drugs, Pharmaceuticals and Fine Chemicals)**

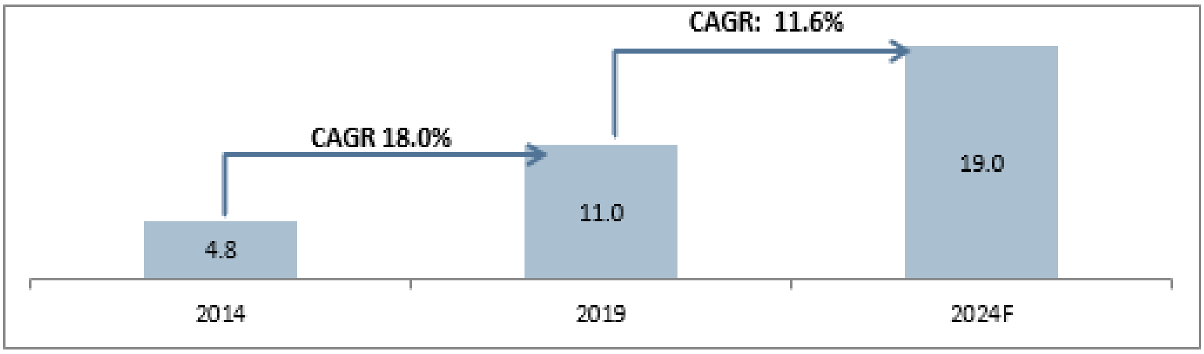



*(Source: Pharmexcil)*

With patent expiries for key products, oncology and diabetes therapy areas are expected to drive generics growth in both, developed and emerging markets. Between 2019 and 2023, over US$ 75 billion worth of small molecules sales are at a risk with patent expiry and approximately 50 to 60 drugs are expected to go off-patent. It is estimated that approximately US$ 40 billion worth of drugs in the US and US$ 25 billion worth of drugs in Europe would go off-patent in the next four years.

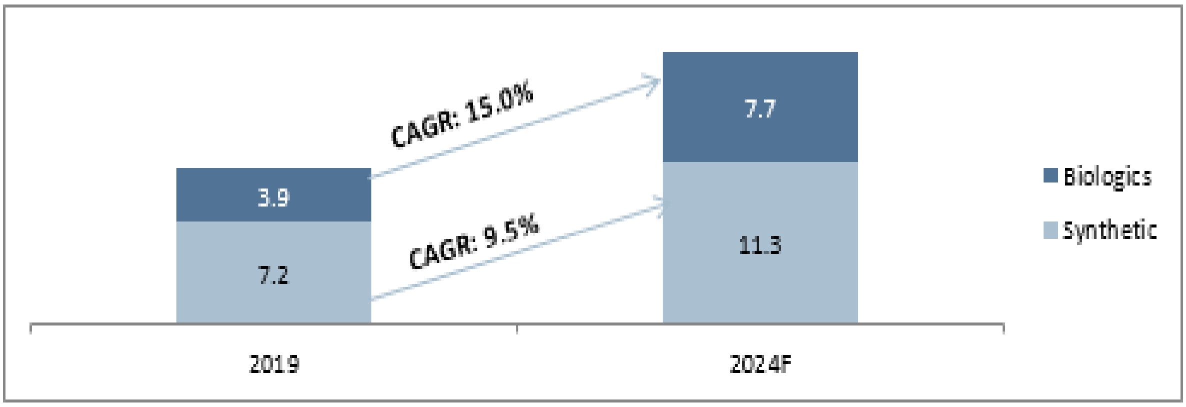
The API segment is valued at approximately US$ 15.1 billion, with domestic demand of approximately US$ 11 billion. The Indian Government is trying to encourage the local industry to be self-sustainable and vertically integrate the local industry. Imports from China are expected to go down in the subsequent years due to promotion of local production by the Indian Government. The strict regulation norms imposed on the chemical sector in China has also opened up the global market for basic intermediates. The spread of COVID-19 across the globe has also raised concerns over any imports from China and other infected countries, though it is believed that goods generally do not transmit any sort of virus.

**Indian API Market (in US$ Billion)**




*(Source: Frost & Sullivan Research and Analysis)*

**Indian API Market Segmentation, by Nature (US$ Billion)**




*(Source: Frost & Sullivan Research and Analysis)*

Synthetic API's constitute approximately 65% of the total market, while biologics constitute approximately 35%. Bio-similar is expected to have a high growth potential with many companies investing in this segment. This is also expected to make availability of affordable drugs viable.

*Drivers and trends in Indian API industry*

- Outsourcing plays a major role for India's API industry and, hence, India has the highest number of USFDA-approved plants outside the US and this trend is expected to continue with China facing environmental and stability crisis. Also, the cost of setting up and running a new manufacturing facility in India is one-fifth of the cost in the western countries, thus attracting investments in the space.

- Increasing disposable income and health care awareness is encouraging multinational and domestic pharmaceutical companies to invest in R&D and new facilities in India.

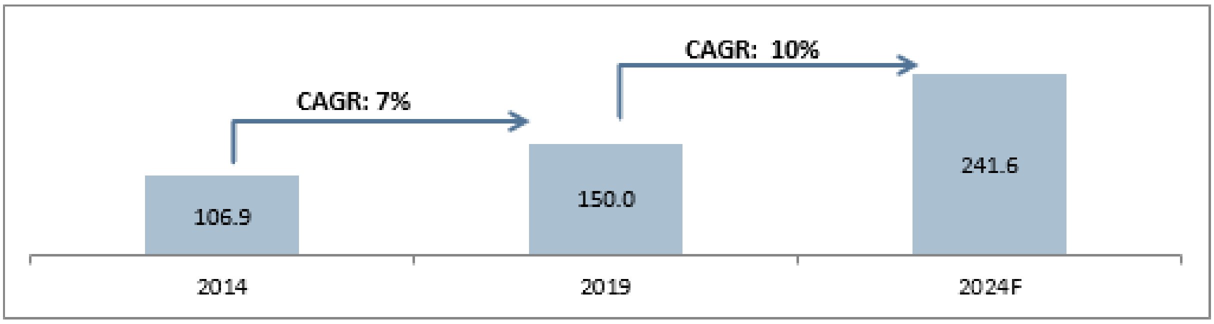
- Local companies with indigenous manufacturing capability, 100% FDI in pharmaceuticals through automatic route and a front-runner in a wide range of specialties involving manufacturing of complex drugs, development and technology.

**Custom Synthesis and Manufacturing Market Overview**

***Global Overview***

The global market for custom synthesis and manufacturing ("**CSM**") was valued at US$ 150 billion in 2019, for global specialty chemicals contract manufacturing. CSM is used for contract synthesis of agrochemical technical grades or active ingredients, intermediates and specialty chemical products along with other fine chemicals such as API. This market is expected to grow at a CAGR of 10% over the next five years.

**Global Custom Synthesis and Manufacturing Market (in US$ Billion)**




*(Source: Frost & Sullivan Research and Analysis)*

The global market for CSM grew at a CAGR of 7% over the last five years. This growth is expected to continue due to increasing trends in contract manufacturing of fine chemicals. The major drivers of global CSM market are the development of new active ingredients, shifting of innovators' focus to core competencies and outsourcing of production to low-cost manufacturing destinations. India, being a low-cost manufacturing destination, has the advantage of a skilled labour force, thereby, providing for the outsourcing needs of the MNCs.

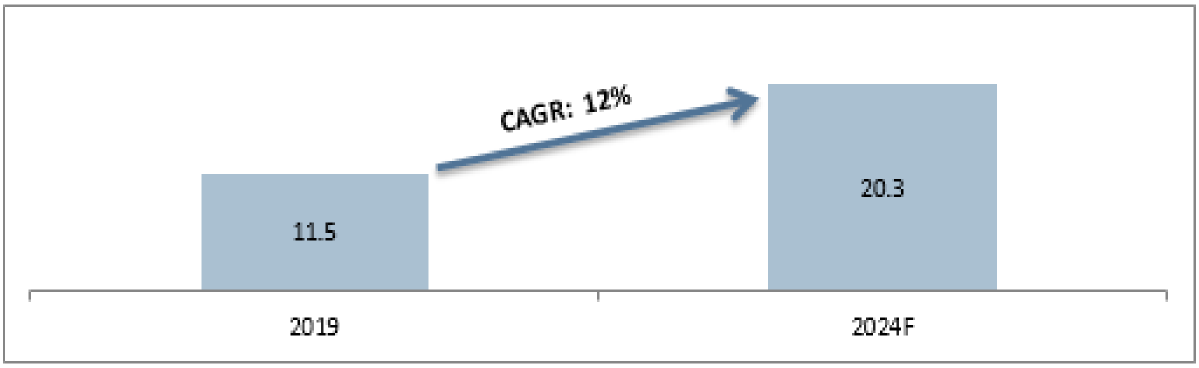
***India Overview***

The India market for CSM was valued at US$ 11.5 billion for 2019 for specialty chemicals. This market is expected to grow at a CAGR of 12% over the next five years owing to the strong growth of the end-use demand. The major driver of the Indian CSM market is the increasing contract manufacturing of fine chemicals along with niche specialty chemicals in India. Many global companies are preferring investment in contract manufacturing in India, primarily due to low manufacturing cost in India and shifting of innovators' focus towards core competencies.

India's CSM market constitutes approximately 7% to 8% of the global CSM market (by value) and is driven by research and development of new molecules and chemistries developed, followed by willingness for reduced capital investments in the overall fine chemicals segment. The Chinese CSM market contributes approximately 10% to 12% of the global CSM market (by value), whereas Japanese market contributes approximately 8% to 9% (by value). North America and European Union countries contribute more than 60% market share in the global CSM market.

In 2019, approximately 80% of the Indian specialty chemicals CSM market was captured by fine chemicals (by value), which are single molecule compounds widely used across crop protection chemicals and API industries. These single molecule compounds are mainly active ingredients in either agrochemical or pharmaceutical formulation. The active ingredients are the most costly chemicals in the agrochemical or pharmaceutical final consumer product, significantly contributing to the total cost. The Indian CSM market is expected to grow at a CAGR of 12% over the next five years owing to strong growth of the end-use demand.

**Indian Custom Synthesis and Manufacturing Market (in US$ Billion)**




*(Source: Frost & Sullivan Research and Analysis)*

India is the one of the cheapest destinations for low-cost manufacturing with availability of skilled labour force. Specialty chemicals segment is expected to grow at 12% to 15% in the next five years. With strong growth in the specialty chemicals segment, manufacturing capacities are expected to fall behind, particularly in the developed countries, paving a way for contract manufacturing from low-cost manufacturing countries. Niche specialty chemical companies across the globe, such as imaging chemicals, flavour and fragrances, personal care ingredients, rubber chemicals and disinfectants, are seeing a significant change in the business model, with the MNCs significantly outsourcing their manufacturing activities. Contract manufacturing players such as Sami Labs Limited and Kumar Organic Products Limited are at an advantage due to this changing business model adopted by global companies. These companies are providing their research and manufacturing expertise to synthesize personal care ingredients on a contract basis. Another company, Vivimed Labs Limited has captured significant market share of imaging chemicals. Similarly, agrochemical active ingredients contract manufacturing is taking place in India with companies, such as Aarti Industries Limited, being actively engaged with their formulator customers. With the spread of the COVID-19 pandemic, global manufacturing base is expected to shift to other potential regions such as the Indian sub-continent and South East Asia as a supplement to China. Many established fine chemical players, such as Rallis India Limited and Anupam Rasayan India Limited, are trying to venture out in the CSM space to capture the growing segment with their expanded capacities. Companies such as PI Industries Limited are focusing towards development, scale-up, commercialization and manufacturing services within the CSM space, which will help them leverage the innovators' shift in focus towards core competencies, development of new active ingredients and outsource of production activities.

## OUR BUSINESS

*In this section, unless the context otherwise requires, references to 'we', 'us', 'our' and similar terms are to PI Industries Limited on a consolidated basis.*

### Overview

Founded in 1946, we are an established, research and development driven agri-sciences company in India. We have an integrated business model where we undertake research, development, manufacturing, marketing and distribution of products, provide innovative solutions to and collaborate with multinational corporations across the value chain of agrochemicals. Within our differentiated business model, we provide custom synthesis and manufacturing services to multinational corporations and also engage in the marketing and distribution of agrochemical products under brands in-licensed by us, owned by us and through generic brands, to Indian farmers through our distribution network.

In custom synthesis and manufacturing exports, the breadth of our services range from contract research and process development to large-scale commercial production, primarily of patented molecules for multinational corporations. We have established a presence in Japan and Germany to support our business development activities and in China for the sourcing of raw materials. As of March 31, 2020, we work with 20 multinational corporations, manufacturing over 25 products at commercial scale and are evaluating over 60 molecules in our R&D center. As of March 31, 2020, our order book for our custom synthesis and manufacturing, which we define as the value of projects for which we have entered into definitive agreements minus the revenue already recognized from those projects, was over USD 1.5 billion.

In the domestic market, we market and distribute agrochemical products through the in-licensing of patented molecules from multinational corporations under the brands owned by them and in-licensed to us, or co-market their agrochemical products under our brands through our pan-India marketing and distribution network. We also manufacture and market select branded generic agrochemicals whose patents have expired. We leverage our brand reputation with Indian farmers, pan-India marketing and distribution network, differentiated delivery mechanism, product portfolio of unique solutions and experienced team to grow our business.

We have established relationships with over 20 multinational corporations in the agrochemical sector. We believe that our reputation of quality, trust, reliability and respect for intellectual property rights has enabled us to strengthen our relationships with multinational corporations and enter into long-term contracts with them and grow our business sustainably. We also believe that we have a non-conflicting business model as we do not directly compete with such multinational corporations and are rather a material service provider to them. We believe these attributes of our business enable multinational corporations to choose our services over those of our competitors.

We believe that our focus on R&D has been critical to our success and a differentiating factor from our competitors. We have a R&D centre at Udaipur in Rajasthan, which has process development and process innovation laboratories, new chemical screening laboratories, a green house facility, biological testing laboratories, analytical laboratories, a kilo plant and a pilot plant. The analytical laboratories have GLP certification, and NABL ISO/IEC 17025:2005 accreditation that expired on June 29, 2020 and our Company has made an application for its renewal. As of March 31, 2020, we employed 300 researchers and scientists including 130 personnel who had obtained a doctoral degree and specialize in process research and complex chemistries.

We have enhanced our technological capabilities to assist us with our operations and implemented research IT and artificial intelligence tools, molecular modelling and an efficient supply chain management and logistics system. Our biology department provides broad screening facilities for in vitro and in vivo testing and we have a mode-of-action laboratory and early toxicology and eco-toxicology screening facilities. We have implemented electronic lab notebook software and a centralized laboratory information management system for data and information ensuring paperless management. Within process research and process innovation, we develop scalable proprietary processes for intermediates and final active ingredients.

Within our manufacturing operations, we currently operate five multi-product plants at Panoli, Gujarat and six multi-product plants at Jambusar, Gujarat. Further, in December 2019, we completed the acquisition of Isagro (Asia) Agrochemicals Private Limited ("**Isagro**"), which was engaged in the business of contract manufacturing, local distribution and exports of agrochemicals. Isagro's manufacturing site and two production plants are located near our manufacturing unit in Panoli, Gujarat. Over the years, we have received several leading awards and recognitions. Our manufacturing plant at Panoli, Gujarat was awarded the Golden Peacock Award for environment management in 2017 and 2016. Our Company was also rated by EcoVadis in the 'Gold Category' in 2018 and 2017 demonstrating our focus on corporate social responsibility initiatives.

We have established an extensive, pan-India distribution network for our domestic branded products business. Our network comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. We have also set up nine zonal offices and 28 stock points in 19 states at locations across India, as of March 31, 2020. Our widespread distribution network is further aided by our SAP based ERP system and other effective business intelligence tools which provide efficient last mile connectivity and an extensive geo-tagged farmer database of approximately 2.5 million farmers.

Among our Promoters, Mr. Salil Singhal who is our Chairman Emeritus, is also the Chairman of the Confederation of Indian Industry's National Council on Agriculture for the year 2019-20 and has been the Chairman of the Pesticides Association of India (now known as the Crop Care Federation of India). Mr. Mayank Singhal who is our Vice Chairman and Managing Director, has over two decades of experience in the agrochemical industry.

We have a strong track record of financial performance. For the financial years 2020, 2019 and 2018, our total income was ₹ 34,154 million, ₹ 29,004 million and ₹ 23,689 million, our EBITDA was ₹ 7,186 million, ₹ 5,764 million and ₹ 4,936 million, our profit for the year was ₹ 4,566 million, ₹ 4,102 million and ₹ 3,676 million and our net cash inflow from operating activities was ₹ 6,981 million, ₹ 3,908 million and ₹ 3,194 million, respectively. For a reconciliation of our EBITDA to our profit for the year, see "*Selected Financial Information*" on page 23.

**Competitive Strengths**

We believe that the following are our principal strengths:

***Differentiated Business Model with Presence across the Value Chain***

Over the years, we have established a differentiated non-conflicting business model driven by respect for intellectual property. In the domestic market, we leverage our pan-India marketing and distribution network, brand reputation with Indian farmers and experienced team to focus on in-licensing and co-marketing arrangements, which allows us to introduce innovative products in the Indian market to enhance the productivity of Indian farmers. This enables us to establish long-term relationships with Indian farmers as well as multinational corporations. In custom synthesis and manufacturing, we leverage our chemistry process research and manufacturing capabilities to focus on performing custom synthesis and contract manufacturing services with respect to patented molecules that are in the early stages of their life cycles, which gives us the opportunity to be the initial suppliers for such products to the patent holders. On account of our non-conflicting business model and approach, both these market segments complement each other and enable us to strengthen our relationships with multinational corporations across the value chain.

We derive synergistic benefits from our integrated business model such as common R&D and manufacturing infrastructure for domestic agrochemical products and custom synthesis exports and develop knowledge and insight across the entire value chain right from process development, scale up and manufacturing to marketing. Our synergies provide us with the ability to drive growth, optimize capital efficiency and maintain our competitive advantage.

We believe that we have established a defensible market position in India because of several factors. The agrochemical industry is heavily regulated, with majority of our products requiring regulatory approval. Registration requirements tend to become stricter with time, driven by increasing requirements for quality control, improved operator safety, higher environmental standards and more sophisticated regulatory approval systems. We have invested significant time and resources to understand and comply with complex regulatory frameworks, build our infrastructure, enhance our capabilities and establish relationships with multinational corporations, all of which act as significant barriers to entry in our business.

***Pan-India Distribution Network with Strong Portfolio of Brands***

Our ability to deliver sufficient quantities of crop protection products to farmers with short lead-time is critical, particularly given the seasonal nature of cropping. We have established an extensive, pan-India distribution network for our domestic branded products business, which comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. We have set up a network of nine zonal offices and 28 stock points in 19 states at locations across India. We also engage clearing and forwarding agents who work on a hub-and-spoke model of delivery to help us distribute our products across the country. Our wide spread distribution network is further aided by our SAP based ERP system, effective business intelligence tools which provide efficient connectivity and an extensive geo-tagged farmer database of approximately 2.5 million farmers. Our structured distribution network facilitates the efficient sale of our products in our targeted markets and promotes our brand visibility.

We believe that strong and recognizable brands are a key attribute in our industry, which increase customer confidence and influences a purchase decision. Over the years, we have built several strong brands by leveraging the strength of our marketing and distribution network. Some of our brands are more than a decade old and the key brands, which we own or license include “NOMINEE GOLD”, “OSHEEN”, “BIOVITA”, “ROKET 44% EC”, “FOSMITE 50% EC”, “KEEFUN”, “VIBRANT” and “COSKO”. Our brand reputation and leading market position have further enhanced our relationships with multinational corporations and customer loyalty and enabled us to quickly expand into new products and new geographic markets. The strength of our brands also helps us to enter into agreements with distributors and retailers. We expect that our large portfolio of in-licensed products, co-marketed products and generics will continue to drive our domestic sales in the future.

***Diverse Product Portfolio in Custom Synthesis and Manufacturing***

We have a diverse product portfolio including patented products where we enter into a knowledge collaboration with our customers. Our technical capabilities have enabled us to become a valued collaborator for global multinational corporations and consequently, a large portion of our product portfolio comprises patented products. We recently forayed into the pharmaceutical sector and have developed and scaled-up an advanced intermediate for a promising COVID-19 drug for mild and moderate COVID-19 patients for a few pharmaceutical companies in India, as well as in Japan. We have also focused on upgrading our chemistry and technology platforms, which has enabled us to create a large portfolio of reaction capabilities and process technologies.

***Global Presence and Established Relationships with Multinational Corporations***

We have built a history of collaboration with multinational corporations that has helped us expand our service offerings and geographic reach. We believe that we enjoy a reputation of trust and reliability with multinational corporations and we respect their intellectual property and work closely with them. On account of these relationships and our reputation, we have been able to grow in the domestic as well as the export market and consistently expand our product portfolio. We have established relationships with over 20 multinational corporations and we continue to strengthen these relationships by entering into long-term contracts and through strategic alliances with them. Long-term contracts help us plan our capital expenditure, enhance our ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower overall cost base, thereby maintaining a competitive cost structure to achieve sustainable growth and profitability. We believe that our strong focus on understanding and delivering on customer needs, operating a non-conflicting business model and investing in relationships to create value for our customers has helped us maintain and grow our key relationships over the years.

***Strong R&D Capabilities and Manufacturing Infrastructure***

We believe that our focus on R&D is critical to our success and a differentiating factor from our competitors. Our scientists conduct research in several fields including library synthesis, molecule design, lead optimization, route synthesis, biological testing, greenhouse testing and micro field. We have a R&D centre at Udaipur in Rajasthan, which has process development and process innovation laboratories, new chemical screening laboratories, a green house facility, biological testing laboratories, analytical laboratories, a kilo plant and a pilot plant. The analytical laboratories have GLP certification, and NABL ISO/IEC 17025:2005 accreditation that expired on June 29, 2020 and our Company has made an application for its renewal. The infrastructure at our R&D centre also includes workstations with online utilities, an in-house library, electronic lab notebook software and a centralized laboratory information management system for data and information management providing access to diverse databases. As of March 31, 2020, we employed 300 researchers and scientists including 130 personnel who had obtained a doctoral degree and specialize in process research and complex chemistries.

We have set up integrated manufacturing facilities and currently operate 13 multi-product plants, which give us the flexibility to produce new products in a short span of time and scale-up to meet the demands of our clients. In addition, we are currently in the process of setting up two multi-purpose plants at Jambusar, Gujarat and expect to commission them by the financial year 2022. In our manufacturing operations, we provide large scale manufacturing services, offer multiple chemical reactions, processes ranging from high pressure to low temperature and make formulations. All our manufacturing plants are certified ISO 9001:2015 for quality management systems and OHSAS 18001:2007 for occupational health and safety management systems. Our manufacturing plants have received several prestigious awards over the years including the Golden Peacock Award for environment management for our Panoli unit.

***Strong Focus on Sustainability***

We have a strong focus on sustainability in all aspects of our operations and we invest significant resources and time on R&D with the objective of developing innovative and sustainable solutions for our customers. We undertake various initiatives on clean technology, energy efficiency, renewable energy and water conservation to address global environment issues such as climate change and global warming. Our Company is a member of the United Nations Global Compact and we have published two Communication on Progress reports describing our various initiatives to continually improve the integration of the United Nations Global Compact and its principles into our business strategy, culture and operations. We have been reporting our environmental social and governance performance on the EcoVadis portal for the last three years and our Company was rated by EcoVadis in the 'Gold Category' in 2018 and 2017. We also scored 100% in a TfS (Together for Sustainability) audit conducted in May 2019. In order to reduce environmental footprint in our supply chain and to encourage sustainable procurement, we have established a system to evaluate our vendors for their sustainability practices. This evaluation includes a physical sustainability audit of our critical suppliers. Our manufacturing plants are certified ISO 14001:2015 for environment management systems, which reflects our commitment to enhancing our environmental performance.

***Experienced Management Team and Strong Corporate Governance***

We have a strong management team with significant industry experience. Mr. Salil Singhal who is our Chairman Emeritus, is also the Chairman of the Confederation of Indian Industry's National Council on Agriculture for the year 2019-20 and has been the Chairman of the Pesticides Association of India (now known as the Crop Care Federation of India). Our Managing Director and Vice Chairman, Mr. Mayank Singhal has over two decades of experience in the agrochemical industry and has played an instrumental role in the growth of our business. In addition, our Board of Directors includes a combination of executive as well as independent Directors with significant and diversified business experience. Our Board is committed to implementing best practices of corporate governance and achieving a high level of transparency, with a focus on investors' best interests and maximizing shareholder value.

We believe that our experienced management team has demonstrated the ability to successfully build and integrate our various operating activities through their cumulative years of work experience. In particular, they have led the process through which we have created value through organic and inorganic growth, built brand recognition and loyalty and identified new business opportunities. They have also helped us in developing an extensive marketing and distribution network and long-term relationships with our key customers. We believe that the knowledge and experience of our senior and mid-level management team members provides us with a significant competitive advantage as we seek to grow our business. One-third of our Senior Management Personnel have been associated with our Company for more than five years. As of March 31, 2020, 130 of our employees had obtained a doctoral degree while 562 of our employees had obtained a post graduate degree. We are a young and diverse organization with a majority of our employees below the age of 35 years. We invest significant resources in training our employees and our strong focus on employee development has enabled us to maintain high levels of employee retention over the years.

**Competitive Strategies**

The primary elements of our business strategy are to continue to grow our custom synthesis and manufacturing exports by expanding our technology platforms, leveraging customer reach and product portfolio to increase market share in the domestic market and selectively pursuing inorganic growth opportunities to diversify into adjacencies and de-risk existing operations.

***Continue to Grow Custom Synthesis and Manufacturing Exports by Expanding our Technology Platforms***

We leverage our strong process chemistry and engineering skills to perform custom synthesis and contract manufacturing services for a range of multinational corporations. We believe that our arrangements with such multinational corporations provide opportunities to maximize the value of our product development, manufacturing and distribution platforms, as well as increase our customer base by providing access to new markets. We have established a presence in Germany, China and Japan to help grow our business in international markets. We seek to continue to explore opportunities to enhance our existing relationships by undertaking custom synthesis and contract manufacturing for new molecules across their various product segments. We also propose to cater to customers across new industry verticals and in new geographies to grow our market share. During the financial year 2020, we initiated commercial scale business with three new customers. We are a R&D driven company and believe that technological advancement is one of the key factors to our continued success in the market place. We plan to actively pursue and enhance our R&D capabilities to develop new production techniques and products in addition to improving production efficiency.

***Leverage Customer Reach and Product Portfolio to Increase Market Share in the Domestic Market***

We intend to leverage our customer reach, product portfolio and pipeline of products, brand building capabilities and unique delivery mechanism to capitalize on new market opportunities presented by other product segments and increase our market share in the domestic market. For example, during the financial year 2019, we entered the sugarcane protection segment with the launch of our product “COSKO” and strengthened our position in the rice and chilli protection segment with the launch of our product “FANTOM”. During the financial year 2020, we launched two new products including a wheat herbicide, “AWKIRA” to address the key problematic weed *phalaris minor*, which has developed resistance to existing herbicides. The launch of these products has enabled us to address the available market opportunity. Over the next few years, we intend to focus on our core brands, rationalize low margin products and strengthen our row crop product portfolio by focusing on crops such as rice, wheat, sugarcane, cotton and soybean.

We are in the process of combining Isagro’s domestic business with that of our Subsidiary, Jivagro Limited and aim to be one of the leading companies in the horticulture segment in India. We will strengthen our position in the domestic market by leveraging Isagro’s complementary product portfolio and distribution network. We expect to launch over 25 products over the next five years for row crops and horticulture crops. We believe that the acquisition of Isagro, which has a significant market share in the horticulture segment will assist us achieve such growth. We intend to increase our sales volumes through the in-licensing of new products, co-marketing brands with multinational corporations and cross-selling products.

We intend to invest additional resources to further strengthen our relationships with farmers and provide them innovative, long-term solutions to increase crop productivity through sustainable practices and procedures. For example, during the financial year 2020, we delivered value added services to farmers by providing 140 spray machines, which we sourced primarily from Japan, advised them on crop management and provided customer services through call centers and other digital platforms.

***Selectively Pursue Inorganic Growth Opportunities to Diversify into Adjacencies and De-risk Existing Operations***

We intend to grow our business and increase our range of products and services by focussing on higher potential segments such as pharmaceuticals, polymer additives, imaging chemicals and specialty chemicals as well as new application areas such as bio-chemistry, nutraceuticals and additive chemicals. We filed 22 patent applications during the financial year 2020 for innovative agrochemical active ingredients.

Further, since all our manufacturing operations are concentrated in Gujarat, we continue to explore acquisition targets outside India in order to de-risk geographic concentration and be in close proximity to large markets and key customers. Where appropriate and advantageous for our business, we intend to selectively pursue opportunities that will strengthen our market position, enable us to expand our domestic product portfolio, enhance our technical and manufacturing capabilities and increase our sales, marketing and distribution network. We will also seek to explore inorganic growth opportunities for innovative products such as biologicals to accelerate our growth.

For example, in December 2019, we completed the acquisition of Isagro, which was engaged in the business of contract manufacturing, local distribution and exports of agrochemicals. We are currently in the process of repurposing its facilities and we believe that we will complete this process and align our operational activities during the financial year 2021. We believe that the acquisition of Isagro will provide us access to additional manufacturing capacities and synergy benefits on account of the adjacent manufacturing site. We aim to enhance the capacity utilization of Isagro's facilities over the next few years and expect to benefit from the long-term contract for the export of products to Isagro S.p.A.

**Description of Our Business**

We have established a multi-national presence and the following table sets forth details of our revenue from operations across the different geographies in which we operate:

| **Geography** | **For the Financial Year** | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | **2019** | | **2018** | |
| | ***(₹ in million)*** | ***(% of revenue from operations)*** | ***(₹ in million)*** | ***(% of revenue from operations)*** | ***(₹ in million)*** | ***(% of revenue from operations)*** |
| India | 9,003 | 26.7 | 9,574 | 33.7 | 8,534 | 37.0 |
| Asia (other than India) | 8,615 | 25.6 | 3,893 | 13.7 | 8,683 | 37.6 |
| North America | 11,911 | 35.4 | 11,012 | 38.8 | 3,191 | 13.8 |
| Europe | 2,715 | 8.1 | 2,802 | 9.9 | 1,911 | 8.3 |
| Rest of the World | 1,421 | 4.2 | 1,128 | 4.0 | 768 | 3.3 |
| **Total revenue from operations** | **33,665** | **100** | **28,409** | **100** | **23,088** | **100** |

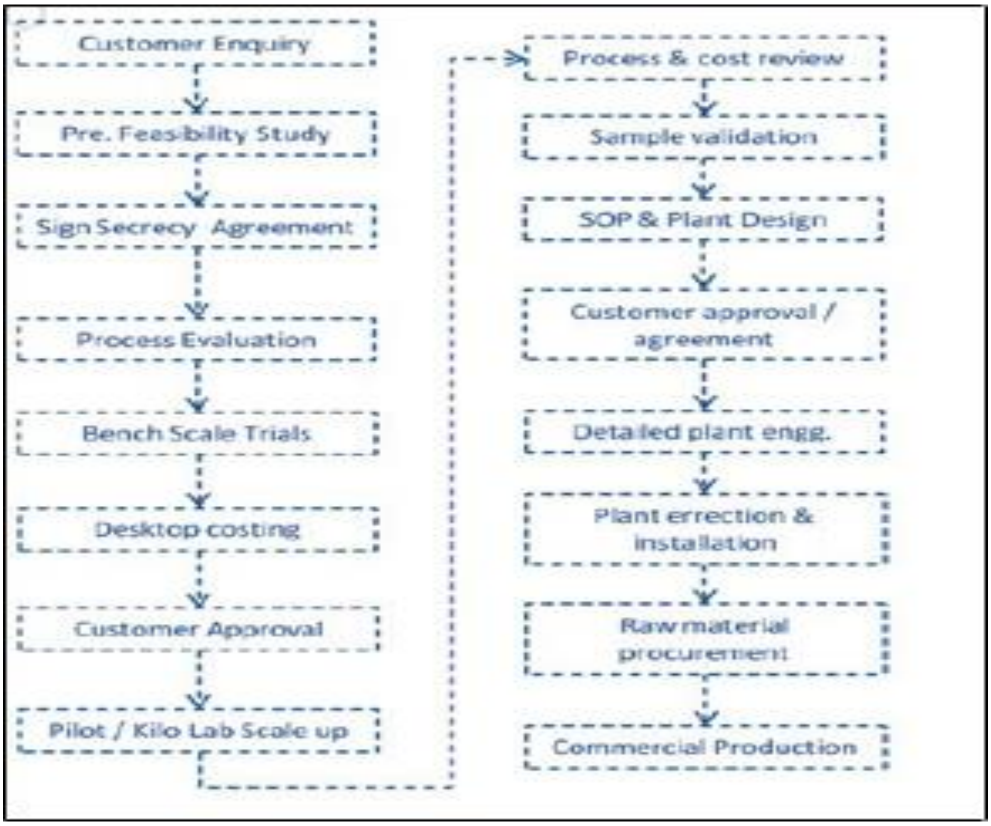
**Custom Synthesis and Manufacturing Exports**

As part of our integrated business model, we offer custom synthesis and contract manufacturing services to multinational corporations. Our in-house process research, process engineering and large scale manufacturing capabilities, enable us to act as a one-stop shop for process scale-up and large scale manufacturing of their newly discovered molecules. We have established relationships with over 20 multinational corporations in the agrochemical sector.

We believe that our focus on early stage participation enables us to capitalize on the complete lifecycle of these products, gives us the opportunity to be the initial suppliers for such molecules under global patents and strengthens our relationships with multinational corporations.

We focus on molecules which (i) are patented; (ii) are in the early stages of their life cycles; (iii) are of high or medium value and low volume; (iv) involve complex chemistries; and (iv) we believe would lead to high growth rates on commercialization across geographies. In addition, we have started undertaking custom synthesis and manufacturing of pharmaceutical intermediates and other specialty and fine chemical products over the last few years.

The following chart sets forth the end-to-end process from custom synthesis to production:




We seek to deliver customized solutions to our clients and cater to their requirements. Our marketing and business development teams undertake proactive communication with existing and potential clients and provide innovative and cost efficient solutions. They also oversee the planning and execution of our projects. Our R&D team oversees the transfer of technology and prepares back-up strategies. We then scale-up our operations from the R&D stage to large scale manufacturing and ensure the smooth transition of processes between teams. We seek to improve our operations through process engineering and have well experienced teams for trouble shooting. We lay emphasis on maintaining consistency in the quality of our products and planning and executing projects in a timely manner. We are committed to developing and maintaining long-term relationships with our customers through frequent interactions and follow-ups.

***Service Offerings***

We provide a spectrum of services across the agri-sciences value chain that include:

- *Contract Research.*
- *Process Development and Scale-up*. Our services include process development, analytical development, kilo plant studies, pilot plant trials, basic engineering, process optimization, detailed engineering, plan design, hazard and operability studies, small scale manufacturing for trials.
- *GLP Analytical Studies.*
- *Plant Engineering.*
- *Commercial Scale Manufacturing*. We provide large scale manufacturing services, offer multiple chemical reactions with processes ranging from high pressure to low temperature.

***Reaction Capabilities***

We seek to enhance our reaction capabilities in order to meet customer requirements. The following table sets forth certain of our reaction capabilities:

| Reaction Capabilities | |
|---|---|
| Carbamation | Pyrazole Ring - MMH and HH |
| Nitration | Alkylation using Isobutylene gas |
| Bromination | Dry HCl generation |
| Hydrogenation | Amination using $NH_3$ |
| Chlorination | Oxime Formation |
| Diazotisation | Ketal formation |
| Sandmeyer reaction | Nitrosation |
| UV Induced Halogenation | Claisen condensation |
| Cyanation | Wolff-Kishner reduction |
| Oxidation using Hydrogen Peroxide | Suzuki Coupling |
| Alkylation with Acetylene | High Pressure Oxidation - Air, $H_2$ |
| Grignard Reaction | Halex Fluorination |

**Domestic Branded Products**

In the marketing and distribution of domestic branded products, we leverage our pan-India marketing and distribution network, brand reputation and long standing relationships with Indian farmers, differentiated delivery mechanism, product portfolio of unique solutions and experienced team to grow our business.

Some of our key brands, which we own or license include "NOMINEE GOLD", "OSHEEN", "BIOVITA", "ROKET 44% EC", "FOSMITE 50% EC", "KEEFUN", "VIBRANT" and "COSKO". During the financial year 2020, we launched two new products including a wheat herbicide "AWKIRA", and "COSKO SC".

We are focused on enhancing customer experience and we leverage our technology platforms and extensive presence in rural areas to grow our business. Our digital tools help us in our marketing activities and to connect with large retailers and farmers. We hold strategic business partner meetings at regular intervals where we inform and train our channel partners on new developments in the agriculture sector. Our channel partners and field staff visit villages and meet with farmers regularly, conduct group meetings and train them on improved methods of agriculture to increase yield and productivity.

Our domestic marketing and distribution model comprises:

- In-licensing of newly launched or patented molecules from multinational corporations to register and market their products in India;

- Working with multinational corporations present in India to co-market their early stage lifecycle agrochemical products in India under our brands and by leveraging our marketing network; and

- Manufacturing and marketing branded generics for old and off patented molecules.

The range of activities involved in our domestic marketing and distribution model includes:

- *Evaluation and Trials*. We conduct geography specific bio-efficacy studies, evaluation and trials data compilation, geographic potential and fitment evaluation studies.

- *Regulatory Services and Registrations*. We have a skilled and experienced team of registration professionals who have a deep understanding of the Indian regulatory system to register products in India and also facilitate registration services for multinational corporations seeking registration in India. Our team specializes in intimation to Central Insecticides Board and Registration Committee, research test and trial applications, dossier preparation and submission, developing packaging specifications, planning and coordinating studies with contract research organizations related to bio-efficacy, residue and toxicological studies in compliance with applicable regulations for the purpose of quality data submission and regulatory approvals.

- *Marketing and Distribution*. Over the years, we have built several strong brands by leveraging the strength of our marketing and distribution network. We have established an extensive, pan-India distribution network which comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. We handle product pre-launch and post-launch activities and marketing campaigns.

***In-licensing of agrochemical products from multinational corporations***

We undertake in-licensing of agrochemical products from multinational corporations, who are generally not present in India, for the marketing and distribution of their products. We enter into arrangements with these multinational corporations to carry out product evaluation and trials, data generation, registration, the introduction and market development of their products in India.

The following table sets forth certain details of our in-licensed product portfolio, as of March 31, 2020:

| Name of the Product | Category | Chemical Name |
|---|---|---|
| Biovita Granules | Bio-Stimulants | Ascophyllum nodosum |
| Biovita Liquid | Bio-Stimulants | Ascophyllum nodosum |
| Keefun | Insecticide | Tolfenpyrad 15% EC |
| Nominee Gold | Herbicide | Bispyribac Sodium 10% SC |
| Osheen | Insecticide | Dinotefuran 20% SG |
| Vibrant | Insecticide | Thiocyclam Hydrogen Oxalate 4% GR |
| Awkira | Herbicide | Pyroxasulfone 85% WG |
| Kitazin | Fungicide | Kitazin 48% EC |
| Humesol | Bio-Stimulants | Humic Acid 18% Fulvic Acid 1.5% |

***Co-marketing arrangements for agrochemical products***

We work with multinational corporations who have a presence in India for co-marketing their new or early stage lifecycle products using our widespread marketing and distribution network, under our own brand.

The following table sets forth certain details of our co-marketing product portfolio, as of March 31, 2020:

| Name of the Product | Category | Chemical Name |
|---|---|---|
| Clutch | Fungicide | Pyraclostrobin 5% + Metiram 55% WG |
| Cosko | Insecticide | Chlorantraniliprole 0.4% (granule); Chlorantraniliprole 18.5% SC (liquid) |
| Elite | Herbicide | Topramezone 33.6% SC |
| Fender | Fungicide | Fluxapyroxad 6.25% + Epoxiconazole 6.25% EC |
| Fluton | Insecticide | Flubendiamide 20% WG |
| Header | Fungicide | Pyraclostrobin 10% CS |
| Legacee | Herbicide | Fenoxaprop-p-ethyl 6.7% EC |
| Lurit | Fungicide | Dimethomorph 50% WP |
| Melsa | Herbicide | Pinoxaden 5.1% EC |
| Pimix | Herbicide | Metsulfuron methyl 10% + Chlorimuron ethyl 10% WP |
| Sanipeb | Fungicide | Propineb 70% WP |
| Super Spreader | Others | Silicon based Adjuvant |
| Visma | Fungicide | Pyraclostrobin 12.8% + Boscalid 25.2% WG |
| Voltage | Miticide | Spiromesifen 22.9% SC |

***Manufacture and marketing of branded generic agrochemical products***

We undertake the manufacture, formulation, marketing and distribution of branded generic agrochemical products under brands that we own or license.

The following table sets forth details of our generic product portfolio, as of March 31, 2020:

| Name of the Product | Category | Chemical Name |
|---|---|---|
| Colfos 405 | Insecticide | Ethion 40% + Cypermethrin 5% EC |
| Fosmite 50% EC | Insecticide | Ethion 50% EC |
| Carina 50 EC | Insecticide | Profenofos 50% EC |
| Colt 25 | Insecticide | Cypermethrin 25% EC |
| Cuprina | Fungicide | Copper Oxychloride 50% WG |

| | | |
|---|---|---|
| Roket 44 EC | Insecticide | Profenofos 40% + Cypermethrin 4%EC |
| Jumbo | Insecticide | Imidacloprid 17.8% SL |
| Maxima | Insecticide | Thiamethoxam 25% WG |
| Simbaa | Insecticide | Propargite 57% EC |
| Solaro 50 | Herbicide | Atrazine 50% WP |
| Wicket | Herbicide | Clodinafop-Propargyl 15% WP |

**Research and Development**

We have a R&D centre at Udaipur in Rajasthan, admeasuring 12,188.11 square metre. This centre has process development and process innovation laboratories, new chemical screening laboratories, a green house facility, biological testing laboratories, analytical laboratories, a kilo plant and a pilot plant. The analytical laboratories have GLP certification, and NABL ISO/IEC 17025:2005 accreditation that expired on June 29, 2020 and our Company has made an application for its renewal.

Our scientists conduct research in several fields including library synthesis, molecule design, lead optimization, route synthesis, biological testing, greenhouse testing and micro field. They continue to work on new areas of our fine chemical business and have successfully carried out synthesis and scale-up for several new molecules in the area of agrochemicals, pharmaceutical intermediates and imaging chemicals. Our R&D capabilities have helped us develop new processes and chemical formulations to cater to the requirements of our customers.

Our research team consists of 300 researchers and scientists including 130 personnel who had obtained a doctoral degree, as of March 31, 2020.

Our kilo plant has the capabilities to support small quantity requirements for product development and evaluation of customer needs, a flexible reactor for quick change over, a distillation facility to establish recycling of solvents and the ability to handle reactions of varying temperature and pressure.

Our pilot plant has the capabilities to support customer needs for semi-commercial production for product development, the ability to carry out various reactions and unit processes such as crystallization, filtration, vacuum distillation, continuous distillation and evaporation. We can conduct a variety of reactions at different operating parameters.

Our IT infrastructure in R&D includes electronic lab notebook software and a centralized laboratory information management system for data and information ensuring paperless management.

We believe that our R&D has and will continue to assist us in developing newer technologies and manufacturing processes for existing as well as new products, which will help reduce the cost of production, simplify manufacturing processes to improve safety, reduce environmental load and provide us with other growth opportunities. For the financial years 2020, 2019 and 2018, our total expenditure for R&D activities (revenue expenditure and capital expenditure) was ₹ 1,149 million, ₹ 838 million and ₹ 820 million, constituting 3.4%, 2.9% and 3.6% of our revenue from operations, respectively.

**Manufacturing Facilities**

We have set up integrated manufacturing facilities and currently operate 13 multi-product plants, which give us the flexibility to produce new products in a short span of time and scale-up to meet the demands of our clients. We also have a large scale formulation manufacturing set up in Panoli, Gujarat for different types of formulations and a warehousing facility. In addition, we are currently in the process of setting up two multi-purpose plants at Jambusar, Gujarat and expect to commission them by the financial year 2022.

Most of our multi-product plants are fully automated with distributed control systems and modern technologies. Our facilities at Panoli and Jambusar have hydrogenation facilities with fully automated systems. We have also installed environmental health and safety facilities and systems for treatment of solid, liquid and gaseous waste. We have set up rotary kiln incinerators, fume incinerators for off-gases incineration, multiple effect evaporators, effluent treatment plant and scrubbers. We also have a gas based captive power plant at Panoli, Gujarat.

Our manufacturing plants are certified ISO 9001:2015 for quality management systems, ISO 14001:2015 for environment management systems and OHSAS 18001:2007 for occupational health and safety management systems. Our manufacturing plants have received several prestigious awards over the years including the Golden Peacock Award for environment management for our Panoli unit.

The following table sets forth certain key details of our infrastructure:

| Location | Type of Facility |
|---|---|
| Udaisagar Road, Udaipur - 313001, Rajasthan | R&D lab |
| | Kilo plant |
| | Pilot plant |
| Panoli Unit 1, Plot No. 237, GIDC, Panoli - 394116, Ankleshwar, Gujarat. | Manufacturing of intermediates and active ingredients |
| Panoli Unit 2, Plot No. 3133 - 3139, 3330 -3351, 3231 - 3245, 3517 - 3524, GIDC, Panoli - 394116, Ankleshwar, Gujarat | Formulations and warehouse |
| Jambusar Unit 1, Plot No. SPM 28, Sterling SEZ, Village Sarod, Jambusar - 392180, Gujarat | Manufacturing of intermediates and active ingredients |
| Jambusar Unit 2, Plot No. SPM 29/2, Sterling SEZ, Village Sarod, Jambusar - 392180, Gujarat | Manufacturing of intermediates and active ingredients |
| Plot No. 640 to 653, 2004 to 2018 and 2001 to 2003 GIDC, Panoli - 394116, Ankleshwar, Gujarat (Manufacturing facility of Isagro) | Manufacturing of intermediates and active ingredients |

**Production Capacity and Utilization**

The following table sets forth the aggregate production capacity of our Company's manufacturing facilities and the actual production volumes for the periods indicated:

| | Financial Year | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Organic and inorganic chemicals technical grade** | | | |
| Installed capacity (MT - KL) | 17,362* | 14,404 | 13,836 |
| Actual production volumes (MT - KL) | 8,089 | 8,619 | 8,194 |
| Capacity Utilization (%) | **46.6** | **59.8** | **59.2** |
| **Pesticides and other formulations** | | | |
| Installed capacity (MT - KL) | 53,200 | 53,200 | 53,200 |
| Actual production volumes (MT - KL) | 24,757 | 36,196 | 31,597 |
| Capacity Utilization (%) | **46.5** | **68.0** | **59.4** |

* *Our Company commissioned two multi-purpose plants in March 2020.*
*Note: This does not include the manufacturing facilities of Isagro.*

**Raw Materials**

For our custom synthesis and manufacturing operations, the key raw materials that we use include Bromine, Difluorochloromethane, Pyrazole, various chloro and fluoro intermediates, solvents, chloro-alkalies and metal catalysts.

The key raw materials that we use for our domestic branded products include Atrazine technical, Cypermethrin technical, Meta Metaldehyde, Profenofos technical, Propargite technical, Seaweed, Thiocyclam technical, Tolfenpyrad technical 98.5% min, Bispyribac Sodium 10% SC, Boscalid 25.2% + Pyraclostrobin 12.8% WG, Clodinofop - Propargyl 15% WP, Copper Oxychloride 50% WDG, Dinotefuran 20 SG and Thiamethoxam 25% WG.

We typically enter into long-term contracts to source key raw materials from approved suppliers. We also source raw materials through quarterly or monthly contracts or procure them from the open market, depending on market conditions. Over the years, we have continued to diversify our procurement base and seek to reduce the amount of materials that we source from China. We continue to explore alternate suppliers for materials in other geographies, as well as evaluate manufacturing certain items in-house.

We have implemented a SAP platform known as SAP ARIBA to assist us with our procurement functions.

See "*Risk Factors – Internal Risks – Any delay, interruption or reduction in the supply of raw materials and* *equipment to manufacture our products may adversely affect our business, results of operations and financial condition*” on page 31.

**Quality Control and Process Safety**

We believe that maintaining high standard of quality of our products is critical to our brand and continued success. We have implemented quality systems across our manufacturing facilities that cover all areas of our business processes from manufacturing, supply chain to product delivery for ensuring consistent quality, efficacy and safety of our products. Certain of our manufacturing plants are certified ISO 9001:2015 for quality management systems and our R&D centre at Udaipur, Rajasthan has kilo and pilot plants with NABL ISO/IEC 17025:2005 accreditation for testing and calibrations that expired on June 29, 2020 and our Company has made an application for its renewal. Our quality management system at our plants designed in accordance with the ISO 9001:2015 guidelines. We ensure that our manufacturing facilities are in compliance with regulatory standards and our customers also conduct audits at our facilities. Our employees are required to undergo thorough training programs designed to update them on latest quality norms and standards periodically.

At the product development stage, our technical transfer and quality department conducts risk assessments for new projects. Our R&D team prepares certain batches at our kilo lab together with our technical transfer team on a pilot scale. Data from our R&D center, kilo lab and pilot plant is summarized and evaluated. The risks associated with various aspects of our business are assessed and monitored across functions including business development, operations, supply chain, environment health and safety, quality control, technology transfer, R&D and scale-up and we then make risk mitigation plans.

Our quality team prepares a quality plan or a product assurance plan based on analytical data collected from our kilo plant and pilot plant. Our technology transfer team invites our technical services and quality teams to observe the on-going process of new products by demonstrating certain batches. During this period, hazard and operability studies and safety studies are conducted. We also assess the performance of raw materials at our pilot plant and review their quality before commercial production.

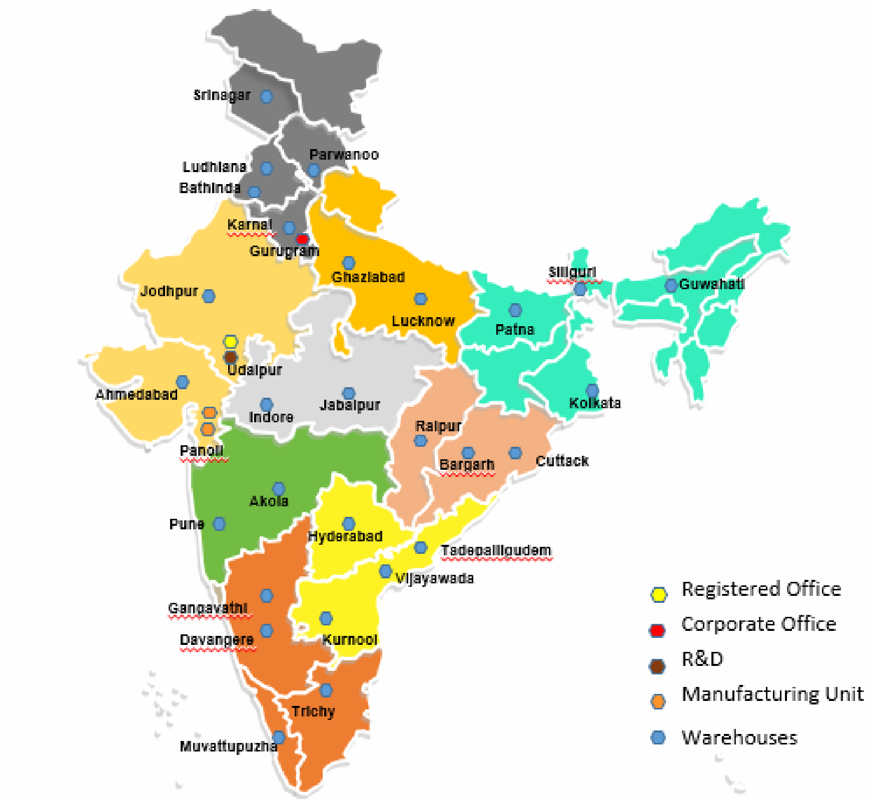
After a successful process synthesis and development at our R&D centre, a cross functional team is formed to conduct a risk based process safety and hazard and operability study. Process parameters are defined in the form of standard operating procedures and work instructions to ensure product quality, yield and compliance with environment health and safety norms.

We have established focus groups in areas of technology improvement, cost savings, delivery systems, sustainability and asset efficiency. The scope of work of these groups include the identification of new technologies in existing products, new products, new customers and new business areas, identifying opportunities for cost improvements and areas essential for sustainable business and growth.

**Marketing and Distribution**

Over the years, we have established an extensive, pan-India distribution network which has an extensive reach in the rural and agricultural belts in India for the sale of our branded products. Our network comprised over 10,000 distributors and over 100,000 retailers, as of March 31, 2020. We have set up a network of nine zonal offices and 28 stock points in 19 states at locations across India. We also engage clearing and forwarding agents who work on a hub-and-spoke model of delivery to help us distribute our products across the country. Our wide spread distribution network is further aided by our SAP based ERP system, effective business intelligence tools which provide efficient last mile connectivity and an extensive geo-tagged farmer database of approximately 2.5 million farmers. In the domestic market, we will utilize Isagro’s strong distribution network for the horticulture segment and expect to benefit by cross leveraging the marketing channels of our Company and Isagro. For custom synthesis and manufacturing, we have established a presence in Japan and Germany to support our business development activities and in China for the sourcing of raw materials.

The following map sets forth the location of our stock points and other facilities in India:




*(Map not to scale)*

Our marketing team adopts a three-pronged approach to building brands and creating strong recall value for our products comprising pre-launch trials, product launch campaigns and post launch efforts. Our pre-launch trials focus on identifying and assessing crop strategy, market trends, market base and stage-gating. Our pre-launch activities include identifying and mapping target users and markets, on-field training of our team, generating testimonials, compiling a farmer database and brand awareness activities and teaser campaigns. We then set our launch objectives, finalizing the theme, location and venue of the launch, identifying and inviting target audiences comprising farmers and other channel partners, and undertaking press and media activities. Our post-launch efforts include branding activities to create a strong brand, co-branding and co-marketing, demand generation activities, user feedback and generation, print and electronic media promotion, geographic expansion into under developed geographies, crop label expansion and product stewardship.

We believe that the digitalization of our operations is key to our growth and we have undertaken several digital initiatives to enhance our reach and farmer connect. We launched our platform 'mPower' to assist us with our field operations. This platform empowers our field force and our sales and marketing teams to coordinate several key activities and manage farmer interactions, which helps increase operational efficiency and sales volumes. Through this platform, we are able to review and analyze data, create business strategies, target our sales efforts and cross-sell products. In addition, we have integrated mPower with a track and trace system that has stock-keeping unit (SKU) level, sub-shipper and shipper level quick response coding implemented at our manufacturing sites for specific high value products. The track and trace system allows for tracking inventory for primary, secondary and tertiary sales as well at our warehouses and depots for specific products and SKUs, thereby allowing for optimized inventory management. mPower also provides digital tools to cater for the scheduling and overall management of spraying services which we provide to farmers.

We undertake various initiatives in association with farmers for creating awareness about the proper, prudent and safe use of plant protection chemicals and scientific solutions for crop management, while promoting our products and brands. We create awareness for our products by demonstrating their use through the lifecycle of crops and providing end-to-end solutions to the farmers, which include providing mechanized sprayers.

**Joint Ventures and Acquisitions**

***Joint Venture with Mitsui Chemicals Agro, Inc.***

In May 2016, we set up a joint venture in India with Mitsui Chemicals Agro, Inc. ("**Mitsui**") known as Solinnos Agro Sciences Private Limited ("**Solinnos**"). Our Company holds 49% of the equity share capital of Solinnos through our Subsidiary, PI Life Science Research Limited, while Mitsui holds the remaining 51%. Solinnos is currently engaged in the business of providing product evaluation and registration services for Mitsui's proprietary agrochemicals in India.

***Joint Venture with Kumiai Chemical Industry Co. Ltd.***

In July 2017, we set up a joint venture in India with Kumiai Chemical Industry Co. Ltd. ("**PI Kumiai**") known as PI Kumiai Private Limited. Our Company holds 50% of the equity share capital of PI Kumiai Private Limited through our Subsidiary, PI Life Science Research Limited, while Kumiai holds the remaining 50%. Kumiai recently commenced operations and is engaged in the business of manufacturing Bispyribac-sodium and supplying products to institutional customers.

***Acquisition of Isagro Asia Agrochemicals Private Limited***

In December 2019, we completed the acquisition of Isagro for a total purchase consideration of ₹ 4,432 million, including cash and equivalents and current investments of ₹ 1,124 million. Isagro is engaged in the business of contract manufacturing, local distribution and exports of agrochemicals. Its manufacturing site and production plants for agrochemical technical and formulations are located near our manufacturing unit in Panoli, Gujarat.

**Regulatory and Environmental Matters**

We aim to comply with applicable health and safety regulations and other requirements in our operations and have adopted an environment, health and safety policy that is aimed at complying with legislative requirements, requirements of our licenses, approvals, various certifications and ensuring the safety of our employees. We believe that accidents and occupational health hazards can be significantly reduced through a systematic analysis and control of risks and by providing appropriate training to our management and our employees. We have conducted safety programs at our facilities and developed customized training videos and modules. See "*Risk Factors – Internal Risks – Unplanned slowdowns or shutdowns in our manufacturing operations could have an adverse effect on our business, results of operations and financial condition*" on page 27.

In addition, we are subject to significant national and state environmental laws and regulations in India, including regulations relating to the prevention and control of water pollution and air pollution, environmental protection, hazardous waste management and noise pollution. These laws and regulations govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations, and any failure to comply with the applicable laws and regulations may subject us to penalties and may also result in the closure of our facilities.

We undertake various initiatives on clean technology, energy efficiency, renewable energy and water conservation to address global environment issues such as climate change and global warming. Our Company is a member of the United Nations Global Compact and we have published two Communication on Progress reports. We have also been reporting our environmental social and governance performance on the EcoVadis portal for the last three years and our Company was rated by EcoVadis in the 'Gold Category' in 2018 and 2017. Our manufacturing plants are certified ISO 14001:2015 for environment management systems and OHSAS 18001:2007 for occupational health and safety management systems.

**Information Technology**

We currently use an enterprise resource planning solution SAP HANA, which assists us with various functions including managing our financial accounting, material management, sales and distribution and human resource functions. SAP HANA facilitates the flow of real-time information across departments, which allows us to make information driven decisions and manage performance.

We use QlikView for business intelligence and analytics and SAP SuccessFactors for our human resource functions. In addition, we have developed our own project and workflow management platform known as CIGMA, to assist us with our fine chemical business from enquiry to commercialization stage.

Our IT systems are vital to our business and we have established a differentiated technology infrastructure with web-based integrated systems and tools. In order to maintain data security and comply with data protection laws, we have strengthened our cyber security environment by building layered cyber defenses, data leakage prevention systems, ensuring internal data classification, implementing strong internal controls, critical transactions logging and monitoring mechanisms. In February 2019, we received the ISO 27001:2013 certification for our information security management systems. We also have a business continuity system in place with real-time data replication and switch-over ability of our critical business systems in case of a disaster.

Our IT infrastructure also includes electronic lab notebook software and a centralized laboratory information management system for data and information management providing access to diverse databases. We host all research structured data in electronic laboratory notebooks and have customized the software to cater to our requirements. To support internal research collaboration and knowledge management, we have implemented SharePoint, which enables our research team to manage research projects, collate research related references, collaborate on ideas, manage product safety documents and also contribute to a paperless research environment.

We have implemented a SAP platform known as SAP ARIBA, which will help us with functions such as vendor on-boarding and management, strategic sourcing, negotiations and payments. It will allow for a global vendor database to be integrated with our ecosystem thereby resulting in optimized procurement costs in addition to providing alternative sources and reducing dependencies on select vendors.

**Competition**

The Indian agrochemicals market is fragmented in nature and in the domestic markets, our competitors include several generic companies such as UPL Limited, Rallis India Limited, Gharda Chemicals Limited, Bharat Rasayan Limited, Insecticides India Limited, Coromandal International Limited, Meghmani Organics Limited, Sumitomo Chemical India Limited and Dhanuka Agritech Limited.

For our custom synthesis and contract manufacturing exports, we believe that we do not generally compete with any particular Indian company for the range of chemistries, scope of services and the diverse applications and technologies that we cater to. In certain chemistry areas, we compete with SRF Limited, Jubiliant Life Sciences Limited, Hikal Limited and Deccan Fine Chemicals (India) Private Limited in India. We also compete with international companies in our custom synthesis and manufacturing operations such as Lonza Ltd., Saltigo GmbH, CABB AG, Evonik Industries AG, ESIM Chemicals, Lianhe Chemical Technology Co. Ltd, Wylchem and Viakem S.A. de C.V.

**Intellectual Property**

Our Company has registered the trademark “PI – Inspired by Science Label” under classes 1 and 5 with the Registrar of Trademarks under the Trade Marks Act, 1999. Additionally, our Company has also registered trademarks including word marks, logos and device marks under various classes in India, including “BIOVITA”, “ROKET 44% EC”, “COSKO”, “FOSMITE 50% EC”, “”KEEFUN”, “”VIBRANT” and “FANTOM” and has applied for the registration of certain trademarks, including “PI – Inspired by Science Label” under class 42 , “PYROXEE”, “BIOFITE” and “PISTAR”. The logo of our Company and its other artistic works are protected under copyright laws. Our Company has also registered certain designs and has filed 22 applications for registration of several patents during the financial year 2020. For details of in-licensing of agrochemical products from multinational corporations and co-marketing arrangements for agrochemical products, see “- *Domestic Branded Products*” on page 115.

**Insurance**

Our operations are subject to hazards inherent in chemical manufacturing facilities such as risk of equipment failure, work accidents, fire, chemical spillage, atmospheric dispersion, earthquakes, flood and other force majeure events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. We maintain insurance policies that we believe are customary for companies operating in our industry. Our principal types of coverage include insurance for burglary, public liability act policy, standard fire and special perils policy, electronic equipment insurance policy, industrial all risk insurance policy, erection all risks / storage-cum-erection insurance policy, motor and vehicle insurance policies, group health policy, group personal accident insurance policy, package insurance policy, commercial general liability products policy, marine cargo insurance policy and directors’ and officers’ liability insurance policy.

**Employees**

As of March 31, 2020, we employed 3,024 permanent personnel. We also hire contract labor for our operations, from time to time.

We are a young and diverse organization with a majority of our employees below the age of 35 years. As of March 31, 2020, 130 of our personnel had obtained a doctoral degree, while 562 personnel had obtained a post graduate degree. As of March 31, 2020, 227 of our employees had obtained a degree in chemical engineering.

We seek to maintain a high performance work culture based on values of development, collaboration and reward. We have adopted leading human resource practices to ensure talent acquisition and retention to meet our growth needs. The key elements driving our practices include customer focus, process orientation, people focus, drive for results, business acumen and decision making and communication and executive presence.

We train our employees on a regular basis to increase the level of operational excellence, improve productivity and maintain compliance standards on quality and safety. We have initiated a comprehensive talent management programme known as 'Project Udbhav' where we evaluate employees for their leadership skills, develop and implement individual development plans and career paths and monitor their progress and development. As of March 31, 2020, 108 of our employees had completed their assessments and are in the process of working on their development plans. We have also launched a holistic career management framework that sets out various career options available to our employees across different functions and levels and assists them to progress in their careers.

We lay emphasis on employee engagement programs and we conducted a three-point survey to elicit employee feedback. We have developed an internal platform, MYIdea where employees can share their ideas and provide their suggestions to us.

**Awards**

Over the years, we have won several awards and accolades including:

*Awards for sustainability*

- Golden Peacock Award for CSR in Chemical and Fertilizer Segment in 2019
- Ecovadis Gold Plated Rating in 2017 and 2018
- Golden Peacock Award for environment, health and safety in 2016 and 2017
- National Safety Award by the National Safety Council of the Government of India in 2017
- Green Manufacturing Excellence Award by Frost and Sullivan in 2016

*Awards for business excellence*

- Golden Peacock Environment Management Award in 2018
- Best Global Sustainable Supplier by Bayer in 2017
- Flame Awards Asia for Marketing Innovation in 2016
- Udyog Rattan Award in 2015
- Agrow Strategic Vision Award for Best Manager in 2015
- Agrow Awards - Best Supplier Award in 2013
- Outstanding Supplier Performance by Bayer in 2011

*Leadership awards*

- Mr. Salil Singhal, Chairman Emeritus was conferred with the Lifetime Achievement Award by CNBC-AWAAZ - Rajasthan Ratna in 2019
- Lifetime Achievement Award - Agriculture Summit for Mr. Salil Singhal in 2015
- Agrow Strategic Vision Award - Best Manager to Mr. Mayank Singhal in 2015
- India's Best CEO Award (Chemicals) by Business Today for Mr. Salil Singhal in 2015
- Entrepreneur of the Year Award by Ernst & Young for Mr. Salil Singhal in 2014
- Best CEO Award - Business India Mindrush for Mr. Salil Singhal in 2014

**Corporate Social Responsibility**

We have adopted a Corporate Social Responsibility ("**CSR**") policy in compliance with the requirements of the

Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 notified by Central Government. Our CSR activities are carried out through the PI Foundation, which is a trust set up by us and are focused in the areas of sustainable agricultural practices, healthcare, hygiene and sanitation, women empowerment, education and skill development. We have assisted farmers implement the direct seeding rice method of crop establishment thereby saving water, deployed mobile healthcare vans to assist people and revive a blood bank. We organized awareness sessions on precautions against COVID-19 in certain villages around our manufacturing facilities and our mobile medical units conducted thermal screening, distributed hand sanitizers and masks to the villagers. In the field of education and skill development, we conducted employment and livelihood enhancement programs to help the economically backward community gain employment and granted educational scholarships. We also conducted entrepreneurship and skill development programs for underprivileged rural women to empower them and help improve their livelihoods. We contributed to rural development by installing street lighting and strengthening drainage network in certain villages around our manufacturing facilities

**Properties**

Our registered office is located at Udaisagar Road, Udaipur, Rajasthan, 313001. Our corporate office is located at 5$^{th}$ Floor, Vipul Square, B-Block, Sushant Lok, Phase-I, Gurugram, Haryana, 122002.

Our manufacturing facilities are situated on leased properties at Panoli and Jambusar in Gujarat, and our R&D centre, admeasuring 12,188.11 square metre, is situated at Udaipur in Rajasthan. Our Company has also set up offices in Germany and China. Further, PI Japan Co., Ltd., our Subsidiary, has set up an office in Japan.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Board of Directors

Our Articles of Association provide that the minimum number of Directors shall be three and the maximum number of Directors shall be 15 unless otherwise determined by our Company in a general meeting. As on the date of this Placement Document, our Company has eight Directors, of which three Directors are executive Directors and five Directors are non-executive Directors, including four Independent Directors (including one woman Independent Director). Our Board is compliant with the corporate governance requirements of the SEBI Listing Regulations.

The following table sets forth details regarding our Board as of the date of this Placement Document:

| S. No. | Name, Term, Period of Directorship, DIN, Occupation and Address | Age (in years) | Designation |
|---|---|---|---|
| 1. | Mr. Narayan Keelveedhi Seshadri<br>**Term**: Fixed term of five years with effect from September 06, 2017<br>**Period of Directorship**: Director since January 27, 2006<br>**DIN**: 00053563<br>**Occupation**: Self employed<br>**Address:** Flat No.51, 2nd Floor, Block No.4, Hill Park Co-Op. Hsg. Society Ltd., A.G. Bell Marg, Malabar Hill, Mumbai – 400 006 | 63 | Chairman and Independent Director |
| 2. | Mr. Mayank Singhal<br>**Term:** Fixed term for a period of five years with effect from October 1, 2017; re-designated as Vice Chairman and Managing Director with effect from September 9, 2019<br>**Period of Directorship**: Director since September 28, 1998<br>**DIN:** 00006651<br>**Occupation**: Industrialist<br>**Address:** Singhal Farm House, Rajokri, New Delhi – 110 038 | 47 | Vice Chairman and Managing Director |
| 3. | Mr. Rajnish Sarna<br>**Term**: Fixed term for a period of five years with effect from November 7, 2017; reappointed as director liable to retire by rotation by resolution dated September 9, 2019<br>**Period of Directorship**: Director since November 7, 2012<br>**DIN**: 06429468<br>**Occupation**: Service<br>**Address:** 7-A, Tower-C, Belgravia, Central Park Resorts, Sector 48, South City II, Gurgaon – 122018, Haryana | 51 | Whole-time Director |
| 4. | Dr. Raman Ramachandran<br>**Term**: Fixed term for a period of three years with effect from July 1, 2019; reappointed as director liable to retire by rotation and re-designated as Managing Director and Chief Executive Officer with effect from September 9, 2019<br>**Period of Directorship**: Director since July 1, 2019<br>**DIN**: 00200297<br>**Occupation**: Service<br>**Address:** Flat 2201, 22nd Floor, Tower 7, Emerald Isle, Saki Vihar Road, L&T Gate No. 5, Powai, Mumbai – 400072 | 62 | Managing Director and Chief Executive Officer<br>- |

| S. No. | Name, Term, Period of Directorship, DIN, Occupation and Address | Age (in years) | Designation |
|---|---|---|---|
| 5. | Mr. Pravin Kanubhai Laheri<br>**Term:** Fixed term for a period of five years with effect from September 6, 2017<br>**Period of Directorship**: Director since January 20, 2010<br>**DIN:** 00499080<br>**Occupation**: IAS (Ret.)<br>**Address:** B/201 Bageshri Tower Opp. Fun Republic Multiplex, Ramdevnagar, Satellite, Ahmedabad – 380 015 | 75 | Independent Director |
| 6. | Ms. Ramni Nirula<br>**Term**: Fixed term for a period of five years with effect from September 6, 2017<br>**Period of Directorship**: Director since July 28, 2010<br>**DIN**: 00015330<br>**Occupation**: Consultant<br>**Address:** A-14, Anand Niketan, New Delhi – 110 021 | 68 | Independent Director |
| 7. | Mr. Arvind Singhal<br>**Term**: Liable to retire by rotation*<br>**Period of Directorship**: Director since October 5, 2016<br>**DIN**: 00092425<br>**Occupation**: Industrialist<br>**Address:** Lake House, P.P. Singhal Marg, Udaipur – 313 001 | 72 | Non-executive Director |
| 8. | Dr. Tanjore Balganesh Soundararajan<br>**Term**: Fixed term for a period of three years with effect from September 6, 2017*<br>**Period of Directorship**: Director since May 16, 2017<br>**DIN**: 00648534<br>**Occupation**: Scientist<br>**Address:** No.3, 1st Cross, AECS Layout, II Stage, Behind ISRO Head Quarters, Sanjaynagar, Bangalore – 560 094 | 67 | Independent Director |

* *The Board in its meeting convened on June 4, 2020 recommended the re-appointment of Mr. Arvind Singhal as Director liable to retire by rotation and Dr. Tanjore Balganesh Soundararajan as an Independent Director for a period of five years, subject to the approval of the Shareholders at the Annual General Meeting of the Company.*

**Relationship between Directors**

Except for Mr. Arvind Singhal, who is uncle of Mr. Mayank Singhal, none of the Directors are related to each other.

**Interest of Directors of Company**

Except as stated in "*Related Party Transactions*" on page 56, and to the extent of respective shareholding, remuneration including commission received on net profit, reimbursement of expenses and other benefits to which they are entitled as per their respective terms and conditions of appointment, our Directors do not have any other interest in our Company or its business. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares, held by them, any other benefit arising out of such holding and transactions with the companies with which they are associated as directors or members. Our Non-Executive Director and Independent Directors may also be deemed to be interested to the extent of sitting fees payable to them for attending meetings of our Board or a committee thereof as well as to the extent of commission and reimbursement of expenses payable to them.

Our Directors, Dr. Tanjore Balganesh Soundararajan is as an independent director, and Mr. Raman Ramachandran is a non executive director on the board of our material Subsidiary, Isagro (Asia) Agrochemicals Private Limited. Further, our Directors, Mr. Mayank Singhal, Mr. Rajnish Sarna, and Dr. Raman Ramachandran, may also deemed to be interested to the extent they are acting as directors on the board of our other Subsidiaries, Associate and Joint Venture companies. However, no remuneration or sitting fees is being paid to our Directors for acting as a director in our Subsidiaries, Associate or Joint Venture.

The Directors may also be regarded as interested in the Equity Shares held by, or that may be subscribed by, and allotted to, the companies, firms and trust, in which they are interested as directors, members, partners or trustees. For details of the Equity Shares and options held by our Directors, see "*–Shareholding of the Directors and Senior Management Personnel"* on page 133.

Our Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners and there are no outstanding transactions other than in the ordinary course of business undertaken by our Company, in which our Directors are interested. Further, our Company has neither availed of any loans from, nor extended any loans to the Directors which are currently outstanding.

Other than Mr. Mayank Singhal, who is a Promoter of our Company, our Directors have no such interest in the promotion of our Company as on the date of this Placement Document.

**Terms of Employment and Remuneration**

***Terms of appointment and remuneration of our executive Directors***

***Mr. Mayank Singhal***

Mr. Mayank Singhal was re-appointed as Managing Director and Chief Executive Officer, for a period of five years with effect from October 1, 2017, by means of ordinary resolution passed by the Shareholders at the AGM of our Company held on September 6, 2017 on the terms and conditions including payment of remuneration as mentioned therein. Subsequently, on the basis of a special resolution passed by the Shareholders at the AGM of our Company held on September 9, 2019, our Company has elevated the position of Mr. Mayank Singhal from Managing Director and Chief Executive Officer to Vice Chairman and Managing Director of our Company on revised terms and conditions with effect from September 9, 2019, for the remaining part of his tenure. Further, from the close of business hours of September 8, 2019, Mr. Mayank Singhal relinquished the position of the Chief Executive Officer and Dr. Raman Ramachandran took charge as Managing Director and Chief Executive Officer with effect from September 9, 2019. In terms of the resolution dated September 9, 2019, our Company has approved the following remuneration for Mr. Mayank Singhal:

**A. Salary:**

In pay scale of ₹ 2,500,000 to ₹ 4,000,000 per month with such increment(s) from time to time as our Board or the Nomination & Remuneration Committee may deem fit.

**B. Perquisites:**

The perquisites and allowances payable to Mr. Mayank Singhal, Vice Chairman and Managing Director are, subject to overall ceiling of 100% of the salary inclusive but not limited to following perquisites:

(i) Housing: Our Company to provide rent-free residential accommodation (furnished or otherwise) or house rent and house maintenance allowance in lieu thereof. The reimbursement of expenses for utilities such as gas, electricity, water, furniture/ furnishings, repairs, servant's salaries and services of sweepers, watchman, gardener. In addition to same, our Company shall also provide at its expense, telecommunication/internet facilities and other support services at his residence to meet business exigencies which shall not form part of the perquisite(s).

(ii) Medical: Expenses incurred for him and his family shall be reimbursed in accordance with the applicable rules of our Company.

(iii) Leave Travel: Expenses towards leave travel shall be reimbursed for him and his family (including dependents) in accordance with the applicable rules of our Company.

(iv) Club fees: Fees of clubs subject to a maximum of two clubs.

(v) Personal Accident Insurance: Our Company to pay the premium for the personal accident insurance policy taken for self.

(vi) Car and Telephone: The provision of car for use for Company's business and telephone at the residence for Company's business will not be considered as perquisites.

(vii) Provident Fund, Superannuation Fund, Gratuity and Leave Encashment: Company's contribution to provident fund and superannuation fund and payment of gratuity and encashment of leave would be as per the rules of our Company. However, our Company's contribution to provident fund and superannuation fund to the extent these (either singly or together) are not taxable under the IT Act, gratuity payable as per the rules of our Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

**C. Commission:**

Such remuneration by way of commission, in addition to the salary, perquisites and allowances payable, calculated with reference to the net profits of our Company in a particular financial year as may be determined by our Board at the end of each financial year as per the recommendations of Nomination & Remuneration Committee.

**D. Minimum remuneration:**

Notwithstanding anything to the contrary herein contained, where in any financial year during his tenure our Company has no profits or its profits are inadequate, or the remuneration paid exceeds the limits as specified under the Regulation 17 of the SEBI Listing Regulations, our Company will pay to him remuneration by way of salary, perquisites and allowances as specified above. The approval of shareholders shall be valid during the tenure of his appointment.

**E. Other terms and conditions:**

(i) Annual increment shall fall due on 1st April each year during his tenure as Vice Chairman and Managing Director.
(ii) The terms and conditions of appointment may be altered and varied by the Nomination & Remuneration Committee and our Board as they may deem fit at their discretion, in accordance with the provisions of the Companies Act, or any amendments made hereafter in this regard.

***Dr. Raman Ramachandran***

Dr. Raman Ramachandran, was appointed as a whole-time Director of our Company with effect from July 1, 2019 till September 8, 2019, and was re-designated as Managing Director and Chief Executive Officer of our Company with effect from September 9, 2019 till June 30, 2022, by means of a special resolution passed by the Shareholders at the AGM of our Company held on September 9, 2019, on such terms and conditions including payment of remuneration as mentioned therein. In terms of the aforesaid resolution, our Company has approved the following remuneration for Dr. Raman Ramachandran:

**A. Salary:**

In the pay scale of ₹ 1,343,750 to ₹ 2,500,000 per month with such increment from time to time as our Board or Nomination & Remuneration Committee may deem fit.

**B. Perquisites & Allowances:**

The perquisites and allowances payable to him are subject to overall ceiling of 100% of the salary inclusive but not limited to following perquisites:

(i) House rent allowance: ₹ 537,500 (40% of basic salary) will be paid on monthly basis.
(ii) Special allowance: ₹ 376,250 per month or such amount as may be approved by the Nomination & Remuneration Committee or our Board.
(iii) Directors Perks: ₹ 430,000 per month towards Directors perks includes Company leased car, driver salary, fuel, club membership expenses reimbursement will be paid as and when claimed. The balance, if any, will be paid at the end of the year as taxable allowance.

**C. Retrials:**

Company's contribution to provident fund, superannuation and gratuity fund are as per the rules of our Company.

**D. Commission:**

In addition to the above, he shall also be entitled to Commission as may be approved by the Nomination & Remuneration Committee or our Board, from time to time.

**E. Minimum remuneration:**

Notwithstanding anything to the contrary herein contained, where in any financial year during his tenure our Company has no profits or its profits are inadequate, our Company will pay to him remuneration by way of salary, perquisites and allowances as specified above.

**F. Stock Option:**

Our Board may, at its discretion, award him stock options in the stock of our Company as per our Company's Policy.

**G. Insurance:**

Our Company will take an appropriate directors' and officers' liability insurance policy and pay the premiums of the same. It is intended to maintain such insurance cover for the entire period of appointment, subject to the terms of such policy in force from time to time.

**H. Other terms and conditions:**

(i) The terms and conditions of appointment may be altered and varied by the Nomination & Remuneration Committee and our Board as they may deem fit at their discretion, in accordance with the provisions of the Companies Act, or any amendments made hereafter in this regard.
(ii) The appointment may be terminated by either party by giving to the other party six months' notice of such termination.
(iii) The annual increment which shall be effective 1st April each year (starting from April 2020) will be decided by our Board based on recommendation of the Nomination & Remuneration Committee and will be merit based and taking into account our Company's performance as well.

***Mr. Rajnish Sarna***

Mr. Rajnish Sarna was re-appointed as a director, liable to retire by rotation, by means of an ordinary resolution passed by the Shareholders at the AGM of our Company held on September 9, 2019. Mr. Rajnish Sarna was re-appointed as a whole-time Director of our Company for a period of five years with effect from November 7, 2017 by means of ordinary resolution passed by the Shareholders at the AGM of our Company held on September 6, 2017 on the terms and conditions including payment of remuneration as mentioned therein. In terms of the aforesaid resolution, our Company has approved the following remuneration for Mr. Rajnish Sarna:

**A. Salary:**

In the pay scale of ₹ 1,500,000 to ₹ 2,500,000 per month with such increment from time to time as our Board or Nomination & Remuneration Committee may deem fit.

**B. Perquisites:**

The perquisites and allowances payable to Mr. Rajnish Sarna, whole-time Director are subject to overall ceiling of 100% of the salary inclusive but not limited to following perquisites:

(i) Housing: Our Company to provide rent-free residential accommodation (furnished or otherwise) or house rent and house maintenance allowance in lieu thereof. The reimbursement of expenses for utilities such as gas, electricity, water, furniture/ furnishings, repairs, servant's salaries and services of sweepers, watchman, gardener.
(ii) Medical: Expenses incurred for him and his family shall be reimbursed in accordance with the applicable rules of our Company.
(iii) Leave Travel: Expenses towards leave travel shall be reimbursed for him and his family (including dependents) in accordance with the applicable rules of our Company.
(iv) Club fees: Fees of clubs subject to a maximum of two clubs.
(v) Personal Accident Insurance: Our Company to pay the premium for the personal accident insurance policy taken for self.
(vi) Car and Telephone: The provision of car for use for Company's business and telephone at the residence for Company's business will not be considered as perquisites.
(vii) Provident Fund, Gratuity and Leave Encashment: Company's contribution to provident fund, payment of gratuity and encashment of leave would be as per the rules of our Company. However, Company's contribution to provident fund to the extent these (either singly or together) are not taxable under the IT Act, gratuity payable as per the rules of our Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

**C. Commission**

In addition to the above, he shall also be entitled to commission as may be approved by the Nomination & Remuneration Committee or our Board from time to time.

**D. Minimum remuneration**

Notwithstanding anything to the contrary herein contained, wherein any financial year during the tenure of Mr. Rajnish Sarna, whole-time Director, our Company has no profits or its profits are inadequate, the salary and perquisites payable to him shall not exceed the limits as laid down in provisions of the Companies Act as modified from time to time.

**E. Other terms and conditions:**

(i) Annual increment shall fall due on 1st April each year during his tenure as whole-time Director.
(ii) The terms and conditions of appointment may be altered and varied by the Nomination & Remuneration Committee and our Board as they may deem fit at their discretion, in accordance with the provisions of the Companies Act, or any amendments made hereafter in this regard.

***Remuneration of our executive Directors***

Remuneration to Mr. Mayank Singhal, Dr. Raman Ramachandran and Mr. Rajnish Sarna for Fiscals 2020, 2019 and 2018, and in the current Fiscal, for two months ended May 31, 2020:

*(in ₹ million)*

| Name of Director | Remuneration** | | | |
|---|---|---|---|---|
| | Fiscal 2021 (for two months ended May 31, 2020) | Fiscal 2020 | Fiscal 2019 | Fiscal 2018* |
| Mr. Mayank Singhal | 9.50 | 128.53 | 113.83 | 82.69 |
| Mr. Rajnish Sarna | 8.02 | 67.98 | 64.10 | 50.92 |
| Dr. Raman Ramachandran# | 5.28 | 41.56 | - | - |

\# *Dr. Raman Ramachandran has been appointed as whole-time Director on our Board with effect from July 1, 2019.*
* *Remuneration with respect to Fiscal 2018 excludes gratuity.*
** *Remuneration of whole-time directors includes commission.*

For further details of compensation paid to our executive Directors during Fiscals 2020, 2019, and 2018, see "*Related Party Transactions*" on page 56.

***Remuneration of our Non-Executive Directors and Independent Directors***

In accordance with the special resolution passed in the AGM of our Company held on September 9, 2019, our non-executive Directors are entitled to the payment of commission by way of a sum not exceeding one percent per annum of the net profits of our Company calculated in accordance with the provisions of section 198 of the Companies Act, for a period of five years commencing from April 1, 2019. Further, pursuant to the resolution passed by our Board in its meeting held on May 16, 2017, the sitting fees payable to non-executive Directors is ₹ 30,000 for attending each meeting of our Board or its committees.

Sitting fees and commission to our non-executive Directors (including Independent Directors) for Fiscals 2020, 2019, and 2018 and in the current Fiscal, in respect of meetings held till June 30, 2020:

| Name of Director | Total sitting fees and commission (in ₹ million) | | | |
|---|---|---|---|---|
| | Fiscal 2021 (Until June 30, 2020 ) | Fiscal 2020 | Fiscal 2019 | Fiscal 2018 |
| Mr. Narayan Keelveedhi Seshadri | 1.30 | 6.57 | 6.45 | 3.40 |
| Mr. Pravin Kanubhai Laheri | 0.30 | 2.25 | 2.10 | 2.19 |
| Ms. Ramni Nirula | 0.40 | 2.64 | 2.79 | 2.18 |
| Mr. Arvind Singhal | 0.30 | 1.71 | 1.95 | 1.96 |
| Dr. Tanjore Balganesh Soundararajan | 0.40 | 2.07 | 2.58 | 1.52 |
| Mr. Ravi Narain* | - | 0.03 | 2.85 | 2.14 |

** Mr. Ravi Narain resigned from our Board with effect from May 1, 2019.*

**Corporate Governance**

Our Board is constituted in compliance with the corporate governance requirements under SEBI Listing Regulations and under the Companies Act.

**Committees of our Board of Directors**

Our Board has constituted following committees in accordance with the relevant provisions of the Companies Act, SEBI Listing Regulations, and other applicable laws:

1. Audit Committee;
2. Nomination & Remuneration Committee;
3. Stakeholders' Relationship Committee;
4. Corporate Social Responsibility Committee; and
5. Risk Management Committee.

| Name of the Committee | Composition of Committee | Position in the committee |
|---|---|---|
| **Audit Committee** | Mr. Narayan Keelveedhi Seshadri | Chairperson |
| | Mr. Rajnish Sarna | Member |
| | Ms. Ramni Nirula | Member |
| | | |
| **Nomination & Remuneration Committee** | Ms. Ramni Nirula | Chairperson |
| | Mr. Arvind Singhal | Member |
| | Mr. Pravin Kanubhai Laheri | Member |
| | Mr. Narayan Keelveedhi Seshadri | Member |
| | | |
| **Stakeholders' Relationship Committee** | Mr. Pravin Kanubhai Laheri | Chairperson |
| | Mr. Mayank Singhal | Member |
| | Mr. Rajnish Sarna | Member |
| | | |
| **Corporate Social Responsibility Committee** | Mr. Pravin Kanubhai Laheri | Chairperson |
| | Mr. Mayank Singhal | Member |
| | Mr. Rajnish Sarna | Member |
| | Ms. Ramni Nirula | Member |
| | | |

| Name of the Committee | Composition of Committee | Position in the committee |
|---|---|---|
| **Risk Management Committee** | Mr. Mayank Singhal | Chairperson |
| | Mr. Narayan Keelveedhi Seshadri | Member |
| | Dr. Raman Ramachandran | Member |
| | Mr. Rajnish Sarna | Member |
| | Dr. K.V.S. Ram Rao | Member |
| | Mr. Sankar Ramamurthy | Member |

**Senior Management of our Company**

The following table sets forth the details of our senior management ("**Senior Management Personnel**"), other than our whole-time Directors:

| Name of the Senior Management Personnel | Designation |
|---|---|
| Dr. KVS Ram Rao | CEO – CSM Export |
| Mr. Prashant Hegde | CEO – Agchem Brands |
| Mr. DK Ray | President & Head (Manufacturing Strategy) |
| Dr. Atul Gupta | President (Operations) |
| Dr. P. V. Srinivas | Head – Process Technology |
| Mr. Samir Dhaga | Chief Information Officer |
| Mr. Subhash Chand Anand | Chief Financial Officer |
| Mr. Rahul Gautam | Chief People Officer |
| Mr. Naresh Kapoor | Company Secretary and Compliance Officer |

All Senior Management Personnel are permanent employees of our Company.

**Brief profiles of our Senior Management Personnel**

**Dr. KVS Ram Rao, CEO – CSM Export**, joined us on November 1, 2018. He holds a bachelor's degree in technology from Faculty of Technology, Osmania University, a master's degree in field of engineering from Indian Institute of Science, Bangalore and is a Ph.D. from Faculty of Engineering, Indian Institute of Science, Bangalore. He has over 27 years of experience, of which 18.5 years of experience pertains to pharmaceutical industry. Prior to joining our Company, he was Executive Vice President and Head - PSAI at Dr. Reddy's Laboratories Limited.

**Mr. Prashant Hegde, CEO- Agchem Brands**, joined us on June 4 2020. He holds a bachelor's degree in science in the field of agriculture from University of Agricultural Sciences, Dharwad India and master's degree in business administration from Monash University, Melbourne, Australia. He has over 25 years of experience with multinational and Indian companies. He has previously worked with Monsanto Holdings Private Limited (subsidiary of Bayer AG), Wockhardt Life Sciences, RPG Life Sciences Limited (formerly known as Searle India Limited), and E.I.D Parry (India) Ltd.

**Mr. D.K. Ray, President & Head (Manufacturing Strategy)**, joined us on May 27, 2010 as President, Operations and has been associated with our group for almost 10 years. He holds a bachelor's degree in chemical technology from the Kanpur University, Uttar Pradesh. He has over 32 years of experience.

**Dr. P. V. Srinivas, Head Process Technology**, joined us on July 15, 2019. He holds a master's degree in science in the field of organic chemistry from University of Mumbai, a Ph.D. in chemistry from Faculty of Science, Osmania University. He is a fellow of the Royal Society of Chemistry. He has over 32 years of experience. Prior to joining our Company, he has worked with Cipla Limited, Biocon Limited, Indian Institute of Chemical Technology (CSIR), and Searle (India) Limited.

**Dr. Atul Gupta, President (Operations)**, joined us on May 3, 1999 as Deputy Manager (Q.A.). He has over 24 years of experience and has been associated with our group for 21 years. He holds a master's degree in Chemistry from University of Rajasthan, Jaipur, and a Ph.D. in Chemistry from Shahu Ji Maharaj University, Kanpur, Uttar Pradesh.

**Mr. Samir Dhaga, Chief Information Officer**, joined us on December 3, 2015. He holds a bachelor's degree in science from Military College of Telecom Engineering, Jawaharlal Nehru University, Delhi and a master's degree in field of Industrial Engineering from Indian Institute of Technology, Delhi. He has over 33 years of experience. Prior to joining our Company, he has worked with IBM India Private Limited, Videocon d2h Limited and has served in the Indian Army.

**Mr. Subhash Chand Anand, Chief Financial Officer**, joined us on October 4, 2017. He is a qualified Certified Management Accountant from the Institute of Certified Management Accounts, United States of America and a qualified Cost and Works Accountants. He has over 28 years of managerial and professional experience with multinational and Indian companies. He has previously worked with Whirlpool of India Limited, Sterlite Industries (India) Limited and Hindustan Copper Limited.

**Mr. Rahul Gautam, Chief People Officer,** joined us on April 1, 2020. He holds an engineering degree from the University of Delhi and a post graduate diploma in personnel management and industrial relations from XLRI, Jamshedpur. He has over 21 years of managerial experience. He has previously worked with Godfrey Phillips India Limited, Schneider Electric India Private Limited, Nokia India Pvt. Ltd., Vyaktitva, Eicher Consultancy Services Limited, and AVTEC Limited (CK Birla Group).

**Mr. Naresh Kapoor, Company Secretary and Compliance Officer**, joined us on April 15, 2011. He holds a bachelor's degree in commerce and degree in law from University of Delhi. He is a qualified Company Secretary from Institute of Company Secretaries of India and is an associate of the Institute of the Chartered Secretaries and Administrators, London. He has over 20 years of experience. He has previously worked with Pearl Polymers Limited, Bharatpur Nutritional Products Limited (formerly known as Dalmia Industries Limited), and Apollo International Limited.

**Shareholding of the Directors and Senior Management Personnel**

Other than as stated below, none of our Directors and Senior Management Personnel holds any Equity Shares in our Company as on July 2, 2020:

| Name | Designation | No. of Equity Shares |
|---|---|---|
| Mr. Mayank Singhal | Vice Chairman and Managing Director | 32,028,510 |
| Mr. Rajnish Sarna | Whole-time Director | 125,512 |
| Mr. Narayan Keelveedhi Seshadri | Chairman and Independent Director | 484,259 |
| Ms. Ramni Nirula | Independent Director | 787 |
| Dr. Atul Gupta | President – Operations | 65,158 |
| Mr. Naresh Kapoor | Company Secretary and Compliance Officer | 14,150 |
| Mr. D.K Ray | President & Head - Manufacturing Strategy | 4,260 |
| Mr. Samir Dhaga | Chief Information Officer | 818 |

**Employees Stock Options**

There are no outstanding options granted to our Directors and Senior Management Personnel as on July 2, 2020.

**Interests of Senior Management Personnel**

Except as disclosed in the "– *Interest of Directors of Company*" and "*Related Party Transactions*" on pages 126 and 56, respectively and other than (a) their shareholding in our Company; (b) their remuneration and benefits to which they are entitled to as per their terms of appointment; and (c) reimbursement of expenses incurred by them during the ordinary course of business, the Senior Management Personnel do not have any interest in our Company.

**Other confirmations**

Except as otherwise stated in this Placement Document, none of our Directors, Promoters or any Key Managerial Personnel have any financial or other material interest in this Issue.

None of our Company, our Directors or Promoters has been identified as wilful defaulters as defined under the SEBI ICDR Regulations. None of our Directors has been declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018. None of our Company, our Directors or Promoters is debarred from accessing capital markets under any order or direction made by SEBI.

**Policy on disclosures and internal procedure for prevention of insider trading**

The SEBI Insider Trading Regulations are applicable to our Company and our employees and require our

Company to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company has implemented a code of conduct for prevention of insider trading and procedure for fair disclosure of unpublished price sensitive information in accordance with the SEBI Insider Trading Regulations.

**Related Party Transactions**

For details in relation to the related party transactions entered into by our Company during the last three Fiscals immediately preceding the date of this Placement Document, see "*Related Party Transactions*" on page 56.

## ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

### Shareholding pattern of our Company as at March 31, 2020

The following table sets forth the details regarding the equity shareholding pattern of our Company as on March 31, 2020.

| Category of shareholder | No. of share holders | No. of fully paid up equity shares held | Total no. of equity shares held | Share-holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | No. of Voting Rights | Total as a % of Total Voting Right | No. of Locked in shares | | Number of Shares pledged or otherwise encumbered* | | Number of equity shares held in dematerialized form |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | No. (a) | As a % of total Shares held (b) | No. (a) | As a % of total Shares held (b) | |
| (A) Promoter and Promoter Group | 6 | 70,920,446 | 70,920,446 | 51.35 | 70,920,446 | 51.35 | Nil | Nil | Nil | Nil | 70,920,446 |
| (B) Public | 59,293 | 67,036,322 | 67,036,322 | 48.54 | 67,036,322 | 48.54 | Nil | Nil | Nil | Nil | 66,912,078 |
| (C) Non Promoter-Non Public | | | | | | | | | | | |
| (C1) Shares underlying DRs | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| (C2) Shares held by Employee Trusts | 1 | 151,225 | 151,225 | 0.11 | 151,225 | 0.11 | Nil | Nil | Nil | Nil | 151,225 |
| **Total** | 59,300 | 138,107,993 | 138,107,993 | 100 | 138,107,993 | 100 | Nil | Nil | Nil | Nil | 137,983,749 |

The following table sets forth the details regarding the equity shareholding pattern of our Promoter and Promoter Group as on March 31, 2020:

| Category and name of shareholder | No. of shareholders | No. of fully paid up equity shares held | Total no. of equity shares held | Share-holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | No. of Locked in shares | | Number of Shares pledged or otherwise encumbered* | | Number of equity shares held in dematerialized form |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | No. (a) | As a % of total Shares held (b) | No. (a) | As a % of total Shares held (b) | |
| **A1) Indian** | | | | | | | | | |
| **Individuals/Hindu Undivided Family** | 6 | 70,920,446 | 70,920,446 | 51.35 | Nil | Nil | Nil | Nil | 70,920,446 |
| Shefali Khushalani | 1 | 111,009 | 111,009 | 0.08 | Nil | Nil | Nil | Nil | 111,009 |
| Madhu Singhal | 1 | 21,560,500 | 21,560,500 | 15.61 | Nil | Nil | Nil | Nil | 21,560,500 |
| Mayank Singhal | 1 | 32,028,510 | 32,028,510 | 23.19 | Nil | Nil | Nil | Nil | 32,028,510 |
| Pooja Singhal | 1 | 8,665,550 | 8,665,550 | 6.27 | Nil | Nil | Nil | Nil | 8,665,550 |
| Salil Singhal | 1 | 8,554,857 | 8,554,857 | 6.19 | Nil | Nil | Nil | Nil | 8,554,857 |
| Salil Singhal (Holding shares as Trustee in SVVK Family Benefit Trust) | 1 | 20 | 20 | 0.00 | Nil | Nil | Nil | Nil | 20 |
| **Sub Total A1** | 6 | 70,920,446 | 70,920,446 | 51.35 | Nil | Nil | Nil | Nil | 70,920,446 |
| **A2) Foreign** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **Sub Total A2** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| **A=A1+A2** | 6 | 70,920,446 | 70,920,446 | 51.35 | Nil | Nil | Nil | Nil | 70,920,446 |

* The term encumbrance has the same meaning as assigned to it in Regulation 28(3) of the SEBI Takeover Regulations.

The following table sets forth the details regarding the equity shareholding pattern of the members of the public as on March 31, 2020:

| Category and name of the shareholders | No. of share holders | No. of fully paid up equity shares held | Total no. of equity shares held | Share-holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | No. of Voting Rights | Total as a % of Total Voting Right | No. of Locked in shares | | Number of equity shares held in dematerialized form |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | No. (a) | As a % of total Shares held (b) | |
| **B1) Institutions** | | | | | | | | | |
| **Mutual Funds/** | 27 | 23,520,429 | 23,520,429 | 17.03 | 23,520,429 | 17.03 | Nil | Nil | 23,520,429 |
| ICICI PRUDENTIAL VALUE FUND - SERIES 16 | 1 | 6,233,876 | 6,233,876 | 4.51 | 6,233,876 | 4.51 | Nil | Nil | 6,233,876 |
| KOTAK EQUITY HYBRID | 1 | 2,409,540 | 2,409,540 | 1.74 | 2,409,540 | 1.74 | Nil | Nil | 2,409,540 |
| TATA BALANCED ADVANTAGE FUND | 1 | 1,397,500 | 1,397,500 | 1.01 | 1,397,500 | 1.01 | Nil | Nil | 1,397,500 |
| UTI-UNIT LINKED INSURANCE PLAN | 1 | 2,817,983 | 2,817,983 | 2.04 | 2,817,983 | 2.04 | Nil | Nil | 2,817,983 |
| SBI LARGE & MIDCAP FUND | 1 | 4,991,096 | 4,991,096 | 3.61 | 4,991,096 | 3.61 | Nil | Nil | 4,991,096 |
| AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS EQUITY HYBRID FUND | 1 | 1,882,410 | 1,882,410 | 1.36 | 1,882,410 | 1.36 | Nil | Nil | 1,882,410 |
| **Alternate Investment Funds** | 20 | 1,009,615 | 1,009,615 | 0.73 | 1,009,615 | 0.73 | Nil | Nil | 1,009,615 |
| **Foreign Portfolio Investors** | 168 | 16,750,669 | 16,750,669 | 12.13 | 16,750,669 | 12.13 | Nil | Nil | 16,750,669 |
| **Financial Institutions/ Banks** | 4 | 247,493 | 247,493 | 0.18 | 247,493 | 0.18 | Nil | Nil | 247,493 |
| **Any Other (Qualified Institutional Buyers)** | 12 | 5,088,846 | 5,088,846 | 3.68 | 5,088,846 | 3.68 | Nil | Nil | 5,088,846 |
| HDFC LIFE INSURANCE COMPANY LIMITED | 1 | 1,804,609 | 1,804,609 | 1.31 | 1,804,609 | 1.31 | Nil | Nil | 1,804,609 |
| **Sub Total B1** | 231 | 46,617,052 | 46,617,052 | 33.75 | 46,617,052 | 33.75 | Nil | Nil | 46,617,052 |
| **B2) Central Government/ State Government(s)/ President of India** | 0 | 0 | 0 | 0.00 | 0 | 0.00 | Nil | Nil | 0 |
| **B3) Non-Institutions** | | | | | | | Nil | Nil | |
| **Individual share capital up to ₹ 2 Lacs** | 53,708 | 12,249,310 | 12,249,310 | 8.87 | 12,249,310 | 8.87 | Nil | Nil | 12,125,066 |

| Category and name of the shareholders | No. of share holders | No. of fully paid up equity shares held | Total no. of equity shares held | Share-holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) | No. of Voting Rights | Total as a % of Total Voting Right | No. of Locked in shares | | Number of equity shares held in dematerialized form |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | No. (a) | As a % of total Shares held (b) | |
| **Individual share capital in excess of ₹ 2 Lacs** | 2 | 783,694 | 783,694 | 0.57 | 783,694 | 0.57 | Nil | Nil | 783,694 |
| **NBFCs registered with RBI** | 1 | 420 | 420 | 0.00 | 420 | 0.00 | Nil | Nil | 420 |
| **Any Other (specify)** | 5,351 | 7,385,846 | 7,385,846 | 5.35 | 7,385,846 | 5.35 | Nil | Nil | 7,385,846 |
| Trusts | 16 | 985,745 | 985,745 | 0.71 | 985,745 | 0.71 | Nil | Nil | 985,745 |
| Non-Resident Indian (NRI) | 3,259 | 1,284,974 | 1,284,974 | 0.93 | 1,284,974 | 0.93 | Nil | Nil | 1,284,974 |
| Clearing Members | 104 | 274,917 | 274,917 | 0.20 | 274,917 | 0.20 | Nil | Nil | 274,917 |
| Directors | 2 | 609,771 | 609,771 | 0.44 | 609,771 | 0.44 | Nil | Nil | 609,771 |
| Bodies Corporate | 1,047 | 3,115,570 | 3,115,570 | 2.26 | 3,115,570 | 2.26 | Nil | Nil | 3,115,570 |
| HUF | 917 | 389,310 | 389,310 | 0.28 | 389,310 | 0.28 | Nil | Nil | 389,310 |
| IEPF | 1 | 234,795 | 234,795 | 0.17 | 234,795 | 0.17 | Nil | Nil | 234,795 |
| Overseas Corporate Bodies | 1 | 490,426 | 490,426 | 0.36 | 490,426 | 0.36 | Nil | Nil | 490,426 |
| Foreign Nationals | 4 | 338 | 338 | 0.00 | 338 | 0.00 | Nil | Nil | 338 |
| **Sub Total B3** | 59,062 | 20,419,270 | 20,419,270 | 14.79 | 20,419,270 | 14.79 | Nil | Nil | 20,295,026 |
| **B=B1+B2+B3** | 59,293 | 67,036,322 | 67,036,322 | 48.54 | 67,036,322 | 48.54 | Nil | Nil | 66,912,078 |

The following table sets forth the details of our non-promoter, non-public shareholders as on March 31, 2020:

| Category and name of the shareholders (I) | No. of share holders (III) | No. of fully paid up equity shares held (IV) | Total no. of equity shares held (VII = IV + V + VI) | Share-holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) (VIII) | No. of Locked in shares (XII) | | Number of equity shares held In dematerialized form (XIV) |
|---|---|---|---|---|---|---|---|
| | | | | | No. (a) | As a % of total Shares held (b) | |
| **C1) Custodian/DR Holder** | Nil | Nil | Nil | 0.00 | Nil | Nil | 0 |
| **C2) Employee Benefit Trust** | 1 | 151,225 | 151,225 | 0.11 | 151,225 | Nil | 151,225 |
| **Total Non Promoter – Non Public Shareholding C = C1+C2** | 1 | 151,225 | 151,225 | 0.11 | Nil | Nil | 151,225 |

**Corporate Structure**

As on the date of this Placement Document, our Company has the following Subsidiaries, Associate and Joint Venture:

| Subsidiaries |
|---|
| 1. PI Life Science Research Limited |
| 2. PI Japan Co., Ltd. |
| 3. PILL Finance and Investments Limited |
| 4. Jivagro Limited# |
| 5. Isagro (Asia) Agrochemicals Private Limited# |
| **Associate** |
| 1. Solinnos Agro Sciences Private Limited |
| **Joint Venture** |
| 1. PI Kumiai Private Limited |

*# Our Board at its meeting held on February 12, 2020, has approved the scheme of amalgamation ("**Scheme**") between our wholly owned subsidiary, Isagro (Asia) Agrochemicals Private Limited ("**Isagro**") and our Company and their respective shareholders under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act and the rules framed thereunder. Further, the Scheme is conditional on the scheme of arrangement ("**Demerger Scheme**") between our wholly owned Subsidiaries, the lsagro and Jivagro Limited ("**Jivagro**") and their respective shareholders under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act and the rules framed thereunder, for demerger of Isagro's domestic 'business to customer' segment into Jivagro becoming effective. All businesses of lsagro, other than domestic distribution business, will stand merged with our Company once the Scheme is approved by the shareholders, creditors, NCLT and other regulatory authorities, as applicable, and domestic distribution business of lsagro will be demerged into Jivagro.*

## ISSUE PROCEDURE

*The following is a summary intended to present a general outline of the procedure relating to the application, payment of Bid Amount, Allocation and Allotment of the Equity Shares. The procedure followed in this Issue may differ from the one mentioned below and investors are assumed to have apprised themselves of the same from our Company or the Book Running Lead Managers. Prospective Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also see "Selling Restrictions" and "Transfer Restrictions" on pages 156 and 164, respectively.*

*Our Company, the Book Running Lead Managers and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations.*

**Qualified Institutions Placement**

**THIS ISSUE IS MEANT ONLY FOR ELIGIBLE QIBS ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.**

The Preliminary Placement Document and this Placement Document have not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

This Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and other applicable provisions of the Companies Act and rules thereunder, through the mechanism of a QIP. Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act read with Rule 14 of the PAS Rules, our Company, being a listed company in India, may issue Equity Shares to Eligible QIBs, provided that:

- the Shareholders have adopted a special resolution approving the Issue. Such special resolution must specify (a) that the Allotment is proposed to be made pursuant to the QIP; and (b) the Relevant Date;

- the explanatory statement to the notice to the Shareholders for convening the general meeting must disclose, among other things, the particulars of this Issue including the date of passing our board resolution, the kind of securities being offered, amount which our Company intends to raise by way of such securities and the material terms of raising such securities, proposed Issue schedule, the purpose or objects of this Issue, the contribution made by the Promoters or Directors either as part of this Issue or separately in furtherance of the objects, and the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;

- under Regulation 172(1)(b) of the SEBI ICDR Regulations, the Equity Shares of the same class of our Company, which are proposed to be Allotted through this Issue, have been listed on the Stock Exchanges, for a period of at least one year prior to the date of issuance of notice to our Shareholders for convening the meeting to adopt the above-mentioned special resolution;

- invitation to apply in this Issue must be made through a private placement offer-cum-application (*i.e.*, the Preliminary Placement Document) and Application Form serially numbered and addressed specifically to the Eligible QIBs to whom this Issue is made either in writing or in electronic mode, within 30 days of recording the name of such person in accordance with applicable law;

- our Company shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue;

- our Company shall have completed allotments with respect to any offer or invitation made by our Company or has withdrawn or abandoned any such invitation or offer. However, our Company may, at any time, make more than one issue of securities to such class of identified persons as may be permitted under applicable law;

- our Promoters and Directors are not fugitive economic offenders;

- an offer to Eligible QIBs will not be subject to a limit of 200 persons. Prior to circulating the private placement offer-cum-application (*i.e.*, the Preliminary Placement Document), our Company must prepare and record a list of Eligible QIBs to whom this Issue will be made. This Issue must be made only to such Eligible QIBs whose names are recorded by our Company prior to the invitation to subscribe; and

- our Company acknowledges that issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about this Issue is prohibited.

In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in dematerialized form to the Allottees.

At least 10% of the Equity Shares issued to Eligible QIBs was required to be made available for Allocation to Mutual Funds, provided that, if this portion or any part thereof to be Allotted to Mutual Funds remains unsubscribed, it may be Allotted to other Eligible QIBs.

Bidders were not allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares issued under this Issue shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the Stock Exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Further, in accordance with the Shareholders' resolution dated March 23, 2020, our Company has offered a discount of 4.19 % amounting to ₹ 64.24, on the Floor Price in accordance with the SEBI ICDR Regulations.

The "Relevant Date" referred to above means the date of the meeting in which the QIP Committee opened this Issue. Further, "stock exchange" means any of the recognized stock exchanges on which the Equity Shares of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date.

The Equity Shares will be Allotted within 365 days from the date of the Shareholders' resolution approving this Issue and within 60 days from the date of receipt of Bid Amount from the Successful Bidders. For details of refund of Bid Amount, see "– *Pricing and Allocation – Designated Date and Allotment of Equity Shares*" on page 151.

Subscription to the Equity Shares issued pursuant to this Issue must be made by Eligible QIBs on the basis of the Preliminary Placement Document and this Placement Document which shall contain all material information required under applicable law including the information specified in Schedule VII of SEBI ICDR Regulations and the requirements prescribed under Form PAS-4, as applicable. The Preliminary Placement Document and this Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of the Preliminary Placement Document addressed to you, you may not rely on the Preliminary Placement Document or this Placement Document uploaded on the website of the Stock Exchanges or our Company for making an application to subscribe to Equity Shares pursuant to this Issue.

This Issue was authorized and approved by our Board on February 12, 2020 and approved by the Shareholders through their resolution dated March 23, 2020. The minimum number of Allottees with respect to the QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 2,500 million; and
- five, where the issue size is greater than ₹ 2,500 million.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee for the purpose of this Issue. For details of what constitutes "same group" or "common control", see "—*Bid Process—Application Form*" on 147.

Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on a recognised stock exchange. Allotments made to VCFs and AIFs in this Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

**The Equity Shares have not been and will not be registered under the Securities and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Company (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. For further information, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 156 and 164, respectively.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

Our Company has filed the Preliminary Placement Document and this Placement Document with each of the Stock Exchanges. Our Company has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares on the BSE and NSE on July 2, 2020.

**Issue Procedure**

1. Our Company and the Book Running Lead Managers circulated serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to identified Eligible QIBs and the Application Form was specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, our Company shall maintain records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched and this Placement Document shall be dispatched. Our Company will make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act and the PAS Rules. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form have been delivered were determined by our Company in consultation with the Book Running Lead Managers, at their sole discretion.

2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Bid Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. Eligible QIBs were required to submit the Application Form, including any revisions thereof along with the Bid Amount and a copy of the PAN card or PAN allotment letter, during the Bidding Period to the Book Running Lead Managers.

4. Bidders were required to indicate the following in the Application Form:

    - full official name of the Eligible QIB to whom Equity Shares are to be Allotted, complete address, e-mail id, PAN and bank account details;
    - number of Equity Shares Bid for;

- price at which they are agreeable to subscribe for the Equity Shares and the aggregate Bid Amount for the number of Equity Shares Bid for;
- details of the depository account to which the Equity Shares should be credited;
- a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S and the applicable laws of the jurisdiction where those offers and sales are made, or (ii) a "qualified institutional buyer" as defined in Rule 144A purchasing the Equity Shares pursuant to Section 4(a)(2) under the Securities Act, and it has agreed to certain other representations set forth in the "*Representation by Investors*" on page 3 and "*Transfer Restrictions*" on page 164 and certain other representations made in the Application Form; and
- Eligible FPIs were required to indicate their SEBI FPI registration number in the Application Form.

5. Eligible QIBs were required to make the entire payment of the Bid Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account opened with the Escrow Bank, within the Bidding Period as specified in the Application Form sent to the respective Bidders. No payment was to be made by Bidders in cash. Any payment of Bid Amount for the Equity Shares was required to be made from the bank accounts of the relevant Bidders and our Company shall keep a record of the bank account from where such payment has been received. Bid Amount payable on Equity Shares to be held by joint holders was required to be paid from the bank account of the person whose name appears first in the Application Form. Until Allotment, the filing of return of Allotment by our Company with the RoC and receipt of final listing and trading approval from the Stock Exchanges, Bid Amount received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled commercial bank and shall be utilised only for the purposes permitted under the Companies Act. Notwithstanding the above, in the event, among others (a) any Bidder was not Allocated Equity Shares in this Issue, (b) the number of Equity Shares Allotted to a Successful Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Bid Amount has been paid by such Bidder, (c) the Bid Amount was in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to the Successful Bidder and the Issue Price, (d) any Eligible QIB lowered or has withdrawn their Bid after submission of the Application Form but prior to the Bid Closing Date, or (e) if this Issue is cancelled or withdrawn for any reason after Allocation, the excess Bid Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "– *Refunds*" on page 152.

6. Once a duly completed Application Form has been submitted by a Bidder and the Bid Amount is transferred to the Escrow Account, such Application Form constituted an irrevocable offer and the Bid could not be withdrawn or revised downwards after the Issue Closing Date. In case of an upward revision before the Issue Closing Date, an additional amount was required to be deposited towards the Bid Amount in the Escrow Account along with the submission of such revised Bid. The Issue Closing Date has been notified to the Stock Exchanges and the Eligible QIBs were deemed to have been given notice of such date after receipt of the Application Form. The Bids made by asset management companies or custodians of Mutual Funds were required to specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid was allowed to be made in respect of each scheme of the Mutual Fund registered with SEBI.

7. The Bidder acknowledges that in terms of the requirements of the Companies Act, upon Allocation, our Company has disclosed the names of proposed Allottees and the percentage of their post-Issue shareholding in this Placement Document and has consented to such disclosure, with respect to Equity Shares Allocated to it.

8. Upon receipt of the duly completed Application Form and the Bid Amount in the Escrow Account, after the Issue Closing Date, our Company has, in consultation with Book Running Lead Managers determined the final terms, including (i) the Issue Price, (ii) the number of Equity Shares Allocated to each Successful Bidder; and (iii) the Successful Bidders to whom such Equity Shares have been Allocated. Upon such determination, the Book Running Lead Managers shall send the serially numbered CAN to the Successful Bidders who have been Allocated the Equity Shares and, subsequently also send, a serially numbered Placement Document either in electronic form or through physical delivery. The dispatch of a CAN, and this Placement Document (when dispatched) to a Successful Bidder becomes a valid, binding and irrevocable contract for the Successful Bidders to

subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate price equivalent to the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN contains details such as the number of Equity Shares Allocated to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **The Allocation has been conducted at the absolute discretion of our Company and in consultation with the Book Running Lead Managers.**

9. Upon determination of the Issue Price and the issuance of CAN and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Managers, will, on our behalf, send a serially numbered Placement Document either in electronic form or through physical delivery to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

10. Upon dispatch of the serially numbered Placement Document, our Company shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. We will inform the Stock Exchanges of the details of the Allotment.

11. After passing the resolution for Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the depository participant, as indicated in their respective Application Form, our Company shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to this Issue.

12. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

13. Our Company will then apply for the final trading approvals from the Stock Exchanges.

14. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Successful Bidders shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

15. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Company may communicate the receipt of the listing and trading approvals to those Successful Bidders to whom the Equity Shares have been Allotted. Our Company and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

**Qualified Institutional Buyers**

Only Eligible QIBs are eligible to invest in the Equity Shares pursuant to this Issue. Accordingly, Eligible QIBs for the purpose of this Issue comprised QIBs, who are eligible to Bid for Equity Shares in this Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;
- Mutual Funds registered with SEBI;
- pension funds with minimum corpus of ₹ 250 million;
- provident funds with minimum corpus of ₹ 250 million;
- public financial institutions;
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;

- venture capital funds registered with SEBI; and
- systemically important non-banking financial companies,

subject to such QIB not being excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations.

**ELIGIBLE FPIs WERE PERMITTED TO PARTICIPATE IN THIS ISSUE IN TERMS OF SCHEDULE 2 OF THE FEMA NON-DEBT RULES. ELIGIBLE FPIs WERE PERMITTED TO BID FOR EQUITY SHARES IN THIS ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE ELIGIBLE FPIs DOES NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD.**

In terms of the SEBI FPI Regulations and the FEMA Non-Debt Rules, the issue of Equity Shares to a single FPI or an investor group (which means the multiple entities having common ownership, directly or indirectly, of more than 50% or common control) must be below 10% of our post-Issue Equity Share capital. In case the total holding of an FPI, including its investor group, increases beyond 10% of the total paid-up equity capital of a company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by the company, the total investment made by the FPI will be re-classified as FDI subject to the conditions specified in the SEBI FPI Regulations and the FEMA Non-Debt Rules in this regard and the company and the investor will be required to comply with applicable reporting requirements. In terms of the FEMA Non-Debt Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included. The existing individual and aggregate investment limits for an FPI in our Company are 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis and the sectoral cap applicable to our Company in accordance with the FEMA Non-Debt Rules, respectively.

In case the total holding of an FPI, including its investor group, increases beyond 10% of the total paid-up equity capital of a company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by the company, the total investment made by the FPI will be re-classified as FDI subject to the conditions as specified by the SEBI and the RBI in this regard and the company and the investor will be required to comply with applicable reporting requirements.

Pursuant to the SEBI Circular dated April 5, 2018 (Circular No: IMD/FPIC/CIR/P/2018/61), our Company has appointed NSDL as the designated depository to monitor the level of FPI/NRI shareholding in our Company on a daily basis and once the aggregate foreign investment of a company reaches a cut-off point, which is 3% below the overall limit a red flag shall be activated. The depository is then required to inform the Stock Exchanges about the activation of the red flag. The Stock Exchanges are then required to issue the necessary circulars/ public notifications on their respective websites. Once a red flag is activated, the FPIs must trade cautiously, because in the event that there is a breach of the sectoral cap, the FPIs will be under an obligation to disinvest the excess holding within five trading days from the date of settlement of the trades.

**Restrictions on Allotment**

Under Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to this Issue, either directly or indirectly, to any QIB being, our Promoters or any person related to our Promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to our Promoters:

- rights under a shareholders' agreement or voting agreement entered into with our Promoter or members of our Promoter Group;

- veto rights; or

- a right to appoint any nominee director on our Board,

provided, however, that a QIB which does not hold any Equity Shares and which has acquired any of the aforementioned rights in the capacity of a lender shall not be deemed to be related to our Promoters.

**Our Company and the Book Running Lead Managers and any of their respective shareholders, employees, counsels, officers, directors, representatives, agents, advisors or affiliates are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date**

**of this Placement Document. Eligible QIBs were advised to make their independent investigations and satisfy themselves that they were eligible to apply. Eligible QIBs were advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in the Preliminary Placement Document and this Placement Document. Further, Eligible QIBs were required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations.**

*Note:* Affiliates or associates of the Book Running Lead Managers, who are Eligible QIBs, may participate in this Issue in compliance with applicable laws.

*Bid Process*

*Application Form*

Eligible QIBs could only use the serially numbered Application Forms (specifically addressed to them) supplied by our Company and/ or the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of the Preliminary Placement Document.

By making a Bid (including any revision thereof) for Equity Shares through the Application Form and pursuant to the terms of the Preliminary Placement Document and this Placement Document, each Bidder was deemed to have made the representations, warranties, acknowledgements and undertakings under the sections titled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 1, 3, 156 and 164 respectively, including:

1. the Bidder confirms that it is an Eligible QIB, has a valid and existing registration under the applicable laws in India (as applicable) and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations and is eligible to participate in this Issue;

2. the Bidder confirms that it has no rights under a shareholders' agreement or voting agreement with our Promoters or members of our Promoter Group, no veto rights or right to appoint any nominee director on our Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to our Promoters;

3. the Bidder confirms that, and consents to, its name and percentage of post-Issue shareholding (assuming full subscription in this Issue) being included as a "proposed Allottee" in this Issue in this Placement Document. However the Bidder further acknowledges and agrees, disclosure of such details in relation to the proposed Allottees in this Placement Document will not guarantee Allotment to them, as Allotment shall continue to be at the sole discretion of our Company, in consultation with the Book Running Lead Managers;

4. the Bidder has no right to withdraw or revise its Bid downwards after the Bid Closing Date;

5. the Bidder confirms that if Equity Shares are Allotted to it through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;

6. the Bidder confirms that it is eligible to Bid for and hold Equity Shares so Allotted and together with any securities (including Equity Shares) held by the Bidder prior to this Issue. The Bidder further confirms that its holding of the Equity Shares does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Bidder;

7. the Bidder agrees that although the Bid Amount is required to be paid by it along with the Application Form within the Bidding Period in terms of the provisions of the Companies Act, our Company reserves the right to Allocate and Allot Equity Shares on a discretionary basis, in consultation with the Book Running Lead Managers. The Bidder further acknowledges and agrees that the payment of Bid Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part.

8. the Bidder confirms that its application would not eventually result in triggering an open offer under

the SEBI Takeover Regulations;

9. the Bidder confirms that it is not a promoter of our Company and is not a person related to our Promoters, either directly or indirectly, and its Bid does not directly or indirectly represent our Promoters or members of our Promoter Group or a person related to our Promoters;

10. the Bidder confirms that, to the best of its knowledge and belief, together with other Eligible QIBs participating in this Issue that belong to the same group or are under common control, the Allotment to the Bidder shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary or holding company and any other Eligible QIB; and

    b. "Control" shall have the same meaning as is assigned to it by clause 1(e) of Regulation 2 of the SEBI Takeover Regulations.

11. the Bidder confirms that:

    a. it will make payment of its Bid Amount along with submission of the Application Form within the Bidding Period;

    b. if it is within the United States, it is a U.S. QIB who is or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate; and

    c. if it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance upon Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate.

12. the Bidder acknowledges that no Allotment shall be made to them if the price at which they have Bid for in this Issue is lower than the Issue Price; and

13. the Bidder shall not undertake any trade in the Equity Shares credited to its beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

**BIDDERS WERE REQUIRED TO PROVIDE THEIR NAME, COMPLETE ADDRESS, E-MAIL ID, BANK ACCOUNT DETAILS, BENEFICIARY ACCOUNT DETAILS, PAN/ PAN ALLOTMENT LETTER, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. BIDDERS WERE REQUIRED TO ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE BENEFICIARY ACCOUNT IS HELD.**

**IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, THE ELIGIBLE QIBs SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WERE ALSO REQUIRED TO SUBMIT REQUISITE DOCUMENT(S) TO THE BOOK RUNNING LEAD MANAGERS TO EVIDENCE THEIR STATUS AS AN "ELIGIBLE QIB" AS DEFINED HEREINABOVE.**

**IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, THE ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER THE BID CLOSING DATE, THE ELIGIBLE QIB SUBMITTING A BID AND/ OR BEING ALLOTTED EQUITY SHARES IN THIS ISSUE, WERE AND WILL ALSO BE REQUIRED TO SUBMIT**

**REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CLIENT (KYC) NORMS.**

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Bid Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Bid Amount shall be remitted for the Equity Shares applied for in this Issue, will be considered.

The submission of an Application Form and payment of the Bid Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder to pay the entire Issue Price for the Equity Shares and becomes a binding contract on a Successful Bidder upon issuance of the CAN and this Placement Document (when dispatched) by our Company in favour of the Successful Bidder.

*Submission of the Application Form*

All Application Forms were required to be duly completed with information including the number of Equity Shares applied for along with payment and a copy of the PAN card or PAN allotment letter. The Bid Amount was required to be deposited in the Escrow Account as was specified in the Application Form and the Application Form was required to be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at either of the following addresses:

**Axis Capital Limited**
Axis House, Level 1, C-2 Wadia International Centre
P.B. Marg, Worli, Mumbai 400 025
Maharashtra, India
**Contact Person:** Mr. Sanjay Kathale
**Email:** Sanjay.Kathale@axiscap.in
**Tel.:** +91 22 4325 5585

**Citigroup Global Markets India Private Limited**
1202, 12th Floor
First International Financial Center
G-Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400 098
Maharashtra, India
**Contact Person:** Ms. Pallavi Garg
**Email:** pi.industries.qip@citi.com
**Tel.:** +91 22 6175 9999

**Kotak Mahindra Capital Company Limited**
1st Floor, 27 BKC, Plot No. C-27
G-Block, Bandra Kurla
Complex, Bandra (East)
Mumbai 400 051
Maharashtra, India
**Contact Person:** Mr. Karl Sahukar
**Email:** piind.qip@kotak.com
**Tel.:** +91 22 4336 0000

**Ambit Capital Private Limited**
Ambit House, 449, Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Maharashtra, India
**Contact Person:** Mr. Sandeep Sharma
**Email:** pi.qip@ambit.co
**Tel.:** +91 22 6623 3000

The Book Running Lead Managers were not required to provide any written acknowledgement of submission of the Application Form and Bid Amount.

All Bidders submitting a Bid in this Issue, were required to pay the entire Bid Amount within the Bidding Period.

*Bank Account for payment of Bid Amount*

In terms of the arrangement among our Company, the Book Running Lead Managers and the Escrow Bank, our Company has opened the Escrow Account with the Escrow Bank, in the name of "***PI INDUSTRIES LTD – QIP ESCROW ACCOUNT***" into which the application monies payable by Eligible QIBs in connection with subscription to the Equity Shares pursuant to this Issue were required to be deposited.

Each Bidder was required to deposit the Bid Amount payable for the Equity Shares Bid by it along with the submission of the Application Form and during the Bidding Period in the Escrow Account. Bidders were allowed to make payment of the Bid Amount only through electronic transfer of funds from their own bank account.

**Note**: Payments were to be made only through electronic fund transfer. Payments made through cash or cheques were liable to be rejected. Further, if the payment was not made favouring the Escrow Account, the Application Form was liable to be cancelled.

Pending Allotment, our Company undertakes to utilise the amount deposited in the Escrow Account only for the purposes of (i) adjustment against Allotment of Equity Shares in this Issue; or (ii) refund of Bid Amount if our Company is not able to Allot Equity Shares in this Issue.

*Pricing and Allocation*

There is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares issued under this Issue shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the Stock Exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Further, in accordance with the Shareholders' resolution dated March 23, 2020, our Company has offered a discount of 4.19% amounting to ₹ 64.24, on the Floor Price in accordance with the SEBI ICDR Regulations.

The "Relevant Date" referred above means the date of the meeting in which the QIP Committee opened this Issue. Further, "stock exchange" means any of the recognized stock exchanges on which the Equity Shares of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date.

*Build-up of the book*

Bidders were required to submit their Bids (including any revision thereof) through the Application Forms, within the Bidding Period to the Book Running Lead Managers. Such Bids were not allowed to be withdrawn or revised downwards after the Bid Closing Date. The book was maintained by the Book Running Lead Managers.

*Price determination and Allocation*

Our Company, in consultation with the Book Running Lead Managers, determined the Issue Price, which is at the Floor Price, however, our Company has offered a discount of 4.19 % amounting to ₹ 64.24, on the Floor Price in terms of Regulation 176(1) of the SEBI ICDR Regulations.

After finalisation of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and has filed such updated document with the Stock Exchanges as the Placement Document.

*Method of Allocation*

Our Company determined the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations. All the Application Forms received from the Bidders at or above the Issue Price were grouped together to determine the total demand. The Allocation to all such Bidders was made at the Issue Price. Allocation to Mutual Funds for 10 % of the Issue Size was undertaken subject to valid Bids received at or above the Issue Price.

**THE DECISION OF OUR COMPANY, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL ELIGIBLE QIBs. ELIGIBLE QIBs MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND THE ELIGIBLE QIBs MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORM AND PAID THE ENTIRE BID AMOUNT AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.**

*CAN*

Based on Application Forms and Bid Amount received, our Company in consultation with the Book Running Lead Managers, in its sole and absolute discretion, has decided the list of Successful Bidders to whom the serially numbered CANs shall be sent, pursuant to which the details of the Equity Shares Allocated to the Successful Bidders, Issue Price and the total amount received towards Equity Shares Allocated to them has been notified to such Successful Bidders. Additionally, the CAN will include the probable Designated Date, being the date of credit of the Equity Shares to the Bidder's account, as applicable to the respective Bidders.

Successful Bidders who have been Allocated Equity Shares pursuant to this Issue will be sent a serially numbered Placement Document (which includes the names of the proposed Allottees along with the percentage of their post-Issue shareholding in our Company) either in electronic form or by physical delivery.

The dispatch of the CAN and the serially numbered Placement Document (whenever dispatched) to a Bidder shall be deemed to be a valid, binding and irrevocable contract in respect of Equity Shares allocated to it. Subsequently, our Board (or a duly constituted committee thereof) will approve the Allotment of the Equity Shares to the Allottees.

**BIDDERS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOCATED / ALLOTTED TO THEM PURSUANT TO THIS ISSUE.**

By submitting the Application Form, the Bidder would have deemed to have made the representations and warranties as specified "*Notice to Investors*" on page 1 and further that such Bidder shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to this Issue until such time as the final listing and trading approval is issued by the Stock Exchanges.

*Designated Date and Allotment of Equity Shares*

1. The Equity Shares will not be Allotted unless the Bidders pay the Issue Price into the Escrow Account as stated above.

2. Subject to the satisfaction of the terms and conditions of this Placement Agreement, our Company will ensure that the Allotment of the Equity Shares is completed by the Designated Date provided in the CAN.

3. In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act. However, no transfer in physical form is permitted as per Regulation 40 of the SEBI Listing Regulations.

4. Our Company, at its sole discretion, reserves the right to cancel this Issue at any time up to Allotment without assigning any reasons whatsoever.

5. Following the Allotment of the Equity Shares pursuant to this Issue, our Company shall apply to the Stock Exchanges for listing approvals and post receipt of the listing approvals from the Stock Exchanges, our Company shall credit the Equity Shares into the beneficiary accounts of the Successful Bidders.

6. Following the credit of Equity Shares into the Successful Bidders' beneficiary accounts, our Company will apply for the final listing and trading approvals from the Stock Exchanges.

7. The monies lying to the credit of the Escrow Account shall not be released until the final listing and trading approvals of the Stock Exchanges for the listing and trading of the Equity Shares issued pursuant to this Issue are received by our Company and our Company files the return of Allotment in connection with this Issue with the RoC.

8. After finalization of the Issue Price, our Company has updated the Preliminary Placement Document with the Issue details and has filed it with the Stock Exchanges as the Placement Document. Pursuant to a circular dated March 5, 2010 issued by SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been Allotted more than 5% of the Equity Shares offered in this Issue, namely, names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Company along with this

Placement Document.

*Refunds*

In the event that the Equity Shares were not Allocated to a Bidder for any reason, or number of Equity Shares Allocated to a Successful Bidder were lower than the number of Equity Shares applied for through the Application Form and towards which Bid Amount has been paid by such Bidder, or a Bidder has lowered or withdrawn the Bid prior to the Issue Closing Date, or Bid Amount paid by the Bidder was in excess of the amount equivalent to the product of the Equity Shares that have been Allocated to such Bidder and the Issue Price applicable with respect to such Equity Shares, or if this Issue is cancelled or is withdrawn for any reason after Allocation, the excess Bid Amount paid by such Bidder will be refunded to the same bank account from which Bid Amount was remitted (as set out in the Application Form), in the form and manner set out in the Refund Intimation Letter. The Refund Amount will be transferred to the relevant Bidders within two Working Days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Company is unable to issue and Allot the Equity Shares offered in this Issue or on cancellation of this Issue, within 60 days or any other time period, as prescribed under the applicable law, from the date of receipt of the Bid Amount, our Company shall repay the Bid Amount within 15 days from expiry of 60 days or any other time period, as prescribed under the applicable law, failing which our Company shall repay that money with interest at such rate and in such manner as prescribed under the Companies Act.

*Other Instructions*

*Permanent Account Number or PAN*

Each Bidder was required to mention its PAN allotted under the IT Act. A copy of the PAN card or PAN allotment letter was required to be submitted with the Application Form. Further, the Application Forms without this information were considered incomplete and were liable to be rejected. It is to be specifically noted that applicants were not allowed to submit the GIR number instead of the PAN as the Application Forms were liable to be rejected on this ground.

*Bank Account Details*

Each Bidder was required to mention the details of the bank account from which the payment of Bid Amount has been made along with confirmation that such payment has been made from such account.

*Right to Reject Applications*

Our Company, in consultation with the Book Running Lead Managers, was allowed to reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of our Company and the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Company, the Bid Amount paid by the Bidder shall be refunded to the same bank account from which the Bid Amount was remitted by such Bidder. For details see "- *Bid Process – Refunds*" on page 152.

*Equity Shares in dematerialized form with NSDL or CDSL*

The Allotment of the Equity Shares in this Issue shall be only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. An Eligible QIB applying for Equity Shares in this Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.

2. The Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of such Successful Bidders.

3. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The BSE and the NSE have electronic connectivity with CDSL and NSDL.

4. The trading of the Equity Shares issued pursuant to this Issue would be in dematerialized form only for all Eligible QIBs in the demat segment of the respective Stock Exchanges.

5. Our Company and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or otherwise on the part of the Eligible QIBs.

# PLACEMENT

The Book Running Lead Managers have entered into a placement agreement dated July 2, 2020, with our Company (the "**Placement Agreement**"), pursuant to which the Book Running Lead Managers have agreed, subject to certain conditions, to manage this Issue and to act as placement agents in connection with the proposed Issue and procure subscription to Equity Shares on a reasonable efforts basis. The Equity Shares will be placed to QIBs pursuant to this Issue under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and the rules made thereunder. The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to this Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Preliminary Placement Document and this Placement Document have not been, and will not be, registered as a prospectus with the Registrar of Companies, and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs.

In connection with this Issue, the Book Running Lead Managers (or their respective affiliates) may, for their own accounts, subscribe to the Equity Shares, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of this Issue, and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Managers which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in this Issue, and may issue P-Notes in respect thereof. See "*Offshore Derivative Instruments*" and "*Representations to Investors*" on pages 9 and 3, respectively.

From time to time, the Book Running Lead Managers, and their respective affiliates and associates may have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, banking, trading services for our Company, Subsidiaries, Joint Venture and Associate, group companies, affiliates and the Shareholders of our Company, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the Book Running Lead Managers and their respective affiliates and associates.

**Lock-up**

Our Company will not, for a period of 90 days from the date of Allotment, without the prior written consent of the Book Running Lead Managers, directly or indirectly: (a) issue, offer, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or securities convertible into or exercisable or exchangeable for Equity Shares) or file any registration statement under the U.S. Securities Act, with respect to any of the foregoing; (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, any of the economic consequences of the ownership of the Equity Shares or securities convertible into or exercisable or exchangeable for Equity Shares, to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise; (c) deposit Equity Shares or securities convertible into or exercisable or exchangeable for Equity Shares in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares or such other securities in any depositary receipt facility; or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) pursuant to (A) the Issue; or (B) issue of Equity Shares or other securities pursuant to any scheme of amalgamation or arrangement or otherwise in connection with any merger or acquisition of securities, business, property or other assets or other strategic corporate transaction, subject to providing prior intimation to each Book Running Lead Manager; or (C) the issue of Equity Shares pursuant to exercise of any options under, or grant of further options in terms of any employee stock option scheme of our Company.

Our Promoters have agreed that, without the prior written consent of the Book Running Lead Managers, they shall not, during the period commencing on the Closing Date and ending 90 days from the date of this Placement Document (both dates inclusive), directly or indirectly:

(1) offer, issue, pledge, sell, encumber, contract to sell or announce the intention to sell, lend, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Shares or any other securities of the Company substantially similar to the Shares, including, but not limited to options, warrants or other securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive Lock-up Shares or any such substantially similar securities, whether now owned or hereinafter acquired,

(2) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Lock-up Shares and the securities that are convertible into, exercisable or exchangeable for or any such substantially similar securities, whether now owned or hereinafter acquired;

whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares or such other securities, in cash or otherwise,

(3) enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of an issue, offer, sale or deposit of the Lock-up Shares in any depository receipt facility, or

(4) publicly announce its intention to enter into the transactions referred to in (1) to (3) above.

However, the foregoing restriction shall not apply to any transaction required by law or an order of a court of law or a statutory authority. Also, the foregoing paragraph shall not apply to: (a) any inter-se transfer of Shares between the promoters and/ or promoter group of our Company; and (b) bona fide pledge of lock-in Shares, as collateral for loans as per the normal commercial terms entered into, in the ordinary course of business of our Company.

## SELLING RESTRICTIONS

*The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.*

*This Issue is being made only to Eligible QIBs through a QIP, in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act and the rules made thereunder.*

*Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under "Notice to Investors", "Representations by Investors" and "Transfer Restrictions" on pages 1, 3 and 164, respectively.*

### General

No action has been taken or will be taken by our Company or the Book Running Lead Managers that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to our Company or the Equity Shares in any jurisdiction where action for such purpose is required (including filing of prospectus in India with SEBI or any other authority in connection with this Issue). Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and none of the Preliminary Placement Document, this Placement Document, any offering materials and any advertisements in connection with the offering of the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

### Republic of India

The Preliminary Placement Document and this Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public.

The Preliminary Placement Document and/or this Placement Document has not been and will not be filed as a prospectus with any registrar of companies in India and the Equity Shares will not be offered or sold directly or indirectly, to the public or any members of the public in India or any other class of investors other than Eligible QIBs.

### Australia

This Placement Document does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) ("**Australian Corporations Act**") and does not purport to include the information required of a disclosure document under the Australian Corporations Act. This Placement Document has not been lodged with the Australian Securities and Investments Commission ("**ASIC**") and no steps have been taken to lodge it as such with ASIC. Any offer in Australia of the Equity Shares under this Placement Document may only be made to persons who are "sophisticated investors" (within the meaning of section 708(8) of the Australian Corporations Act), to "professional investors" (within the meaning of section 708(11) of the Australian Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the Australian Corporations Act so that it is lawful to offer the Equity Shares in Australia without disclosure to investors under Part 6D.2 of the Australian Corporations Act.

If you are acting on behalf of, or acting as agent or nominee for, an Australian resident and you are a recipient of this Placement Document, and any offers made under this Placement Document, you represent to the Issuer and the Managers that you will not provide this Placement Document or communicate any offers made under this Placement Document to, or make any applications or receive any offers for Equity Shares for, any Australian residents unless they are a "sophisticated investor" or a "professional investor" as defined by section 708 of the Australian Corporations Act. Any offer of the Equity Shares for on-sale that is received in Australia within 12 months after their issue by the Company, or within 12 months after their sale by a selling security holder (or the

Managers) under the Issue, as applicable, is likely to need prospectus disclosure to investors under Part 6D.2 of the Australian Corporations Act, unless such offer for on-sale in Australia is conducted in reliance on a prospectus disclosure exemption under section 708 of the Australian Corporations Act or otherwise. Any persons acquiring the Equity Shares should observe such Australian on-sale restrictions.

**Bahrain**

The Central Bank of Bahrain, the Bahrain Bourse and the Ministry of Industry, Commerce and Tourism of the Kingdom of Bahrain take no responsibility for the accuracy of the statements and information contained in this Placement Document or the performance of the Equity Shares, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance on any statements or information contained herein. This Placement Document is only intended for accredited investors as defined by the Central Bank of Bahrain. We have not made and will not make any invitation to the public in the Kingdom of Bahrain to subscribe to the Equity Shares and this Placement Document will not be issued, passed to, or made available to the public generally. The Central Bank of Bahrain has not reviewed, nor has it approved, this Placement Document or the marketing thereof in the Kingdom of Bahrain. The Central Bank of Bahrain is not responsible for the performance of the Equity Shares.

**British Virgin Islands**

The Equity Shares are not being, and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by or on behalf of the Issuer. The Equity Shares may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands), ("**BVI Companies**"), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

**Canada**

The Equity Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Equity Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Placement Document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Cayman Islands**

No offer or invitation to subscribe for the Equity Shares may be made to the public in the Cayman Islands.

**Dubai International Financial Centre**

The Equity Shares have not been offered and will not be offered to any persons in the Dubai International Financial Centre except on that basis that an offer is:

(i) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

**European Economic Area and the United Kingdom**

In relation to each Member State of the European Economic Area and the United Kingdom (each a "**Relevant State**"), neither the Equity Shares have been offered or will be offered pursuant to the Issue to the public in that Relevant State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of the Equity Shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons per Member State (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Equity Shares shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation. This Placement Document is not a prospectus for the purposes of the Prospectus Regulation. The Issuer does not authorize the making of any offer of the Equity Shares in circumstances in which an obligation arises for the Issuer to publish a prospectus for such offer.

For the purposes of this provision, the expression an "offer to the public" in relation to the Equity Shares in any Relevant State means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for those securities, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

**Hong Kong**

The Equity Shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Equity Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

**Japan**

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law. No. 25 of 1948 as amended) (the "**FIEA**") and disclosure under the FIEA has not been and will not be made with respect to the Equity Shares. No Equity Shares have, directly or indirectly, been offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan as defined in the first sentence of Article 6, Paragraph 1, Item 5 of the Foreign Exchange and Foreign Trade Contract Act of Japan (Law No. 228 of 1949, as amended) ("**Japanese Resident**") or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any Japanese Resident except (i) pursuant to an exemption from the registration requirements of the FIEA and (ii) in compliance with any other relevant laws, regulations and governmental guidelines of Japan.

If an offeree does not fall under a "qualified institutional investor" (tekikaku kikan toshika), as defined in Article 10, Paragraph 1 of the Cabinet Office Ordinance Concerning Definition Provided in Article 2 of the Financial Instruments and Exchange Act (Ordinance of the Ministry of Finance No. 14 of 1993, as amended) (the "**Qualified Institutional Investor**"), the Equity Shares will be offered in Japan by a private placement to small number of investors (shoninzu muke kanyu), as provided under Article 23- 13, Paragraph 4 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made.

If an offeree falls under the Qualified Institutional Investor, the Equity Shares will be offered in Japan by a private placement to the Qualified Institutional Investors (tekikaku kikan toshikamuke kanyu), as provided under Article 23-13, Paragraph 1 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. To receive the Equity Shares (the "**QII Equity Shares**") such offeree will be required to agree that it will be prohibited from selling, assigning, pledging or otherwise transferring the QII Equity Shares other than to another Qualified Institutional Investor.

**Kuwait**

This Placement Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, the Equity Shares in the State of Kuwait. The Equity Shares have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Equity Shares in State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of financial services/products in the State of Kuwait ("**Kuwait Securities Laws**"). No private or public offering of the Equity Shares is or will be made in the State of Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in the State of Kuwait.

**Malaysia**

No approval from the Securities Commission of Malaysia has been applied for or will be obtained for the offer or invitation in respect of the Issue under the Capital Markets and Services Act 2007. Neither has a prospectus been or will be registered with the Securities Commission of Malaysia in connection with the Issue in Malaysia. Accordingly, this Placement Document or any amendment or supplement hereto or any other offering document in relation to the Issue may not be distributed in Malaysia directly or indirectly for the purpose of any offer of the Equity Shares. The Equity Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act and no person may offer for subscription or purchase any of the Equity Shares directly or indirectly to anyone in Malaysia.

**Mauritius**

The Equity Shares may not be offered or sold, directly or indirectly, to the public in Mauritius. Neither this Placement Document nor any offering material or information contained herein relating to the offer of the Equity Shares may be released or issued to the public in Mauritius or used in connection with any such offer. This Placement Document does not constitute an offer to sell the Equity Shares to the public in Mauritius and is not a prospectus as defined under the Companies Act 2001.

**New Zealand**

This Placement Document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMC Act**"). This Issue is not an offer of financial products that requires disclosure under Part 3 of the FMC Act and no product disclosure statement, register entry or other disclosure document under the FMC Act will be prepared in respect of this Issue. The Equity Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

(i) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;

(ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;

(iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act; or

(iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act.

If, in the future, any person in New Zealand to whom the Equity Shares are issued or sold elects to sell any Equity Shares, they must not do so in any manner which will, or is likely to, result in this Issue, or such sale, being viewed as an offer to which Part 3 of the FMC Act is applicable.

**Norway**

This Placement Document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this Placement Document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The Equity Shares may not be offered or sold, directly or indirectly, in Norway except to professional clients (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

**Qatar**

This Placement Document is provided on an exclusive basis to the specifically intended recipient, upon that person's request and initiative, and for the recipient's personal use only and is not intended to be available to the public. Nothing in this Placement Document constitutes, is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of the Equity Shares in the State of Qatar or in the Qatar Financial Centre or the inward marketing of an investment fund or an attempt to do business, as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre. This Placement Document and the underlying instruments have not been reviewed, approved, registered or licensed by the Qatar Central Bank, The Qatar Financial Centre Regulatory Authority, The Qatar Financial Markets Authority or any other regulator in the State of Qatar. Any distribution of this Placement Document by the recipient to third parties in Qatar or the Qatar Financial Centre beyond these terms is not authorized and shall be at the liability of the recipient.

**Republic of Korea**

We are not making any representation with respect to the eligibility of any recipients of this Placement Document to acquire the Equity Shares therein under the laws of Korea, including, but without limitation, the Foreign Exchange Transaction Law and Regulations thereunder. The Equity Shares have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"). Accordingly, the Equity Shares may not be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), for a period of one year from the date of issuance of the Equity Shares, except (i) where relevant requirements are satisfied, the Equity Shares may be offered, sold or delivered to or for the account or benefit of a Korean resident which falls within certain categories of qualified professional investors as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure promulgated thereunder, or (ii) as otherwise permitted under applicable Korean laws and regulations.

Furthermore, the Equity Shares may not be re-sold to Korea residents unless the purchaser of the Equity Shares complies with all applicable regulatory requirements (including, but not limited to, governmental approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with purchase of the Equity Shares.

**Saudi Arabia**

This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations as issued by the board of the Saudi Arabian Capital Market Authority ("**CMA**") pursuant to resolution number 3-123-2017 dated December 27, 2017 as amended by resolution number 1-104-2019 dated September 30, 2019, as amended (the "**CMA Regulations**"). The CMA does not make any representation as to the accuracy or completeness of this Placement Document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Placement Document, you should consult an authorized financial adviser.

**Singapore**

Each Manager has acknowledged that this Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Equity Shares or caused the Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell any Equity Shares or cause the Equity Shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Equity Shares, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Equity Shares are ''prescribed capital markets products'' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**South Africa**

Due to restrictions under the securities laws of South Africa, no "*offer to the public*" (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the "**South African Companies Act**")) is being made in connection with the issue of the Equity Shares in South Africa. Accordingly, this Placement Document does not, nor is it intended to, constitute a "*registered prospectus*" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. The Equity Shares are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions stipulated in section 96 (1) applies:

(i) the offer, transfer, sale, renunciation or delivery is to:

- persons whose ordinary business, or part of whose ordinary business, is to deal in securities, as principal or agent;
- the South African Public Investment Corporation;
- persons or entities regulated by the Reserve Bank of South Africa;
- authorised financial service providers under South African law;
- financial institutions recognised as such under South African law;
- a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorised portfolio manager for a pension fund, or as manager for a collective investment scheme (in each case duly registered as such under South African law); or
- any combination of the person in (i) to (vi); or

(ii) the total contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000 or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the South African Companies Act.

Information made available in this Placement Document should not be considered as "*advice*" as defined in the South African Financial Advisory and Intermediary Services Act, 2002.

**Sultanate of Oman**

This Placement Document and the Equity Shares to which it relates may not be advertised, marketed, distributed or otherwise made available to any person in the Sultanate of Oman ("**Oman**") without the prior consent of the Capital Market Authority ("**Oman CMA**") and then only in accordance with any terms and conditions of such consent. In connection with the offering of the Equity Shares, no prospectus has been filed with the Oman CMA. The offering and sale of the Equity Shares described in this Placement Document will not take place inside Oman. This Placement Document is strictly private and confidential and is being issued to a limited number of sophisticated investors, and may neither be reproduced, used for any other purpose, nor provided to any other person than the intended recipient hereof does not constitute a public offer of the Equity Shares in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Authority Law (Royal Decree 80/98) (the "**CMAL**"), nor does it constitute an offer to sell, or the solicitation of any offer to buy Non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations of CMA. Additionally, this Placement Document and the Equity Shares is not intended to lead to the conclusion of a contract for the sale or purchase of securities. The recipient of this Placement Document and the Equity Shares represents that it is a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and that it has experience in business and financial matters that they are capable of evaluating the merits and risks of investments.

**Switzerland**

The Equity Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This Placement Document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Placement Document nor any other offering or marketing material relating to the Equity Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Placement Document nor any other offering or marketing material relating to the offering, the Company, the Equity Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Placement Document will not be filed with, and the offer of Equity Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Equity Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Equity Shares.

**UAE (excluding Dubai International Financial Centre)**

This Placement Document has not been, and is not intended to be, approved by the UAE Central Bank, the UAE Ministry of Economy, the Emirates Securities and Commodities Authority or any other authority in the United Arab Emirates (the "**UAE**") or any other authority in any of the free zones established and operating in the UAE. The Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the UAE in a manner which constitutes a public offering in the UAE in compliance with any laws applicable in the UAE governing the issue, offering and sale of such securities. This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any other person other than the original recipient and may not be used or reproduced for any other purpose.

**United States**

The Equity Shares offered in the Issue have not been and will not be registered under the Securities Act or any state securities laws in the United States, and unless so registered may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, such Equity Shares are being offered and sold (i) outside of the United States in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur; and (ii) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), pursuant to the private placement exemption set out in Section 4(a)(2) of the Securities Act.

## TRANSFER RESTRICTIONS

*Due to the following restrictions, investors are advised to consult legal counsel prior to purchasing Equity Shares or making any resale, pledge or transfer of Equity Shares.*

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of the Equity Shares, except on the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge or transfer of the Equity Shares. In addition to the above, allotments made to Eligible QIBs, including VCFs and AIFs, in this Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, see "*Selling Restrictions*" on page 156.

**United States Transfer Restrictions**

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each subscriber of the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of this Placement Document and such other information as it deems necessary to make an informed investment decision and that:

1. the subscriber acknowledges that the Equity Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;

2. the subscriber and the person, if any, for whose account or benefit the subscriber is acquiring the Equity Shares, was located outside the United States at the time the buy order for the Equity Shares was originated and continues to be located outside the United States and has not subscribed to the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;

3. the subscriber is not an affiliate (as defined in Rule 405 of the Securities Act) of our Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from our Company or an affiliate (as defined in Rule 405 of the Securities Act) thereof in the initial distribution of the Equity Shares;

4. the subscriber is aware of the restrictions on the offer and sale of the Equity Shares pursuant to Regulation S described in this Placement Document;

5. the Equity Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the Securities Act; and

6. the subscriber acknowledges that our Company, the Book Running Lead Managers and their respective affiliates (as defined in Rule 405 of the Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its subscription of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each subscriber of the Equity Shares within the United States subscribing pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act will be deemed to have represented and agreed that it has received a copy of this Placement Document and such other information as it deems necessary to make an informed investment decision and that:

1. the subscriber is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;

2. the subscriber acknowledges that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

3. the subscriber is a U.S. QIB and is aware that the sale to it is being made in a transaction not subject to the registration requirements of the Securities Act and is acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer;

4. the subscriber is aware that the Equity Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

5. if in the future, the subscriber decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only to a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in accordance with Regulation S under the Securities Act or in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

6. the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Equity Shares;

7. the subscriber will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

8. our Company shall not recognise any offer, sale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions;

9. the subscriber acknowledges that our Company, the Book Running Lead Managers and their respective affiliates (as defined in Rule 405 of the Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its subscription of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

10. the Equity Shares may not be acquired by or transferred to (i) any person that is, or that is acting on behalf of or investing assets of, (A) an "employee benefit plan" (as defined in section 3(3) of ERISA) that is subject to the fiduciary responsibility provisions of Title I of ERISA, (B) a "plan" (as defined in Section 4975(e)(1) of the Internal Revenue Code) that is subject to Section 4975 of the Internal Revenue Code or (C) an entity whose underlying assets are deemed to include assets of an employee benefit plan or a plan described in (A) or (B) by reason of such employee benefit plan's or plan's investment in the entity (collectively, a "**Benefit Plan Investor**") or (ii) any person that is, or that is acting on behalf of or investing the assets of a governmental, church or non-U.S. plan that is subject to Similar Law, unless in each case such person's acquisition, holding and disposition of the Equity Shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code or a non-exempt violation of any Similar Law, in the case of a plan subject to Similar Law.

11. each subscriber or transferee of Equity Shares or any interest therein that is using assets of a benefit plan investor subject to ERISA or to Section 4975 of the Code (a "benefit plan"), including any fiduciary purchasing Equity Shares on behalf of a benefit plan ("**Plan Fiduciary**"), will be deemed to have represented by its acquisition of the Equity Shares that:

    a) none of the Company, the Book Running Lead Managers, agents, dealers and similar parties, or any of their respective affiliated entities (the "**Transaction Parties**"), has provided or will provide advice with respect to the acquisition of Equity Shares by the benefit plan, other than to the Plan Fiduciary which is independent of the Transaction Parties, and the Plan Fiduciary either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "**Advisers Act**"), or similar institution that is regulated and supervised and subject to periodic examination by a State or Federal agency; (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a benefit plan; (c) is an investment adviser registered under the Advisers Act, or, if not registered an as investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (e) has, and at all times that the benefit plan is invested in Equity Shares will have, total assets of at least U.S. $50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the benefit plan investing in Equity Shares in such capacity);

b) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the benefit plan of Equity Shares;

c) the Plan Fiduciary is a "fiduciary" with respect to the benefit plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the benefit plan's acquisition of Equity Shares;

d) none of the Transaction Parties has exercised any authority to cause the benefit plan to invest in Equity Shares or to negotiate the terms of the benefit plan's investment in Equity Shares; and

e) the Plan Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the benefit plan's acquisition of Equity Shares; and (b) of the existence and nature of the Transaction Parties financial interests in the benefit plan's acquisition of Equity Shares.

The above representations are intended to comply with the DOL's Reg. Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any Equity Shares by any benefit plan.

## THE SECURITIES MARKET OF INDIA

*The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the Book Running Lead Managers or any of their respective affiliates or advisors.*

### Stock exchanges regulation

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE are the significant stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("**SECC Regulations**"), which regulate, amongst other things, the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalization requirements for stock exchanges. The SCRA, the SCRR and the SECC Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

SEBI is empowered to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy- backs of securities, employees stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

### Listing and delisting of securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI including the SEBI Listing Regulations. The governing body of each recognised stock exchange is empowered to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, as amended in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges.

### Disclosures under the SEBI Listing Regulations

Public listed companies are required under the SEBI Listing Regulations to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

### Minimum level of public shareholding

Pursuant to an amendment to the SCRR in June 2010 and Regulation 38 of the SEBI Listing Regulations, all listed companies are required to maintain a minimum public shareholding of 25.00%. Further, where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. Our Company is in compliance with this minimum public shareholding requirement.

**Index-based market-wide circuit breaker system**

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index- based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10.00%, 15.00% and 20.00%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20.00% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

**BSE**

The BSE is one of the stock exchanges in India on which our Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA and has evolved over the years into its present status as one of the largest stock exchange in India. The BSE is a listed stock exchange since 2017.

**NSE**

The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000.

**Internet-based securities trading and services**

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

**Trading hours**

Trading on both, the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

**Trading Procedure**

In order to facilitate smooth transactions, the BSE replaced its open outcry system with the BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. In the year 2014, the BSE introduced its new generation trading platform BOLT Plus.

The NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

**SEBI Takeover Regulations**

Disclosure and mandatory bid obligations for listed Indian companies are governed by the SEBI Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The SEBI Takeover Regulations prescribe certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provide for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

**SEBI Insider Trading Regulations**

The SEBI Insider Trading Regulations were notified on January 15, 2015, and came into effect on May 15, 2015, which repealed the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The SEBI Insider Trading Regulations, amongst other things, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations: (i) no insider shall communicate, provide or allow access to any unpublished price sensitive information relating to such companies and securities listed or proposed to be listed, to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of unpublished price sensitive information ("**UPSI**") relating to such companies and securities, listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations. The initial disclosures of holding of securities are required to be made by promoters, members of promoter group, key managerial personnel and directors of a listed company to such company, and the continual disclosures of number of securities acquired or disposed are required to be made, within two trading days of such transaction, by promoters, members of promoter group, designated person and directors of a listed company to such company if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ₹ one million or such other value as may be specified. Further, in case of continual disclosure, the listed company is required to notify the particulars of such trading to the stock exchanges on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.

**Depositories**

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI has framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

**Derivatives (Futures and Options)**

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term “securities”, as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

# DESCRIPTION OF THE EQUITY SHARES

*The following information is relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association and the Companies Act. Prospective investors are urged to read the Memorandum and Articles of Association carefully, and consult with their advisers, as the Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.*

## General

The authorized share capital of our Company is ₹ 723,000,000 comprising 723,000,000 Equity Shares of face value of ₹ 1 each.

## Articles of Association

Our Company is governed by its Articles of Association.

## Description of the Equity Shares

### *Dividends*

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM held in each Fiscal Year. Our Board may declare and pay interim dividends, which requires confirmation of a majority of shareholders at the next AGM. The shareholders have no right to declare dividend at a rate higher than such rate recommended by our Board. Subject to certain conditions laid down by Section 123 of the Companies Act, no dividend can be declared or paid by a company for any Fiscal Year except: (a) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act; or (b) out of the profits of the company for any previous Fiscal Year arrived at as required to be computed in terms of the Companies Act and remaining undistributed; or (c) out of both; or (d) out of money provided by the Government of India or a State Government for payment of dividend by our Company in pursuance of a guarantee given by that Government.

These distributions and payments are required to be deposited into a separate bank account within five days of the declaration of such dividend and paid to shareholders within 30 days of the AGM wherein the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period are to be transferred to a special bank account. Any dividend amount that remains unclaimed for seven years from the date of such transfer is to be transferred by our Company to a fund, called the Investor Education and Protection Fund, created by the Government of India. In addition, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, shall be transferred by our Company to the Investor Education and Protection Fund along with a statement containing the required details.

The Articles authorize our Board to pay to the members such interim dividends as appear to it to be justified by profits of our Company. Under the Companies Act dividends payable can be paid only in cash to the registered shareholder at a record date fixed prior to the relevant AGM, to his order or to the order of his banker. However, any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholder entitled to the payment of the dividend.

Dividends may only be paid out of the profits of our Company for the relevant year and in certain contingencies out of the reserves of our Company.

### *Issue of Bonus Shares and Capitalisation of Reserves*

In addition to permitting dividends to be paid out of current or retained earnings calculated as described above, the Companies Act permits our Board, subject to the approval of the Shareholders of our Company, to distribute to the Shareholders, in the form of fully paid-up bonus shares, an amount transferred from the company's free reserves, securities premium account or the capital redemption reserve account. These bonus equity shares must be distributed to the Shareholders in proportion to the number of equity shares owned by them.

Bonus shares can only be issued if the company has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal/interest payments on fixed deposits or debt securities issued by it. Bonus shares shall not be issued in lieu of dividend.

***Pre-Emptive Rights and Alteration of Share Capital***

Our Articles provide that our Company will comply with the provisions of Section 62 of the Companies Act with regard to increasing the subscribed capital of our Company.

Under Section 62(1)(a) of the Companies Act, the Shareholders have the pre-emptive right to subscribe for new shares in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. The offer shall be deemed to include: a right exercisable by the person concerned to renounce the shares offered to him in favour of any person, and the notice shall contain a statement of this right. The board of directors is authorized to distribute any new shares not purchased by the pre-emptive rights holders in a manner which is not disadvantageous to the shareholders and the company.

Under Section 62(1)(c) of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed, if a special resolution to that effect is passed by our Company's Shareholders in a general meeting.

Our Articles provide that our Company may, by an ordinary resolution:

- Increase the share capital by such sum, to be divided into shares of such amount as may be specified in the resolution;
- Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- Convert all or any of its fully paid-up shares into stock, and re-convert that stock into fully paid-up shares of any denomination;
- Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum; and
- Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

***General Meetings***

There are two types of general meetings of the shareholders, AGM and EGM.

Our Company must hold its AGM within six months after the expiry of each Fiscal provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the RoC at its request for any special reason for a period not exceeding three months. Our Board may convene an EGM when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than one tenth of our Company's issued paid up capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice subject to the Companies Act and the Articles of Association. Unless the Articles of Association provide for a larger number, such number of shareholders shall constitute a quorum for a general meeting of our Company, whether AGM or EGM as specified under the Companies Act. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

In accordance with Section 110 of the Companies Act and the rules made thereunder, a company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the Memorandum of Association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed in Section 186(3) of the Companies Act, is required to obtain the consent of Shareholders by special resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of dispatch of the notice. The shareholders may exercise their right to vote at general meetings or through postal ballot by voting through electronic voting mechanism.

**Voting Rights**

A shareholder has one vote for each equity share and voting may be on a poll or through electronic means or postal ballot.

Ordinary resolutions may be passed by simple majority if the votes cast in favour exceeds the votes cast against the resolution. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Companies Act read with the rules issued thereunder. The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting. A proxy may not vote except on a poll and does not have the right to speak at meetings.

**Transfer of shares**

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are subject to stamp duty, subject to applicable law. Our Company has entered into an agreement for such depository services with NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

Company shall keep a book in which every transfer or transmission of shares will be entered. Except in case of transmission or transposition of Equity Shares, requests for effecting transfer of Equity Shares shall not be processed unless the Equity Shares are held in dematerialized form with a depository.

**Buy-Back of Equity Shares**

Sections 68, 69 and 70 of the Companies Act read with Rule 17 of the Companies (Share Capital and Debentures) Rules, 2014 relate to the power of a company to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of the issue of any shares or other specified securities (other than from the proceeds of an earlier issue of the same kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back has been authorized by the articles of association of the company;
- a special resolution has been passed in a general meeting of the company authorizing the buy-back. Under the Companies (Management and Administration) Rules, 2014, such resolution authorizing buy-back has to be passed through a postal ballot;
- the buy-back is for less than 25% of the aggregate of the paid-up capital and free reserves of the Company, provided that the buy-back of equity shares in any financial year shall not exceed 25% of its total paid-up equity capital in that financial year;
- the ratio of the aggregate of secured and unsecured debts owed by the company after buy-back is not more than twice the paid-up capital and its free reserves;
- all the shares or other specified securities for buy-back are fully paid-up; and
- the buy-back is in accordance with the regulations made by SEBI in this behalf.

The requirement of special resolution mentioned above would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorized by the board of directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue the same kind of securities for six months subject to certain exceptions. Every buy-back must be completed within a period of one year from the date of passing of the special resolution or resolution of the board of directors, as the case may be. Under Section 70 of the Companies Act, a company is also prohibited from purchasing its own shares or other specified securities through any subsidiary company, including its own subsidiary companies, or through any investment company or group of investment companies or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act. Subject to certain conditions, a company is also prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with, a purchase or subscription made or to be made, by any person for any shares in the company or its holding company.

**Liquidation Rights**

Subject to the provisions of the Companies Act, if the company shall be wound up, the liquidator may, in accordance with the Companies Act and other applicable law, divide amongst the shareholders in specie or kind, the whole or any part of the assets of our Company, whether they shall consist of property of the same kind or not.

In accordance with the provisions of the Articles of Association, for the purpose aforesaid, the liquidator may set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no shareholder shall be compelled to accept any securities issued by our Company whereon there is any liability.

## STATEMENT OF POSSIBLE TAX BENEFITS

### Statement of Possible Tax Benefits Available to the Company and its Shareholders under the Applicable Laws in India

To,

The Board of Directors
**PI Industries Limited**
5th Floor, Vipul Square, B-Block
Sushant Lok, Phase I
Gurugram 122 009
Haryana, India

**Axis Capital Limited**
1st Floor, Wadia International Centre
Pandurang Budhkar Marg, Worli
Mumbai 400 025, Maharashtra, India

**Citigroup Global Markets India Private Limited**
1202, 12th Floor, First International Financial Centre
G-Block
Bandra Kurla Complex
Bandra (East)
Mumbai 400 098, Maharashtra, India

**Kotak Mahindra Capital Company Limited**
1st Floor, 27 BKC, Plot No. 27
G-Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051
Maharashtra, India

**Ambit Capital Private Limited**
Ambit House
449, Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Maharashtra, India

(Axis Capital Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited and Ambit Capital Private Limited, hereinafter collectively referred to as the "**Book Running Lead Managers**" or the "**BRLMs**")

Dear Sirs,

***Sub: Statement of possible Tax Benefits ("the Statement"), as required under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("the Regulations"), available in connection with proposed Issue of equity shares of face value Rs. 1 each (the "Issue" and the "Equity Shares") of PI Industries Limited (the "Company")***

We refer to the proposed Issue by the Company. We enclose herewith the Statement showing the current positions of tax benefits available to the Company and the shareholders as per the provisions of Income-tax Act, 1961 presently in force in India. Several of these benefits are dependent on the Company or the respective shareholders fulfilling the conditions prescribed under the relevant provisions of the applicable statute. Hence, the ability of the Company or the respective shareholders to derive these tax benefits is dependent upon their fulfilling such conditions.

The possible tax benefits discussed in the enclosed annexure are not exhaustive. This Statement is only intended to provide general information to investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Neither are we suggesting nor are we advising the investor to invest money based on this Statement.

The benefits discussed in the Statement are only intended to provide the possible tax benefits available to the Company and the respective shareholders in a general and summarized manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences of the subscription, purchase, ownership or disposal etc. of shares.

The tax benefits listed herein are only the possible benefits which may be available under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or the respective shareholders fulfilling the conditions prescribed under the relevant tax laws, which based on business imperative it faces in the future, it may or may not choose to fulfil.

We do not express any opinion or provide any assurance as to whether:

(i) The Company or the respective shareholders will continue to obtain these benefits in future;
(ii) The conditions prescribed for availing the benefits have been/would be met with;
(iii) The revenue authorities/courts will concur with the views expressed herein.

The contents of the enclosed statement are based on the representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

We hereby give our consent to include enclosed Statement regarding the tax benefits available to the Company and the respective shareholders in the Preliminary Placement Document and Placement Document for the Issue which the Company intends to file with the BSE Limited, the National Stock Exchange of India Limited and any other authorities in connection with the Issue provided that the below statement of limitation is included in the Preliminary Placement Document and Placement Document.

***LIMITATIONS***

Our views expressed in the Statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the Statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Issue relying on the Statement.

This Statement has been prepared solely in connection with the Issue under the Regulations as amended and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For B.D. Gargieya & Co.
Chartered Accountants
FRN. 001072C

Sd/-
CA AKASH JAIN
Partner
Membership No. 431189

Place: Jaipur

Date: 01.07.2020
UDIN: 20431189AAAACX9753

**Statement of possible Tax Benefits, as required under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("the Regulations"), available in connection with proposed Issue of equity shares of face value of Rs. 1 each (the "Issue" and the "Equity Shares") of PI Industries Limited (the "Company")**

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION

***STATEMENT OF POSSIBLE DIRECT TAX BENEFITS UNDER THE INCOME TAX ACT, 1961 ('the Act") FOR THE PROPOSED ISSUE OF EQUITY SHARES***

**A. Tax benefits available to the Company**

**I. Special tax benefits available**

***a)*** *Deduction under section 10AA of the Act:*

The Company has established an industrial undertaking at Jambusar (Gujarat) which is referred to in clause (zc) of section 2 of the Special Economic Zones Act, 2005. As per the provisions of the section 10AA of the Act, the undertaking would be eligible for deduction of 100% of the profits and gains derived from the export of such articles or things or from services for a period of five consecutive assessment years relevant to the previous year in which the Unit begins to manufacture or produce such article or things or provide services, and 50% of such profits and gains for further five assessment years and thereafter for the next five consecutive assessment years, so much of the amount not exceeding 50%, of the profits as is debited to profit & loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be called the "Special Economic Zone Re-investment Reserve Account" to be created and utilized for the purposes of the business of the assessee in the manner laid down in section 10AA of the Act.

***b)*** *Additional depreciation under section 32 of the Act:*

In accordance with section 32(1)(iia) of the Act, companies engaged in the business of manufacturer or production of any article or thing are allowed additional depreciation at the rate of 20 percent on any machinery installed.

***c)*** *Weighted deduction under section 35 of the Act:*

In accordance with and subject to the provisions of section 35(2AB) of the Act the Company is eligible for a sum equal to 150 percent of expenditures (not being in the nature of cost of any land or building) on scientific research on in-house research and development facility as approved by the prescribed authority (Department of Scientific & Industrial Research) and related to the business carried on by the Company. With effect from assessment year beginning on or after the 1st day of April 2021, the deduction under section 35(2AB) of the Act shall be limited to the amount of expenditure actually incurred.

***d)*** *Deduction under section 35D of the Act:*

The Company will be entitled to amortize certain preliminary expenditure, specified under section 35D(2) of the Act, subject to the limit specified in section 35D(3) of the Act. The deduction is allowable for an amount equal to one-tenth of such expenditure for each of ten successive previous years beginning with the previous year in which the business commences, in connection with the extension of his undertaking is completed or in connection with his setting up a new unit.

***e)*** *Deduction under section 80-IA of the Act:*

The Company has installed Captive power plant (CPP) at Panoli (Gujarat) which qualifies as power generating unit as per the provisions of section 80-IA of the Act. The CPP was commissioned in financial year 2010-11. As per the provisions of section 80-IA of the Act, the profits and gains from the business of generation of power will be eligible for deduction of 100% for a period of 10 consecutive years in a block 15 years starting from the year in which the company starts generating power, subject to compliance with conditions specified in section 80-IA of the Act. The Company has started claiming deduction under section 80-IA of the Act from the financial year 2011-12.

***f)*** *Deduction under section 80G of the Act:*

Deduction equal to 100% or 50%, as the case may be, on sums, if any, paid as donations to certain specified entities is allowable as per section 80G of the Act while computing the total income of the Company.

***g)*** *Deduction under section 80GGB of the Act:*

Deduction amounting to 100% of any sum contributed to a political party or an electoral trust, otherwise than by way of cash, is allowable under section 80GGB of the Act while computing total income of the Company.

***h)*** *Deduction under section 80-JJAA of the Act:*

An assessee to whom section 44AB of the Act applies may claim a deduction equal to 30% of the additional employee cost incurred in the course of its business for 3 assessment years ("AY") in which additional employees are taken on board, subject to the conditions. Deduction under the said section shall be available to Company in the year of providing employment to the prescribed number of additional employee's subject to fulfilment of the conditions specified therein.

***i)*** *Deduction under section 80-M of the Act:*

Section 80M of the Finance Act, 2020 permits a deduction from the dividend income received by a domestic company from another any other domestic company or a foreign company or a business trust, of the onward distribution of dividend by the former company before computing the tax payable by the former company on the taxable dividend income w.e.f. 01.04.2020.

***II. General Tax Benefits available to the Company***

**a)** According to the Finance Act,2020 any income by way of dividends or income from equity shares are now taxable in the hands of shareholder at the applicable rate and the domestic company or specified company are not required to pay any dividend distribution tax ("DDT") w.e.f. 01.04.2020.

**b)** As per Finance Act, 2020, any income by way of income received in respect of the units of a Mutual Fund specified in section 10(23D) of the Act; or in respect of units from the Administrator of the specified undertaking; or in respect of units from the specified company as defined in Explanation to section 10(35) of the Act are now taxable in the hands of unit holder at the applicable rate. UTI and Mutual Funds will not be required to pay tax on income distributed by them on or after 01.04.2020 to their unit holders.

**c)** Further, the recipient company shall be entitled to deduction of the interest expenditure incurred under section 57 of the Act, subject to the limit of maximum 20 percent of the dividend income or income whether received from Corporate or received from a Mutual Funds.

**d)** However, since the provisions of section 115-O of the Act would now be inoperative pursuant to amendments made in Finance Act, 2020, the reference to 'other than dividends referred to in section 115-O of the Act' in sections 115A(1)(a)(i),115AC,115ACA,115AD(1)(a) and 115C(c) of the Act has been omitted. So for now onwards company is not required to pay any DDT w.e.f. 01.04.2020.

**e)** Section 112A of the Act (Inserted by Finance Act, 2018) : Any income from Capital Gains arising from sale of Equity Shares in a Company or Unit of Equity Oriented Fund or Units of a Business Trust are said to be long-term in nature if they are held for more than one year from the date of investment. If the investments are sold before one year, then such gains from sale is called short-term capital gains and the same will be taxed accordingly.

**f)** As per section 112A of the Act, tax will be levied at the rate of 10 per cent but without the indexation benefit on Long Term Capital Gains ("LTCG") arising from sale of Equity Shares in a Company or Unit of Equity Oriented Fund or units of a business trust on the gain exceeding Rs 1 lakh, provided Securities Transaction Tax has been paid. However, in other cases the rate of tax shall be 20%. Further as per Section 111A of the Act, tax at the rate of 15% is chargeable on the amount of STCG arising on the transfer of equity shares or units of an equity-oriented mutual fund, provided Securities Transaction Tax ("STT") has been paid.

**g)** As per the Finance Act, 2020 A domestic company receiving dividend from another domestic or foreign company or business trust ("specified entities") is eligible for deduction under section 80M of the Act from the dividend received: for the purpose, the recipient domestic company needs to distribute the dividend one month prior to the due date of filling of return of income: the deduction would be restricted to the extent of dividend "Distributed"; and once the deduction is allowed, it would not be allowed in any other previous year.

**h)** Further as per section 194 of Finance Act, 2020 the company shall be liable to withhold taxes @ 10% on dividend exceeding Rs 5,000 in a financial year paid by any mode other than cash to resident shareholders. But, as per press release dated 13.05.2020 the said rate has been reduced to 7.5% w.e.f. 14.05.2020 till 31.03.2021. However, the central government has not yet brought any ordinance amending the related provisions of the Income Tax Act, 1961.

Further, taxes shall be required to be withheld at applicable rates in force on dividend paid to non-resident shareholders.

**i)** As per section 115JAA(1A) of the Act, credit is allowed in respect of any Minimum Alternative Tax (MAT) paid under section 115JB of the Act for any assessment year commencing on or after 1st day of April 2006. Tax credit to be allowed shall be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. MAT credit is allowed to be set-off in the subsequent years to the extent of difference between MAT payable and the tax payable as per the normal provisions of the Act for that assessment year. MAT credit shall not be allowed to be carried forward beyond fifteenth assessment year immediately succeeding the assessment year in which tax credit become allowable.

**j)** The benefit of MAT credit shall not be available to the Company, if it opts for the new regime of taxation at concessional rate of tax provided under The Taxation Laws (Amendment) Act, 2019 enacted on 12 December 2019.

**B. Tax Benefits available to Shareholders**

**(a)** No special Tax benefits are available to the shareholders. However, shareholders / investors are advised to consult their own tax consultant for any special tax benefit.

***(b)*** Section 94(7) of the Act provides that losses arising from the sale/ transfer of shares purchased within a period of three months prior to the record date and sold/ transferred within three months after such date, is disallowed to the extent of dividend income on such shares, claimed as exempt from tax.

**(c)** Capital gain on Sale of Securities: As per section 111A of the Act and section 112A of the Act, the taxability of the amount of LTCG/ STCG arising on the transfer of Equity Shares in a Company or unit of Equity oriented fund or units of a business trust, is the same as stated here in above.

**1.** For shareholders who are Foreign Institutional Investors/ Portfolio Investors (FII/FPIs)

*Tax on Long Term Capital Gains ("LTCG") and Short Term Capital Gains ("STCG")*

**a)** Section 2(14) of Act defining capital asset, specifically includes any securities held by an FII which has invested in such securities in accordance with the SEBI Regulations.

**b)** In accordance with and subject to the provisions of section 115AD of the Act, LTCG on transfer of shares by FIIs/FPIs are taxable at 10% (plus applicable surcharge and cess). In case of LTCG arising on long term capital assets referred to in section 112A of the Act i.e. transfer of listed shares subject to securities transaction tax, the gains are chargeable to tax at 10% (plus applicable surcharge and cess) on income exceeding one lakh rupees. The benefit of cost indexation and foreign currency fluctuations is not available to FIIs/FPIs.

**c)** In accordance with and subject to the provisions of section 115AD of the Act, STCG on transfer of shares by FIIs/FPIs are taxable at 30% (plus applicable surcharge and cess). However, STCG arising on transfer of listed shares are chargeable to tax at the rate of 15% (plus applicable surcharge and cess) if such transaction is chargeable to securities transaction tax under section 111A of the Act.

**d)** Under section 196D (2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gains arising to FIIs/FPIs from the transfer of securities referred in section 115AD of the Act.

**e)** The provision of the Agreement for Avoidance of Double Taxation entered by the Government of India with the country of residence of the non-resident shareholder will be applicable to the extent more beneficial to the non-resident investor.

Accordingly, taxability of capital gains in India in the hands of FIIs/FPIs shall be governed by the provisions of the relevant tax treaty subject to fulfilment of the conditions provided under the Act or the applicable tax treaty. Under the Act, tax treaty benefit is available subject to conditions which *interalia* include furnishing of the Tax Residency Certificate issued by the government of that country of which the non-resident shareholder may be a resident and a self-declaration in form 10F, if required to be furnished.

**f)** The CBDT has issued a Notification No. 9 dated 22 January 2014 which provides that Foreign Portfolio Investors (FPIs) registered under SEBI (Foreign Portfolio Investors) Regulations, 2014 shall be treated as FII for the purpose of section 115AD of the Act.

**2.** For shareholders who are Mutual Funds

Further, as per the provisions of section 196 of the Act, no deduction of tax shall be made by any person from any sums payable to mutual funds specified under section 10(23D) of the Act, where such sum is payable to it by way of interest or dividend in respect of any securities or shares owned by it or in which it has full beneficial interest, or any other income accruing or arising to it.

**3.** For shareholders who are Venture Capital Companies/Funds

In terms of section 10(23FB) of the Act, income of:

- Venture Capital company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992; and
- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992, from investment in a Venture Capital Undertaking, is exempt from income tax,

As per section 115U of the Act, any income accruing or arising to or received by a person from his investment in venture capital funds is taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had he directly made the investments.

4. For shareholders who are Investment Funds

a) Under section 10(23FBA) of the Act, any income except for income under the head "Profits and Gains of Business/ Profession" of Investment Funds, registered as category-I or category-II Alternative Investment Fund under the Securities and Exchange Board of India (Alternate Investment Fund) regulations, 2012 is exempt from income tax, subject to conditions specified therein.

b) As per section 115UB(1) of the Act, any income accruing/arising/received by a person from his investment in the Investment Fund is taxable in the hands of such person in the same manner as if it were the income accruing/arising/received by such person had the investments been made directly by him.

c) Under section 115UB (4) of the Act, the total income of an Investment Fund is charged at the rate or rates as specified in the Finance Act of the relevant year where the Investment Fund is a company or a firm and at maximum marginal rate in any other case.

d) Further, as per section 115UB (6) of the Act, the income accruing or arising to or received by the Investment Fund if not paid or credited to a person (who has made investments in an Investment Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

e) Taxation of income of AIF Category III and its investors are governed by the other / normal provisions of the Act.

f) Investment Funds have withholding tax obligation under section 194LBB of the Act while making distribution to unit holders at the rate of 10% where the payee is resident and at the rates in force where payee is non-resident.

***Notes***

1. The above statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above statement covers only certain relevant benefits under the Act and does not cover benefits under any other law.

3. The above statement of possible tax benefits is as per the current direct tax laws relevant for the Assessment Year 2021-22.

4. In respect of non-residents, taxes paid in India could be claimed as a credit in accordance with the provisions of the relevant tax treaty and applicable domestic law.

5. As per provisions of section 206AA of the Act, any shareholder entitled to receive any sum or income or amount, on which tax is deductible under applicable provisions of the Act shall furnish his Permanent Account Number to the Company failing which tax shall be deducted at the higher of the following rates - at the rate specified in the relevant provision of this Act or at the rate or rates in force or at the rate of twenty per cent. However, as Rule 37BC of Rules requirement of quoting Permanent Account Number (PAN) in case of certain specified income is eliminated by maintaining specified documents as mentioned in the said Rule.

6. As per the provisions of section 195 of the Act, any income payable to non-residents may be subject to withholding of tax at the rates in force under the domestic tax laws or under applicable Double Taxation Avoidance Agreement (DTAA), whichever is beneficial to the non-resident, unless a lower withholding tax certificate is obtained from the tax authorities. However, the non- resident investor will have to furnish a certificate of his being a tax resident in a country outside India and a suitable declaration for not having a fixed base/ permanent establishment in India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section

90(4) of the Act. Pursuant to amendment in section 206AA of the Act read with Rule 37BC of the Rules requirement of quoting PAN in case of certain specified income is eliminated by maintaining specified documents as mentioned in the said Rule.

Several of the above tax benefits are dependent on the security holders fulfilling the conditions prescribed under the relevant tax laws and subject to General Anti Avoidance Rules covered under Chapter X-A of the Act.

# TAXATION

There may be certain material Indian tax consequences to a U.S. holder (as defined below) of ownership of Equity Shares which are based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Placement Document. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Equity Shares. For information on Indian taxation, see "*Statement of Possible Tax Benefits*" on page 175.

## Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain material U.S. federal income tax consequences to a U.S. holder (as defined below) of the purchase, ownership and disposition of Equity Shares acquired pursuant to this Issue. This summary does not address any aspect of U.S. federal non-income tax laws, such as U.S. federal estate and gift tax laws, or state, local or non-U.S. tax laws, and does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire Equity Shares.

**YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.**

The discussion applies to you only if you acquire the Equity Shares in this Issue and you hold the Equity Shares as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"). This section does not apply to you if you are a member of a special class of holders subject to special tax rules, including:

- a broker;
- a dealer in securities, commodities or non-U.S. currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organization;
- an insurance company;
- a regulated investment company;
- an accrual method taxpayer subject to special tax accounting rules as a result of its use of financial statements;
- an investor who is a U.S. expatriate, former U.S. citizen or former long term resident of the United States;
- a controlled foreign corporation;
- a passive foreign investment company;
- a mutual fund;
- an individual retirement or other tax-deferred account;

- a holder liable for alternative minimum tax;
- a holder that actually, indirectly or constructively owns 10% or more of (i) the total combined voting power of all classes of the Company voting stock or (ii) the total value of all classes of the Company stock;
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a holder that holds Equity Shares as part of a straddle, hedging, constructive sale, conversion or other integrated transaction for U.S. federal income tax purposes; or
- a U.S. holder (as defined below) whose functional currency is not the U.S. Dollar.

This section is based on the Code, existing and proposed income tax regulations issued under the Code, legislative history, and judicial and administrative interpretations thereof, all as of the date hereof. All of the foregoing are subject to change at any time, and any change could be retroactive and could affect the accuracy of this discussion. In addition, the application and interpretation of certain aspects of the passive foreign investment company ("**PFIC**") rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service ("**IRS**") or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS or a court will not take a different position concerning the U.S. federal income tax consequences of an investment in the Equity Shares or that any such position would not be sustained.

You are a "**U.S. holder**" if you are a beneficial owner of Equity Shares that acquired the shares pursuant to this Issue and you are for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorised to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In addition, this discussion is limited to U.S. holders who are not resident in India for purposes of the Income Tax Treaty between the United States and India.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Equity Shares that is a partnership and partners in such a partnership should consult their own tax advisors concerning the U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares.

***Taxation of Dividends***

Subject to the PFIC rules described below under "PFIC Considerations", if you are a U.S. holder you must include in your gross income as a dividend the gross amount of any distributions of cash or property (other than certain pro rata distributions of Equity Shares) with respect to Equity Shares, to the extent the distribution is paid by our Company out of its current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend as ordinary income at the time of actual or constructive receipt. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Equity Shares and thereafter as capital gain from the sale or exchange of such Equity Shares. Notwithstanding the foregoing, our Company does not intend to maintain calculations of its earnings and profits as determined for U.S. federal income tax purposes. Consequently, distributions generally will be reported as dividend income for U.S. information reporting purposes.

You should not include the amount of any Indian tax paid by our Company with respect to the dividend payment, as that tax is, under Indian law, a liability of our Company and not the shareholders.

Subject to the PFIC rules described below under "PFIC Considerations", dividends paid by a non-U.S. corporation generally will be taxed at the preferential tax rates applicable to long-term capital gain of non-corporate taxpayers if (a) such non-U.S. corporation is eligible for the benefits of certain U.S. treaties or the dividend is paid by such non-U.S. corporation with respect to stock that is readily tradable on an established securities market in the United States, (b) the U.S. holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on shares that have been held by such U.S. holder for at least 61 days during the 121-day period beginning 60 days before the "ex-dividend date." If the requirements of the immediately preceding sentence are not satisfied, a dividend paid by a non-U.S. corporation to a U.S. holder, including a U.S. holder that is an individual, estate, or trust, generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. holder should consult its own tax advisor regarding the dividend rules.

Dividends received generally will be income from non-U.S. sources, which may be relevant in calculating your U.S. foreign tax credit limitation. Such non-U.S. source income generally will be "passive category income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. Dollar value of the Indian Rupee payments made, determined at the spot Indian Rupee/U.S. Dollar exchange rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. Dollars will be treated as ordinary income or loss. The gain or loss generally will be ordinary income or loss from sources within the United States for foreign tax credit limitation purposes.

***Taxation of Sale, Exchange or Other Taxable Disposition of Equity Shares***

Subject to the PFIC rules discussed below under "PFIC Considerations", if you are a U.S. holder and you sell, exchange or otherwise dispose of your Equity Shares in a taxable disposition, you generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. Dollar value of the amount realized and your tax basis, determined in U.S. Dollars, in your Equity Shares. Gain or loss recognised on such a sale, exchange or other disposition of Equity Shares generally will be long-term capital gain if the U.S. holder has held the Equity Shares for more than one year. Long- term capital gains of U.S. holders who are individuals (as well as certain trusts and estates) are generally taxed at preferential rates (currently at a maximum rate of 20%). The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. Your ability to deduct capital losses is subject to limitations.

***Medicare Tax***

Certain U.S. holders who are individuals, estates or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

***PFIC Considerations***

The Code provides special rules regarding certain distributions received by U.S. persons with respect to, and sales, exchanges and other dispositions, including pledges, of, shares of stock in a PFIC. A non-U.S. corporation will be treated as a PFIC for any taxable year in which either: (i) at least 75% of its gross income is “passive income” or (ii) at least 50% of its gross assets during the taxable year (based on the average of the fair market values of the assets determined at the end of each quarterly period) are “passive assets,” which generally means that they produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. In determining whether a non-U.S. corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Based on the current and projected composition of our income and assets, and the valuation of our assets, including goodwill, we do not expect to become a PFIC in the current taxable year or the foreseeable future. However, no assurance can be given that our Company will not be considered a PFIC in the current or any future taxable year. Our Company’s possible status as a PFIC must be determined for each year and cannot be determined until the end of each taxable year. Because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our Company’s control, including the amount and nature of our Company’s income, as well as on the market valuation of our Company’s assets, including goodwill, and Equity Shares, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that our Company is not a PFIC and will not become a PFIC or that the IRS will agree with our conclusion regarding our PFIC status. If our Company was currently or were to become a PFIC, U.S. holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

A U.S. holder that holds stock in a non-U.S. corporation during any taxable year in which the corporation is treated as a PFIC is subject to special tax rules with respect to (a) any gain realized on the sale, exchange or other disposition of the stock and (b) any “excess distribution” by the corporation to the holder, unless the holder elects to treat the PFIC as a “qualified electing fund” (“**QEF**”) or makes a “mark-to-market” election, each as discussed below. An “excess distribution” is that portion of a distribution with respect to PFIC stock that exceeds 125% of the average of such distributions over the preceding three-year period or, if shorter, the U.S. holder’s holding period for its shares. Excess distributions and gains on the sale, exchange or other disposition of stock of a corporation which was a PFIC at any time during the U.S. holder’s holding period are allocated ratably to each day of the U.S. holder’s holding period. Amounts allocated to the taxable year in which the disposition occurs and amounts allocated to any period in the shareholder’s holding period before the first day of the first taxable year that the corporation was a PFIC will be taxed as ordinary income (rather than capital gain) earned in the taxable year of the disposition. Amounts allocated to each of the other taxable years in the U.S. holder’s holding period are not included in gross income for the year of the disposition, but are subject to a tax (equal to the highest ordinary income tax rates in effect for those years, and increased by an interest charge at the rate applicable to income tax deficiencies) that is added to the tax otherwise due for the taxable year in which the disposition occurs. The tax liability for amounts allocated to years before the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Equity Shares cannot be treated as capital, even if a U.S. holder held such Equity Shares as capital assets. The preferential U.S. federal income tax rates for dividends and long-term capital gain of individual U.S. holders (as well as certain trusts and estates) would not apply, and special rates would apply for calculating the amount of the foreign tax credit with respect to excess distributions.

If a corporation is a PFIC for any taxable year during which a U.S. holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder’s shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. holder terminates this deemed PFIC status by electing to recognise gain, which will be taxed under the excess distribution rules as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

The excess distribution rules may be avoided if a U.S. holder makes a QEF election effective beginning with the first taxable year in the holder’s holding period in which the corporation is a PFIC. A U.S. holder that makes a QEF election is required to include in income its pro rata share of the PFIC's ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. A U.S. holder whose QEF election is effective after the first taxable year during the holder's holding period in which the corporation is a PFIC will continue to be subject to the excess distribution rules for years beginning with such first taxable year for which the QEF election is effective.

In general, a U.S. holder makes a QEF election by attaching a completed IRS Form 8621 to a timely filed (taking into account any extensions) U.S. federal income tax return for the year beginning with which the QEF election is to be effective. In certain circumstances, a U.S. holder may be able to make a retroactive QEF election. A QEF election can be revoked only with the consent of the IRS. In order for a U.S. holder to make a valid QEF election, the corporation must annually provide or make available to the holder certain information. Our Company does not intend to provide to U.S. holders the information required to make a valid QEF election and our Company currently makes no undertaking to provide such information. Accordingly, it is currently anticipated that a U.S. holder will not be able to avoid the special tax rules described above by making the QEF election.

As an alternative to making a QEF election, a U.S. holder may make a "mark-to-market" election with respect to its PFIC shares if the shares meet certain minimum trading requirements. If a U.S. holder makes a valid mark-to-market election for the first tax year in which such holder holds (or is deemed to hold) stock in a corporation and for which such corporation is determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect of its stock. Instead, a U.S. holder that makes a mark-to-market election will be required to include in income each year an amount equal to the excess, if any, of the fair market value of the shares that the holder owns as of the close of the taxable year over the holder's adjusted tax basis in the shares. The U.S. holder will be entitled to a deduction for the excess, if any, of the holder's adjusted tax basis in the shares over the fair market value of the shares as of the close of the taxable year; provided, however, that the deduction will be limited to the extent of any net mark-to-market gains with respect to the shares included by the U.S. holder under the election for prior taxable years. The U.S. holder's basis in the shares will be adjusted to reflect the amounts included or deducted pursuant to the election. Amounts included in income pursuant to a mark-to-market election, as well as gain on the sale, exchange or other taxable disposition of the shares, will be treated as ordinary income. The deductible portion of any mark-to-market loss, as well as loss on a sale, exchange or other disposition of shares to the extent that the amount of such loss does not exceed net mark-to-market gains previously included in income, will be treated as ordinary loss.

The mark-to-market election applies to the taxable year for which the election is made and all subsequent taxable years, unless the shares cease to meet applicable trading requirements (described below) or the IRS consents to its revocation. The excess distribution rules generally do not apply to a U.S. holder for tax years for which a mark-to-market election is in effect. However, if a U.S. holder makes a mark-to-market election for PFIC stock after the beginning of the holder's holding period for the stock, a coordination rule applies to ensure that the holder does not avoid the tax and interest charge with respect to amounts attributable to periods before the election.

A mark-to-market election is available only if the shares are considered "marketable" for these purposes. Shares will be marketable if they are regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on a non-U.S. exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. For these purposes, shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. Each U.S. holder should ask its own tax advisor whether a mark-to-market election is available or desirable.

A U.S. holder of PFIC stock must generally file an IRS Form 8621 annually. A U.S. holder must also provide such other information as may be required by the U.S. Treasury Department if the U.S. holder (i) receives certain direct or indirect distributions from a PFIC, (ii) recognises gain on a direct or indirect disposition of PFIC stock, or (iii) makes certain elections (including a QEF election or a mark-to-market election) reportable on IRS Form 8621.

***U.S. holders are urged to consult their tax advisors as to our Company's status as a PFIC, and, if our Company is treated as a PFIC, as to the effect on them of, and the reporting requirements with respect to, the***

***PFIC rules and the desirability of making, and the availability of, either a QEF election or a mark-to-market election with respect to our Equity Shares. Our Company provides no advice on taxation matters.***

***Information with Respect to Foreign Financial Assets***

In addition, certain U.S. holders may be subject to certain reporting obligations with respect to Equity Shares if the aggregate value of these and certain other "specified foreign financial assets" exceeds $50,000. If required, this disclosure is made by filing Form 8938 with the IRS. Significant penalties can apply if U.S. holders are required to make this disclosure and fail to do so. In addition, a U.S. holder should consider the possible obligation for online filing of a FinCEN Report 114—Foreign Bank and Financial Accounts Report as a result of holding Equity Shares. U.S. holders are thus encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of Equity Shares.

***Backup Withholding and Information Reporting***

In general, information reporting requirements will apply to distributions made on our Equity Shares within the U.S. to a non-corporate U.S. holder and to the proceeds from the sale, exchange, redemption or other disposition of Equity Shares by a non-corporate U.S. holder to or through a U.S. office of a broker. Payments made (and sales or other dispositions effected at an office) outside the U.S. will be subject to information reporting in limited circumstances.

In addition, backup withholding of U.S. federal income tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number (or otherwise establishes, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. holder's U.S. federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. holder will be allowed as credit against the U.S. holder's U.S. federal income tax liability provided that the appropriate returns are filed.

You should consult your own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining the exemption.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Placement, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, non-U.S. tax laws, and any changes in applicable tax laws and any pending or proposed legislation or regulations.

# LEGAL PROCEEDINGS

*Our Company and our Subsidiaries are involved in various legal proceedings from time to time, mostly arising in the ordinary course of business. These legal proceedings are initiated by us and also by other parties.*

*In this regard, please note the following:*

1. *This section discloses outstanding legal proceedings considered material in accordance with our Company's "Policy on Criteria for Determining Materiality of Events" framed in accordance with Regulation 30 of the SEBI Listing Regulations. Additionally, our Company has, in accordance with the resolution passed by the QIP Committee, solely for the purpose of this Issue on July 2, 2020 also disclosed in this section: (i) all outstanding criminal proceedings involving our Company and / or our Subsidiaries; (ii) all outstanding actions by statutory or regulatory authorities involving our Company and / or our Subsidiaries; (iii) all claims related to direct and indirect taxes involving our Company and / or our Subsidiaries; (iv) civil litigation proceedings involving our Company and / or our Subsidiaries, which involve an amount equivalent to or above ₹ 45.66 million which is approximately 1% of the consolidated profit after tax of our Company for Fiscal 2020; (v) any other civil proceedings involving our Company and / or our Subsidiaries wherein a monetary liability is not determinable or quantifiable, or which does not exceed the threshold as specified in (iv) above, which if results in an adverse outcome would have a material adverse affect on the financial position, business, operations, prospects or reputation of our Company; and (iv) all litigation proceedings involving our Joint Venture which, if result in an adverse outcome, would materially and adversely affect the business or operations of our Company.*

2. *Further, except as disclosed in this section: (i) there is no litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoters during the last three years preceding the year of issue of this Placement Document and no directions have been issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action; (ii) there have been no inquiries, inspections or investigations initiated or conducted against our Company and/ or our Subsidiaries under the Companies Act, 2013 or the Companies Act, 1956 in the last three years immediately preceding the year of issue of this Placement Document, nor have there been any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Placement Document involving our Company or our Subsidiaries; (iii) as on the date of this Placement Document, our Company has no outstanding defaults in repayment of statutory dues, dues payable to holders of any debentures and interest thereon, deposits and interest thereon and loans and interest thereon from any bank or financial institution (except where there is dispute under litigation); (iv) as on the date of this Placement Document, our Company has not made any default in annual filings of our Company under the Companies Act, 2013 or the rules made thereunder; (v) there are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations; (vi) there have been no acts of material frauds committed against our Company in the last three years preceding the year of the issue of this Placement Document; and (vii) there are no reservations, qualifications or adverse remarks of our auditors in their respective reports on our audited consolidated and standalone financial statements for the last five Fiscals preceding the date of this Placement Document.*

***Litigation involving our Company***

***Litigation against our Company***

*Actions by statutory or regulatory authorities*

1. 35 notices have been issued against our Company by the officers of various departments in various states, alleging violation of certain provisions of the Insecticides Act, 1968 by our Company. The officers had drawn a sample of the respective insecticides/ pesticides which allegedly failed to conform to the relevant specifications and accordingly, the officers had issued notices to show cause as to why legal action should not be initiated against the Company. Our Company has submitted its reply to all of these notices, denying the allegations made against our Company and stating, *inter alia*, that in certain cases, due process for collecting the samples for testing was not followed by the officers. The matters are currently pending.

2. The Joint Director of Agriculture, Department of Agriculture, Davanagare, Karnataka issued a show cause notice to our Company on October 25, 2019 alleging that 'Biovita', a bio-stimulant manufactured and supplied by our Company, has been found to have pesticide content, and that our Company has not taken permission from the Central Pesticide Board and Registration Committee and obtained manufacturing license for the same, and was therefore in violation of Sections 9 and 13 of the Pesticide Act, 1968. Our Company submitted its reply to the show cause notice on October 31, 2019, stating, *inter alia*, that since Biovita is a sea-weed extract, it is not required to be registered under the Insecticide Act, 1968 or the Fertilizer (Control) Order, 1985. Our Company also requested for a complete copy of the report to submit a detailed reply. The matter is currently pending.

3. The Licensing Officer and Deputy Director, Farmer Welfare and Agriculture Department, Raisen issued a notice to our Company on November 13, 2019, alleging that Gopal Krishi Seva Kendra ("**Firm**"), was storing and selling products manufactured by our Company without the principal certificate issued by our Company. Our Company submitted its response on December 9, 2019, claiming that the Firm was not an authorized dealer of our Company and was selling and storing products manufactured by our Company without any permission or license. The Company has not received any subsequent correspondence from the Licensing Officer and Deputy Director, Farmer Welfare and Agriculture Department, Raisen, in the matter.

4. The Deputy Inspector General, Registration and Stamps Department, Udaipur issued a notice for recovery of deficient stamp duty to our Company on December 16, 2019, alleging deficiency in the payment of stamp duty and registration fee by our Company in case no. 232a/92 and thereby demanding deficit stamp duty and registration fee along with interest aggregating to ₹ 0.02 million. Our Company submitted its response on January 1, 2019, claiming that the matter to which the notice pertains to had been disposed off by the Rajasthan High Court by way of order dated April 21, 2006, and therefore the notice is void. The Company has not received any subsequent correspondence from the Deputy Inspector General, Registration and Stamps Department, Udaipur, in the matter.

5. The Assistant Director, Plant Protection, Vaishali issued a notice to our Company on December 14, 2019, alleging that Kisan Beej Bhandar ("**Firm**"), was storing and selling products manufactured by our Company without the principal certificate issued by our Company. Our Company submitted its response on December 23, 2019, claiming that the Firm was not an authorized dealer of our Company and was selling and storing products manufactured by our Company without any permission or license. The Company has not received any subsequent correspondence from the Assistant Director, Plant Protection, Vaishali, in the matter.

6. The Deputy Director Agriculture, Chittorgarh issued a notice to our Company on January 14, 2020, to provide an explanation in relation to an ongoing investigation against Mr. Rajendra Chechani for illegally storing and selling of the products of our Company. Our Company submitted its response on February 5, 2020 claiming that Mr. Rajendra Chechani was not an authorized dealer or distributer of our Company and the products seized from him were not manufactured by our Company. The Company has not received any subsequent correspondence from the Deputy Director Agriculture, Chittorgarh, in the matter.

7. The Joint Director of Agriculture, Department of Agriculture, Davanagare, Karnataka issued a show cause notice to our Company on January 30, 2020, alleging that 'Humesol', a bioproduct manufactured by our Company was mixed with chemicals and that our Company had not registered or taken manufacturing license from the Central Insecticide Board and Registration Committee for the said bioproduct and was therefore in violation of Sections 9 and 13 of the Insecticides Act, 1968. Our Company submitted its reply to the show cause notice on February 14, 2020, stating, *inter alia*, that since Humesol is a bio-stimulant, it is not required to be registered under the Insecticide Act, 1968 or the Fertilizer (Control) Order, 1985, and that no manufacturing license is required to be obtained for the same. The Company has not received any subsequent correspondence from the Joint Director of Agriculture, Department of Agriculture, Davanagare, Karnataka, in the matter.

8. The Department of Registration and Stamps, Rajasthan Government ("**Department**") issued a notice to our Company on January 9, 2018 under Section 54 of the Rajasthan Stamps Act, 1998, alleging that our Company had paid incorrect stamp duty on the financing documents for certain working capital facilities availed by our Company form State Bank of India, Axis Bank Limited and Standard

Chartered Bank, and that the correct stamp duty payable by our Company was ₹ 74.80 million. Our Company submitted its reply to the notice on February 1, 2018 contending that the provisions of the Rajasthan Stamp Act, 1988 are not applicable in the present case and hence our Company was not liable to pay the stamp duty demanded by the Department. Subsequently, pursuant to an application filed by the Department, the Collector (Stamps), Udaipur registered a reference case under Section 54 of the Rajasthan Stamps Act, 1998 against our Company. Our Company filed its reply to the application on February 25, 2018. Subsequently, our Company filed a writ petition before the Rajasthan High Court on April 26, 2019, challenging the proceedings initiated against our Company and submitting objections before the Collector (Stamps), Udaipur questioning the jurisdiction of the Department to make a reference application. The Rajasthan High Court by way of order dated May 14, 2019 directed the Collector (Stamps), Udaipur to consider the objections filed by our Company. The Collector (Stamps), Udaipur by way of order dated July 4, 2019 rejected the objections raised by our Company. Our Company filed another writ petition before the Rajasthan High Court, challenging the order dated July 4, 2019. The matter is currently pending.

9. The Municipal Council, Udaipur has filed a civil appeal against our Company before the Rajasthan High Court challenging the judgement and decree dated November 8, 1990, passed by the Additional District Judge, Udaipur wherein the Additional District Judge, Udaipur disallowed the recovery of ₹ 0.02 million with interest towards octroi from the Company under section 104 of the Rajasthan Municipalities Act, 2009. The matter is currently pending.

10. The Insecticide Inspector and District Quality Control Inspector, Dhule issued a show cause notice to our Company on December 27, 2019, alleging, *inter alia*, that 'SNAILKILL', a product manufactured by our Company was not according to the mandated specifications and therefore, was in violation of the provisions of the Insecticides Act, 1968. Our Company submitted its response on January 13, 2020. The Company has not received any subsequent correspondence from the Insecticide Inspector and District Quality Control Inspector, Dhule, in the matter.

11. The Office of the Inspector of Legal Metrology, Nagpur issued a proforma for compounding notice to the Company, its directors and Promoters on July, 24, 2017, alleging, contravention of Section 18 of the Legal Metrology Act, 2009, for not mentioning the month and year of import on a product manufactured by our Company. Our Company submitted its response on August 8, 2017. Subsequently, the Office of the Inspector of Legal Metrology, Nagpur issued an intimation letter to Mr. Rajnish Sarna on November 6, 2017, intimating that a criminal case will be filed against the Company and its directors before the Hon'ble court of JMFC, Nagpur. No summon have yet been served on the Company or its director *i.e.* Mr. Rajnish Sarna, in the matter.

*Criminal proceedings*

1. 43 complaints have been filed by various insecticide inspectors / quality control inspectors before various courts against our Company and certain officers of our Company, including our directors and certain employees, under various provisions, including Sections 3(k), 17, 18, 29 and 33 of the Insecticides Act, 1968, for allegedly selling, storing, manufacturing and distributing insecticides which have been deemed to be misbranded. The insecticides inspectors/ quality control inspectors had drawn a sample of the respective insecticides/ pesticides which allegedly failed to conform to the relevant specifications and accordingly, the insecticides inspectors/ quality control inspectors had issued notices to show cause as to why legal action should not be taken under the provisions of the Insecticides Act, 1968. In certain cases, our Company has filed its reply to the complaints denying the allegations made against our Company and stating, *inter alia,* that in certain cases due process was not followed for the collection of samples. The matters are currently pending.

2. Mr. Harikesh Viswakarma, a retailer of our Company's products ("**Applicant**"), filed an application before the Chief Judicial Magistrate, Deoria on March 2, 2019 under Section 156(3) of the Cr.PC, alleging that our Company had not provided certain gifts to the Applicant which were awarded to him as per a scheme launched by the Company under which the Applicant had purchased 15 coupons amounting to ₹ 25,000 each, and sought that a FIR be filed against Mr. Mayank Singhal, our Promoter and a Zonal manager, Mr. Ajai Kulshreshtha and an order for investigation be passed in the matter. The Court of Chief Judicial Magistrate, Deoria by way of order dated April 6, 2019 dismissed the application filed by the Applicant. Subsequently, the Applicant filed a criminal revision petition before the Allahabad High Court on July 2, 2019, against the State of Uttar Pradesh, Mr. Mayank Singhal and

Mr. Ajai Kulshreshtha against the said order of Chief Judicial Magistrate, Deoria dated April 6, 2019, praying to the Allahabad High Court to either direct the Court of Chief Judicial Magistrate, Deoria to pass a fresh order or to direct the S.H.O. Sadar, Deoria to lodge an FIR and conduct an investigation in this matter. The matter is currently pending.

*Civil proceedings*

1. Mr. Iqbal Mohmed Bhana and others ("**Plaintiffs**") have filed a suit for obtaining the declaration and permanent injunction before the Principal Senior Civil Judge of Bharuch, against M/s Sterling (SEZ) and Infrastructure ("**Defendant No. 1**"), our Company ('**Defendant No. 2**") and various other parties, alleging that the (i) Defendant No. 1 has allotted the land to Defendant No. 2 and other parties without obtaining the necessary permission from the Hon'ble Mamlatdar, Jambusar, and the Hon'ble Collector, Bharuch, (ii) the Defendant No. 2 and other parties have no legal right to carry out any activity for the installation of the company over such land, and therefore (iii) Defendant No. 2 and other parties are illegally running their factories and sought necessary orders to (a) immediately close the companies of the Defendant No.2 and other parties, (b) stop the facilities of electricity, water and drainage to the factory premises of the defendants, and (c) prevent the Defendant No.2 and other parties from starting their companies without obtaining necessary permissions for the lawful establishment. Subsequently, our Company has filed an application under Order 7 Rule 11 read with Section 151 of the Civil Procedure Code, 1908, before the Additional Senior Civil Judge at Bharuch, seeking dismissal of the suit filed by the Plaintiff on the ground that the suit is based on the false and frivolous facts. The matter is currently pending.

2. Mr. Mukesh Kumar Agarwal, the resolution professional of Sterling SEZ and Infrastructure Limited ("**Corporate Debtor**") has filed a miscellaneous application no. 3049 of 2019 before the National Company Law Tribunal at Mumbai ("**Tribunal**"), against several respondents including our Company, alleging the execution of certain fraudulent and preferential transactions and thereby requesting the Tribunal, among other things, to order and direct certain respondents, including our Company, to jointly and severally contribute to the assets of the Corporate Debtor amounting to ₹ 5,325,577,829 (for respondents 5 to 8) and ₹ 152,000,000 (for our Company). The said allegation is based upon the observations contained in the Transaction-cum Forensic Audit Report dated March 22, 2019 drawn by M/s Pipara & Co. LLP. Our Company filed a reply dated April 20, 2019, denying all the averments / allegations made against our Company and prayed for passing necessary orders for dismissal of the miscellaneous application in relation to our Company. The matter is currently pending.

***Litigation by our Company***

*Criminal proceedings*

1. Our Company has filed 295 criminal complaints against various entities before various courts, under Section 138 of the Negotiable Instruments Act, 1881. The total amount involved in all these matters is approximately ₹ 838.09 million. The matters are currently pending.

*Civil proceedings*

1. Our Company has filed a writ petition before the High Court of Jammu and Kashmir at Jammu, against the Secretary to Government of Jammu and Kashmir, In-charge Agricultural Production Department, Civil Secretariat, Jammu ("**Respondent no. 1**") and various other parties under Article 226 of Constitution of India, challenging the government order no. 86-Agri of 2018 dated March 20, 2018 issued by the Respondent no. 1, whereby restrictions were placed by imposing ban on import/movement of non-FCO organic/ bio-fertilizers and other products into the territorial limits of the State of Jammu & Kashmir w.e.f. 1-04-2018. The High Court of Jammu and Kashmir at Jammu has passed an interim order dated March 25, 2019, wherein the order no. 86-Agri of 2018 dated March 20, 2018, was stayed qua our Company. The matter is currently pending.

2. Our Company has filed a writ petition before the High Court of the States of Punjab and Haryana at Chandigarh, against the State of Punjab through the Secretary, Department of Agriculture, Civil Secretariat, Punjab, Chandigarh ("**Respondent no. 1**") and the Director of Agriculture, Department of Agriculture ("**Respondent no. 2**") under Article 226 and Article 227 of the Constitution of India, for quashing the order dated August 4, 2017 passed by the Respondent No. 2, whereby the application of

our Company seeking permission to distribute and sell Biovita liquid and granules in the State of Punjab was rejected under the provisions of the Fertilizer (Inorganic, Organic or Mixed) (Control) Order, 1985. The matter is currently pending.

3. Dakshin Gujrat Vij Company Limited ("**Appellant**") has filed a civil appeal before the Supreme Court of India against our Company and various other parties under section 125 of the Electricity Act, 2003, against the judgement and final order dated September 22, 2009 passed by the Appellate Tribunal for Electricity, New Delhi ("**APTEL**") whereby APTEL has dismissed the appeal no. 10 of 2008 filed by the Appellant and upheld the order dated October 22, 2007 passed by the Gujarat Electricity Regulatory Commission ("**State Commission**"). The State Commission has decided on certain issues pertaining to the captive power plant, such as, the conditions to be satisfied under the Electricity Act, 2005, the scope of dedicated transmission lines and the status of captive users on the transfer to the shares held by them in the company which owns the captive power plant. By way of the present civil appeal before the Supreme Court of India, the Appellant has challenged the provisions of the Electricity Act, 2003 with regard to captive use of the electricity generated at the captive generating station. The matter is currently pending.

4. Shahlon Industrial Infrastructure Private Limited ("**Appellant**") has filed a civil appeal before the Supreme Court of India against our Company and various other parties under section 125 of the Electricity Act, 2003, against the final order dated September 22, 2009 passed by the Appellate Tribunal for Electricity, New Delhi ("**APTEL**") whereby APTEL has dismissed the appeal no. 10 of 2008 filed by the Appellant and upheld the order dated October 22, 2007 passed by the Gujarat Electricity Regulatory Commission ("**State Commission**"). The State Commission has decided on certain issues pertaining to the captive power plant, such as, the conditions to be satisfied under the Electricity Act, 2005, the scope of dedicated transmission lines and the status of captive users on the transfer to the shares held by them in the company which owns the captive power plant. By way of the present civil appeal before the Supreme Court of India, the Appellant has challenged the definition of "*Special Purpose Vehicle*" under the provisions of the Electricity Rules, 2005. The matter is currently pending.

5. Our Company has filed an appeal before the Court Revenue Appeal Officer / Divisional Commissioner, Udaipur against the State Government through Tehsildar Girwa, Udaipur, challenging the order dated August 1, 2017 passed by the Subordinate Court, District Collector, Udaipur and the judgement order dated March 26, 2010 in the case no. 1/2009 passed by the Tehsildar, Girwa, Udaipur, whereby the subordinate court has, amongst other things, directed the Company to apply for conversion of land which is shown as agricultural land and for correction of entries of record for showing industrial land as agricultural land. The matter is currently pending.

***Litigation involving our Subsidiaries***

***Isagro***

***Litigation against Isagro***

*Actions by statutory or regulatory authorities*

1. Five notices have been issued against Isagro by officers of various departments in various states, alleging violation of certain provisions of the Insecticides Act, 1968 by Isagro. The officers had issued notices alleging misbranding of certain products and to show cause as to why legal action should not be initiated against Isagro. Isagro has submitted its reply to all of these notices controverting the contents of the show cause notices and results of the samples collected for testing. The matters are currently pending.

*Criminal proceedings*

1. Two complaints have been filed against Isagro along with certain officers of Isagro and other by various insecticide inspectors before various courts under Sections 3(k), 17, 18, 29 and 33 of the Insecticides Act, 1968 for allegedly selling, storing, manufacturing and distributing pesticides which have been deemed to be misbranded. The insecticides inspectors/ plant protection officer had drawn a sample of the respective insecticides/ pesticides which allegedly failed to conform to the relevant

specifications and accordingly, the insecticides inspectors/ plant protection officer had issued notices to show cause as to why legal action should not be taken under the provisions of the Insecticides Act, 1968. The matters are currently pending.

2. A complaint has been filed with Ankleshwar Rural Police Station against Isagro and other parties by an officer of Gujarat Pollution Control Board, Ankleshwar, alleging unlawful disposal of hazardous waste from industrial wastes of Ankleshwar and Panoli GIDC. The matter is currently pending.

***Litigation by Isagro***

*Criminal proceedings*

1. Isagro has filed a complaint under Section 138 of the Negotiable Instruments Act, 1881 before the Judicial Magistrate, First Class, Indore against M/s. Patel Krishi Sewa Kendra. The amount involved in the matter is ₹ 0.10 million. The matter is currently pending.

*Tax proceedings involving our Company and our Subsidiaries*

We have disclosed claims relating to direct and indirect taxes involving our Company and Subsidiaries in a consolidated manner giving details of number of cases and total amount involved in such claims. However, cases wherein the amount involved is equivalent to or above ₹ 45.66 million shall also be disclosed, separately.

| Nature of cases | Number of cases | Amount involved (in ₹ million) |
|---|---|---|
| **Company** | | |
| Direct tax | 7 | 365.53 |
| Indirect tax | 11 | 77.64* |
| **Total** | **18** | **443.17** |
| **Isagro** | | |
| Direct tax | 8 | 181.61** |
| Indirect tax | 4 | 263.37*** |
| **Total** | **12** | **444.98** |

** Our Company has paid ₹ 47.17 million under protest.*
*** Isagro has paid ₹ 23.72 million under protest as of March 31, 2020.*
**** Isagro has paid ₹ 24.17 under protest as of March 31, 2020.*

*Tax proceedings involving our Company*

*Direct tax*

1. The Income Tax Department, Udaipur by way of separate assessment orders, assessed the income tax payable by our Company for the assessment years 2009-10, 2010-11, 2011-12 and 2012-13 at a total income higher than the total income declared by our Company for those years in its income tax returns, disallowing certain deductions claimed by our Company. Our Company filed appeals against the assessment orders in each of the aforementioned assessment years before the Commissioner of Income Tax (Appeals), Udaipur, which by way of various orders partly allowed the appeals filed by our Company, deleting the disallowances made by the Assessment Officer. The Income Tax Department filed appeals against the orders of the Commissioner of Income Tax (Appeals), Udaipur before the Income Tax Appellate Tribunal, Jodhpur, which by way of common order dated May 26, 2017, for the assessment years 2009-10, 2010-11, 2011-12 and 2012-13 dismissed the appeals filed by the Income Tax Department. The Income Tax Department filed an appeals against the common order of the Income Tax Appellate Tribunal, Jodhpur dated May 26, 2017 in all the aforementioned assessment years before the Rajasthan High Court. The matters are currently pending.

2. The Deputy Commissioner of Income Tax, Circle 1, Udaipur (“**Assessment Officer**”) by way of an assessment order dated February 26, 2016 assessed the income tax payable by our Company for the assessment year 2013-14 at a total income higher than the total income declared by our Company in its income tax returns, disallowing certain deductions claimed by our Company. Our Company filed an appeal against the assessment order before the Commissioner of Income-Tax (Appeals), Udaipur on March 14, 2016, which by way of order dated February 14, 2019 partly allowed the appeal filed by our Company. Subsequently, the Assessment Officer and our Company filed appeals against the order of the Commissioner of Income-Tax (Appeals), Udaipur dated February 14, 2019 before the Income Tax

Appellate Tribunal, Jodhpur. The matter is currently pending.

3. The Deputy Commissioner of Income Tax, Circle 1, Udaipur ("**Assessment Officer**") by way of an assessment order dated December 2, 2016 assessed the income tax payable by our Company for the assessment year 2014-15 at a total income higher than the total income declared by our Company in its income tax returns, disallowing certain deductions claimed by our Company. Our Company filed an appeal against the assessment order before the Commissioner of Income-Tax (Appeals), Udaipur on December 29, 2016, which by way of order dated February 14, 2019 partly allowed the appeal filed by our Company. Subsequently, the Assessment Officer and our Company filed appeals against the order of the Commissioner of Income-Tax (Appeals), Udaipur dated February 14, 2019 before the Income Tax Appellate Tribunal, Jodhpur. The matter is currently pending.

*Tax proceedings involving Isagro*

*Direct tax*

1. Isagro has filed an appeal before the Commissioner of Income-Tax (Appeals) in respect of assessment year 2010-11 against disallowance of foreign exchange loss claimed in profit and loss account, provision made for sales returns, provision made for likely expenses to be incurred for treatment and disposal of effluent/ waste generated out of manufacturing carried out during the year, provision made for likely claim of the job-predecessors on account of revision of job changes and sales promotion expenses. The total disallowed amount involved is approximately ₹ 50.10 million. The assessing officer also initiated penalty proceedings against Isagro under Section 271(1)(c) of the IT Act. Isagro has made a payment of ₹ 0.50 million, under protest as of March 31, 2020.

2. Isagro has filed an appeal before the Commissioner of Income-Tax (Appeals) in respect of assessment year 2017-18 against disallowance of purchases effected from certain purchasers of Isagro. The assessing officer had issued show cause notice as to why certain purchasers of Isagro be not treated as non-genuine. The total amount of disputed demand is approximately ₹ 103.76 million. The assessing officer also initiated penalty proceedings against Isagro under Section 271AAC of the IT Act. Isagro has made a payment of ₹ 20.75 million, under protest as of March 31, 2020.

*Indirect tax*

1. Isagro imported the product, namely, Siapton 10L under Chapter sub-heading 31010099 of the Central Excise Tariff Act, 1985. At the time of the import, the customs authorities classified the product under Chapter heading 3101 of the Central Excise Tariff Act, 1985 for the purpose of basic customs duty but for countervailing duty, the product was classified under Chapter heading 3102 of the Central Excise Tariff Act, 1985. The assistant commissioner through letter dated September 1, 2003 provisionally allowed Isagro to remove goods at nil rate of duty. Isagro challenged the customs assessment under heading 3102 of the Central Excise Tariff Act, 1985 for countervailing duty purpose before Commissioner of Customs who allowed the appeal. Further, the deputy Commissioner of Central Excise had also finalised the provisional assessment through letter dated January 3, 2004 allowing Isagro to remove the products under Chapter heading 3101 of the Central Excise Tariff Act, 1985. Thereafter, Isagro was permitted to remove the product without payment of duty. Pursuant to audit for the year 2008 by the audit party, show cause notices demanding duty were raised seeking to classify the product under Chapter heading 38089390 of the Central Excise Tariff Act, 1985. The said demand was confirmed by the Commissioner and penalty under Rule 25 of the Central Excise Rules, 2002 was also imposed. Aggrieved by the same, Isagro filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad. Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad through interim order dated October 29, 2018, referred the matter to the larger bench of tribunal for proper classification of the product. Isagro filed a special civil application before the High Court of Gujarat against the said interim order of the Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad. The High Court of Gujarat pursuant to its oral judgement dated February 19, 2020 disposed of the petition while holding that the said interim order was not in any manner prejudicial to Isagro and the said interim order did not deserve to be interfered with. The amount involved in this matter is ₹ 255.75 million. Isagro has made a payment of ₹ 20.69 million under protest.

**Litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against our Promoters during the last three years**

There are no litigations or legal actions pending or taken by any Ministry or Department of the Government or any statutory authority and there are no directions issued by such Ministry or Department of the Government or statutory authority upon conclusion of such litigation or legal action against our Promoters during the last three years immediately preceding the year of the issue of this Placement Document.

**Inquiries, inspections, or investigations under the Companies Act initiated or conducted in the last three years**

There have been no inquiries, inspections or investigations initiated or conducted against our Company or our Subsidiaries under the Companies Act or the Companies Act, 1956 in the last three years immediately preceding the year of issue of this Placement Document, nor have there been any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Placement Document involving our Company or our Subsidiaries.

**Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company**

There have been no material frauds committed against our Company in the last three years preceding the date of this Placement Document.

**Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of statutory dues; debentures and interests thereon; deposits and interest thereon; and loan from any bank or financial institution and interest thereon**

Our Company has no outstanding defaults in repayment of statutory dues, dues payable to holders of any debentures and interest thereon, deposits and interest thereon and loans and interest thereon from any bank or financial institution.

**Details of defaults in annual filing of our Company under the Companies Act, 2013 and the rules made thereunder**

As on the date of this Placement Document, our Company has not made any default in annual filings of our Company under the Companies Act, 2013 and the rules made thereunder.

**Details of significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations**

There are no significant and material orders passed by the regulators, courts and tribunals impacting the going concern status of our Company and its future operations.

**Reservations, qualifications or adverse remarks of auditors in the last five Fiscals immediately preceding the year of issue of this Placement Document and their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remarks**

There are no reservations, qualifications or adverse remarks of our Statutory Auditors in their respective reports on our audited consolidated and standalone financial statements for the last five Fiscals preceding the date of this Placement Document.

## OUR STATUTORY AUDITORS

Price Waterhouse Chartered Accountants LLP, our Statutory Auditors, as required by the Companies Act, have been appointed pursuant to our Shareholders' approval at the AGM held on September 6, 2017, for a period of five years.

Price Waterhouse Chartered Accountants LLP have audited the Audited Consolidated Financial Statements for Fiscals 2020, 2019 and 2018, and their audit reports on those financial statements are included in this Placement Document in "*Financial Statements*" on page 199.

## GENERAL INFORMATION

1. Our Company was originally incorporated as 'The Mewar Oil and General Mills Limited' on December 31, 1946 under the Mewar Companies Act, 1942. The name of our Company was changed to 'Pesticides India Limited' pursuant to a fresh certificate of incorporation dated January 1, 1990. Subsequently, the name of our Company was changed to 'PI Industries Limited' pursuant to a fresh certificate of incorporation dated October 13, 1992.

2. Our Company received a certificate for commencement of business on March 3, 1947.

3. The Registered Office of our Company is located at Udaisagar Road, Udaipur 313 001, Rajasthan, India and the Corporate Office of our Company is located at 5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India.

4. Our Equity Shares were listed on the BSE and the NSE on January 6, 1993 and June 15, 2011, respectively.

5. This Issue has been approved by our Board and Shareholders pursuant to resolutions dated February 12, 2020 and March 23, 2020, respectively.

6. Our Company has received in-principle approvals from each of the NSE and the BSE on July 2, 2020, to list the Equity Shares to be issued pursuant to this Issue under Regulation 28(1) of the SEBI Listing Regulations. We shall apply to the Stock Exchanges for the final listing and trading approvals.

7. Our Company has obtained necessary consents, approvals and authorization required for this Issue.

8. Copies of the Memorandum and Articles of Association will be available for inspection between 10:00 am to 4:00 pm on any weekday (except Saturdays and public holidays) at the Registered Office and the Corporate Office.

9. Except as disclosed in this Placement Document, there has been no material change in our financial position since March 31, 2020, the date of the latest Audited Consolidated Financial Statements included in this Placement Document.

10. Our Company is in compliance with the minimum public shareholding requirements as required under the SEBI Listing Regulations and as per Rule 19A of the SCRR.

11. The Floor Price is ₹ 1,534.24 per Equity Share, as calculated in accordance with Chapter VI of the SEBI ICDR Regulations.

12. Our compliance officer for this Issue is Mr. Naresh Kapoor. His contact details are as follows:

    Mr. Naresh Kapoor
    Company Secretary
    5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India
    E-mail: investor@piind.com

# FINANCIAL STATEMENTS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# Independent Auditors' Report

To

The Members of

**PI Industries Limited**

## Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of PI Industries Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its joint venture and associate company; (refer Note 3(t) to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement for the year then ended and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

## Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group including its associate and joint venture in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. The respective Board of Directors of the companies included in the Group and of its associate and joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and joint venture respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 8 of the Other Matters paragraph below, other than the unaudited financial statements as certified by the management and referred to in sub-paragraph 9 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS 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 consolidated state of affairs of the Group, its associate and joint venture as at March 31, 2018, and their consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

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## Other Matter

8. We did not audit the financial statements of 2 subsidiaries whose financial statements reflect total assets of Rs 2,089.25 Lacs and net assets of Rs 2,038.38 Lacs as at March 31, 2018, total revenue of Rs. 337.02 Lacs, total comprehensive income (comprising of profit and other comprehensive income) of Rs 176.15 Lacs and net cash outflows amounting to Rs 75.97 Lacs for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of profit/loss and other comprehensive income) of Rs. 14.87 Lacs and Rs. (0.10) Lacs for the year ended March 31, 2018 as considered in the consolidated Ind AS financial statements, in respect of 1 associate company and 1 joint venture respectively, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries, joint venture and associate company and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, joint venture and associate, is based solely on the reports of the other auditors.

9. We did not audit the financial statements of 1 subsidiary whose financial statements reflect total assets of Rs 177.58 Lacs and net assets of Rs 147.73 Lacs as at March 31, 2018, total revenue of Rs. 490.90 Lacs, total comprehensive income (comprising of profit and other comprehensive income) of Rs 18.01 Lacs and net cash outflows amounting to Rs 24.89 Lacs for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, joint ventures and associates, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

   Our opinion on the consolidated Ind AS 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 certified by the Management.

10. The consolidated Ind AS financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated May 16, 2017, expressed an unmodified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

11. As required by Section143(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 Ind AS financial statements.

    (b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group, associate company and joint venture incorporated in India including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

    (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group, associate company and joint venture incorporated in India including relevant records relating to the preparation of the consolidated Ind AS financial statements.

    (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian 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, 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate company and joint venture incorporated in India, none of the directors of the Group companies, its associate company and joint venture incorporated in India is disqualified as on March 31, 2018 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 with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

    With respect to the adequacy of the internal financial controls with reference to financial statements of the associate and joint venture incorporated in India and the operating effectiveness of such controls, the reporting is not applicable for the associate company and jointly controlled entity, on the basis of the auditors report of the statutory auditors, vide their reports dated May 12, 2018.

(g) With respect to the other matters to be included in the Auditors' 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 consolidated Ind AS financial statements disclose the impact, if any, of pending litigations as at March 31, 2018 on the consolidated financial position of the Group, its associate and joint venture – Refer Note 15(c), 16, 18 and 33 to the consolidated Ind AS financial statements.

   ii. The Group, its associate and joint venture had long-term contracts including derivative contracts as at March 31, 2018 for which there were no material foreseeable losses.

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies, associate company and joint venture incorporated in India during the year ended March 31, 2018.

   iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2018.

For Price Waterhouse Chartered Accountant LLP
Firm Registration Number: FRN 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number: 095665

Place of Signature: Gurugram
Date: May 15, 2018

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# Annexure A to Independent Auditors' Report

**Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of PI Industries Limited on the consolidated financial statements for the year ended March 31, 2018**

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of PI Industries Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date. Reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls over financial reporting is not applicable to an associate and a jointly controlled entity incorporated in India namely Solinnos Agro Sciences Private Limited and PI Kumiai Private Limited, pursuant to MCA notification GSR 583(E) dated 13 June 2017.

## Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company, its subsidiary companies, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls over financial reporting is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on for example, "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 the 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 Act.

## Auditor's Responsibility

3. 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") issued by the ICAI and the Standards on Auditing 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 ICAI. 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.

4. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by 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 Company's internal financial controls system over financial reporting.

## Meaning of Internal Financial Controls Over Financial Reporting

6. 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.

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. 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

8. In our opinion, the Holding Company and its subsidiary companies, which are companies 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, 2018, 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.

### Other Matters

9. 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 insofar as it relates to 2 subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

For Price Waterhouse Chartered Accountant LLP
Firm Registration Number: FRN 012754N/N500016
Chartered Accountants

Ashok Narayanaswamy
Partner
Membership Number: 095665

Place of Signature: Gurugram
Date: May 15, 2018

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# Consolidated Balance Sheet

as at March 31, 2018

(₹ in lacs)

| Particulars | Notes | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 99,055.05 | 93,760.23 |
| Capital work-in-progress | | 6,912.14 | 5,834.66 |
| Other intangible assets | 5 | 712.30 | 740.58 |
| Intangible asset under development | 6 | 2,076.33 | 1,897.18 |
| Investments accounted for using the equity method | 8 | 61.96 | 42.20 |
| Financial assets | | | |
| (i) Investments | 7(a) | 53.07 | 44.01 |
| (ii) Loans | 7(c) | 391.33 | 281.45 |
| (iii) Other financial assets | 7(g) | 626.50 | 560.25 |
| Deferred tax assets | 17 | 2,673.88 | 1,981.46 |
| Other non-current assets | 10 | 3,902.85 | 3,207.08 |
| **Total non-current assets** | | **116,465.41** | **108,349.10** |
| **Current asset** | | | |
| Inventories | 9 | 45,200.51 | 43,194.58 |
| Financial assets | | | |
| (i) Investments | 7(b) | 15,950.32 | 8,243.11 |
| (ii) Trade receivables | 7(d) | 52,675.17 | 42,371.16 |
| (iii) Cash and cash equivalents | 7(e) | 11,724.98 | 8,443.69 |
| (iv) Bank balances other than (iii) above | 7(f) | 1,343.71 | 4,820.20 |
| (v) Loans | 7(c) | 366.28 | 901.71 |
| (vi) Other financial assets | 7(g) | 2,328.84 | 3,974.31 |
| Current tax assets | 11 | 35.14 | 492.00 |
| Other current assets | 10 | 16,551.41 | 9,350.29 |
| **Total current assets** | | **146,176.36** | **121,791.05** |
| **Total assets** | | **262,641.77** | **230,140.15** |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 1,379.07 | 1,375.87 |
| Other equity | 13 | 191,104.49 | 161,341.98 |
| **Total equity** | | **192,483.56** | **162,717.85** |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | 15(a) | 4,633.33 | 8,296.73 |
| (ii) Other financial liabilities | 15(c) | 1,831.72 | 1,719.13 |
| Provisions | 16 | 2,330.36 | 2,272.30 |
| **Total non-current liabilities** | | **8,795.41** | **12,288.16** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (i) Trade payables | 15(b) | 36,866.26 | 28,778.51 |
| (ii) Other financial liabilities | 15(c) | 21,435.93 | 22,279.57 |
| Other current liabilities | 18 | 1,987.27 | 3,191.58 |
| Provisions | 16 | 1,073.34 | 884.48 |
| **Total current liabilities** | | **61,362.80** | **55,134.14** |
| **Total liabilities** | | **70,158.21** | **67,422.30** |
| **Total equity and liabilities** | | **262,641.77** | **230,140.15** |
| **Notes to accounts** | 1 to 43 | | |

The accompanying notes referred to above form an integral part of the consolidated financial statements

**This is the consolidated balance sheet referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

**For and on behalf of the Board of Directors**

**Narayan K. Seshadri**
Chairman
DIN: 00053563

**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

**Ashok Narayanaswamy**
Partner
Membership Number: 095665

**Subhash Anand**
Chief Financial Officer

**Naresh Kapoor**
Company Secretary

Place: Gurugram
Date: May 15, 2018

# Statement of Consolidated Profit & Loss

for the year ended March 31, 2018

(₹ in lacs)

| Particulars | Notes | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| **Revenue from operations** | 19 | 230,871.71 | 238,330.87 |
| **Other income** | 20 | 6,024.89 | 3,661.58 |
| **Total income** | | **236,896.60** | **241,992.45** |
| **Expenses:** | | | |
| Cost of materials consumed | | 108,367.51 | 112,975.27 |
| Purchase of stock in trade | | 7,756.61 | 7,431.93 |
| Changes in Inventories of finished goods, work in progress and stock in trade | 21 | 778.48 | (4,089.03) |
| Excise duty on sale of goods | | 3,163.21 | 10,647.91 |
| Employee benefit expense | 22 | 24,316.91 | 22,261.66 |
| Finance cost | 26 | 531.69 | 720.54 |
| Depreciation and amortisation expense | 25 | 8,295.17 | 7,304.07 |
| Other expense | 23 | 37,152.74 | 33,777.23 |
| **Total expenses** | | **190,362.32** | **191,029.58** |
| **Share of profit and (loss) of associate and joint venture accounted for using the equity method** | | 14.76 | (9.25) |
| **Profit before tax** | | **46,549.04** | **50,953.62** |
| **Income tax expense** | | | |
| - Current tax | | (10,005.00) | (10,346.00) |
| - Deferred tax | | 219.17 | 5,336.50 |
| **Total tax expense** | | **(9,785.83)** | **(5,009.50)** |
| **Profit for the year** | | **36,763.21** | **45,944.12** |
| **Other comprehensive income** | | | |
| (i) Items that will not be reclassified to profit or loss | | | |
| Remeasurements gains/(losses) on defined benefit plans | | 172.91 | (672.86) |
| Income tax relating to above items | | (59.83) | 232.86 |
| (ii) Items that will be reclassified to profit or loss | | | |
| Effective portion of cash flow hedge reserve | | (1,311.26) | 1,426.86 |
| Exchange difference on translation of foreign operations | | 8.38 | (2.75) |
| Income tax relating to above items | | 450.90 | (492.85) |
| **Total comprehensive income for the year** | | **36,024.31** | **46,435.38** |
| **Earnings per equity share** | 29 | | |
| 1) Basic (in ₹) | | 26.72 | 33.46 |
| 2) Diluted (in ₹) | | 26.67 | 33.23 |
| **Face value per share (in ₹)** | | 1.00 | 1.00 |
| **Notes to Accounts** | 1 to 43 | | |

The accompanying notes referred to above form an integral part of the consolidated financial statements

**This is the consolidated statement of profit and loss referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 15, 2018

**For and on behalf of the Board of Directors**

**Narayan K. Seshadri**
Chairman
DIN: 00053563

**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

**Subhash Anand**
Chief Financial Officer

**Naresh Kapoor**
Company Secretary

# Statement of Changes in Consolidated Equity

for the year ended March 31, 2018

## a. Equity share capital

(₹ in lacs)

| Particulars | Notes | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|
| | | No. of Shares | Amount | No. of Shares | Amount |
| Balance at the beginning of the reporting period Balance | | 137,586,624 | 1,375.87 | 137,127,222 | 1,371.27 |
| Changes in equity share capital during the year | 12 | 320,694 | 3.20 | 459,402 | 4.60 |
| **Balance at the end of the reporting period** | | **137,907,318** | **1,379.07** | **137,586,624** | **1,375.87** |

## b. Other equity

(₹ in lacs)

| Particulars | Notes | Reserves & Surplus | | | | | | | Other reserve | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | Capital redemption reserve | Securities premium account | Share options outstanding account | General reserve | Own shares held by Trust under ESOP scheme | Retained earnings | Effective portion of cash flow hedges | Foreign currency translation reserve | Total other equity |
| **Balance as at April 01, 2016** | | 148.88 | 35.00 | 17,740.31 | 1,097.30 | 13,992.72 | - | 82,278.17 | 420.50 | 8.23 | **115,721.11** |
| Profit for the year | | - | - | - | - | - | | 45,944.12 | - | - | **45,944.12** |
| Other comprehensive income for the year | | - | - | - | - | - | | (440.00) | 933.05 | (1.80) | **491.25** |
| Total comprehensive income for the year | | - | - | - | - | - | - | 45,504.12 | 933.05 | (1.80) | **46,435.37** |
| Issue of equity shares through ESOP | 13 d. | - | - | 1,353.55 | - | - | - | - | - | - | **1,353.55** |
| Exercise of share options | 13 d. | - | - | - | (527.17) | - | - | - | - | - | **(527.17)** |
| Share-based payments | 13 d. | - | - | - | 843.06 | - | - | - | - | - | **843.06** |
| Dividends paid | 13 f. | - | - | - | - | - | - | (2,063.80) | - | - | **(2,063.80)** |
| Dividend distribution tax (DDT) | 13 f. | - | - | - | - | - | - | (420.14) | - | - | **(420.14)** |
| Transfer to general reserve | 13 f. | - | - | - | - | 4,573.66 | - | (4,573.66) | - | - | **-** |
| **Balance as at March 31, 2017** | | **148.88** | **35.00** | **19,093.86** | **1,413.19** | **18,566.38** | **-** | **120,724.69** | **1,353.55** | **6.43** | **161,341.98** |
| Profit for the year | | - | - | - | - | - | - | 36,763.21 | - | - | **36,763.21** |
| Other comprehensive income for the year | 13 h, i | - | - | - | - | - | - | 113.08 | (857.46) | 5.48 | **(738.90)** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **36,876.29** | **(857.46)** | **5.48** | **36,024.31** |
| Issue of equity shares through ESOP | 13 d. | - | - | 1,437.27 | - | - | - | - | - | - | **1,437.27** |
| Own shares held by ESOP Trust | 13 i. | - | - | (1,140.21) | - | - | (5.05) | - | - | - | **(1,145.26)** |
| Exercise of share options | 13 d. | - | - | 452.62 | (556.83) | - | 2.33 | - | - | - | **(101.88)** |
| Share-based payments | 13 d. | - | - | - | 165.96 | - | - | - | - | - | **165.96** |
| Surplus / (deficit) from ESOP Trust | 13 f. | - | - | - | | | | - | | | **-** |
| Dividends paid | 13 f. | - | - | - | - | - | - | (5,497.52) | - | - | **(5,497.52)** |
| Dividend distribution tax (DDT) | 13 f. | - | - | - | - | - | - | (1,120.38) | - | - | **(1,120.38)** |
| **Balance as at March 31, 2018** | | **148.88** | **35.00** | **19,843.54** | **1,022.32** | **18,566.38** | **(2.72)** | **150,983.08** | **496.09** | **11.91** | **191,104.49** |

The accompanying notes referred to above form an integral part of the consolidated financial statements

**This is the consolidated statement of changes in equity referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 15, 2018

**For and on behalf of the Board of Directors**

**Narayan K. Seshadri**
Chairman
DIN: 00053563

**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

**Subhash Anand**
Chief Financial Officer

**Naresh Kapoor**
Company Secretary

# Consolidated Statement of Cash Flows

**for the year ended March 31, 2018**

**(₹ in lacs)**

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| **Profit before Income tax** | **46,549.04** | **50,953.62** |
| **Adjustments for:** | | |
| Depreciation and amortisation expense | 8,295.17 | 7,304.07 |
| Finance costs | 531.69 | 720.54 |
| Provision for bad and doubtful debts and advances | 691.98 | 349.56 |
| Interest income on financial assets at amortised cost | (2,663.86) | (1,565.19) |
| Unwinding of discount on security deposits | (19.79) | (14.06) |
| Dividend income | (0.29) | (0.35) |
| Expense on employee stock option scheme | 165.96 | 843.06 |
| (Gain)/loss on sale/retirement of property, plant and equipment (Net) | 53.27 | 24.51 |
| (Gain)/loss on sale of investments (Net) | (83.95) | (61.77) |
| (Gain)/ loss on financial assets measured at fair value through profit or loss (Net) | (716.31) | (254.80) |
| Share of (profit)/loss of associate and joint venture | (14.76) | 9.25 |
| Unrealised (gain)/ loss on foreign currency transactions (Net) | (785.63) | 46.11 |
| **Operating profit before working capital changes** | **52,002.52** | **58,354.55** |
| (Increase) / decrease in trade receivables | (9,033.34) | (3,905.22) |
| (Increase) / decrease in current financial assets - loans | 555.23 | (219.46) |
| (Increase) / decrease in non-current financial assets - loans | (109.88) | 108.56 |
| (Increase) / decrease in other current financial assets | (734.06) | (270.35) |
| (Increase) / decrease in other non-current financial assets | (117.86) | (18.17) |
| (Increase) / decrease in other current assets | (7,290.82) | (384.55) |
| (Increase) / decrease in other non-current assets | 216.91 | 825.19 |
| (Increase)/decrease in inventories | (2,005.93) | (3,714.23) |
| (Increase)/decrease in other bank balances | 639.97 | - |
| Increase / (decrease) in current provisions and trade payables | 8,185.06 | (8,409.89) |
| Increase / (decrease) in non- current provisions | 58.06 | 1,109.64 |
| Increase / (decrease) in other current financial liabilities | 293.92 | 2,170.25 |
| Increase / (decrease) in other non-current financial liabilities | 112.59 | 19.17 |
| Increase / (decrease) in other current liabilities | (1,204.31) | 342.57 |
| **Cash generated from operations before tax** | **41,568.06** | **46,008.06** |
| Income taxes paid | (9,630.32) | (12,123.54) |
| **Net cash inflow/ (outflow) from operating activities** | **31,937.74** | **33,884.52** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment including capital work in progress, intangible assets and capital advances | (16,970.01) | (14,188.41) |
| Proceeds from sale of property, plant and equipment | 9.49 | 59.76 |
| Investment in associate and joint venture | (5.00) | (51.45) |
| Purchase and sale of current investments | (3,746.80) | (10,899.80) |
| Interest received | 2,663.86 | 1,565.19 |
| Dividend received | 0.29 | 0.35 |
| **Net cash used in investing activities** | **(18,048.17)** | **(23,514.36)** |
| **Net cash inflow/ (outflow) from operating and investing activities** | **13,889.57** | **10,370.16** |

Inspired by Science

# Consolidated Statement of Cash Flows

for the year ended March 31, 2018

(₹ in lacs)

| Particulars | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of equity share capital (net of own shares held by ESOP Trust) | 0.48 | 4.60 |
| Premium on issue of equity shares under ESOP scheme | 192.85 | 826.38 |
| Short term borrowings (Net)* | - | (246.09) |
| Repayment of non-current borrowings - term loan | (3,644.82) | (2,724.13) |
| Interest paid (Net) | (534.71) | (720.79) |
| Dividends paid (including tax) | (6,617.90) | (2,483.94) |
| **Net cash inflow/ (outflow) from financing activities** | **(10,604.10)** | **(5,343.97)** |
| **Net cash inflow/ (outflow) from operating, investing and financing activities** | **3,285.47** | **5,026.19** |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | (4.18) | - |
| **Net increase/ (decrease) in cash and cash equivalents** | **3,281.29** | **5,026.19** |
| **Cash and cash equivalents at the beginning of the financial year** | **8,443.69** | **3,417.50** |
| **Cash and cash equivalents at the end of the year** | **11,724.98** | **8,443.69** |
| Note: Cash and cash equivalents included in the cash flow statement comprise of the following (Refer Note 7 e) | | |
| **i) Cash on Hand** | 7.14 | 6.26 |
| **ii) Balance with Banks :** | | |
| - In Current Accounts | 1,485.75 | 715.23 |
| - In Fixed Deposits | 10,232.09 | 7,722.20 |
| **Total** | **11,724.98** | **8,443.69** |

* Refer note 15 (a) c.

The above Cash Flow Statement has been prepared under the Indirect method as set out in IND AS - 7. Refer note 3 (o).

Figures in brackets indicate cash outflows.

**This is the consolidated statement of cash flow referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 15, 2018

**For and on behalf of the Board of Directors**

**Narayan K. Seshadri**
Chairman
DIN: 00053563

**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

**Subhash Anand**
Chief Financial Officer

**Naresh Kapoor**
Company Secretary

## 1 CORPORATE INFORMATION

PI Industries Limited ("PI" or "the Company") is a public limited company domiciled in India and has its registered office at Udaipur. The shares of the Company are listed on National Stock Exchange and Bombay Stock Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (referred to collectively as "the Group") and the Group's interest in an associates and joint venture entity. PI is a leading player in the agchem space having strong presence in both Domestic and Export market. It has state-of-art facilities in Gujarat having integrated process development teams with in-house engineering capabilities. The Group maintains a strong research presence through its R&D facility at Udaipur. The principal activities of the subsidiaries are Research and Development, Market research and Investment.

## 2 BASIS OF PREPARATION

### a) Statement of compliance

These consolidated financial statements have been prepared in all material aspects, in accordance with the recognition and measurement principles laid down in Indian Accounting Standard ('Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 ('the Act') and other relevant provisions of the Act to the extent applicable.

These consolidated financial statements were authorised for issue by the Board of Directors on May 15, 2018.

### b) Basis of measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and contingent considerations are measured at fair value;
- Defined benefit plan assets measured at fair value;
- Share-based payments measured at fair value.

### c) Amended standards adopted by the Group

The amendments to IND AS 7 requires disclosure of changes in liabilities arising from financing activities, refer note 15(a).

### d) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Indian National Rupee ('INR'), which is the Group's functional and presentation currency. All amounts have been presented in lacs with two decimals, unless otherwise indicated.

### e) Current or Non current classification

All Assets and Liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services provided and time between the rendering of services and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

### f) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent liabilities and contingent assets at the date of consolidated financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Application of accounting policies that require critical accounting estimates and assumption judgements having the most significant effect on the amounts recognised in the consolidated financial statements are:

- Measurement of defined benefit obligations;
- Recognition of deferred tax assets & minimum alternative tax credit entitlement;
- Useful life and residual value of Property, plant and equipment and intangible assets;
- Impairment test of financial and non-financial assets including recoverability of expenditure on internally-generated intangible assets;
- Measurement of fair value for share based payments;
- Recognition and measurement of provisions and contingencies.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in the consolidated financial statements.

### a) Property, plant and equipment

#### i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs relating to acquisition of qualifying fixed assets, if material, are also included in cost to the extent they relate to the period till such assets are ready to be put to use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment or major inspections performed, are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of all other repairs and maintenance are recognized in the Statement of Profit & Loss as incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

An item of property, plant and equipment is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii) **Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

iii) **Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values, and is recognised in the statement of profit and loss. Depreciation on property, plant and equipment is provided on the Straight Line Method based on the useful life of assets estimated by the Management which coincide with the life specified under Schedule II of the Companies Act, 2013, which are as follows:

| | | |
|---|---|---|
| - | Buildings including factory buildings and Roads | 3 - 60 years |
| - | General Plant and Equipment | 15 years |
| - | Electrical Installations and Equipments | 10 years |
| - | Furniture and Fixtures | 10 years |
| - | Office Equipments | 5 years |
| - | Vehicles | 8 - 10 years |
| - | Computer and Data Processing Units | 3 - 6 years |
| - | Laboratory Equipments | 10 years |

The Group has estimated the useful lives different from the lives prescribed in schedule II of Companies Act, 2013, in the following cases:

| | | |
|---|---|---|
| - | Plant and Equipment (Continuous Process Plant) | 15 years |
| - | Special Plant and Equipment (used in manufacture of chemicals) | 15 years |

Leasehold land and Cost of improvement on leasehold building is being amortised over the lease period or useful life whichever is shorter.

Based on assessment made by technical experts, the Management believes that the useful lives as given above best represent the period over which it expects to use these assets.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and changes, if any, are accounted for prospectively. Depreciation on additions to or on disposal of assets is calculated on pro-rata basis i.e. from (upto) the date on which the property, plant and equipment is available for use (disposed off).

b) **Intangible assets**

i) **Recognition and measurement**

Intangible assets acquired separately

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets - Research and development

Research costs are expensed as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Subsequent to initial recognition, the assets are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Internally generated Intangible assets which are not yet available for use are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in profit or loss.

An item of intangible asset is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of intangible assets is recognised in profit or loss.

**ii) Transition to Ind AS**

On transition to Ind AS, Group has elected to continue with the carrying value of all of its intangible assets recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

**iii) Amortisation**

Amortisation is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use. The estimated useful lives are as follows:

| | |
|---|---|
| Software | 6 years |
| Product development | 5 years |

The amortisation period and the amortization method for intangible assets are reviewed at each reporting date.

**c) Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash flows are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ('CGUs').

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss.

In respect of assets for which impairment loss has been recognised in prior periods, the Group reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

**d) Financial instruments**

**i) Initial recognition**

The Group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

**ii) Subsequent measurement**

**(i) Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. When the financial asset is derecognised or impaired, the gain or loss is recognised in the statement of profit and loss.

**(ii) Financial assets at fair value through other comprehensive income (FVOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss and recognised in other income.

Equity instruments are subsequently measured at fair value. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis. Fair value gains and losses recognised in OCI are not reclassified to profit and loss.

**(iii) Financial assets at fair value through profit or loss**

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**(iv) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**iii) Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. Except Trade receivables, expected credit losses are measured at an amount equal to the 12-month Expected Credit Loss (ECL), unless there has been a significant increase in credit risk from initial recognition, in which case those are measured at lifetime ECL.

With regard to trade receivable, the Group applies the simplified approach (Refer Note No. 37(i)), which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

**iv) Derecognition**

**Financial Assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

**Financial Liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

**v) Reclassification of Financial Assets and Financial Liabilities**

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model.

**vi) Derivative financial instruments**

The Group is exposed to exchange rate risk which arises from its foreign exchange revenues. The Group uses foreign exchange forward contracts (derivative financial instruments), to hedge foreign currency risk associated with highly probable forecasted transactions and classifies them as cash flow hedges.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recorded in the Group's hedging reserve as a component of equity through OCI and later reclassified to profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group makes an assessment, on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For cash flow hedges to be "highly effective", a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income/ (loss), remains there until the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/ (loss) is recognized immediately in the statement of profit and loss.

**vii) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**e) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair values for measurement and/ or disclosure purposes are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

**Level 1 -** This includes financial instruments measured using quoted prices.

**Level 2 -** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

**f) Inventories**

Inventories (including Stock-in-transit) of Finished Goods, Stock in Trade, Work in progress, Raw materials, Packing materials and Stores & Spares are stated at lower of cost and net realizable value. By-products are measured at estimated realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of Raw Materials, Packing Materials, Stores and Spares, Stock in Trade and other products are determined on weighted average basis and are net of Cenvat credit.

Cost of Work in progress and Finished Goods is determined on weighted average basis considering direct material cost and appropriate portion of manufacturing overheads based on normal operating capacity. Cost of finished goods include excise duty until June 30, 2017.

Obsolete, slow moving and defective inventories are identified as and when required, and where necessary, the same are written off or provision is made for such inventories.

**g) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent Liability is disclosed after careful evaluation of facts, uncertainties and possibility of reimbursement, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are not recognised but are disclosed in notes to the consolidated financial statements.

Contingent assets are not disclosed in the consolidated financial statements unless an inflow of economic benefits is probable.

**h) Revenue Recognition**

**i) Sale of goods**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods to the degree usually associated with the ownership, and the amount of revenue can be measured reliably, regardless of when the payment is being made. Amounts disclosed as revenue are inclusive of excise duty and net of returns, discounts, volume rebates and net of goods and service tax.

**ii) Sale of services**

Revenue from sale of services is recognised as per the terms of the contract with customers based on the stage of completion when the outcome of the transactions involving rendering of services can be estimated reliably.

**iii) Export Incentives**

Incentives on exports are recognised in books after due consideration of certainty of utilisation/ receipt of such incentives.

**iv) Interest Income**

Interest income is accrued on a time basis, by reference to the principal 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 the asset's net carrying amount on initial recognition. Interest income is included in other income in the statement of profit and loss.

**v) Dividends**

Dividend income is recognized when the Group's right to receive dividend is established, and is included in other income in the statement of profit and loss.

**i) Employee Benefits**

i) **Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) **Defined contribution plans in respect of entities incorporated in India**

Employees benefits in the form of the Group's contribution to Provident Fund, Pension scheme, Superannuation Fund and Employees State Insurance are defined contribution schemes. The Group recognizes contribution payable to these schemes as an expense, when an employee renders the related service.

If the contribution payable exceeds contribution already paid, the deficit payable is recognised as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, The Group recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

iii) **Defined benefit plans**

Retirement benefits in the form of gratuity are considered as defined benefit plans. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The Group provides for its gratuity liability based on actuarial valuation of the gratuity liability as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an actuary. The Group contributes to the gratuity fund, which are recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iv) **Other long-term employee benefits**

Employee benefits in the form of long term compensated absences are considered as long term employee benefits. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The liability for long term compensated absences are provided based on actuarial valuation as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an actuary. In respect of entities incorporated outside India, the Group does not have any material employee benefit obilgations.

**j) Foreign currency transactions**

**Initial recognition:**

Transactions in foreign currencies are translated into the Group's functional currency at the exchange rates at the dates of the transactions.

**Conversion:**

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

**Exchange difference:**

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI

- equity investments at fair value through OCI (FVOCI);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

In accordance with Ind-AS 101 'First Time Adoption of Indian Accounting Standards', the Group has continued the policy of capitalisation of exchange differences on foreign currency loans taken before the transition date. Accordingly, exchange differences arising on translation of long term foreign currency monetary items relating to acquisition of depreciable fixed assets taken before the transition date are capitalized and depreciated over the remaining useful life of the asset.

**k) Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**l) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income

i) **Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year after taking credit of the benefits available under the Income Tax Act and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Group:

i) has a legally enforceable right to set off the recognised amounts; and

ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii) **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

For operations carried out in tax free units, deferred tax assets or liabilities, if any, have been recognised for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset only if:

i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

In respect of entities incorporated in India deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is probable evidence that the Group will pay normal income tax in future. Accordingly, MAT is recognised as deferred tax asset in the Balance Sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

**m) Segment Reporting**

An operating segment is defined as a component of the entity that represents business activities from which it earns revenues and incurs expenses and for which discrete financial information is available. The operating segments are based on the Group's internal reporting structure and the manner in which operating results are reviewed by the Chief Operating Decision Maker (CODM).

The Management Advisory Committee of the Group has been identified as the CODM by the Group. Refer Note 33 for Segment disclosure.

**n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**o) Cash flow statement**

Cash flow statements are prepared in accordance with "Indirect Method" as explained in the Accounting Standard on Statement of Cash Flows (Ind AS - 7). The cash flows from regular revenue generating, financing and investing activity of the Group are segregated.

**p) Lease**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease, based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Group as lessee under finance lease**

Assets held under finance lease are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between the finance expenses and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance expenses are recognised in the statement of profit and loss.

**Group as lessee under operating lease**

Payments made under operating leases are generally recognised in profit or loss on a straight- line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as an integral part of the total lease expense over the term of the lease.

**q) Share-based payment transactions**

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and is adjusted to reflect the actual number of share options that vest.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions and excluding the impact of any service and non-market performance vesting conditions.

r) **Earning per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted Earning per Share, the net profit or loss for the period attributable to Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

s) **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

t) **Basis of consolidation**

**Subsidiaries**

Subsidiaries are entities controlled by the Group . the Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiary companies considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | % voting power held as at March 31st, 2018 (March 31, 2017) |
|---|---|---|
| PILL Finance & Investment Limited | India | 100% (100%) |
| PI Life Science Research Limited | India | 100% (100%) |
| PI Japan Co. Ltd. | Japan | 100% (100%) |

**Equity accounted investees**

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group 's share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases.

The joint venture and associate companies considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | % voting power held as at March 31st, 2018 (March 31, 2017) |
|---|---|---|
| PI Kumiai Private Limited | India | 50% (NA) |
| Solinnos Agro Sciences Private Limited | India | 49% (49%) |

**Transactions eliminated on consolidation**

Intra -group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group 's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Foreign operation**

The assets and liabilities of foreign operations (subsidiaries, associates, joint arrangements, branches) including goodwill and fair value adjustments arising on acquisition, are translated into INR, the functional currency of the Group , at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The resulting exchange difference arising on translations are recognised in OCI and accumulated in other Equity, except to the extent that they are allocated to Non Controlling Interest.

## 4 PROPERTY, PLANT & EQUIPMENT

(₹ in lacs)

| | Leasehold land | Freehold land | Leasehold improvement | Buildings | Plant and machinery | Furniture and fixtures | Office equipments | Vehicles | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | | | |
| **As at beginning of April 01, 2016** | 2,011.72 | 68.22 | 1.27 | 21,376.26 | 67,571.21 | 616.96 | 559.47 | 10.44 | **92,215.55** |
| Additions | - | - | 7.42 | 4,905.87 | 8,603.88 | 331.31 | 219.21 | 3.24 | **14,070.93** |
| Disposals | - | - | (0.78) | (35.27) | (96.28) | (4.41) | (0.37) | - | **(137.11)** |
| **As at March 31, 2017** | **2,011.72** | **68.22** | **7.91** | **26,246.86** | **76,078.81** | **943.86** | **778.31** | **13.68** | **106,149.37** |
| Additions | - | - | 0.45 | 2,956.44 | 9,891.05 | 384.78 | 213.37 | 9.87 | **13,455.96** |
| Disposals | - | - | - | - | (84.85) | - | (1.96) | (0.03) | **(86.84)** |
| **As at March 31, 2018** | **2,011.72** | **68.22** | **8.36** | **29,203.30** | **85,885.01** | **1,328.64** | **989.72** | **23.52** | **119,518.49** |
| **Accumulated depreciation** | | | | | | | | | |
| **As at beginning of April 01, 2016** | 21.47 | - | 0.42 | 499.73 | 4,635.94 | 39.60 | 83.17 | 3.49 | **5,283.82** |
| Depreciation charge during the year | 21.47 | - | 0.32 | 880.32 | 6,035.06 | 77.92 | 141.40 | 1.67 | **7,158.16** |
| Disposals | - | - | (0.03) | (1.33) | (49.94) | (1.10) | (0.24) | - | **(52.64)** |
| Difference on account of Foreign Currency Exchange Reserve | - | - | (0.02) | - | - | - | (0.18) | - | **(0.20)** |
| **As at March 31, 2017** | **42.94** | **-** | **0.69** | **1,378.72** | **10,621.06** | **116.42** | **224.15** | **5.16** | **12,389.14** |
| Depreciation charge during the year | 21.47 | - | 0.54 | 1,058.25 | 6,728.26 | 114.74 | 172.70 | 2.35 | **8,098.31** |
| Disposals | - | - | - | - | (23.76) | - | (0.89) | (0.02) | **(24.67)** |
| Difference on account of Foreign Currency Exchange Reserve | - | - | 0.04 | - | - | - | 0.62 | - | **0.66** |
| **As at March 31, 2018** | **64.41** | **-** | **1.27** | **2,436.97** | **17,325.56** | **231.16** | **396.58** | **7.49** | **20,463.44** |
| **Net carrying amount** | | | | | | | | | |
| **As at March 31, 2017** | **1,968.78** | **68.22** | **7.22** | **24,868.14** | **65,457.75** | **827.44** | **554.16** | **8.52** | **93,760.23** |
| **As at March 31, 2018** | **1,947.31** | **68.22** | **7.09** | **26,766.33** | **68,559.45** | **1,097.48** | **593.14** | **16.03** | **99,055.05** |

a. Depreciation for the year includes depreciation amounting to ₹ 901.92 lacs (31 March 2017 ₹ 525.74 lacs) on assets used for research & development. During the year Group incurred ₹ 1,665.27 lacs (31 March 2017 ₹ 5,304.18 lacs) towards capital expenditure for research & development (Refer note 28).

b. Refer note 42 for information on property, plant and equipment pledged as security by the Group.

c. Refer note 32 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

## 5 OTHER INTANGIBLE ASSETS

(₹ in lacs)

| | Computer Software | Product Development | Total |
|---|---|---|---|
| **Gross carrying amount** | | | |
| **As at March 31, 2016** | 483.51 | 95.47 | 578.98 |
| Additions | 401.44 | - | 401.44 |
| **As at March 31, 2017** | **884.95** | **95.47** | **980.42** |
| Additions | 168.58 | - | 168.58 |
| **As at March 31, 2018** | **1,053.53** | **95.47** | **1,149.00** |
| **Accumulated amortisation** | | | |
| **As at March 31, 2016** | **80.27** | **13.66** | **93.93** |
| Amortisation charge during the year | 124.50 | 21.41 | 145.91 |
| **As at March 31, 2017** | **204.77** | **35.07** | **239.84** |
| Amortisation charge during the year | 175.45 | 21.41 | 196.86 |
| **As at March 31, 2018** | **380.22** | **56.48** | **436.70** |
| **Net carrying amount** | | | |
| **As at March 31, 2017** | **680.18** | **60.40** | **740.58** |
| **As at March 31, 2018** | **673.31** | **38.99** | **712.30** |

## 6 INTANGIBLES ASSETS UNDER DEVELOPMENT

(₹ in lacs)

| | Intangible Assets under Development |
|---|---|
| **As at March 31, 2016** | 1,256.31 |
| Additions | 640.87 |
| **As at March 31, 2017** | **1,897.18** |
| Additions | 489.31 |
| Disposal | (310.16) |
| **As at March 31, 2018** | **2,076.33** |

a The value-in-use of intangible assets under development is higher than the carrying amount.

## 7 FINANCIAL ASSETS

### 7(a) NON CURRENT INVESTMENTS

(₹ in lacs)

| | As at March 31, 2018 | | | As at March 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Face value | No. of Shares | Amount | Face value | No. of Shares | Amount |
| Investment in equity instruments (fully paid up) | | | | | | |
| 1) Quoted at FVTPL | | | | | | |
| a) United Credit Limited | 10 | 700 | 0.12 | 10 | 700 | 0.09 |
| b) Summit Securities | 10 | 12 | 0.09 | 10 | 12 | 0.07 |
| c) Akzo Nobel India Limited | 10 | 50 | 0.90 | 10 | 50 | 0.95 |
| d) BASF India Limited | 10 | 976 | 18.63 | 10 | 976 | 13.32 |
| e) Sudershan Chemical Industries Limited | 1 | 900 | 3.95 | 1 | 900 | 3.14 |
| f) Rallis India Limited | 1 | 2,070 | 4.90 | 1 | 2,070 | 5.40 |
| g) Bayers Crop Science Limited | 10 | 66 | 2.77 | 10 | 66 | 2.50 |
| h) Punjab Chemicals & Crop Protection Limited | 10 | 248 | 0.97 | 10 | 248 | 0.69 |
| i) Pfizer Limited (Erstwhile Wyeth Limited) | 10 | 29 | 0.63 | 10 | 29 | 0.55 |
| j) Sanofi India Limited | 10 | 100 | 5.16 | 10 | 100 | 4.72 |
| k) L.M.L.Limited | 10 | 150 | 0.01 | 10 | 150 | 0.02 |
| l) United Sprit Limited | 10 | 188 | 5.88 | 10 | 188 | 4.09 |
| m) RPG Life Sciences Limited | 10 | 360 | 1.38 | 10 | 360 | 1.62 |
| n) Voltas Limited | 1 | 100 | 0.62 | 1 | 100 | 0.41 |
| o) ICICI Bank Limited | 2 | 2,530 | 7.04 | 2 | 2,300 | 6.37 |
| | | | **53.05** | | | **43.94** |
| 2) Unquoted | | | | | | |
| a) Sygenta India Limited | 10 | 160 | 0.02 | 10 | 160 | 0.02 |
| b) Ciba CKD Biochem Limited | 10 | 100 | 0.05 | 10 | 100 | 0.05 |
| Less: Provision for diminution in value of investment | | | (0.05) | | | - |
| | | | **0.02** | | | **0.07** |
| **TOTAL** | | | **53.07** | | | **44.01** |
| Aggregate amount of quoted investments and market value thereof | | | 53.05 | | | 43.94 |
| Aggregate amount of un-quoted investments | | | 0.07 | | | 0.07 |
| Aggregate amount of impairment in the value of investments | | | (0.05) | | | - |

### 7(b) CURRENT INVESTMENTS

(₹ in lacs)

| | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| **Investment in mutual funds at FVTPL** | | | | |
| **Quoted** | | | | |
| **a) Reliance Liquid Fund-Treasury Plan-Growth Plan-Growth Option** | 3,252.66 | | 2,080.52 | |
| 77,036.308 (March 31, 2017 : 52,618.45) Units | | | | |
| **b) SBI Premier Liquid Fund-Regular Plan-Growth** | 3,115.52 | | 2,032.59 | |
| 1,14,726.879 (March 31, 2017 : 79,844.41) Units | | | | |
| **c) ICICI Prudential Liquid Plan-Growth** | 3,256.18 | | 2,081.26 | |
| 12,70,018.482 (March 31, 2017 : 8,66,628.55) Units | | | | |
| **d) HDFC Liquid Fund-Regular Plan-Growth** | 3,216.94 | | 2,048.74 | |
| 94,323.052 (March 31, 2017 : 64,030.18) Units | | | | |
| **e) Aditya Birla Sun Life Cash Plus-Growth-Direct Plan** | 3,109.02 | | | - |
| 11,13,090.088 (March 31, 2017 : Nil) Units | | 15,950.32 | | 8,243.11 |
| **TOTAL** | | **15,950.32** | | **8,243.11** |
| **Aggregate amount of quoted investments and market value thereof** | | **15,950.32** | | **8,243.11** |
| Aggregate amount of impairment in the value of investments | | - | | - |

### 7(c) LOANS

(₹ in lacs)

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| **Considered good unless stated otherwise** | | | | |
| Security deposits | 391.33 | 281.45 | 32.12 | 36.13 |
| Loans and advances to related parties (Refer Note 35) | - | - | 2.45 | 375.94 |
| **Other loans and advances** | | | | |
| Employee advances | | | | |
| Considered good | - | - | 35.49 | 424.39 |
| Doubtful | - | - | 5.65 | 3.52 |
| Less: Allowance for doubtful employee advances | - | - | (5.65) | (3.52) |
| Other miscellaneous advances | - | - | 296.22 | 65.25 |
| | - | - | 331.71 | 489.64 |
| **TOTAL** | **391.33** | **281.45** | **366.28** | **901.71** |

### 7(d) TRADE RECEIVABLES

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Unsecured, considered good unless stated otherwise** | | |
| -Considered good | 52,675.17 | 42,371.16 |
| -Doubtful | 1,930.33 | 1,483.05 |
| | **54,605.50** | **43,854.21** |
| Less: Allowance for doubtful debts | (1,930.33) | (1,483.05) |
| **TOTAL** | **52,675.17** | **42,371.16** |
| **Of the above, trade receivable from related parties are given below:** | | |
| Total trade receivable from related parties (Refer note 35) | 61.95 | 4.89 |
| Less: Allowance for bad and doubtful debts | - | (0.17) |
| Net trade receivables | **61.95** | **4.72** |

Refer note 42 for information on trade receivables pledged as security by the Group.

### 7(e) CASH AND CASH EQUIVALENTS

(₹ in lacs)

| | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| i. | Cash & Cash Equivalents | | |
| | ***Balance with banks*** | | |
| | In Current Accounts | 1,377.09 | 705.14 |
| | In EEFC account | 108.66 | 10.09 |
| | ***Cash on hand*** | 7.14 | 6.26 |
| | ***Deposits with maturity of less than 3 months**** | 10,232.09 | 7,722.20 |
| | TOTAL | **11,724.98** | **8,443.69** |

* Includes deposits amounting to ₹ 2,069.69 lacs (March 31, 2017 ₹ Nil) held as margin money

**ii. Disclosure on specified bank notes:**

During the previous year, the Group had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 30, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the previous period from November 8, 2016 to December 30, 2016. The denomination wise SBNs and other notes as per the notification is given below:

(in ₹)

| | SBNs* | Other Denomination Notes | Total |
|---|---|---|---|
| Closing cash on hand as on 08.11.2016 | 1,048,500 | 431,157 | 1,479,657 |
| (+) Permitted receipts | - | 2,657,416 | 2,657,416 |
| (-) Permitted payments | - | (2,398,772) | (2,398,772) |
| (-) Amount deposited in Banks | (1,048,500) | (40,000) | (1,088,500) |
| Closing cash on hand as on 30.12.2016 | **-** | **649,801** | **649,801** |

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the November 8, 2016.

### 7(f) BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| In deposit accounts held as margin money | 462.93 | 784.16 |
| Fixed deposits with bank | 822.15 | 3,991.35 |
| In unclaimed dividend accounts* | 58.63 | 44.69 |
| **TOTAL** | **1,343.71** | **4,820.20** |

* Not available for use by the Group as they represent corresponding unclaimed dividend liabilities.

### 7(g) OTHERS FINANCIAL ASSETS

(₹ in lacs)

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| ***Considered good, unless stated otherwise*** | | | | |
| Interest and other charges recoverable from customers | | | | |
| - Considered goods | - | - | 884.07 | 722.16 |
| - Doubtful | - | - | 795.84 | 652.06 |
| Less: Allowance for doubtful debts | - | - | (795.84) | (652.06) |
| Deposits lodged with Excise & Sales Tax department | 265.63 | 245.89 | - | - |
| Deposit accounts held as margin money | 262.75 | 314.36 | 0.02 | 267.15 |
| Fixed deposits with banks | - | - | 428.37 | - |
| Derivative financial instruments - foreign exchange forward contracts | 98.12 | - | 1,016.38 | 2,985.00 |
| **TOTAL** | **626.50** | **560.25** | **2,328.84** | **3,974.31** |

## 8 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Investment in Unquoted Equity Instruments** | | |
| Solinnos Agro Sciences Private Limited (Associate)* | 57.06 | 42.20 |
| PI Kumiai Private Limited (Joint Venture)** | 4.90 | - |
| | **61.96** | **42.20** |

* The Group has a 49% interest in Solinnos Agro Sciences Private Limited, which is involved in the business of all types of agri Inputs. The Group's interest in Solinnos Agro Sciences Private Limited is at carrying amount determined using the equity method of accounting. The country of business is India.

** The Group has a 50% interest in PI Kumiai Private Limited, which is involved in the business of are manufacturing and trading of Agri Science Products. The Group's interest in PI Kumiai Private Limited is at carrying amount determined using the equity method of accounting. The country of business is India.

The Group has interest in Solinnos Agro Sciences Private Limited and PI Kumiai Private Limited that are accounted for using equity method and are individually immaterial to the Group. Refer table below for details: -

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associate and joint venture | 61.96 | 42.20 |
| Aggregate amounts of the group's share of: | | |
| Profit/(loss) from continuing operations | 14.76 | (9.25) |
| Post-tax profit or loss from discontinued operations | - | - |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **14.76** | **(9.25)** |

## 9 INVENTORIES

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Raw materials {includes stock-in-transit ₹ 5,532.10 lacs (March 31, 2017 : ₹ 5,798.86 lacs)} | 20,802.53 | 18,138.04 |
| Work in progress | 3,686.89 | 7,619.06 |
| Finished goods {includes stock-in-transit ₹ 6,290.65 lacs (March 31, 2017 : ₹ 2,383.42 lacs)} | 17,094.79 | 13,547.17 |
| Stock in trade {includes stock-in-transit ₹ 217.67 lacs (March 31, 2017 : ₹ 41.98 lacs)} | 1,503.75 | 1,897.68 |
| Stores & spares {includes stock-in-transit ₹ 55.26 lacs (March 31, 2017 : ₹ 40.05 lacs)} | 2,112.55 | 1,992.63 |
| **TOTAL** | **45,200.51** | **43,194.58** |

The cost of inventories recognised as an expense on account of provision of obsolete/ slow and non moving inventories amounting to ₹ 490.04 lacs (March 31, 2017 ₹ 1,623.92 lacs).

## 10 OTHER ASSETS

(₹ in lacs)

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| ***Considered good unless stated otherwise*** | | | | |
| **Capital advances** | | | | |
| Considered good | 3,249.25 | 2,327.46 | - | - |
| Doubtful | 10.80 | 1.69 | - | - |
| Less: Allowance for doubtful advance | (10.80) | (1.69) | - | - |
| **Advances to vendors** | | | | |
| Considered good | - | - | 4,260.64 | 2,282.13 |
| Doubtful | - | - | 101.10 | 11.40 |
| Less: Allowance for doubtful advance | - | - | (101.10) | (11.40) |
| Balance with Central Excise Authorities, Customs, etc. | - | - | 1,806.61 | 2,089.09 |
| Prepayments | 102.46 | 451.34 | 917.88 | 858.14 |
| Other statutory advances | 3.48 | 3.48 | 5,296.37 | 1,387.29 |
| Export incentive receivables | - | - | 4,269.91 | 2,733.64 |
| Other miscellaneous advances* | 547.66 | 424.80 | - | - |
| **TOTAL** | **3,902.85** | **3,207.08** | **16,551.41** | **9,350.29** |

* Miscellaneous advances include amount of ₹ 500.01 lacs (March 31, 2017 ₹ 377.16 lacs) deposited with Sales Tax Authorities under protest.

## 11 CURRENT TAX ASSETS

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Advance income tax (Net of provision for income tax ₹ 59,686.45 lacs {March 31, 2017 ₹ 49,696.46 lacs}) | 35.14 | 492.00 |
| **TOTAL** | **35.14** | **492.00** |

## 12 EQUITY SHARE CAPITAL

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Authorised Shares** | | |
| 223,000,000 (March 31, 2017 : 223,000,000) Equity Shares of ₹1 each (March 31, 2017 : ₹ 1 each) | 2,230.00 | 2,230.00 |
| 5,000,000 (March 31, 2017 : 5,000,000) Preference Shares of ₹100 each (March 31, 2017 : ₹ 100 each) | 5,000.00 | 5,000.00 |
| | **7,230.00** | **7,230.00** |
| **Issued Shares** | | |
| 138,083,893 (March 31, 2017 : 137,763,199) Equity Shares of ₹1 each (March 31, 2017 : ₹ 1 each) | 1,380.84 | 1,377.63 |
| | **1,380.84** | **1,377.63** |
| **Subscribed & Fully Paid up Shares** | | |
| 137,907,318 (March 31, 2017 : 137,586,624) Equity Shares of ₹1 each (March 31, 2017 : ₹ 1 each) | 1,379.07 | 1,375.87 |
| **Total subscribed and fully paid up share capital** | **1,379.07** | **1,375.87** |

**a.** The difference between the issued and subscribed capital is on account of less number of shares allotted in right issue in earlier years.

**b. Terms/ rights attached to Equity Shares**

The Company has only one class of Equity Shares having a par value of ₹1 per share (March 31, 2017 ₹ 1 per share). Each holder of Equity Shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**c. Own shares held by ESOP Trust**

In the earlier years, PII ESOP Trust was set up to administer the employee stock option plan. During the current year PII ESOP Trust has been consolidated. Refer table below for movement of shares on account of consolidation: -

| | For the year ended March 31, 2018 | | For the year ended March 31, 2017 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| Opening balance | - | - | - | - |
| Adjustment on consolidation of ESOP Trust during the year | 505,054 | 5.05 | - | - |
| Exercised during the year | 233,496 | 2.33 | - | - |
| **Closing balance** | **271,558** | **2.72** | **-** | **-** |

**d. Issue of Shares under employee stock option (ESOP) Scheme**

During the year ended March 31, 2018, the Company has issued 320,694 equity shares of ₹ 1 each (March 31, 2017 459,402 equity shares of ₹ 1 each), as per exercise price to PII ESOP Trust, set up to administer Employee Stock Option Plan. Out of total equity shares issued to the Trust 233,496 equity shares of face value of ₹ 1 each (March 31, 2017 503,177 equity shares of face value of ₹ 1 each) have been allocated by the Trust to respective employees upon exercise of Stock Option from time to time. As on March 31, 2018, 266,748 equity shares of face value of ₹ 1 per share (March 31, 2017 184,360 of face value of ₹ 1 each) are pending to be allocated to employees upon exercise of Stock Option. (Refer Note 31)

e. **Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

**Issued Share Capital**

***Equity Shares***

| | Equity Share (No. of Shares) | | Value of Equity Shares | |
|---|---|---|---|---|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Share outstanding at beginning of period | 137,763,199 | 137,303,797 | 1,377.63 | 1,373.04 |
| Shares issued under employee stock option plan | 320,694 | 459,402 | 3.21 | 4.59 |
| Share outstanding at end of period | **138,083,893** | **137,763,199** | **1,380.84** | **1,377.63** |

**Subscribed & Paid up**

***Equity Shares***

| | Equity Share (No. of Shares) | | Value of Equity Shares | |
|---|---|---|---|---|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| Share outstanding at beginning of period | 137,586,624 | 137,127,222 | 1,375.87 | 1,371.27 |
| Shares issued under employee stock option plan | 320,694 | 459,402 | 3.21 | 4.59 |
| Share outstanding at end of period | **137,907,318** | **137,586,624** | **1,379.08** | **1,375.86** |

f. **Shares reserved for issue under option**

Shares reserved for issue under employee stock option plan is set out in note 31.

g. **Details of shareholders holding more than 5% shares in the Company**

***Equity Shares***

| Name of Shareholders | 2017-18 | | 2016-17 | |
|---|---|---|---|---|
| | No of Shares | % of Holding | No of Shares | % of Holding |
| Mr. Salil Singhal | 8,554,857 | 6.20 | 8,554,857 | 6.22 |
| Ms. Madhu Singhal | 21,560,500 | 15.63 | 21,560,500 | 15.67 |
| Mr. Mayank Singhal | 32,028,510 | 23.22 | 32,028,510 | 23.28 |
| Ms. Pooja Singhal | 8,665,550 | 6.28 | 8,665,550 | 6.30 |
| ICICI Prudential Value Discovery Fund | 7,345,756 | 5.33 | 4,646,256 | 3.38 |
| Cartica Capital Ltd. | Nil | Nil | 8,483,037 | 6.17 |

## 13 OTHER EQUITY

(₹ in lacs)

| | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| **Reserves & Surplus** | | | | |
| **a. Capital reserve** | | | | |
| Balance at the beginning of the Financial year | 148.88 | | 148.88 | |
| Addition during the Financial year | - | 148.88 | - | 148.88 |
| *Capital Reserve pertains to amount transferred from capital redemption reserve which was created for redemption of preference share.* | | | | |
| **b. Capital redemption reserve** | | | | |
| Balance at the beginning of the financial year | 35.00 | | 35.00 | |
| Deduction during the financial year | - | 35.00 | - | 35.00 |
| **c. Securities premium reserve** | | | | |
| Balance at the beginning of the financial year | 19,093.86 | | 17,740.31 | |
| Add: Premium on issue of equity shares through ESOP | 1,437.27 | | 1,353.55 | |
| Add: Exercise of share options | 452.62 | | - | |
| Less: Own shares held by ESOP Trust | (1,140.21) | 19,843.54 | - | 19,093.86 |

(₹ in lacs)

| | | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|
| | *Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.* | | | | |
| **d.** | **Share option outstanding account** | | | | |
| | Balance at the beginning of the financial year | 1,413.19 | | 1,097.30 | |
| | Add: Expense on employee stock option scheme | 165.96 | | 843.06 | |
| | Less: Shares issued under employee stock option scheme | (556.83) | 1,022.32 | (527.17) | 1,413.19 |
| | *The share options outstanding account is used to recognise the liability arising out of options issued to employees under Employee stock option scheme until the shares are issued (Refer Note 31).* | | | | |
| **e.** | **General reserve** | | | | |
| | Balance at the beginning of the financial year | 18,566.38 | | 13,992.72 | |
| | Add: Transferred during the financial year | - | 18,566.38 | 4,573.66 | 18,566.38 |
| **f.** | **Surplus in statement of profit and loss** | | | | |
| | Balance at the beginning of the financial year | 120,724.69 | | 82,278.17 | |
| | Addition during the financial year | 36,763.21 | | 45,944.12 | |
| | Add: Remeasurement gain/(loss) on defined benefit plans through OCI | 113.08 | | (440.00) | |
| | Less: Transfer to general reserves | - | | (4,573.66) | |
| | Less: Interim dividend on equity shares ₹ 1.50 per share (March 31, 2017 ₹ 1.50 per share) | (2,063.80) | | (2,063.80) | |
| | Less: Final dividend for the year ended March 31, 2017 ₹ 2.50 per share (March 31, 2016 - Nil per share) (Net of dividend paid to PII ESOP Trust) | (3,433.72) | | - | |
| | Less: Dividend distribution tax on equity shares | (1,120.38) | 150,983.08 | (420.14) | 120,724.69 |
| **g.** | **Own shares held by ESOP Trust** | | | | |
| | Balance at the beginning and end of the financial year | - | | - | |
| | Add: Adjustment on consolidation of ESOP Trust during the year | (5.05) | | - | |
| | Less: Exercise of share options | 2.33 | (2.72) | - | - |
| **Items of other comprehensive income** | | | | | |
| **h.** | **Cash Flow Hedge Reserve** | | | | |
| | Balance at the beginning of the financial year | 1,353.55 | | 420.50 | |
| | Add: Other comprehensive income for the financial year | (857.46) | 496.09 | 933.05 | 1,353.55 |
| | The company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable forecast sale. For hedging foreign currency risk, the company uses foreign currency forward contracts which is designated as cash flow hedges. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to profit or loss when the hedged item (sales) affects profit or loss. | | | | |
| **i.** | **Foreign currency translation reserve** | | | | |
| | Balance at the beginning and end of the financial year | 6.43 | | 8.23 | |
| | Other comprehensive income for the year | 5.48 | 11.91 | (1.80) | 6.43 |
| | **TOTAL** | | **191,104.49** | | **161,341.98** |

## 14 DISTRIBUTION MADE AND PROPOSED

(₹ in lacs)

| | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| A | **Dividends declared and paid:** | | |
| | Final dividend for the year ended March 31, 2017 ₹ 2.50 (March 31, 2016 - Nil) per qualifying equity share | 3,439.67 | - |
| | Interim dividend for the year ended March 31, 2018 ₹ 1.50 (March 31, 2017 - ₹ 1.50) per qualifying equity share | 2,063.80 | 2,063.80 |
| | **Total dividends** | **5,503.47** | **2,063.80** |

(a) The Company has paid tax on dividend amounting to ₹ 1,120.38 lacs (March 31, 2017 ₹ 420.14 lacs)

| | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| B | **Dividends not recognised at the end of the reporting period** | | |
| | In addition to the above dividends, subsequent to the year end the Board of Directors have recommended a final dividend of ₹ 2.50 per fully paid equity share (March 31, 2017 ₹ 2.50) | 3,447.68 | 3,439.67 |
| | Tax on Dividend | 701.95 | 700.32 |

This proposed dividend is subject to the approval of shareholders in the ensuing Annual General Meeting

## 15 FINANCIAL LIABILITIES

### 15(a) BORROWINGS (NON-CURRENT)

(₹ in lacs)

| | Non- Current maturities | | Current maturities | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| **Secured** | | | | |
| Term loans - from banks | | | | |
| Foreign currency loans from banks | 4,633.33 | 8,296.73 | 3,729.46 | 3,713.90 |
| Less: Interest accrued but not due on borrowings (included in Note 15 (c)) | - | - | 24.27 | 27.29 |
| **TOTAL** | **4,633.33** | 8,296.73 | **3,705.19** | **3,686.61** |

a. **Foreign Currency Loans includes:**

External commercial borrowings (ECB) from HSBC bank amounting to USD 128.57 lacs carrying interest rate of 3 months LIBOR plus 1.42% is outstanding as on March 31, 2018 and is repayable in balance 9 quarterly instalments of USD 14.29 lacs each. The loan is secured by exclusive charge on movable plant and machinery relating to multi purpose plant (MPP) - 6 &7 of the Company situated at SPM 28, Jambusar (Gujarat). Carrying value of assets pledged as securities is ₹ 18,253.25 lacs. Refer note 42.

b. As on the balance sheet date there is no default in repayment of loans and interest.

c. **Changes in liabilities arising from financing activities**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| This section sets out changes in liabilities arising from financing activities pursuant to requirements under Ind AS 7 | | |
| Current portion of long term financial borrowings | (3,705.19) | (3,686.61) |
| Non-current portion of long term financial borrowings | (4,633.33) | (8,296.73) |
| TOTAL | **(8,338.52)** | **(11,983.34)** |
| **Balance as at March 31, 2017** | | **(11,983.34)** |
| Foreign exchange adjustments | | (3.02) |
| Interest expense | | (284.51) |
| Interest paid | | 287.53 |
| Re-payments | | 3,644.82 |
| **Balance as at March 31, 2018** | | **(8,338.52)** |

### 15(b) TRADE PAYABLES

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Trade payables** | | |
| - Due to micro and small enterprises (Refer Note 36) | 474.90 | 486.79 |
| - Other trade payables | 36,391.36 | 28,291.72 |
| **TOTAL** | **36,866.26** | **28,778.51** |

### 15(c) OTHER FINANCIAL LIABILITIES

(₹ in lacs)

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| Employee payables* | - | - | 4,862.77 | 4,044.52 |
| Security deposits from dealers | 1,816.72 | 1,701.63 | | |
| Security deposits from contractors | 15.00 | 17.50 | 25.50 | 27.25 |
| Current maturities of long-term borrowings (Refer Note 15 (a)) | - | - | 3,705.19 | 3,686.61 |
| Interest accrued and due on borrowings | - | - | - | - |
| Interest accrued but not due on borrowings | - | - | 24.27 | 27.29 |
| Unclaimed dividends | - | - | 58.63 | 44.69 |
| Creditors for capital purchases | - | - | 2,386.73 | 3,553.79 |
| Other payable** | - | - | 10,372.84 | 10,895.42 |
| **TOTAL** | **1,831.72** | **1,719.13** | **21,435.93** | **22,279.57** |

* This includes due to Directors amounting to ₹ 680.94 lacs (March 31, 2017 ₹ 685.80 lacs)

** This includes due to Non-executive/ Independent Directors amounting to ₹ 114.88 lacs (March 31, 2017 : ₹ 100.00 lacs)

## 16 PROVISIONS

(₹ in lacs)

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| **Provision for employee benefits*** | | | | |
| Long term compensated absences | 972.05 | 955.95 | 63.72 | 67.46 |
| Gratuity | 1,358.31 | 1,316.35 | - | - |
| | **2,330.36** | **2,272.30** | **63.72** | **67.46** |
| **Provisions for legal claims** | - | - | 1,009.62 | 817.02 |
| | **-** | **-** | **1,009.62** | **817.02** |
| **TOTAL** | **2,330.36** | **2,272.30** | **1,073.34** | **884.48** |

**(i) Information about provisions for legal claims**

(a) An objection was raised by the custom department on classification of one of the imported raw materials resulting in demand of differential custom duty. The Group filed an appeal against the order and is clearing the goods after furnishing of bank guarantee for differential duty against each import of such raw material. As on March 31, 2018 total differential custom duty demand is Rs. 964.70 lacs (March 31, 2017 ₹ 772.10 lacs). Case is pending before Assistant Commissioner of Customs, Mumbai.

(b) Government of Rajasthan issued a notification resulting into an excise liability of Rs. 44.92 lacs (March 31, 2017: Rs. 44.92 lacs). The Group has filed writ against the notification and has furnished fixed deposit against the said liability. The case is pending before Honourable Rajasthan High Court.

**(ii) Movement in other provisions**

(₹ in lacs)

| | Legal claim |
|---|---|
| **As at April 01, 2016** | 688.45 |
| Provisions made during the year | 128.57 |
| **As at March 31, 2017** | **817.02** |
| Provisions made during the year | 192.60 |
| **As at March 31, 2018** | **1,009.62** |

* Refer note 30 for movement in " Provision for Employee Benefits"

## 17 DEFERRED TAX LIABILITIES

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **The balance comprises of temporary differences attributable to :** | | |
| **Deferred tax liabilities** | | |
| Plant, property and equipment | 10,331.80 | 9,471.40 |
| Intangible assets | 161.78 | 139.21 |
| Other comprehensive income items | | |
| - Remeasurements on defined benefit plans | (163.93) | (223.75) |
| - Effective portion on cash flow hedges | 162.90 | 616.70 |
| - Exchange difference on translation of foreign operations | 6.30 | 3.40 |
| **Deferred tax assets** | | |
| Provision for employee benefits | (888.05) | (576.85) |
| Other financial liabilities | (54.48) | (132.38) |
| Trade receivables | (668.05) | (513.25) |
| Other financial assets | (275.42) | (225.67) |
| Others | (151.87) | (7.09) |
| Minimum alternate tax (MAT) credit entitlement | (11,134.86) | (10,533.18) |
| **Net deferred tax (assets) / liabilities TOTAL** | **(2,673.88)** | **(1,981.46)** |

**Movement in deferred tax:**

(₹ in lacs)

| | As at March 31, 2017 | Recognized in P&L | Recognized in OCI | Other Adjustments* | As at March 31, 2018 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Provision for employee benefits | 576.85 | 311.20 | - | - | 888.05 |
| Other financial liabilities | 132.38 | (77.90) | - | - | 54.48 |
| Trade receivables | 513.25 | 154.80 | - | - | 668.05 |
| Other financial assets | 225.67 | 49.75 | - | - | 275.42 |
| Others | 7.09 | 144.78 | - | - | 151.87 |
| Minimum alternate tax (MAT) credit entitlement | 10,533.18 | 519.50 | - | 82.18 | 11,134.86 |
| **Sub- Total (a)** | **11,988.42** | **1,102.13** | **-** | **82.18** | **13,172.73** |
| **Deferred tax liabilities** | | | | | |
| Plant, property and equipment | 9,471.40 | 860.40 | - | - | 10,331.80 |
| Intangible assets | 139.21 | 22.57 | - | - | 161.78 |
| - Remeasurements on defined benefit plans | (223.75) | - | 59.82 | - | (163.93) |
| -Effective portion on cash flow hedges | 616.70 | - | (453.80) | - | 162.90 |
| -Exchange difference on translation of foreign operations | 3.40 | - | 2.90 | - | 6.30 |
| **Sub- Total (b)** | **10,006.96** | **882.97** | **(391.08)** | **-** | **10,498.85** |
| **Net deferred tax liability (b)-(a)** | **(1,981.46)** | **(219.16)** | **(391.08)** | **(82.18)** | **(2,673.88)** |

**Movement in deferred tax:**

(₹ in lacs)

| | As at April 1, 2016 | Recognized in P&L | Recognized in OCI | Other Adjustments* | As at March 31, 2017 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Provision for employee benefits | 422.26 | 154.59 | - | - | 576.85 |
| Other financial liabilities | 148.59 | (16.21) | - | - | 132.38 |
| Trade receivables | 430.32 | 82.93 | - | - | 513.25 |
| Other financial assets | 191.64 | 34.03 | - | - | 225.67 |
| Others | 22.89 | (15.80) | - | - | 7.09 |
| Minimum alternate tax (MAT) credit entitlement | 2,202.34 | 7,896.28 | - | 434.56 | 10,533.18 |
| **Sub- Total (a)** | **3,418.04** | **8,135.82** | **-** | **434.56** | **11,988.42** |
| **Deferred tax liabilities** | | | | | |
| Plant, property and equipment | 6,673.22 | 2,798.18 | - | - | 9,471.40 |
| Intangible assets | 138.07 | 1.14 | - | - | 139.21 |
| Other Comprehensive Income Items | | | | - | |
| - Remeasurements on defined benefit plans | 9.11 | - | (232.86) | - | (223.75) |
| -Effective portion on cash flow hedges | 122.89 | - | 493.81 | - | 616.70 |
| -Exchange difference on translation of foreign operations | 4.36 | - | (0.96) | - | 3.40 |
| **Sub- Total (b)** | **6,947.65** | **2,799.32** | **259.99** | **-** | **10,006.96** |
| **Net deferred tax (assets)/ liability (a)-(b)** | **3,529.61** | **(5,336.50)** | **259.99** | **(434.56)** | **(1,981.46)** |

* It consists actualisation of MAT credit entitlement on the basis of tax return filed.

## 18 OTHER LIABILITIES

(₹ in lacs)

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| Income received in Advances from customer | - | - | 1,161.16 | 1,980.88 |
| Statutory dues payable | - | - | 826.11 | 1,210.70 |
| **TOTAL** | **-** | **-** | **1,987.27** | **3,191.58** |

## 19 REVENUE FROM OPERATIONS

(₹ in lacs)

| | | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| | **Revenue from Operations includes** | | |
| a) | Sale of products (including Excise Duty) | 227,477.04 | 235,034.29 |
| b) | Sale of services | 148.68 | 68.97 |
| **c)** | **Other operating revenues:** | | |
| | Scrap Sales | 137.96 | 186.48 |
| | Export Incentives | 3,108.03 | 3,041.13 |
| | | **3,245.99** | **3,227.61** |
| | **Revenue From Operations** | **230,871.71** | **238,330.87** |

Goods and Service Tax (GST) has been effective from July 01, 2017. Consequently, excise duty, value added tax (VAT), Service tax etc. have been replaced with GST. Until June 30, 2017, 'Sale of products' included the amount of excise duty recovered on sales. With effect from July 01, 2017, 'Sale of products' excludes the amount of GST recovered. Accordingly, revenue from 'Sale of Products' and 'Revenue from operations' for the year ended March 31, 2018 are not comparable with those of the previous year.

## 20 OTHER INCOME

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Dividend Income from Investment at fair value through profit or loss | 0.29 | 0.35 |
| Interest Income from financial assets at amortised cost | 2,663.86 | 1,565.19 |
| Unwinding of discount on security deposits | 19.79 | 14.06 |
| Net gain on sale of investments | 83.95 | 61.77 |
| Net gain on financial assets measured at fair value through profit or loss | 716.31 | 254.80 |
| Net foreign exchange differences | 2,347.99 | 1,652.59 |
| Miscellaneous Income | 192.70 | 112.82 |
| **TOTAL** | **6,024.89** | **3,661.58** |

* Net of amount of loss/ (gain) ₹ 16.54 lacs (March 31, 2017 ₹ (231.00) lacs) which has been transferred to Capital work in progress during the year.

## 21 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE

(₹ in lacs)

| | Year ended March 31, 2018 | | Year ended March 31, 2017 | |
|---|---|---|---|---|
| **Closing balance** | | | | |
| Finished goods | 17,094.79 | | 13,547.17 | |
| Stock in trade | 1,503.75 | | 1,897.68 | |
| Work in Progress | 3,686.89 | 22,285.43 | 7,619.06 | 23,063.91 |
| **Opening balance** | | | | |
| Finished Goods | 13,547.17 | | 11,518.22 | |
| Stock in trade | 1,897.68 | | 1,708.94 | |
| Work in Progress | 7,619.06 | 23,063.91 | 5,747.72 | 18,974.88 |
| **TOTAL** | | **778.48** | | **(4,089.03)** |

## 22 EMPLOYEE BENEFIT EXPENSE

(₹ in lacs)

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|---|---|
| Salaries, Wages and Bonus | 21,391.88 | 19,153.86 |
| Contribution to Provident & other funds | 843.57 | 790.67 |
| Gratuity (Refer Note 30) | 898.97 | 261.40 |
| Long term compensated absences | 129.94 | 478.71 |
| Employees Welfare Expenses | 886.59 | 733.96 |
| Expense on Employee Stock Option Scheme (Refer Note 31) | 165.96 | 843.06 |
| **TOTAL** | **24,316.91** | **22,261.66** |

* Net of amount of ₹ 936.38 lacs (March 31, 2017 ₹ 811.80 lacs) which has been transferred to Capital work in progress during the year.

## 23 OTHER EXPENSES

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Power, Fuel & Water | 7,546.44 | 6,919.77 |
| Consumption of Stores & Spares | 2,122.00 | 2,810.47 |
| Repairs & Maintenance: | | |
| - Buildings | 532.95 | 157.40 |
| - Plant and machinery | 1,555.25 | 333.68 |
| - Others | 1,036.17 | 942.22 |
| Environment & pollution control expenses | 3,496.80 | 4,395.21 |
| Laboratory & Testing Charges | 1,903.00 | 1,186.81 |
| Freight & Cartage | 3,209.27 | 2,826.31 |
| Advertisement & Sales Promotion | 3,698.08 | 3,955.08 |
| Travelling and conveyance # | 3,815.57 | 3,380.16 |
| Rental charges (Refer note 31 c) | 1,521.09 | 1,236.44 |
| Rates and Taxes | 366.83 | 553.27 |
| Insurance | 435.70 | 333.84 |
| Donation | 344.20 | 69.55 |
| Loss on Sale/Retirement of property, plant and equipment (Net) | 53.27 | 24.51 |
| Payments to auditors (Refer Note 22(a)) | 51.28 | 42.91 |
| Telephone and communication charges | 453.11 | 496.37 |
| Provision for Bad and Doubtful debts & Advances | 691.98 | 349.56 |
| Director Sitting Fees & Commission | 149.62 | 117.32 |
| Legal & professional fees | 1,845.64 | 1,823.16 |
| Bank Charges | 201.48 | 156.01 |
| Corporate Social responsibility expenditure (refer note 24) | 858.00 | 695.00 |
| Miscellaneous Expenses | 1,265.01 | 972.18 |
| **TOTAL*** | **37,152.74** | **33,777.23** |

**a. Auditors' Remuneration**

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| -Audit Fees | 34.15 | 27.48 |
| -Limited Review Fees | 10.50 | 10.50 |
| -Certificates & other matters | 3.32 | 2.34 |
| -Reimbursement of expenses | 3.31 | 2.59 |
| **TOTAL** | **51.28** | **42.91** |

* Net of amount of ₹ 24.78 lacs (March 31, 2017 ₹ 463.96 lacs) which has been transferred to Capital work in progress during the year.

# Includes lease rental for vehicles on operating lease amounting to ₹ 927.94 (March 31, 2017 ₹ 776.00). Refer note 31 (c).

## 24 CORORATE SOCIAL RESPONSIBILITY EXPENDITURE

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Contribution to PI Foundation Trust for CSR activities | 858.00 | 695.00 |
| Amount required to be spent by the Company during the year as per Section 135 of the Act | 858.00 | 695.00 |
| Amount spent during the year on: | | |
| (i) Construction/acquisition of an asset | - | - |
| (ii) On purpose other than (i) above | 858.00 | 695.00 |

## 25 DEPRECIATION AND AMORTISATION EXPENSES

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Depreciation on Property, Plant and Equipment (Refer Note 4) | 8,098.31 | 7,158.16 |
| Amortization of Intangible Assets (Refer Note 5) | 196.86 | 145.91 |
| **TOTAL** | **8,295.17** | **7,304.07** |

## 26 FINANCE COSTS

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Interest on financial liabilities measured at amortised cost | 500.53 | 681.07 |
| Other Borrowing Costs | 31.16 | 39.47 |
| **TOTAL** | **531.69** | **720.54** |

## 27 INCOME TAX EXPENSE

### a) Income tax expense recognised in Profit and Loss

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | 10,091.28 | 10,792.77 |
| Adjustment of current tax for prior year periods | (86.28) | (446.77) |
| **Total Current tax expense** | **10,005.00** | **10,346.00** |
| **Deferred tax expense** | | |
| (Decrease) / Increase in Deferred tax liability | 882.97 | 2,799.32 |
| Decrease / (Increase) in Deferred tax assets | (1,102.13) | (8,135.82) |
| **Net Deferred tax expense** | **(219.16)** | **(5,336.50)** |
| **Total Income tax expense** | **9,785.84** | **5,009.50** |

### b) Deferred tax related to items recognised in OCI during the year

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Remeasurement of defined benefit plans | 59.83 | (232.86) |
| Effective portion on cash flow hedges | (453.80) | 493.81 |
| Exchange difference on translation of foreign operations | 2.90 | (0.96) |
| **Income tax charged to OCI** | **(391.07)** | **259.99** |

### c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Accounting profit before tax | 46,549.04 | 50,953.62 |
| Tax at India's statutory income tax rate @ 34.608% | **16,109.69** | **17,634.03** |
| Adjustment in respect of current income tax of previous years | (86.28) | (446.77) |
| Adjustment in respect of interest under 234A/B/C of Income Tax Act | 10.27 | - |
| Effect of concessions (expenditure on new plant and machinery) | - | (273.58) |
| Effect of concessions (expenditure on research and development) | (1,206.83) | (2,425.79) |
| Difference in overseas tax rate | (2.70) | (2.52) |
| Effect of lower income tax rate | (6.33) | (1.20) |
| Effect of income that is exempt from taxation (operations in tax free zone) | (5,127.61) | (9,809.02) |
| Effect of amounts which are not deductible in calculating taxable income | 95.63 | 334.36 |
| **Income Tax Expense** | **9,785.84** | **5,009.50** |

**d) Unrecognized temporary differences**

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Temporary differnce relating to investments in subsidiaries for which deferred tax liabilities have not been recognised: | | |
| Undistributed earnings | 1,989.86 | 1,789.09 |
| Unrecognised deferred tax liabilities relating to the above temporary differences | 688.65 | 619.17 |

Certain subsidiares of the Group have undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary diffrence exists, but no deferred tax liability has been recognised as the Company is able to control the timing of distributions from the subsidiaries. These subsidiaries are not expected to distribute these profits in foreseeable future.

## 28 RESEARCH & DEVELOPMENT EXPENSES

**Details of Expenditure on Research & Development Facilities/ division of the Group recognised by Department of Scientific & Industrial Research.**

**a) Revenue Expenditure**

(₹ in lacs)

| | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|
| Other Income | 22.82 | 3.71 |
| | **22.82** | **3.71** |
| **Employee Benefit Expenses** | | |
| Salaries, Wages & Bonus | 2,308.50 | 1,646.59 |
| Contributions to Provident & other funds | 159.25 | 114.14 |
| Employee Welfare Expenses | 71.53 | 33.00 |
| | **2,539.28** | **1,793.73** |
| **Raw & Packing Materials Consumed** | **976.95** | **366.26** |
| **Other Expenses** | | |
| Laboratory & testing Material | 560.83 | 410.06 |
| Power, Fuel & Water | 411.45 | 217.29 |
| Consumption of stores & spares | 467.98 | 353.47 |
| Testing & analysis | 54.18 | 14.96 |
| Travelling & conveyance | 132.69 | 94.64 |
| Rates and taxes | 2.67 | 1.21 |
| Printing & Stationery | 2.52 | 3.98 |
| Bank Charges | 0.12 | 0.07 |
| Legal & professional fees | 169.03 | 6.28 |
| Miscellaneous Expenses | 342.52 | 203.40 |
| | **2,143.99** | **1,305.36** |
| **Depreciation** | | |
| Depreciation | 901.92 | 525.74 |
| **TOTAL** | **6,562.14** | **3,991.09** |
| **Total Expenditure Allowed** | **6,539.32** | **3,987.38** |

**b) Capital Expenditure**

(₹ in lacs)

| | Addition during the year ended March 31, 2018 | Addition during the year ended March 31, 2017 |
|---|---|---|
| Buildings | 257.70 | 1,454.95 |
| Equipments & Others | 1,407.57 | 3,849.23 |
| **TOTAL** | **1,665.27** | **5,304.18** |

## 29 EARNING PER SHARE

(₹ in lacs)

| | | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|---|---|---|
| a) | Net Profit for Basic & Diluted EPS | **36,763.21** | **45,944.12** |
| b) | Number of Equity Shares at the beginning of the year | 137,586,624 | 137,127,222 |
| | **Add:** Issue of Shares under ESOP | 320,694 | 459,402 |
| | **Less:** Adjustment of own shares held under ESOP Trust | (271,558) | - |
| | Total Number of Shares outstanding at the end of the year | **137,635,760** | **137,586,624** |
| | Weighted Average number of Equity Shares outstanding during the year - Basic | **137,571,318** | **137,326,086** |
| | **Add:** Weighted Average number of Equity Shares arising out of grant of Employee Stock option and adjustment of own shares held under ESOP Trust | 255,250 | 941,359 |
| | Weighted Average number of Equity Shares outstanding during the year - Diluted | **137,826,568** | **138,267,445** |
| | **Earning Per Share - Basic (₹)** | 26.72 | 33.46 |
| | **Earning per share - Diluted (₹)** | 26.67 | 33.23 |
| | **Face value per share (₹)** | 1 | 1 |

## 30 EMPLOYEE BENEFITS

In respect of entities incorporated in India, the Group participates in defined contribution and benefit schemes, the assets of which are held (where funded) in separately administered funds. For defined contribution schemes the amount charged to the statements of profit or loss is the total of contributions payable in the year.

**Provident fund**

In accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (EPF and MP Act), employees are entitled to receive benefits under the Provident Fund. Employers and employees both contribute @12% of wages in contribution accounts. Further, the employers also contribute towards administration of the benefits under the EPF & MP Act. All employees have an option to make additional voluntary contributions as permissible under the Act. These contributions are made to the fund administered and managed by the Employee Provident Fund organization. the Group has no further obligations under the fund managed by the Employee Provident Fund Organization (EPFO) beyond its monthly contributions which are charged to the statements of profit or loss in the period they are incurred. The benefits are paid to employees on their retirement or resignation from the EPFO.

**Gratuity Plan**

In accordance with the Payment of Gratuity Act of 1972, PI Industries Limited has established a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to the employees at the time of retirement or resignation (after 5 years of continued services of employment), being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group. Based on actuarial valuations conducted as at year end, a provision is recognised in full for the benefit obligation over and above the funds held in the Gratuity Plan. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

**Long term compensated absences**

The liabilities for compensated absence namely earned and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit and loss.

**a) Defined Contribution Plans:-**

The Group has recognised an expense of ₹ 843.57 lacs (Previous Year ₹ 790.67 lacs) towards the defined contribution plan.

b) **Defined benefits plans - as per actuarial valuation**

(₹ in lacs)

| | | Year ended March 31, 2018 | | Year ended March 31, 2017 | |
|---|---|---|---|---|---|
| | | Gratuity | | Gratuity | |
| | | Funded | Non -Funded | Funded | Non -Funded |
| I | **Change in present value of obligation during the year** | | | | |
| | Present value of obligation at the beginning of the year | 1,613.21 | 1.55 | 1,113.92 | 0.63 |
| | **Total amount included in profit and loss *:** | | | | |
| | - Current Service Cost | 244.23 | 0.12 | 227.71 | 0.62 |
| | - Interest Cost | 120.99 | 0.64 | 89.11 | 0.05 |
| | - Past Service Cost | 571.26 | - | - | - |
| | **Total amount included in OCI:** | | | | |
| | Remeasurement related to gratuity: | | | | |
| | Actuarial losses/(gains) arising from: | | | | |
| | - Demographic Assumption | 0.48 | | (4.44) | |
| | - Financial assumption | (42.56) | (0.08) | 263.51 | 0.42 |
| | - Experience Judgement | (131.98) | (0.05) | 434.45 | (0.15) |
| | **Others** | | | | |
| | Benefits Paid | (141.88) | - | (511.05) | - |
| | **Present Value of obligation as at year-end** | **2,233.75** | **2.18** | **1,613.21** | **1.57** |
| | * Includes expenses reclassified to capital work in progress ₹ 15.88 (March 31, 2017 ₹ 99.66) | | | | |
| II | **Change in Fair Value of Plan Assets during the year** | | | | |
| | Plan assets at the beginning of the year | 298.42 | NA | 544.69 | NA |
| | **Included in profit and loss:** | | | | |
| | Expected return on plan assets | 22.37 | NA | 43.57 | NA |
| | **Included in OCI:** | | | | |
| | Actuarial Gain/(Loss) on plan assets | (1.29) | NA | 20.92 | NA |
| | **Others:** | | | | |
| | Employer's contribution | 700.00 | NA | 199.97 | NA |
| | Benefits paid | (141.88) | NA | (510.72) | NA |
| | **Plan assets at the end of the year** | **877.62** | **NA** | **298.43** | **NA** |

The plan assets are managed by the Gratuity Trust formed by the Company. The management of 100% of the funds is entrusted with the Life Insurance Corporation of India, HDFC Standard Life Insurance Company Ltd. and Kotak Mahindra Old Mutual Life Insurance Ltd., whose pattern of investment is not available with the Company.

III **Reconciliation of Present value of Defined Benefit Obligation and Fair Value of Plan Assets**

(₹ in lacs)

| | | Year ended March 31, 2018 | | Year ended March 31, 2017 | |
|---|---|---|---|---|---|
| | | Gratuity | | Gratuity | |
| | | Funded | Non -Funded | Funded | Non -Funded |
| 1 | Present Value of obligation as at year-end | 2,233.75 | 2.18 | 1,613.21 | 1.57 |
| 2 | Fair value of plan assets at year -end | 877.62 | - | 298.42 | 0.01 |
| 3 | Funded status {Surplus/(Deficit)} | (1,356.13) | (2.18) | (1,314.79) | (1.56) |
| | Net Asset/(Liability) | **(1,356.13)** | **(2.18)** | **(1,314.79)** | **(1.56)** |

**IV Bifurcation of PBO at the end of the year**

(₹ in lacs)

| | | Year ended March 31, 2018 | | Year ended March 31, 2017 | |
|---|---|---|---|---|---|
| | | Gratuity | | Gratuity | |
| | | Funded | Non -Funded | Funded | Non -Funded |
| 1 | Current Liability | - | - | - | 0.00 |
| 2 | Non-Current Liability | 1,356.13 | 2.18 | 1,314.79 | 1.56 |

**V Actuarial Assumptions**

| | | | | | |
|---|---|---|---|---|---|
| 1 | Discount Rate | 7.71% | 7.71% | 7.50% | 7.50% |
| 2 | Expected rate of return on plan assets | 7.50% | NA | 7.50% | NA |
| 3 | Mortality Table | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) |
| 4 | Salary Escalation | 7.00% | 7.00% | 7.00% | 7.00% |

**VI** The expected contribution for Defined Benefit Plan for the next financial year will be ₹ 431.44 lacs

**VII Sensitivity Analysis**

(₹ in lacs)

| Gratuity | Year ended March 31, 2018 | | Year ended March 31, 2017 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.50 % movement) | (96.74) | 103.50 | (74.47) | 80.05 |
| Future salary growth ( 0.50 % movement) | 103.72 | (97.81) | 80.05 | (75.15) |

**VIII Maturity Profile of Defined Benefit Obligation**

(₹ in lacs)

| | Year ended March 31, 2018 | | Year ended March 31, 2017 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non -Funded | Funded | Non -Funded |
| Within the next 12 months | 122.98 | 0.02 | 67.07 | - |
| Between 2-5 years | 416.77 | 0.20 | 246.36 | 0.08 |
| Beyond 5 years | 1,694.01 | 1.96 | 1,299.78 | 1.49 |

**IX Description of Risk Exposures:**

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

A) Salary Increases- Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.

B) Investment Risk – If Plan is funded then the mismatch between assets and liabilities and actual return on assets being lower than the discount rate assumed at the last valuation date can impact the liability.

C) Discount Rate : Reduction in discount rate in subsequent valuations can increase the plan's liability.

D) Mortality & disability – Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

E) Withdrawals – Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.

**C) Long term compensated absences**

The provision for long term compensated absences covers the Company's liability for earned and sick leave, the amount of provision recognised is ₹ 1,035.77 lacs (March 31, 2017 ₹ 1,023.41 lacs).

## 31 SHARE BASED PAYMENTS

Employee Stock Option Plan

The Group provides share-based payment schemes to its employees. The scheme is in respect of employees of the Company. The relevant details of the scheme are as follows:

In December 2010, the Board of Directors approved the PII ESOP 2010 Scheme in order to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Group (including subsidiary companies) with an intent to attract and retain talent in the organization. The aforesaid scheme was duly approved by shareholders in its EGM held on January 21, 2011 and is administered through independent trust. The Compensation Committee of the Board has granted following options under PII ESOP 2010 Scheme to certain category of employees as per criteria laid down by Compensation Committee of the Board.

**Key terms of the scheme**

| | |
|---|---|
| Date of Shareholder's Approval | 21-Jan-11 |
| Total Number of Options approved | 62,62,090 |
| Vesting Requirements | Options shall vest after a lock in period of one year from the date of grant. Option shall vest in four years as per the Company's ESOP plan. (Refer vesting schedule below) |
| The Pricing Formula | 10% discount to market price on National Stock Exchange a day prior to date of grant. |
| Maximum term of Options granted (years) | 10 years |
| Method of Settlement | Shares |
| Source of shares | Primary-Fresh equity allotment by Company to the Trust |
| Variation in terms of ESOP | Nil |
| Vesting schedule | Under the plan, participants are granted options which vests at 15%, 25%, 30%, 30% respectively each year over a period of 4 years or as defined in Grant letter |
| Exercisable period | Once vested, the options remain exercisable for a period of six years |
| Vesting condition | Vesting shall be computed through performance evaluation method based on conditions pre-communicated to employees. |

**I. Option Movement during the year ended Mar 2018**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No. of Options | Wt. avg exercise Price (in ₹) | No. of Options | Wt. avg exercise Price (in ₹) |
| No. of Options Outstanding at the beginning of the year | 1,360,078 | 447.36 | 1,559,507 | 243.69 |
| Options Granted during the year | - | - | 457,864 | 744.00 |
| Options Forfeited / Surrendered during the year | 438,658 | 510.91 | 154,116 | 203.31 |
| Total number of shares arising as a result of exercise of options | 233,496 | 194.84 | 503,177 | 160.79 |
| Money realised by exercise of options (₹ lacs) | 454.95 | NA | 809.06 | NA |
| Number of options Outstanding at the end of the year | 687,924 | 492.55 | 1,360,078 | 447.36 |
| Number of Options exercisable at the end of the year | 266,748 | 255.81 | 191,883 | 139.83 |

**II. Weighted Average remaining contractual life**

| Range of Exercise Price | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No. of Options Outstanding | Weighted average contractual life (years) | No. of Options Outstanding | Weighted average contractual life (years) |
| 25 to 75 | 72,454 | 1.66 | 84,884 | 2.58 |
| 75 to 150 | 108,893 | 5.22 | 397,689 | 6.14 |
| 150 to 450 | 91,839 | 6.21 | 181,154 | 6.91 |
| 450 to 750 | 414,738 | 6.62 | 696,351 | 7.45 |

**III. Weighted average Fair Value of Options granted during the year**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Exercise price is less than market price (in ₹) | NA | 435.15 |

**IV.** The weighted average market price of options exercised during the year ended March 31, 2018 is ₹ 882.59 (March 31, 2017 is ₹ 832.44)

**V.** Method and Assumptions used to estimate the fair value of options granted during the year ended:

The fair value has been calculated using the Black Scholes Option Pricing model

The Assumptions used in the model are as follows:

| Variables | March 31, 2018 Weighted Average | March 31, 2017 Weighted Average |
|---|---|---|
| 1. Risk Free Interest Rate | NA | 6.67% to 6.89% |
| 2. Expected Life(in years) | NA | 4 to 7 years |
| 3. Expected Volatility | NA | 39.02% to 40.52% |
| 4. Dividend Yield | NA | 0.37% |
| 5. Exercise Price (in ₹) | NA | 744.00 |
| 6. Price of the underlying share in market at the time of the option grant.(in ₹) | NA | 845.40 |

* No options granted during the year ended March 31, 2018

**VI. Assumptions:**

1 Stock Price: Closing price on National Stock Exchange on the date of grant has been considered.

2 Volatility: The historical volatility over the expected life has been considered to calculate the fair value.

3 Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities.

4 Exercise Price: Exercise Price of each specific grant has been considered.

5 Time to Maturity: Time to Maturity / Expected Life of options is the period for which the Group expects the options to be live.

6 Expected divided yield: Expected dividend yield has been calculated based on the dividend declared prior to the date of grant.

(₹ in lacs)

| VII. | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Employee Option plan expense | 165.96 | 843.06 |
| Total liability at the end of the period | 1,022.32 | 1,413.19 |

## 32 CAPITAL & OTHER COMMITMENT

(₹ in lacs)

| | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| a. | Estimated Amount of Contracts remaining to be executed on capital account and not provided for {Net of advances ₹ 3,260.05 lacs (March 31, 2017 : ₹ 2,329.15 lacs)} | 1,620.81 | - |
| b. | Export Commitment | 34,037.46 | 33,225.53 |

c. **Leases**

**Operating lease commitments - As lessee**

Total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

(₹ in lacs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| -Payable within one year | 1,473.54 | 1,266.09 |
| -Later than one year and not later than five years | 1,848.26 | 2,414.58 |
| -Later than five years | - | 165.10 |
| -Lease payments recognised in Statement of Profit and Loss | 2,449.03 | 2,012.44 |

**Finance lease commitments - As lessee**

The Group has entered into finance lease for land in Panoli and Jambusar (Gujarat). Future minimum lease payments under finance leases for all the land is ₹ 225 per annum. For land in Panoli Group has a renewal option for further 2 periods with 100% increase in lease rentals and for land in Jambusar Group has a renewal option upon expiry as may be agreed between the parties or as may be determined by Development Committee from time to time. The amount of minimum lease payments and their present value is not material.

## 33 CONTINGENT LIABILITIES

(₹ in lacs)

| | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| a. | Claims against the Group not acknowledged as debt;* | | |
| | - Sales Tax including Goods and Service Tax | 493.20 | 373.96 |
| | - Excise Duty | 255.49 | 262.96 |
| | - Income Tax | 780.22 | 1,469.69 |
| | - ESI | 6.09 | 6.09 |
| | - Other matters, including claims relating to customers, labor and third parties etc. | 274.80 | 138.11 |
| b. | Guarantees excluding financial guarantees; | | |
| | - Performance Bank Guarantees | 2,116.90 | 1,854.07 |
| c. | Other money for which the Group is contingently liable | | |
| | - Letter of Credit | 9,843.94 | 4,152.52 |

* Pending resolution of the respective proceedings, it is not practicable for the Group to estimate the timings of the cash outflows, if any, in respect of the above as it is determinable only on receipt of the judgements/ decisions pending with various forums / authorities.

The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial position.

## 34 OPERATING SEGMENT

An operating segment is defined as a component of the entity that represents business activities from which it earns revenues and incurs expenses and for which discrete financial information is available. The operating segments are based on the Group's internal reporting structure and the manner in which operating results are reviewed by the Chief Operating Decision Maker (CODM).

The Group has evaluated the applicability of segment reporting and has concluded that since the Group is operating in the field of Agro Chemicals both in the domestic and export markets and the CODM reviews the overall performance of the agro chemicals business, accordingly the Group has one reportable business segment viz. Agro Chemicals.

I **Revenue :**

A. **Information about product revenues:**

The Group is in the business of manufacturing and distribution of Agro Chemicals. The amount of its revenue from external customers broken down by products is shown in the table below:

(₹ in lacs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Active Ingredients and Intermediates | 146,869.81 | 147,203.32 |
| Formulations | 82,858.57 | 90,323.26 |
| Others | 1,143.33 | 804.29 |
| | **230,871.71** | **238,330.87** |

B. **Geographical Areas**

The Group is domiciled in India. The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

(₹ in lacs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| India | 85,340.30 | 94,481.90 |
| Asia (other than India) | 86,827.91 | 70,026.15 |
| North America | 31,908.72 | 54,064.40 |
| Australia | - | 2,788.16 |
| Europe | 19,108.30 | 12,679.19 |
| Rest of the World | 7,686.48 | 4,291.07 |
| | **230,871.71** | **238,330.87** |

C. Revenues of ₹ 76,419.16 lacs are derived from a single external customer (March 31, 2017 ₹ 91,476.39). These revenues are attributed to Asia.

II The total of Non-current assets (other than financial instruments, deferred tax assets and investments accounted for using equity method), broken down by location of the assets, is shown in the table below:

(₹ in lacs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| India | 112,600.43 | 105,392.57 |
| Asia (other than India) | 29.47 | 9.87 |
| Europe | 28.77 | 37.29 |
| | **112,658.67** | **105,439.73** |

## 35 RELATED PARTY DISCLOSURES

Related party disclosure, as required by Indian Accounting Standard-24, is as below:

a) **Nature of related party relationship**

i **Subsidiaries, Associates and Controlled Trust:**

(a) Solinnos Agro Sciences Pvt. Ltd. Associate

(b) PI Kumiai Pvt. Ltd. Joint Venture

ii **Key Managerial Personnel (KMP) & their relatives with whom transactions have taken place:**

(a) **Key Managerial Personnel**

| | |
|---|---|
| Mr. Salil Singhal | Chairman & Managing Director (till August 21, 2016) |
| Mr. Mayank Singhal | Managing Director & CEO |
| Mr. Rajnish Sarna | Whole-Time Director |
| Mr. Narayan K. Seshadri | Non-executive Director (Chairman w.e.f. October 5, 2016) |
| Mr. Pravin K. Laheri | Non-executive Director |
| Ms. Ramni Nirula | Non-executive Director |
| Mr. Ravi Narain | Non-executive Director (w.e.f. May 24, 2016) |
| Mr. Arvind Singhal | Non-executive Director (w.e.f. October 5, 2016) |
| Mr. Anurag Surana | Non-executive Director (till May 11, 2016) |
| Dr. Venkatrao S. Sohoni | Non-executive Director (till September 14, 2016) |
| Dr. Tanjore Soundararajan Balganesh | Non-executive Director (w.e.f. May 16, 2017) |

(b) **Relatives of Key Managerial Personnel**

| | |
|---|---|
| Mr. Salil Singhal | Father of Mr. Mayank Singhal |
| Ms. Madhu Singhal | Mother of Mr. Mayank Singhal |
| Ms. Pooja Singhal | Sister of Mr. Mayank Singhal |

iii **Entities controlled by KMP with whom transactions have taken place:**

(a) PI Foundation

b) **The following transactions were carried out with related parties in the ordinary course of business:**

(₹ in lacs)

| Nature of Transaction | Type of relation | 2017-18 | | 2016-17 | |
|---|---|---|---|---|---|
| | | Transactions during the period | Balance outstanding Dr (Cr) | Transactions during the period | Balance outstanding Dr (Cr) |
| **Compensation to KMP** | | | | | |
| -Short term employee benefits | a(ii)(a) | 1,294.53 | | 1,504.28 | |
| -Post employment benefits* | | 48.94 | | 495.69 | |
| -Commission and other benefits to non-executive/ independent directors | | 134.18 | | 116.66 | |
| **Total** | | **1,477.65** | **(795.82)** | **2,116.63** | **(818.19)** |
| **Other transactions** | | | | | |
| Purchase of services | a(ii)(a) | 130.32 | - | - | - |
| Purchase of services | a(i)(a) | 45.93 | 33.57 | - | - |
| Sales of services | a(i)(a) | 60.00 | 61.95 | 8.33 | 9.58 |
| Rent Received | a(i)(a) | 2.55 | - | - | - |
| Rental expense | a(ii)(b) | 22.25 | - | 18.38 | - |
| Recovery of Dues on account of expenses incurred | a(ii)(b), a(iii) | - | - | 0.15 | 0.15 |
| Donation | a(iii) | 42.00 | - | 50.00 | - |
| Investment purchased | a(i)(b) | 10.00 | - | - | - |
| Investment purchased | a(i)(a) | - | - | 51.45 | - |
| Dividend paid | a(ii)(a), a(ii)(b) | 1,073.09 | | 2,870.77 | - |
| Salary | a(ii)(b) | 0.40 | - | 1.44 | (0.24) |
| Travel & Other expenditure incurred | a(ii)(a) | 324.14 | 5.14 | 318.85 | 32.38 |
| | a(ii)(b) | 26.65 | 2.45 | 37.52 | (0.29) |
| Contribution towards CSR Activities | a(iii) | 858.00 | - | 695.00 | - |

* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

c) **Terms and conditions of transactions with related parties**

The sales and purchases / services rendered to and from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2017: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates..

## 36 DISCLOSURE IN RESPECT OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (MSMED) ACT, 2006

(₹ in lacs)

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Principal Amount | Interest Amount | Principal Amount | Interest Amount |
| Principal amount and Interest due thereon remaining unpaid to any supplier as on 31st March | 474.90 | - | 486.79 | - |
| Interest paid by the Group in terms of Section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year | 364.75 | 3.87 | 69.60 | 0.98 |
| Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act. | - | - | - | - |
| Interest accrued and remaining unpaid at the end of the year | - | - | - | - |
| Further interest remaining due and payable in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED Act. | - | - | - | - |

## 37 ADDITIONAL INFORMATION REQUIRED UNDER SCHEDULE III TO COMPANIES ACT 2013, OF ENTITIES CONSOLIDATED AS SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND OTHER CONTROLLED ENTITIES

| Name of the Entity | Net Assets, i.e., total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount (₹ in lacs) | As % of consolidated profit or loss | Amount (₹ in lacs) | As % of consolidated profit or loss | Amount (₹ in lacs) | As % of consolidated profit or loss | Amount (₹ in lacs) |
| **Parent** | | | | | | | | |
| PI Industries Ltd. | 99.26% | 191,060.85 | 99.71% | 36,656.42 | 100.76% | (744.48) | 99.69% | 35,911.94 |
| **Subsidiaries Indian** | | | | | | | | |
| PI Life Science Ltd. | 0.82% | 1,575.85 | 0.37% | 136.94 | -0.01% | 0.10 | 0.38% | 137.04 |
| PILL finance and investments Ltd | 0.21% | 400.57 | 0.07% | 24.33 | 0.00% | - | 0.07% | 24.33 |
| **Subsidiaries Foreign** | | | | | | | 0.00% | - |
| PI Japan Ltd | 0.08% | 159.17 | 0.05% | 18.01 | -0.74% | 5.48 | 0.07% | 23.49 |
| **Associates** | | | | | | | | |
| Solinnos Agro Sciences Private Limited | 0.03% | 57.06 | 0.04% | 14.87 | 0.00% | - | 0.04% | 14.87 |
| **Joint Venture** | | | | | | | | |
| PI Kumiai Private Limited | 0.00% | 4.90 | 0.00% | (0.10) | 0.00% | - | 0.00% | (0.10) |
| **Controlled Trust** | | | | | | | | |
| PI ESOP Trust | -0.40% | (774.84) | -0.24% | (87.26) | 0.00% | - | -0.24% | (87.26) |
| **TOTAL** | **100.00%** | **192,483.56** | **100.00%** | **36,763.21** | **100.00%** | **(738.90)** | **100.00%** | **36,024.31** |

## 38 FINANCIAL INSTRUMENTS

### 1 Financial instruments – Fair values and risk management

### A. Financial instruments by category

(₹ in lacs)

| | Notes | 31 March 2018 FVTPL | 31 March 2018 FVTOCI | 31 March 2018 Amortised Cost | 31 March 2017 FVTPL | 31 March 2017 FVTOCI | 31 March 2017 Amortised Cost |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Investments | 7(a) | 53.07 | - | - | 44.01 | - | |
| Loans | 7(c) | - | - | 391.33 | - | - | 281.45 |
| Derivative financial instruments designated as hedges | 7(g) | - | 98.12 | - | - | - | - |
| Other financial asset | 7(g) | - | - | 528.38 | - | - | 560.25 |
| **Current assets** | | | | | | | |
| Investments | 7(b) | 15,950.32 | - | - | 8,243.11 | - | - |
| Trade receivables | 7(d) | - | - | 52,675.17 | - | - | 42,371.16 |
| Cash and cash equivalents | 7(e) | - | - | 11,724.98 | - | - | 8,443.69 |
| Bank balances other than cash | 7(f) | - | - | 1,343.71 | - | - | 4,820.20 |
| Loans | 7(c) | - | - | 366.28 | - | - | 901.71 |
| Derivative financial instruments designated as hedges | 7(g) | - | 1,016.38 | - | | 2,985.00 | - |
| Other financial asset | 7(g) | - | - | 1,312.46 | - | - | 989.31 |
| | | **16,003.39** | **1,114.50** | **68,342.31** | **8,287.12** | **2,985.00** | **58,367.77** |
| **Financial liabilities** | | | | | | | |
| Non-current liabilities | | | | | | | |
| Borrowings | 15(a) | - | - | 4,633.33 | - | - | 8,296.73 |
| Other financial liabilities | 15(c) | - | - | 1,831.72 | - | - | 1,719.13 |
| **Current liabilities** | | | | | | | |
| Trade payables | 15(b) | - | - | 36,866.26 | - | - | 28,778.51 |
| Other financial liabilities | 15(c) | - | - | 21,435.93 | - | - | 22,279.57 |
| **TOTAL** | | **-** | **-** | **64,767.24** | **-** | **-** | **61,073.94** |

### B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

(₹ in lacs)

| | Notes | 31 March 2018 Level 1 | 31 March 2018 Level 2 | 31 March 2018 Level 3 | 31 March 2017 Level 1 | 31 March 2017 Level 2 | 31 March 2017 Level 3 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Investment in equity instruments | 7(a) | 53.05 | - | 0.02 | 43.94 | - | 0.07 |
| Investment in mutual funds | 7(b) | 15,950.32 | - | - | 8,243.11 | - | - |
| Derivative financial instruments designated as hedges | 7(g) | - | 1,114.50 | - | - | 2,985.00 | - |
| | | **16,003.37** | **1,114.50** | **0.02** | **8,287.05** | **2,985.00** | **0.07** |

**Assets and liabilities which are measured at amortised cost for which fair values are disclosed**

(₹ in lacs)

| | Notes | 31 March 2018 | | | 31 March 2017 | | |
|---|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | | |
| Security deposits | 7(c) | - | - | 232.70 | - | - | 178.95 |
| | | **-** | **-** | **232.70** | **-** | **-** | **178.95** |
| **Financial liabilities** | | | | | | | |
| Security deposits from contractors | 15(c) | - | - | 39.04 | - | - | 42.83 |
| | | **-** | **-** | **39.04** | **-** | **-** | **42.83** |

The fair value of cash and cash equivalents, bank balances other than Cash and cash equivalents, trade receivables, short term loans, current financial assets, trade payables, current financial liabilities and borrowings approximate their carrying amount, largely due to the short-term nature of these instruments. Long-term debt has been contracted at floating rates of interest, which are reset at short intervals. Accordingly, the carrying value of such long-term borrowings approximates fair value. Fair value for security deposits (other than perpetual security deposits) has been presented in the above table. Fair value for all other non-current assets and liabilities is equivalent to the amortised cost, interest rate on them is equivalent to the market rate of interest.

**Fair value hierarchy**

The table shown above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined below:

**Level 1 -** This includes financial instruments measured using quoted prices. The mutual funds are valued using closing net assets value (NAV).

**Level 2 -** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

There are no transfers between level 1 and level 2 during the year.

**Valuation technique used to determine fair value:**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

The fair values for security deposits (assets & liabilities) were calculated based on cash flows discounted using a current lending rate for liabilities and current borrowing rate for assets. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit.

## 39 FINANCIAL RISK MANAGEMENT

**Risk management framework**

The Group is exposed to credit risk, liquidity risk and market risk. The Group's board of directors has the overall responsibility for the management of these risks and is supported by Management Advisory Committee that advises on the appropriate financial risk governance framework. The Group has the risk management policies and systems in place and are reviewed regularly to reflect changes in market conditions and price risk along with Group's activities. The Group's audit committee oversees how management monitors compliance with the financial risk management policies and procedures, and reviews the adequacy of risk management framework in relation to the risks faced by the Group.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and impact of hedge accounting in the financial statements:

i. **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises from the operating activities primarily (trade receivables) and from its financing activities including cash and cash equivalents, deposits with banks, derivatives and other financial instruments. The carrying amount of financial assets represents the maximum credit exposure and is as follows:

**Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has established a credit policy under which each customer is analysed individually for creditworthiness before the Group's credit terms are offered. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. Credit limits are established for each customer and reviewed periodically. Any sales order exceeding those limits require approval from the appropriate authority.

The concentration of credit risk is limited in domestic market due to the fact that the customer base is large and unrelated. The Group's exports are mainly carried out in countries which have stable economic conditions, where the concentration is relatively higher, however the credit risk is low as the customers have good credit ratings.

The Group computes an allowance for impairment of trade receivables based on a simplified approach, that represents its expected credit losses. The Group uses an allowance matrix to measure the expected credit loss of trade receivables. Loss rates are based on actual credit loss experienced over the past 3 years. These loss rates are adjusted by considering the available, reasonable and supportive forward looking information.

The following table provides information about the exposure to credit risk and expected credit loss:

***Reconciliation of loss allowance provision – Trade receivables and Interest and Other charges recoverable from customers***

**(₹ in lacs)**

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| Opening balance | 2,135.11 | 1,797.15 |
| Changes in loss allowance | 591.06 | 337.96 |
| **Closing balance** | **2,726.17** | **2,135.11** |

**Cash and cash equivalents, deposits with banks, mutual funds and other financial instruments**

Credit risk from balances with banks and other financial instruments is managed by Group in accordance with its policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management, and may be updated throughout the year. Group also invests in mutual funds based on the credit ratings, these are reviewed for safety, liquidity and yield on regular basis.

Impairment on cash and cash equivalents, deposits and other financial instruments has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of counterparties.

Based on the assessment there is no impairment in the above financial assets.

**Derivatives**

The derivatives are entered into with banks and financial institution counterparties which have low credit risk based on external credit ratings of counterparties.

**Exposure to credit risk:**

The gross carrying amount of financial assets, net of impairment losses recognized represent the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2018 and March 31, 2017 was as follows:

**(₹ in lacs)**

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| Trade receivables | 52,675.17 | 42,371.16 |
| Cash and cash equivalents | 11,724.98 | 8,443.69 |
| Bank balances other than above | 1,343.71 | 4,820.20 |
| Loans | 757.61 | 1,183.16 |
| Other financial assets | 2,857.22 | 4,534.56 |
| | **69,358.69** | **61,352.77** |

**ii. Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to the dynamic nature of underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecast of Group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**(a) Financing arrangements**

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

**(₹ in lacs)**

| | 31 March 2018 | 31 March 2017 |
|---|---|---|
| Expiring within one year | | |
| - Fund based (Floating rate) | 18,500.00 | 18,499.80 |
| - Non fund based (Fixed rate) | 8,539.00 | 17,124.00 |

**(b) Maturities of financial liabilities**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

**(₹ in lacs)**

| March 31, 2018 | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| | Total | 3 months or less | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Term loans from banks | 8,379.64 | 931.07 | 2,793.21 | 3,724.29 | 931.07 | - |
| Interest Accrue not due on Borrowings | 24.27 | 24.27 | - | - | - | - |
| Trade Payable (Due to micro and small enterprises) | 474.90 | 474.90 | - | - | - | - |
| Trade Payable (Other Trade Payables) | 36,866.26 | 33,458.73 | 3,407.53 | - | - | - |
| Employee payable | 4,862.77 | 2,530.65 | 2,332.12 | - | - | - |
| Security Deposits from Dealers | 1,816.72 | - | - | - | - | 1,816.72 |
| Security Deposits from Contractors | 40.50 | 10.00 | 15.50 | 8.00 | 5.00 | 2.00 |
| Unclaimed Dividend | 58.63 | 58.63 | - | - | - | - |
| Creditor's for Capital Purchases | 2,386.73 | 2,385.00 | 1.73 | - | - | - |
| Other Payable | 10,372.84 | 2,041.95 | 8,330.89 | - | - | - |
| **TOTAL** | **65,283.26** | **41,915.20** | **16,880.98** | **3,732.29** | **936.07** | **1,818.72** |

| March 31, 2017 | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| | Total | 3 months or less | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Term loans from banks | 12,043.57 | 926.43 | 2,779.29 | 3,705.71 | 4,632.14 | - |
| Interest Accrue not due on Borrowings | 27.29 | 27.29 | - | - | - | - |
| Trade Payable (Due to micro and small enterprises) | 486.79 | 486.79 | - | - | - | - |
| Trade Payable (Other Trade Payables) | 28,291.72 | 24,126.81 | 4,164.91 | - | - | - |
| Employee payable | 4,044.52 | 2,038.12 | 2,006.40 | - | - | - |
| Security Deposits from Dealers | 1,701.63 | - | - | - | - | 1,701.63 |
| Security Deposits from Contractors | 44.75 | 16.25 | 11.00 | 14.50 | 1.00 | 2.00 |
| Unclaimed Dividend | 44.69 | 44.69 | - | - | - | - |
| Creditor's for Capital Purchases | 3,553.79 | 3,553.40 | 0.39 | - | - | - |
| Other Payable | 10,895.42 | 2,555.54 | 8,339.88 | - | - | - |
| **Total** | **61,134.17** | **33,775.32** | **17,301.87** | **3,720.21** | **4,633.14** | **1,703.63** |

**iii. Market risk**

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Group is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and market value of its investments. Thus the Group's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

**Foreign Currency risk**

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$ and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency (INR). The Group uses forward exchange contracts to hedge its currency risk and are used exclusively for hedging purposes and not for trading and speculative purposes. These forward exchange contracts, carried at fair value, may have varied maturities depending upon the primary host contract requirement and risk management strategy of the Group. The objective of the hedges is to minimise the volatility of the INR cash flows of highly probable forecast transactions.

The Group's risk management policy is to hedge around 50% to 100% of the net exposure with forward exchange contracts. The remaining exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term requirements. Hedging decisions are based on rolling forex cash flow statement prepared and reviewed on a monthly basis. Such contracts are designated as cash flow hedges.

The foreign exchange forward contracts are denominated in the same currency as the highly probable future sales transaction, therefore the hedge ratio is 1:1. The Group's hedge policy allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective assessments to ensure that an economic relationship exists between the hedged item and the hedged instrument. The Group enters into hedge instruments where the critical terms of hedging instrument are aligned with terms of the hedged item. Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the value of the hedging instruments exceeds on an absolute basis the change in the value of the hedged item attributable to the hedged risk. Hedge ineffectiveness may arise due to the following:

- the critical terms of the hedging instrument and the hedged item differ (i.e. nominal amounts, timing of the forecast transaction, interest resets changes from what was originally estimated), or
- differences arise between the credit risk inherent within the hedged item and the hedging instrument.

**Foreign currency risk exposure:**

The currency profile of financial assets and financial liabilities as at March 31, 2018 and March 31, 2017 expressed in Indian Rupees (₹) are as below:

**Non derivative**

(₹ in lacs)

| | March 31, 2018 | | | |
|---|---|---|---|---|
| | **USD** | **EURO** | **JPY** | **GBP** |
| **Financial assets** | | | | |
| Cash and cash equivalents (EEFC Account) | 108.66 | - | - | - |
| Trade receivables | 29,281.17 | 1,116.87 | 252.14 | - |
| | **29,389.83** | **1,116.87** | **252.14** | **-** |
| **Financial liabilities** | | | | |
| Long term borrowings | 8,379.64 | - | - | - |
| Trade payables | 7,453.65 | - | 89.30 | 2.83 |
| | **15,833.29** | **-** | **89.30** | **2.83** |

(₹ in lacs)

| | March 31, 2017 | | | |
|---|---|---|---|---|
| | USD | EURO | JPY | GBP |
| **Financial assets** | | | | |
| Cash and cash equivalents (EEFC Account) | 10.09 | - | - | - |
| Trade receivables | 21,119.70 | 1,007.98 | 20.30 | - |
| | **21,129.79** | **1,007.98** | **20.30** | **-** |
| **Financial liabilities** | | | | |
| Borrowings (Term Loan) | 12,043.57 | - | - | - |
| Trade payables | 8,823.49 | 19.07 | 29.04 | 0.63 |
| | **20,867.06** | **19.07** | **29.04** | **0.63** |

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee at March 31 would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. Impact of hedging, if any has not been considered here. A 1% increase or decrease is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

(₹ in lacs)

| Effect in INR | Profit or loss, net of tax | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2018** | | | | |
| **1% movement** | | | | |
| USD | 88.65 | (88.65) | - | - |
| EUR | 7.30 | (7.30) | - | - |
| JPY (100) | 106.48 | (106.48) | - | - |
| GBP | (0.02) | 0.02 | - | - |
| **TOTAL** | **202.41** | **(202.41)** | **-** | **-** |

(₹ in lacs)

| Effect in INR | Profit or loss, net of tax | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2017** | | | | |
| **1% movement** | | | | |
| USD | 1.72 | (1.72) | - | - |
| EUR | 6.47 | (6.47) | - | - |
| JPY (100) | (5.71) | 5.71 | - | - |
| **TOTAL** | **2.47** | **(2.47)** | **-** | **-** |

**Interest rate risk**

The Group's main interest rate risk arises from long term foreign currency and working capital borrowings at variable rates. Group's investments are primarily in fixed deposits which are short term in nature and do not expose it to interest rate risk. The Group regularly evaluates the interest rate hedging requirement to align with interest rate views and defined risk appetite, in order to ensure most cost effective interest rate risk management.

**Exposure to interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

(₹ in lacs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Fixed-rate instruments** | | |
| Financial assets | 11,519.62 | 12,873.65 |
| | 11,519.62 | 12,873.65 |
| **Variable-rate instruments** | | |
| Financial liabilities | 8,338.52 | 11,983.34 |
| | 8,338.52 | 11,983.34 |
| **TOTAL** | **19,858.14** | **24,856.99** |

**Fair value sensitivity analysis for fixed-rate instruments**

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable-rate instruments**

A reasonably possible change of 50 bp in interest rates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(₹ in lacs)

| | Profit or loss | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **March 31, 2018** | | | | |
| Variable-rate instruments | (27.40) | 27.40 | - | - |
| **Cash flow sensitivity (net)** | **(27.40)** | **27.40** | **-** | **-** |
| **March 31, 2017** | | | | |
| Variable-rate instruments | (39.38) | 39.38 | - | - |
| **Cash flow sensitivity (net)** | **(39.38)** | **39.38** | **-** | **-** |

**iv) Price risk**

The Group's exposure to price risk arises from investment in mutual funds and classified in the balance sheet as fair value through profit and loss. Mutual fund investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments. However, due to very short tenor of the underlying portfolio in the liquid schemes, these do not pose any significant price risk. Group reviews these mutual fund investments based on safety, liquidity and yield on regular basis.

**v) Impact of Hedging activities**

**(i) Disclosure of hedge accounting on financial position**

| March 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|
| **Type of hedge and risk** | **No. of outstanding contracts** | **Nominal Value (₹ in lacs)** | **Carrying value of hedging instrument * (₹ in lacs)** | **Maturity date** | **Hedge ratio** | **Weighted average strike price/rate** |
| Foreign exchange forward contracts | 121.00 | 98,866.36 | 1,114.50 | April 2017 - March 2021 | 1:1 | US$1: INR 67.94 |

| March 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|
| **Type of hedge and risk** | **No. of outstanding contracts** | **Nominal Value (₹ in lacs)** | **Carrying value of hedging instrument * (₹ in lacs)** | **Maturity date** | **Hedge ratio** | **Weighted average strike price/rate** |
| Foreign exchange forward contracts | 67.00 | 53,292.60 | 2,985.00 | April 2017 - February 2018 | 1:1 | US$1: INR 70.11 |

* Refer Note 7(g)

**(ii) Disclosure of effects of hedge accounting on financial performance**

(₹ in lacs)

| March 31, 2018 | | | | |
|---|---|---|---|---|
| **Type of hedge** | **Change in value of hedging instrument recognised in other comprehensive income** | **Hedge ineffectiveness recognised in profit and loss account** | **Amount reclassified from cash flow hedging reserve to profit and loss** | **Line item affected in statement of profit and loss account because of this reclassification** |
| Foreign exchange forward contracts | 2,428.71 | - | 3,739.97 | Revenue |

(₹ in lacs)

| March 31, 2017 | | | | |
|---|---|---|---|---|
| **Type of hedge** | **Change in value of hedging instrument recognised in other comprehensive income** | **Hedge ineffectiveness recognised in profit and loss account** | **Amount reclassified from cash flow hedging reserve to profit and loss** | **Line item affected in statement of profit and loss account because of this reclassification** |
| Foreign exchange forward contracts | 3,401.26 | - | 1,974.40 | Revenue |

**(iii) Movement in the cash flow hedge reserve**

(₹ in lacs)

| Effective portion of Cash flow Hedges | Amount |
|---|---|
| **As at April 01, 2016** | 420.50 |
| Add: Effective portion of gains / (losses) on cash | 3,401.26 |
| Less: Amount reclassified to profit and loss account | 1,974.40 |
| Less: Deferred tax relating to above | 493.81 |
| **As at March 31, 2017** | **1,353.55** |
| Add: Changes in discounted spot element of foreign exchange forward contract | 2,428.71 |
| Less: Amount reclassified to profit and loss account | 3,739.97 |
| Less: Deferred tax relating to above | (453.80) |
| **As at March 31, 2018** | **496.09** |

**(iv) Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars at March 31 would have affected the measurement of foreign forward exchange contract designated as cash flow hedges and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. A 1% increase or decrease is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

(₹ in lacs)

| Effect | Profit or loss, net of tax | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2018** | | | | |
| **1% movement** | | | | |
| USD | - | - | 646.51 | (646.51) |
| **March 31, 2017** | | | | |
| **1% movement** | | | | |
| USD | - | - | 348.49 | (348.49) |

(₹ in lacs)

## 40 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management is to maximise shareholder's value. The Group manages its capital and makes adjustment to it in light of the changes in economic and market conditions.

The Group manages capital using gearing ratio, which is total debt divided by total equity. The gearing ratio at the end of the reporting period was as follows:

(₹ in lacs)

| | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| Borrowings (Non-current) | | 4,633.33 | 8,296.73 |
| Borrowings (Current) | | 3,705.19 | 3,686.61 |
| Total Debt | A | 8,338.52 | 11,983.34 |
| Total Equity | B | 192,483.56 | 162,717.85 |
| Debt to Equity ratio | A/B | 0.04 | 0.07 |

No changes were made in the objectives, policies or processes for managing capital of the Group during the current and previous year.

## 41 EVENTS AFTER REPORTING DATE

The board of Directors in the meeting held on May 15, 2018 have recommended final dividend for the year ended March 31, 2018 which is subject to the approval of shareholders in the ensuing annual general meeting. Refer note 14 (B) for details.

## 42 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for borrowings are :

(₹ in lacs)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **First charge** | | |
| Property, plant and equipment | 95,608.48 | 90,964.26 |
| **Floating charge** | | |
| Trade receivables | 52,675.17 | 42,371.16 |
| Inventories | 45,200.51 | 43,194.58 |
| **Total** | **193,484.16** | **176,530.00** |

## 43 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying Ind AS 115, 'Revenue from Contracts with Customers', and consequential amendments to other Ind AS. The amendments are applicable to the Group from April 01, 2018. The Group is currently evaluating the impact of the new standard.

**This is the consolidated notes to accounts referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 15, 2018

**For and on behalf of the Board of Directors**

**Narayan K. Seshadri**
Chairman
DIN: 00053563

**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

**Subhash Anand**
Chief Financial Officer

**Naresh Kapoor**
Company Secretary

Inspired by Science

# Independent Auditors' Report

To the Members of **PI Industries Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

1. We have audited the accompanying consolidated financial statements of PI Industries Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associate and jointly controlled entity (refer Note 3[t] to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2019, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), 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 and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated financial statements").

2. 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 Companies Act, 2013 ("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 consolidated state of affairs of the Group, its associate and jointly controlled entity as at March 31, 2019, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

3. 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, its associate and jointly controlled entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 16 of the Other Matters paragraph below, other than the unaudited financial statements as certified by the management and referred to in sub-paragraph 17 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

4. 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.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Estimation of provision for sales returns and discounts and rebates on sales impacting revenue on sale of products**<br><br>(Refer note 20 to the consolidated financial statements)<br><br>Revenue from sale of products is presented net of returns, discounts and volume rebates in the financial statements.<br><br>The management determines provision for sales returns, discounts and rebates on the basis of various factors such as the current and expected operating environment, sales returns variability and expected achievement of targets against various ongoing schemes floated.<br><br>We determined the estimates associated with sales returns, discounts and volume rebates on sale of products as a key audit matter in view of it having significant impact on the recognised revenue and the involvement of management judgment in estimating the amounts at which these are expected to be settled. | In this regard, our audit procedures included:<br><br>Understanding the policies and procedures applied to estimate the sales returns, discounts and volume rebates including evaluation and testing of the design and operating effectiveness of controls related to these estimates.<br><br>Obtained management's calculations for the respective estimates and assessed the reasonableness of assumptions used by the management in determining the amount of provisions based on understanding of the market conditions.<br><br>Assessed the reasonableness of estimates made by the management in the past by comparing the provisions recognised in the earlier financial years with their subsequent settlement, ratio analysis of discounts, volume rebates and sales returns as a percentage of sale of last few years.<br><br>Verified, if any credit notes were issued and/or adjustments made after the balance sheet date and their impact if any on the reported amounts.<br><br>Based on the above procedures performed, the estimates made by the management in respect of provision for sales returns and discounts and rebates on sales were considered to be reasonable. |

| | |
|---|---|
| **Impact assessment of first-time adoption of Ind AS 115 - Revenue from contracts with customers**<br><br>(Refer note 43 in the financial statements)<br><br>The Ind AS 115 'Revenue from Contracts with Customers' has become applicable to the Group with effect from April 1, 2018 and the Group has recognised cumulative effect of initial application in the Opening Retained Earnings on that date.<br><br>The application of this accounting standard has resulted in material financial impact on account of change in the timing of recognition of revenue. In respect of sale of goods, the revenue is now required to be recognised "over the period of time" instead of being recognised "at a point in time". The management has considered various factors such as alternative usability of the products, contractual obligation under the agreement and the overall margin of the contracts while making such assessment.<br><br>We have determined this to be a key audit matter in view of exercise of management judgement and estimates and the significance of the amounts involved. | We performed the following audit procedures:<br><br>- Evaluated and tested the design and implementation of the processes and the operating effectiveness of internal controls of the Company surrounding the implementation and recording adjustments arising from the adoption of Ind AS 115;<br><br>- Examined management's assessment of the financial impact of change in timing of recognition of revenue on adoption of Ind AS 115.<br><br>- Verified the adjustments made in the opening balance of retained earnings as well as for the current year's revenue, for a sample of contracts.<br><br>- Evaluated reasonableness of the assumptions and the margins used for computing percentage of completion.<br><br>- Assessed the appropriateness of disclosures made in the financial statements.<br><br>Basis the procedures performed, we have not noted any significant exceptions in the management assessment of impact of first time adoption of Ind AS 115. |

## Other Information

5. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board report, but does not include the consolidated financial statements and our auditor's report thereon.

6. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

7. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 16 below), 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.

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

8. 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 Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group including its Associate and jointly controlled entity 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 associate and jointly controlled entity 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; 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.

9. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate and jointly controlled entity are responsible for assessing the ability of the Group and of its associate and jointly venture 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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

11. 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 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 consolidated financial statements.

12. 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 consolidated 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 Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to financial statements 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 ability of the Group and its associate and jointly controlled entities 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 consolidated 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 Group and its associate and jointly controlled entities to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate and jointly controlled entities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

13. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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.

14. 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.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

**Other Matters**

16. We did not audit the financial statements of 2 subsidiaries whose financial statements reflect total assets of ₹ 320 million and net assets of ₹ 210 million as at March 31, 2019, total revenue of ₹ Nil, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 20 million and net cash flows amounting to ₹ 16 million for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of ₹ 0.30 Million and ₹ 0.14 Million for the year ended March 31, 2019 as considered in the consolidated Ind AS financial statements, in respect of 1 associate company and 1 jointly controlled entity respectively, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been

furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entity and associate company and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiaries, jointly controlled entity and associate, is based solely on the reports of the other auditors.

17. We did not audit the financial statements of 1 subsidiary whose financial statements reflect total assets of ₹ 12 million and net assets of ₹ 14 million as at March 31, 2019, total revenue of ₹ Nil, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 2 million and net cash flows amounting to ₹ 1 million for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiary, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

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 certified by the Management.

**Report on Other Legal and Regulatory Requirements**

18. 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 (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records 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, 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate company and jointly controlled entity incorporated in India, none of the directors of the Group companies, its associate company and jointly controlled entity incorporated in India is disqualified as on March 31, 2019 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 with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in Annexure A.

With respect to the adequacy of internal financial controls with reference to financial statements of an associate and a jointly controlled entity incorporated in India and the operating effectiveness of such controls, reporting under clause (i) of sub section 3 of Section 143 of the Act is not applicable vide the reports dated April 24, 2019 of their respective statutory auditors.

(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, if any, of pending litigations on

the consolidated financial position of the Group, its associate and jointly controlled entity – Refer Note 16 and 34 to the consolidated financial statements.

ii. The Group, its associate and jointly controlled entity had long-term contracts including derivative contracts as at March 31, 2019 for which there were no material foreseeable losses.

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 company and jointly controlled entity incorporated in India.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2019

For **Price Waterhouse Chartered Accountants LLP**
**Firm Registration Number: FRN012754/N500016**
Chartered Accountants

Sd/-
**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

Inspired by Science

# Annexure A to Independent Auditors' Report

**Referred to in paragraph 18(f) of the Independent Auditors' Report of even date to the members of PI Industries Limited on the consolidated financial statements as of and for the year ended March 31, 2019**

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of PI Industries Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies which are companies incorporated in India, as of that date. Reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls over financial reporting is not applicable to an associate and a joint controlled entity incorporated in India namely Solinnos Agro Sciences Private Limited and PI Kumiai Private Limited, pursuant to MCA notification GSR 583(E) dated 13 June 2017.

### Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company, its subsidiary companies, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls over financial reporting is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on 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 the 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 Act.

### Auditor's Responsibility

3. 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") issued by the ICAI and the Standards on Auditing 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 ICAI. 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.

4. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by 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 Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

6. 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.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. 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

8. In our opinion, the Holding Company, its subsidiary companies which are companies 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, 2019, 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.

### Other Matters

9. 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 insofar as it relates to 2 subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

For **Price Waterhouse Chartered Accountants LLP**
**Firm Registration Number: FRN012754/N500016**
Chartered Accountants

Sd/-
**Ashk Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

Inspired by Science

# Consolidated Balance Sheet

**AS AT MARCH 31, 2019**

**(All amount in ₹ million, unless otherwise stated)**

| Particulars | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 11,791 | 9,906 |
| Capital work-in-progress | | 1,544 | 691 |
| Other intangible assets | 5 | 66 | 71 |
| Intangible asset under development | 6 | 284 | 208 |
| Investments accounted for using the equity method | 9 | 102 | 6 |
| Financial assets | | | |
| (i) Investments | 7(a) | 70 | 5 |
| (ii) Loans | 7(c) | 41 | 39 |
| (iii) Other financial assets | 7(g) | 149 | 63 |
| Deferred tax assets | 17 | 141 | 267 |
| Other non-current assets | 10 | 451 | 390 |
| **Total non-current assets** | | **14,639** | **11,646** |
| **Current assets** | | | |
| Inventories | 8 | 5,357 | 4,520 |
| Financial assets | | | |
| (i) Investments | 7(b) | 1,119 | 1,595 |
| (ii) Trade receivables | 7(d) | 6,618 | 5,268 |
| (iii) Cash and cash equivalents | 7(e) | 614 | 1,173 |
| (iv) Bank balances other than (iii) above | 7(f) | 278 | 134 |
| (v) Loans | 7(c) | 63 | 37 |
| (vi) Other financial assets | 7(g) | 254 | 233 |
| Contract assets | 7(h) | 520 | - |
| Current tax assets | 11 | - | 4 |
| Other current assets | 10 | 2,086 | 1,654 |
| **Total current assets** | | **16,909** | **14,618** |
| **Total assets** | | **31,548** | **26,264** |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 138 | 138 |
| Other equity | 13 | 22,716 | 19,110 |
| **Total equity** | | **22,854** | **19,248** |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | 15(a) | 99 | 463 |
| (ii) Other financial liabilities | 15(c) | 190 | 183 |
| Provisions | 16 | 290 | 233 |
| **Total non current liabilities** | | **579** | **879** |
| **Current Liabilities** | | | |
| Financial liabilities | | | |
| (i) Trade payables | 15(b) | | |
| a) total outstanding dues of micro enterprises and small enterprises | | 48 | 47 |
| b) total outstanding dues of creditors other than micro enterprises and small enterprises | | 5,082 | 3,640 |
| (ii) Other financial liabilities | 15(c) | 2,419 | 2,144 |
| Provisions | 16 | 126 | 107 |
| Other current liabilities | 18 | 435 | 199 |
| Current tax liabilities | 19 | 5 | - |
| **Total current liabilities** | | **8,115** | **6,137** |
| **Total liabilities** | | **8,694** | **7,016** |
| **Total equity and liabilities** | | **31,548** | **26,264** |
| Notes to accounts | 1 to 45 | | |

The accompanying notes referred to above formed the integral part of the financial statement

**This is the Consolidated Balance Sheet referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

**For and on behalf of the Board of Directors**

Sd/-
**Narayan K. Seshadri**
Chairman
DIN: 00053563

Sd/-
**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

# Statement of Consolidated Profit & Loss

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

| Particulars | Notes | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|---|
| **Revenue from operations** | 20 | 28,409 | 23,087 |
| **Other income** | 21 | 595 | 602 |
| **Total income** | | **29,004** | **23,689** |
| **Expenses:** | | | |
| Cost of materials consumed | | 13,728 | 10,837 |
| Purchase of stock in trade | | 1,274 | 776 |
| Changes in inventories of finished goods, work in progress and stock in trade | 22 | 500 | 77 |
| Excise duty on sale of goods | | - | 316 |
| Employee benefit expense | 23 | 2,647 | 2,431 |
| Finance cost | 27 | 50 | 53 |
| Depreciation and amortisation expense | 26 | 930 | 830 |
| Other expense | 24 | 4,496 | 3,715 |
| **Total expenses** | | **23,625** | **19,035** |
| Share of profit and (loss) of associates & joint venture accounted for using the equity method | | 0 | 1 |
| **Profit before tax** | | **5,379** | **4,655** |
| **Income tax expense** | 28 | | |
| Current tax | | (1,176) | (1,001) |
| Deferred tax | | (101) | 22 |
| **Total tax expense** | | **(1,277)** | **(979)** |
| **Profit for the year** | | **4,102** | **3,676** |
| **Other comprehensive income** | | | |
| (i) Items that will not be reclassified to profit or loss | | | |
| Remeasurements gains/(losses) on defined benefit plans | | (2) | 17 |
| Income tax relating to the above item | | 1 | (6) |
| (ii) Items that will be reclassified to profit or loss | | | |
| Effective portion of gains/(losses) on cash flow hedges | | 120 | (131) |
| Exchange difference on translation of foreign operations | | 0 | 1 |
| Income tax relating to the above item | | (42) | 45 |
| **Total comprehensive income for the year** | | **4,179** | **3,602** |
| **Earnings per equity share** | 30 | | |
| 1) Basic (in ₹) | | 29.74 | 26.72 |
| 2) Diluted (in ₹) | | 29.73 | 26.67 |
| Face value per share (in ₹) | | 1.00 | 1.00 |
| Notes to accounts | 1 to 45 | | |

The accompanying notes referred to above formed the integral part of the financial statement

**This is the Consolidated Statement of Profit and Loss referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

**For and on behalf of the Board of Directors**

Sd/-
**Narayan K. Seshadri**
Chairman
DIN: 00053563

Sd/-
**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

Inspired by Science

# Statement of Changes in Consolidated Equity

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

## a. Equity share capital

| Particulars | Note | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|---|
| | | No. of Shares | Amount | No. of Shares | Amount |
| Balance at the beginning of the reporting period | 12 | 137,907,318 | 138 | 137,586,624 | 138 |
| Changes in equity share capital during the period | | 123,333 | 0 | 320,694 | 0 |
| **Balance at the end of the reporting period** | | **138,030,651** | **138** | **137,907,318** | **138** |

## b. Other equity

| Particulars | Note | Reserves & Surplus | | | | | | | Other Reserves | | Total other equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | Capital Redemption reserve | Securities premium reserve | Share option outstanding account | General reserve | Own shares held by Trust under ESOP scheme | Retained earnings | Effective portion of cash flow hedges | Foreign Currency Translation Reserve | |
| **Balance at April 1, 2017** | | 15 | 4 | 1,909 | 141 | 1,857 | - | 12,072 | 135 | 1 | 16,134 |
| Profit for the year | | - | - | - | - | - | - | 3,676 | - | - | 3,676 |
| Other comprehensive income | | - | - | - | - | - | - | 11 | (86) | 1 | (74) |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **3,687** | **(86)** | **1** | **3,602** |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Premium on issue of equity shares through ESOP | 13 c. | - | - | 144 | - | - | - | - | - | - | 144 |
| Own shares held by ESOP Trust | 12 c. | | - | (114) | | | (0) | | | - | (114) |
| Shares issued under ESOP scheme | 13 d. | - | | 45 | (56) | - | 0 | - | - | | (11) |
| Expense on Employee Stock Option Scheme | 13 d. | - | - | - | 17 | - | - | - | - | - | 17 |
| Dividends paid | 14 | - | - | - | - | - | - | (550) | - | - | (550) |
| Dividend Distribution Tax (DDT) | 14 | - | - | - | - | - | - | (112) | - | - | (112) |
| **Balance at March 31, 2018** | | **15** | **4** | **1,984** | **102** | **1,857** | **(0)** | **15,097** | **49** | **2** | **19,110** |
| Profit for the year | | - | - | - | - | - | - | 4,102 | - | - | 4,102 |
| Change in accounting policy- Adjustment of Ind AS 115 | 13 f. | | - | | | | - | 216 | | - | 216 |
| Other comprehensive income | 13 i, h | - | - | - | - | - | - | (1) | 78 | 0 | 77 |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **4,317** | **78** | **0** | **4,395** |
| Transactions with owners in their capacity as owners: | | | | | | | | | | | |
| Premium on issue of Equity Shares through ESOP | 13 c. | - | - | 116 | - | - | - | - | - | - | 116 |
| Own shares held by ESOP Trust | 12 c. | - | - | (74) | - | - | (0) | - | - | - | (74) |
| Shares issued under ESOP scheme | 13 d. | - | - | 29 | (42) | - | 0 | - | - | - | (13) |
| Expense on Employee Stock Option Scheme | 13 d. | - | - | - | 13 | - | - | - | - | - | 13 |
| Dividends paid | 14 | - | - | - | - | - | - | (689) | - | - | (689) |
| Dividend Distribution Tax (DDT) | 14 | - | - | - | - | - | - | (142) | - | - | (142) |
| **Balance at March 31, 2019** | | **15** | **4** | **2,055** | **73** | **1,857** | **(0)** | **18,583** | **127** | **2** | **22,716** |

**This is the Consolidated Statement of Changes in Equity referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

**For and on behalf of the Board of Directors**

Sd/-
**Narayan K. Seshadri**
Chairman
DIN: 00053563

Sd/-
**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

# Consolidated Statement of Cash Flows

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

| PARTICULARS | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| **Profit before Income Tax** | **5,379** | **4,655** |
| **Adjustments for :-** | | |
| Depreciation and amortisation expense | 930 | 830 |
| Finance costs | 50 | 53 |
| Provision for Bad and Doubtful debts & Advances | 179 | 69 |
| Interest Income on Financial Assets at amortised cost | (194) | (266) |
| Unwinding of discount on Security Deposits | (10) | (2) |
| Dividend Income | (0) | (0) |
| Expense on Employee Stock Option Scheme | 13 | 17 |
| (Gain)/Loss on Sale/Retirement of property, plant & equipment (Net) | 13 | 5 |
| (Gain)/Loss on sale of Investments (Net) | (198) | (8) |
| (Gain)/Loss on financial assets measured at fair value through profit or loss (Net) | 89 | (71) |
| Share of (profit)/loss of associate and joint venture | (0) | (1) |
| Impact of Ind AS 115 adjustment taken to retained earnings | 216 | - |
| Unrealised (Gain)/Loss on foreign currency transactions (Net) | 127 | (79) |
| **Operating Profit before Working Capital changes** | **6,594** | **5,202** |
| (Increase) / Decrease in Trade Receivables | (1,493) | (905) |
| (Increase) / Decrease in Current financial assets - Loans | (17) | 55 |
| (Increase) / Decrease in Current Contract Assets | (520) | - |
| (Increase) / Decrease in Non-current financial assets - Loans | (2) | (11) |
| (Increase) / Decrease in Other current financial assets | (44) | (73) |
| (Increase) / Decrease in Other non-current financial assets | (82) | (12) |
| (Increase) / Decrease in Other current assets | (433) | (728) |
| (Increase) / Decrease in Other non-current assets | (3) | 22 |
| (Increase) / Decrease in other bank balances | 10 | 64 |
| (Increase)/Decrease in Inventories | (837) | (201) |
| Increase / (Decrease) in Current Provisions and Trade Payables | 1,498 | 819 |
| Increase / (Decrease) in Non-current Provisions | 57 | 6 |
| Increase / (Decrease) in Other current financial liabilities | 119 | 29 |
| Increase / (Decrease) in Other non-current financial liabilities | 7 | 11 |
| Increase / (Decrease) in Other current liabilities | 237 | (121) |
| **Cash generated from Operations before tax** | **5,091** | **4,157** |
| Income Taxes paid (Includes TDS) | (1,183) | (963) |
| **Net cash inflow (outflow) from Operating Activities** | **3,908** | **3,194** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Payments for purchase of property, plant & equipment including Capital Work in Progress, Intangible Assets and Capital Advances | (3,685) | (1,697) |
| Proceeds from sale of property, plant & equipment | 8 | 1 |
| Purchase of Equity Investment | (65) | - |
| Investments in associates and joint venture | (95) | (0) |
| Purchase and Sale of Current Investments | 427 | (375) |
| Interest Received | 194 | 266 |
| Dividend Received | 0 | 0 |
| **Net cash used in Investing Activities** | **(3,216)** | **(1,805)** |
| **Net cash inflow (outflow) from Operating and Investing Activities** | **692** | **1,389** |

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# Consolidated Statement of Cash Flow

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

| PARTICULARS | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of Equity Share Capital | 0 | 0 |
| Premium on issue of equity shares under ESOP scheme | 29 | 19 |
| Repayment of Borrowings - Term Loan | (399) | (365) |
| Interest paid (Net) | (50) | (53) |
| Dividends paid (including Tax) | (831) | (662) |
| **Net Cash inflow (outflow) from Financing Activities** | **(1,251)** | **(1,061)** |
| **Net Cash inflow (outflow) from Operating, Investing & Financing Activities** | **(559)** | **328** |
| Effect of exchange differences on translation of foreign currency Cash & Cash equivalents | (0) | (0) |
| **Net increase (decrease) in Cash & Cash equivalents** | **(559)** | **328** |
| **Opening balance of Cash & Cash equivalents** | **1,173** | **845** |
| **Closing balance of Cash & Cash equivalents** | **614** | **1,173** |
| Note: Cash and cash equivalents included in the Cash Flow Statement comprise of the following (Refer Note No. 7(e)):- | | |
| **i) Cash on Hand** | 1 | 1 |
| **ii) Balance with Banks :** | | |
| -In Current Accounts | 150 | 148 |
| -In Fixed Deposits | 463 | 1,024 |
| **Total** | **614** | **1,173** |

The above Cash Flow Statement has been prepared under the Indirect method as set out in IND AS - 7.
Figures in brackets indicate cash outflows.

**This is the Consolidated Statement of Cash Flow referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

**For and on behalf of the Board of Directors**

Sd/-
**Narayan K. Seshadri**
Chairman
DIN: 00053563

Sd/-
**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

## 1. Corporate Information

PI Industries Limited ("PI" or "the Company") is a public limited company domiciled in India and has its registered office at Udaipur. The shares of the Company are listed on National Stock Exchange and Bombay Stock Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (referred to collectively as "the Group") and the Group's interest in an associate and a joint venture entity. PI is a leading player in the agchem space having strong presence in both Domestic and Export markets. It has state-of-art facilities in Gujarat having integrated process development teams with in-house engineering capabilities. The Group maintains a strong research presence through its R&D facility at Udaipur. The principal activities of the subsidiaries are Research and Development, Market research and Investment.

## 2. Basis of preparation

The Group has consistently applied the following accounting policies to all periods presented in the consolidated financial statements unless otherwise stated.

### a) Statement of compliance

These consolidated financial statements have been prepared in all material aspects, in accordance with the recognition and measurement principles laid down in Indian Accounting Standard ('Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 ('the Act') and other relevant provisions of the Act to the extent applicable.

These consolidated financial statements were authorised for issue by the Board of Directors on May 17, 2019.

### b) Basis of measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and contingent considerations are measured at fair value;
- Defined benefit plan assets measured at fair value;
- Share-based payments measured at fair value.

### c) New and Amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

- IND AS 115, Revenue from Contracts with Customers
- Amendment to IND AS 12, Income Taxes
- Amendment to IND AS 28, Investments in Associates and Joint Ventures and IND AS 112, Disclosure of Interests in Other Entities

The Group had to change its accounting policies and make certain adjustments following the adoption of IND AS 115. This is disclosed in Note 43. The other amendments listed above did not have any impact on the amount recognized in prior periods and are not expected to significantly affect current or future periods.

### d) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Indian National Rupee ('₹'), which is the Group's functional and presentation currency. All amounts disclosed in the financial statements and notes have been rounded off to the nearest millions as per the requirement of Schedule III, unless otherwise stated. The sign '0' in these consolidated financial statements indicates that the amounts involved are below ₹ five lacs and the sign '-' indicates that amounts are nil.

### e) Current or Non current classification

All Assets and Liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services provided and time between the rendering of services and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

### f) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent liabilities and contingent assets at the date of consolidated financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Application of accounting policies that require critical accounting estimates and assumption judgements having the most significant effect on the amounts recognised in the consolidated financial statements are:

- Measurement of defined benefit obligations;
- Recognition of deferred tax assets & minimum alternative tax credit entitlement;
- Useful life and residual value of Property, plant and equipment and intangible assets;

- Impairment test of financial and non-financial assets including recoverability of expenditure on internally-generated intangible assets;
- Measurement of fair value for share based payments;
- Recognition and measurement of provisions and contingencies.

**g)** The Group recognises revenue over the period of time for contracts wherein the Group's performance for the products does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed till date. Management has determined that it is highly probable that there will be no rescission of the contract and a significant reversal in the amount of revenue recognised will not occur. Accordingly, revenue is recognised for these contracts based on Input method wherein amount of revenue to be recognised is determined based on the actual cost incurred till date and the estimated margin on the contract.

The Group also recognises Provision for discounts and sales returns based on the current and expected operating environment, Sales returns variability, expected achievement of targets against various ongoing schemes floated.

## 3. Significant Accounting Policies

### a) Property, plant and equipment

#### i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs relating to acquisition of qualifying fixed assets, if material, are also included in cost to the extent they relate to the period till such assets are ready to be put to use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment or major inspections performed, are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of all other repairs and maintenance are recognized in the Statement of Profit & Loss as incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

An item of property, plant and equipment is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### ii) Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

#### iii) Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values, and is recognised in the statement of profit and loss. Depreciation on property, plant and equipment is provided on the Straight Line Method based on the useful life of assets estimated by the Management which coincide with the life specified under Schedule II of the Companies Act, 2013, which are as follows:

| | |
|---|---|
| - Buildings including factory buildings and Roads | 3 - 60 years |
| - General Plant and Equipment | 15 years |
| - Electrical Installations and Equipments | 10 years |
| - Furniture and Fixtures | 10 years |
| - Office Equipments | 5 years |
| - Vehicles | 8 - 10 years |
| - Computer and Data Processing Units | 3 - 6 years |
| - Laboratory Equipments | 10 years |

The Group has estimated the useful lives different from the lives prescribed in schedule II of Companies Act, 2013, in the following cases:

| | |
|---|---|
| - Plant and Equipment (Continuous Process Plant) | 15 years |
| - Special Plant and Equipment (used in manufacture of chemicals) | 15 years |

Leasehold land and Cost of improvement on leasehold building is being amortised over the lease period or useful life, whichever is shorter.

Based on assessment made by technical experts, the Management believes that the useful lives as given above best represent the period over which it expects to use these assets.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and changes, if any, are accounted for prospectively. Depreciation on additions to or on disposal of assets is calculated on pro-rata basis i.e. from (upto) the date on which the property, plant and equipment is available for use (disposed off).

**b) Intangible assets**

**i) Recognition and measurement**

Intangible assets acquired separately

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets - Research and development

Research costs are expensed as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Subsequent to initial recognition, the assets are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Internally generated Intangible assets which are not yet available for use are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in profit or loss.

An item of intangible asset is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of intangible assets is recognised in profit or loss.

**ii) Transition to Ind AS**

On transition to Ind AS, Group has elected to continue with the carrying value of all of its intangible assets recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

**iii) Amortisation**

Amortisation is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

| | |
|---|---|
| Software | 6 years |
| Product development | 5 years |

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

**c) Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash flows are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ('CGUs').

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss.

In respect of assets for which impairment loss has been recognised in prior periods, the Group reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

**d) Financial instruments**

**i) Initial recognition**

The Group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

**ii) Subsequent measurement**

**i) Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. When the financial asset is derecognised or impaired, the gain or loss is recognised in the statement of profit and loss.

**ii) Financial assets at fair value through other comprehensive income (FVOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss and recognised in other income.

Equity instruments are subsequently measured at fair value. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis. Fair value gains and losses recognised in OCI are not reclassified to profit and loss.

**iii) Financial assets at fair value through profit or loss**

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**iv) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**iii) Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. Except Trade receivables, expected credit losses are measured at an amount equal to the 12-month Expected Credit Loss (ECL), unless there has been a significant increase in credit risk from initial recognition, in which case those are measured at lifetime ECL.

With regard to trade receivable, the Group applies the simplified approach (Refer Note No. 40 (I)), which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

**iv) Derecognition**

**Financial Assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

**Financial Liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

**v) Reclassification of Financial Assets and Financial Liabilities**

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model.

**vi) Derivative financial instruments**

The Group is exposed to exchange rate risk which arises from its foreign exchange revenues. The Group uses foreign exchange forward contracts (derivative financial instruments), to hedge foreign currency risk associated with highly probable forecasted transactions and classifies them as cash flow hedges.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recorded in the Group's hedging reserve as a component of equity through OCI and later reclassified to profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group makes an assessment, on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For cash flow hedges to be "highly effective", a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income/ (loss), remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/ (loss) is recognized immediately in the statement of profit and loss.

**vii) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**e) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair values for measurement and/ or disclosure purposes are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

**Level 1-** This includes financial instruments measured using quoted prices.

**Level 2-** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

f) **Inventories**

Inventories (including Stock-in-transit) of Finished Goods, Stock in Trade, Work in progress, Raw materials, Packing materials and Stores & Spares are stated at lower of cost and net realizable value. By-products are measured at estimated realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of Raw Materials, Packing Materials, Stores and Spares, Stock in Trade and other products are determined on weighted average basis and are net of Cenvat/Goods and service tax credit.

Cost of Work in progress and Finished Goods is determined on weighted average basis considering direct material cost and appropriate portion of manufacturing overheads based on normal operating capacity. Cost of finished goods include excise duty until June 30, 2017.

Obsolete, slow moving and defective inventories are identified as and when required, and where necessary, the same are written off or provision is made for such inventories.

g) **Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent Liability is disclosed after careful evaluation of facts, uncertainties and possibility of reimbursement, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are not recognised but are disclosed in notes to the consolidated financial statements.

Contingent assets are not disclosed in the consolidated financial statements unless an inflow of economic benefits is probable.

h) **Revenue Recognition**

i) **Sale of goods**

The Group manufactures and sells a range of products to various customers. Revenue is recognised over the period of time for contracts wherein the Group's performance does not create an asset with alternative use to the Group and the entity has an enforceable right to payment for performance completed till date. For remaining contracts, revenue is recognised when the significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods to the degree usually associated with the ownership, and the amount of revenue can be measured reliably, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable. Revenue recognised in relation to these contracts in excess of billing is recognised as a Contract Asset. Accumulated experience is used to estimate and provide for the discounts and returns and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other current liabilities) is recognized for expected returns from the customer. Liability (included in other financial liabilities) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Amounts disclosed as revenue are inclusive of excise duty and net of returns, discounts, volume rebates and net of goods and service tax.

ii) **Sale of services**

Revenue from sale of services is recognised over the period of time as per the terms of the contract with customers based on the stage of completion when the outcome of the transactions involving rendering of services can be estimated reliably.

iii) **Export Incentives**

Incentives on exports are recognised in books after due consideration of certainty of utilisation/ receipt of such incentives.

iv) **Interest Income**

Interest income is accrued on a time basis, by reference to the principal 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 the asset's net carrying amount on initial recognition. Interest income is included in other income in the statement of profit and loss.

**v) Dividends**

Dividend income is recognized when the Group's right to receive dividend is established, and is included in other income in the statement of profit and loss.

**i) Employee Benefits**

**i) Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**ii) Defined contribution plans in respect of entities incorporated in India**

Employees benefits in the form of the Group's contribution to Provident Fund, Pension scheme, Superannuation Fund and Employees State Insurance are defined contribution schemes. The Group recognizes contribution payable to these schemes as an expense, when an employee renders the related service.

If the contribution payable exceeds contribution already paid, the deficit payable is recognised as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, The Group recognize that excess as an asset (prepayments) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

**iii) Defined benefit plans**

Retirement benefits in the form of gratuity are considered as defined benefit plans. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The Group provides for its gratuity liability based on actuarial valuation of the gratuity liability as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an actuary. The Group contributes to the gratuity fund, which are recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**iv) Other long-term employee benefits**

Employee benefits in the form of long term compensated absences are considered as long term employee benefits. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The liability for long term compensated absences are provided based on actuarial valuation as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an actuary. In respect of entities incorporated outside India, the Group does not have any material employee benefit obligations.

**j) Foreign currency transactions**

**Initial recognition:**

Transactions in foreign currencies are translated into the Group's functional currency at the exchange rates at the dates of the transactions.

**Conversion:**

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

**Exchange difference:**

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI

- equity investments at fair value through OCI (FVOCI);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective

In accordance with Ind-AS 101 'First Time Adoption of Indian Accounting Standards', the Group has continued the policy of capitalisation of exchange differences on foreign currency loans taken before the transition date. Accordingly, exchange differences arising on translation of long term foreign currency monetary items relating to acquisition of depreciable fixed assets taken before the transition date are capitalized and depreciated over the remaining useful life of the asset.

**k) Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**l) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income

**i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year after taking credit of the benefits available under the Income Tax Act and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Group:

i) Has a legally enforceable right to set off the recognised amounts; and

ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

For operations carried out in tax free units, deferred tax assets or liabilities, if any, have been recognised for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset only if:

i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

In respect of entities incorporated in India deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is probable evidence that the Group will pay normal income tax in future. Accordingly, MAT is recognised as deferred tax asset in the Balance Sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

**m) Segment Reporting**

An operating segment is defined as a component of the entity that represents business activities from which it earns revenues and incurs expenses and for which discrete financial information is available. The operating segments are based on the Group's internal reporting structure and the manner in which operating results are reviewed by the Chief Operating Decision Maker (CODM).

The Management Advisory Committee of the Group has been identified as the CODM by the Group. Refer Note 35 for Segment disclosure.

**n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**o) Cash flow statement**

Cash flow statements are prepared in accordance with "Indirect Method" as explained in the Accounting Standard on Statement of Cash Flows (Ind AS - 7). The cash flows from regular revenue generating, financing and investing activity of the Group are segregated.

**p) Lease**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease, based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Group as lessee under finance lease**

Assets held under finance lease are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between the finance expenses and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance expenses are recognised in the statement of profit and loss.

**Group as lessee under operating lease**

Payments made under operating leases are generally recognised in profit or loss on a straight- line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as an integral part of the total lease expense over the term of the lease.

**q) Share-based payment transactions**

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and is adjusted to reflect the actual number of share options that vest.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions and excluding the impact of any service and non-market performance vesting conditions.

**r) Earning per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted Earning per Share, the net profit or loss for the period attributable to Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**s) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**t) Basis of consolidation**

**Subsidiaries**

Subsidiaries are entities controlled by the Group. the Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiary companies considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | %voting power held as at March 31st, 2019 (March 31, 2018) |
|---|---|---|
| PILL Finance & Investment Limited | India | 100% (100%) |
| PI Life Science Research Limited | India | 100% (100%) |
| PI Japan Co. Ltd. | Japan | 100% (100%) |

**Equity accounted investees**

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases.

The joint venture and associate companies considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | %voting power held as at March 31st, 2019 (March 31, 2018) |
|---|---|---|
| PI Kumiai Private Limited | India | 50% (50%) |
| Solinnos Agro Sciences Private Limited | India | 49% (49%) |

**Transactions eliminated on consolidation**

Intra -group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group 's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Foreign operation**

The assets and liabilities of foreign operations (subsidiaries, associates, joint arrangements, branches) including goodwill and fair value adjustments arising on acquisition, are translated into ₹, the functional currency of the Group , at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into ₹ at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The resulting exchange difference arising on translations are recognised in OCI and accumulated in other Equity, except to the extent that they are allocated to Non Controlling Interest.

## 4 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land | Freehold land | Leasehold improvement | Buildings | Plant and machinery | Furniture and fixtures | Office equipments | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | | | |
| **As at beginning of April 01, 2017** | 201 | 7 | 1 | 2,625 | 7,608 | 94 | 78 | 1 | **10,615** |
| Additions | - | - | 0 | 296 | 989 | 39 | 21 | 1 | **1,346** |
| Disposals | - | - | - | - | (8) | - | (0) | (0) | **(8)** |
| **As at March 31, 2018** | **201** | **7** | **1** | **2,921** | **8,589** | **133** | **99** | **2** | **11,953** |
| Additions * | 152 | 45 | 0 | 643 | 1,895 | 28 | 22 | 31 | **2,816** |
| Disposals | - | - | - | - | (34) | (1) | - | - | **(35)** |
| **As at March 31, 2019** | **353** | **52** | **1** | **3,564** | **10,450** | **160** | **121** | **33** | **14,734** |
| **Accumulated depreciation** | | | | | | | | | |
| **As at beginning of April 01, 2017** | 4 | - | (0) | 138 | 1,062 | 12 | 23 | 1 | **1,240** |
| Depreciation charge during the year | 2 | - | (0) | 106 | 673 | 11 | 17 | 0 | **809** |
| Disposals | - | - | - | - | (2) | - | (0) | (0) | **(2)** |
| **As at March 31, 2018** | **6** | **-** | **(0)** | **244** | **1,733** | **23** | **40** | **1** | **2,047** |
| Depreciation charge during the year | 3 | - | (0) | 123 | 747 | 15 | 19 | 3 | **910** |
| Disposals | - | - | - | - | (13) | (1) | 0 | - | **(14)** |
| **As at March 31, 2019** | **9** | **-** | **(0)** | **367** | **2,467** | **37** | **59** | **4** | **2,943** |
| **Net carrying amount** | | | | | | | | | |
| **As at March 31, 2018** | **195** | **7** | **1** | **2,677** | **6,856** | **110** | **59** | **1** | **9,906** |
| **As at March 31, 2019** | **344** | **52** | **1** | **3,197** | **7,983** | **123** | **62** | **29** | **11,791** |

* Addition in Leasehold land in the current year represents land which is pending registration in the name of the Group as at March 31, 2019. The same has been subsequently registered on April 22, 2019.

a. Depreciation for the year includes depreciation amounting to ₹ 100 (March 31, 2018 ₹ 90) on assets used for Research & Development. During the year Group incurred ₹ 50 (March 31, 2018 ₹ 167) towards capital expenditure for Research & Development (Refer Note 29).

b. Refer note 42 for information on property, plant and equipment pledged as security by the Group.

c. Refer note 33 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

# Notes to Consolidated Financial Statements

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

## 5. OTHER INTANGIBLE ASSETS

| | Computer Software | Product Development | Total |
|---|---|---|---|
| **Gross carrying amount** | | | |
| **As at beginning of April 01, 2017** | 88 | 10 | 98 |
| Additions | 17 | - | 17 |
| **As at March 31, 2018** | **105** | **10** | **115** |
| Additions | 15 | - | 15 |
| **As at March 31, 2019** | **120** | **10** | **130** |
| **Accumulated amortisation** | | | |
| **As at beginning of April 01, 2017** | 20 | 4 | 24 |
| Amortisation charge during the year | 18 | 2 | 20 |
| **As at March 31, 2018** | **38** | **6** | **44** |
| Amortisation charge during the year | 18 | 2 | 20 |
| **As at March 31, 2019** | **56** | **8** | **64** |
| **Net Carrying Amount** | | | |
| **As at March 31, 2018** | **67** | **4** | **71** |
| **As at March 31, 2019** | **64** | **2** | **66** |

## 6. INTANGIBLE ASSETS UNDER DEVELOPMENT

| | Intangible Assets under Development |
|---|---|
| **As at beginning of April 01, 2017** | 190 |
| Additions | 49 |
| Disposal | (31) |
| **As at March 31, 2018** | **208** |
| Additions | 76 |
| **As at March 31, 2019** | **284** |

The value-in-use of intangible assets under development is higher than the carrying amount.

## 7. FINANCIAL ASSETS

### 7(a) NON CURRENT INVESTMENTS

| **Investment in equity instruments (fully paid up)** | As at March 31, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|
| **1) Quoted at FVTPL** | Face value (in ₹ ) | No. of Shares | Amount | Face value | No. of Shares | Amount |
| a) United Credit Limited | 10 | 700 | 0 | 10 | 700 | 0 |
| b) Summit Securities | 10 | 12 | 0 | 10 | 12 | 0 |
| c) Akzo Nobel India Limited | 10 | 50 | 0 | 10 | 50 | 0 |
| d) BASF India Limited | 10 | 976 | 1 | 10 | 976 | 2 |
| e) Sudershan Chemical Industries Limited | 1 | 900 | 0 | 1 | 900 | 0 |
| f) Rallis India Limited | 1 | 2,070 | 1 | 1 | 2,070 | 0 |
| g) Bayers Crop Science Limited | 10 | 66 | 0 | 10 | 66 | 0 |
| h) Punjab Chemicals & Crop Protection Limited | 10 | 248 | 0 | 10 | 248 | 0 |
| i) Pfizer Limited (Erstwhile Wyeth Limited) | 10 | 29 | 0 | 10 | 29 | 0 |
| j) Sanofi India Limited | 10 | 100 | 1 | 10 | 100 | 1 |
| k) L.M.L.Limited | 10 | 150 | 0 | 10 | 150 | 0 |
| l) United Sprit Limited | 10 | 940 | 1 | 10 | 188 | 1 |
| m) RPG Life Sciences Limited | 10 | 360 | 0 | 10 | 360 | 0 |
| n) Voltas Limited | 1 | 100 | 0 | 1 | 100 | 0 |
| o) ICICI Bank Limited | 2 | 2,530 | 1 | 2 | 2,530 | 1 |
| | | | 5 | | | 5 |

| | | As at March 31, 2019 | | | As at March 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| 2) | Unquoted | Face value (in ₹ ) | No. of Shares | Amount | Face value | No. of Shares | Amount |
| | a) Sygenta India Limited | 10 | 160 | 0 | 10 | 160 | 0 |
| | b) Ciba CKD Biochem Limited | 10 | 100 | 0 | 10 | 100 | 0 |
| | c) Collabo Tech Inc. | 291,545 | 343 | 65 | - | - | - |
| | Less: Provision for diminution in value of investment | | | (0) | | | (0) |
| | | | | 65 | | | 0 |
| | **TOTAL** | | | **70** | | | **5** |
| | Aggregate amount of quoted investments and market value thereof | | | 5 | | | 5 |
| | Aggregate amount of un-quoted investments | | | 65 | | | 0 |
| | Aggregate amount of impairment in the value of investments | | | (0) | | | (0) |

## 7(b) CURRENT INVESTMENTS

| | | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|---|
| **Investment in mutual funds at FVTPL** | | | | | |
| **Quoted** | | | | | |
| **a) Reliance Liquid Fund-Treasury Plan-Growth Plan-Growth Option** | | - | | 325 | |
| Nil (March 31, 2018 : 77,036.308 ) Units | | | | | |
| **b) SBI Premier Liquid Fund-Regular Plan-Growth** | | - | | 312 | |
| Nil (March 31, 2018 : 1,14,726.879 ) Units | | | | | |
| **c) ICICI Prudential Liquid Plan-Growth** | | - | | 326 | |
| Nil (March 31, 2018 : 12,70,018.482) Units | | | | | |
| **d) HDFC Liquid Fund-Regular Plan-Growth** | | - | | 321 | |
| Nil (March 31, 2018 : 94,323.052) Units | | | | | |
| **e) Aditya Birla Sun Life Cash Plus-Growth-Direct Plan** | | - | | 311 | |
| Nil (March 31, 2018 : 1,113,090.088) Units | | | | | |
| **f) Reliance Liquid Fund - Direct Plan Growth Plan - Growth Option** | | | | - | |
| 48,256 (March 31, 2018 : Nil) Units | | 220 | | | |
| **g) Aditya Birla Sun Life Liquid Fund-Growth-Direct Plan** | | | | - | |
| 6,53,069 (March 31, 2018 : Nil) Units | | 196 | | | |
| **h) HDFC Liquid Fund-Regular Plan-Growth** | | | | - | |
| 70,151 (March 31, 2018 : Nil) Units | | 257 | | | |
| **i) SBI Liquid Fund Direct Growth** | | | | - | |
| 1,52,342 (March 31, 2018 : Nil) Units | | 446 | **1,119** | | **1,595** |
| **Quoted** | **TOTAL** | | **1,119** | | **1,595** |
| Aggregate amount of quoted investments and market value thereof | | | **1,119** | | **1,595** |
| Aggregate amount of impairment in the value of investments | | | - | | - |

## 7(c) LOANS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| ***Unsecured, considered good unless stated otherwise*** | | | | |
| Security deposits | 41 | 39 | 7 | 3 |
| Loans and advances to related parties (Refer Note 36) | - | - | 3 | 0 |
| **Other loans and advances** | | | | |
| Employee advances | | | | |
| Considered good | - | - | 5 | 4 |
| Doubtful | - | - | 2 | 1 |
| Less: Allowance for doubtful employee advances | - | - | (2) | (1) |
| Other miscellaneous advances | - | - | 48 | 30 |
| **TOTAL** | **41** | **39** | **63** | **37** |

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# Notes to Consolidated Financial Statements

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

## 7(d) TRADE RECEIVABLES

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Trade receivables | **6,939** | **5,455** |
| Receivables from related parties (Refer note 36) | - | 6 |
| Less: Allowance for doubtful debts | (321) | (193) |
| **TOTAL** | **6,618** | **5,268** |
| Current portion | 6,618 | 5,268 |
| Non-current portion | - | - |
| **Break up of security details** | | |
| Trade receivables considered good- Secured | - | - |
| Trade receivables considered good- Unsecured | 6,939 | 5,461 |
| Trade receivables which have significant increase in credit risk | - | - |
| Trade receivables- credit impaired | - | - |
| | **6,939** | **5,461** |
| Less: Allowance for doubtful debts | (321) | (193) |
| **TOTAL** | **6,618** | **5,268** |

Refer note 42 for information on trade receivables pledged as security by the Group.

## 7(e) CASH AND CASH EQUIVALENTS

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| i. | **Cash & Cash Equivalents** | | |
| | ***Balance with banks*** | | |
| | In Current Accounts | 90 | 137 |
| | In EEFC account | 60 | 11 |
| | ***Cash on hand*** | 1 | 1 |
| | ***Deposits with maturity of less than 3 months**** | 463 | 1,024 |
| | **TOTAL** | **614** | **1,173** |

* Includes deposits amounting to ₹ Nil (March 31, 2018 : ₹ 207) held as margin money.

## 7(f) BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| In deposit accounts held as margin money | 31 | 46 |
| Fixed deposits with bank | 240 | 82 |
| In unclaimed dividend accounts * | 7 | 6 |
| **TOTAL** | **278** | **134** |

* Not available for use by the Group as they represent corresponding unclaimed dividend liabilities.

## 7(g) OTHERS FINANCIAL ASSETS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| ***Considered good unless stated otherwise*** | | | | |
| Interest and other charges recoverable from customers | | | | |
| -Considered good | - | - | 94 | 88 |
| -Doubtful | - | - | 121 | 80 |
| Less: Allowance for doubtful debts | - | - | (121) | (80) |
| Deposits lodged with Excise & Sales Tax department | 28 | 27 | - | - |
| Deposit accounts held as margin money | 31 | 26 | 40 | 43 |
| Derivative financial instruments - foreign exchange forward contracts | 90 | 10 | 120 | 102 |
| **TOTAL** | **149** | **63** | **254** | **233** |

### 7(h) CONTRACT ASSETS

| | Non- Current<br>As at March 31, 2019 | Current<br>As at March 31, 2019 |
|---|---|---|
| Contract assets | - | 520 |
| **TOTAL** | **-** | **520** |

- Assets recognized from costs to fulfil a contract

There is no asset recognized from costs to obtain or fulfil a contract with a customer.

Revenue recognised that was included in the contract liability balance at the beginning of the period was ₹ 116

### 8 INVENTORIES

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Raw materials {includes stock-in-transit ₹ 1048 (March 31, 2018 : ₹ 553)} | 3,504 | 2,080 |
| Work in progress | 595 | 369 |
| Finished goods *{includes stock-in-transit ₹ 183 (March 31, 2018 : ₹ 629)} | 735 | 1,710 |
| Stock in trade *{includes stock-in-transit ₹ Nil (March 31, 2018 : ₹ 22)} | 292 | 150 |
| Stores & spares {includes stock-in-transit ₹ 6 (March 31, 2018 : ₹ 6)} | 231 | 211 |
| **TOTAL** | **5,357** | **4,520** |

* The cost of inventories recognised as an expense on account of provision of obsolete/ slow and non moving inventories amounting to ₹ 68 (March 31, 2018: ₹ 49)

### 9 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Investment in Unquoted Equity Instruments** | | |
| Solinnos Agro Sciences Private Limited (Associate)* | 6 | 6 |
| PI Kumiai Private Limited (Joint Venture)** | 96 | 0 |
| | **102** | **6** |

* The Group has a 49% interest in Solinnos Agro Sciences Private Limited, which is involved in the business of all types of agri Inputs. The Group's interest in Solinnos Agro Sciences Private Limited is at carrying amount determined using the equity method of accounting. The country of business is India.

** The Group has a 50% interest in PI Kumiai Private Limited, which is involved in the business of are manufacturing and trading of Agri Science Products. The Group's interest in PI Kumiai Private Limited is at carrying amount determined using the equity method of accounting. The country of business is India.

The Group has interest in Solinnos Agro Sciences Private Limited and PI Kumiai Private Limited that are accounted for using equity method and are individually immaterial to the Group. Refer table below for details: -

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associate and joint venture | 102 | 6 |
| Aggregate amounts of the group's share of: | | |
| Profit/(loss) from continuing operations | 0 | 1 |
| Post-tax profit or loss from discontinued operations | - | - |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **0** | **1** |

## 10 OTHER ASSETS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| ***Considered good unless stated otherwise*** | | | | |
| **Capital advances** | | | | |
| Considered good | 383 | 325 | - | - |
| Doubtful | 1 | 1 | - | - |
| Less: Allowance for doubtful advances | (1) | (1) | - | - |
| **Advances to vendors** | | | | |
| Considered good | - | - | 627 | 426 |
| Doubtful | - | - | 11 | 10 |
| Less: Allowance for doubtful advances | - | - | (11) | (10) |
| Balance with Central Excise Authorities, Customs etc. | - | - | 93 | 181 |
| Prepayments | 9 | 10 | 40 | 90 |
| Other statutory advances | 0 | 0 | 660 | 530 |
| Export incentive receivables | - | - | 559 | 427 |
| Right to recover returned goods (Refer note 43) | - | - | 107 | - |
| Other miscellaneous advances* | 59 | 55 | - | - |
| **TOTAL** | **451** | **390** | **2,086** | **1,654** |

* Other miscellaneous advances includes amount of ₹ 55 (March 31, 2018 ₹ 50) deposited with Sales Tax Authorities under protest.

## 11 CURRENT TAX ASSETS

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Advance income tax (Net of provision for income tax ₹ 7,231 {March 31, 2018 ₹ 5,969}) | - | 4 |
| **TOTAL** | **-** | **4** |

## 12 EQUITY SHARE CAPITAL

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Authorised Shares** | | |
| 22,30,00,000 (March 31, 2018 : 22,30,00,000) Equity Shares of ₹1 each (March 31, 2018 : ₹ 1 each) | 223 | 223 |
| 50,00,000 (March 31, 2018 : 50,00,000) Preference Shares of ₹100 each (March 31, 2018 : ₹ 100 each) | 500 | 500 |
| | **723** | **723** |
| **Issued Shares** | | |
| 13,82,07,226 (March 31, 2018 : 13,80,83,893) Equity Shares of ₹1 each (March 31, 2018 : ₹ 1 each) | 138 | 138 |
| | **138** | **138** |
| **Subscribed & Fully Paid up Shares** | | |
| 13,80,30,651 (March 31, 2018 : 13,79,07,318) Equity Shares of ₹1 each (March 31, 2018 : ₹ 1 each) | 138 | 138 |
| **Total subscribed and fully paid up share capital** | **138** | **138** |

**a.** The difference between the issued and subscribed capital is on account of less number of shares allotted in right issue in earlier years.

**b. Terms/ rights attached to Equity Shares**

The Company has only one class of Equity Shares having a par value of ₹1 per share (March 31, 2018 ₹ 1 per share). Each holder of Equity Shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except interim dividend. In the event of liquidation, the Equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**c. Own shares held by ESOP Trust**

In the earlier years, PII ESOP Trust was set up to administer the employee stock option plan. During the current year PII ESOP Trust has been consolidated. Refer table below for movement of shares on account of consolidation: -

| Particulars | For the year ended March 31, 2019 | | For the year ended March 31, 2018 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| Opening balance | 271,558 | 0 | - | - |
| Adjustment on consolidation of ESOP Trust during the year | 123,333 | 0 | 505,054 | 0 |
| Exercised during the year | 163,691 | 0 | 233,496 | 0 |
| **Closing balance** | **231,200** | **0** | **271,558** | **0** |

**d. Issue of Shares under employee stock option (ESOP) Scheme**

During the year ended March 31, 2019, the Company has issued 1,23,333 equity shares of ₹ 1 each (March 31, 2018: 3,20,694 equity shares of ₹ 1 each), as per exercise price to PII ESOP Trust, set up to administer Employee Stock Option Plan. Out of total equity shares issued to the Trust 1,63,691 equity shares of face value of ₹ 1 each (March 31, 2018: 2,33,496 equity shares of face value of ₹ 1 each) have been allocated by the Trust to respective employees upon exercise of Stock Option from time to time. As on March 31, 2019: 2,31,200 equity shares of face value of ₹ 1 per share (March 31, 2018: 2,66,748 of face value of ₹ 1 each) are pending to be allocated to employees upon exercise of Stock Option. (Refer Note 32)

**e. Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

**Issued share capital**

***Equity Shares***

| Particulars | Equity Share (No. of Shares) | | Value of Equity Shares | |
|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Share outstanding at beginning of period | 138,083,893 | 137,763,199 | 138 | 138 |
| Shares issued under employee stock option scheme | 123,333 | 320,694 | 0 | 0 |
| Share outstanding at end of period | **138,207,226** | **138,083,893** | **138** | **138** |

**Subscribed & paid up**

***Equity Shares***

| Particulars | Equity Share (No. of Shares) | | Value of Equity Shares | |
|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| Share outstanding at beginning of period | 137,907,318 | 137,586,624 | 138 | 138 |
| Shares issued under employee stock option plan | 123,333 | 320,694 | 0 | 0 |
| Share outstanding at end of period | **138,030,651** | **137,907,318** | **138** | **138** |

**f. Shares reserved for issue under option**

Shares reserved for issue under employee stock option scheme is set out in Note 32

**g. Details of shareholders holding more than 5% shares in the Company**

***Equity Shares***

| Name of Shareholders | 2018-19 | | 2017-18 | |
|---|---|---|---|---|
| | No of Shares | % of Holding | No of Shares | % of Holding |
| Mr. Salil Singhal | 8,554,857 | 6.20 | 8,554,857 | 6.20 |
| Ms. Madhu Singhal | 21,560,500 | 15.62 | 21,560,500 | 15.63 |
| Mr. Mayank Singhal | 32,028,510 | 23.20 | 32,028,510 | 23.22 |
| Ms. Pooja Singhal | 8,665,550 | 6.28 | 8,665,550 | 6.28 |
| ICICI Prudential Value Discovery Fund | 6,073,466 | 4.40 | 7,345,756 | 5.33 |

# Notes to Consolidated Financial Statements

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

## 13 OTHER EQUITY

| | Reserves & surplus | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|---|
| **a.** | **Capital reserve** | | | | |
| | Balance at the beginning of the financial year | 15 | | 15 | |
| | Addition during the financial year | - | 15 | - | 15 |
| | *Capital Reserve pertains to amount transferred from capital redemption reserve which was created for redemption of preference share.* | | | | |
| **b.** | **Capital redemption reserve** | | | | |
| | Balance at the beginning of the financial year | 4 | | 4 | |
| | Addition during the Financial year | - | 4 | - | 4 |
| | Deduction during the financial year | | | | |
| **c.** | **Securities premium reserve** | | | | |
| | Balance at the beginning of the financial year | 1,984 | | 1,909 | |
| | Add: Premium on issue of equity shares through ESOP | 116 | | 144 | |
| | Add: Exercise of share options | 29 | | 45 | |
| | Less: Own shares held by ESOP Trust | (74) | 2,055 | (114) | 1,984 |
| | *Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.* | | | | |
| **d.** | **Share option outstanding account** | | | | |
| | Balance at the beginning of the financial year | 102 | | 141 | |
| | Less: Expense on employee stock option scheme | 13 | | 17 | |
| | Less: Shares issued under employee stock option scheme | (42) | 73 | (56) | 102 |
| | *The share options outstanding account is used to recognise the liability arising out of options issued to employees under Employee stock option scheme until the shares are issued (Refer Note 32).* | | | | |
| **e.** | **General reserve** | | | | |
| | Balance at the beginning of the financial year | 1,857 | | 1,857 | |
| | Add: Transferred during the financial year | - | 1,857 | - | 1,857 |
| **f.** | **Surplus in statement of profit & loss** | | | | |
| | Balance at the beginning of the financial year | 15,097 | | 12,072 | |
| | Addition during the financial year | 4,102 | | 3,676 | |
| | Add: Change in accounting policy- Adjustment of Ind AS 115 (Refer note 43) | 216 | | | |
| | Add: Remeasurement gain / (loss) on defined benefit plans through OCI | (1) | | 11 | |
| | Less: Interim dividend | (345) | | (206) | |
| | Less: Final dividend | (344) | | (344) | |
| | Less: Dividend distribution tax on equity shares | (142) | 18,583 | (112) | 15,097 |
| **g.** | **Own shares held by ESOP Trust** | | | | |
| | Balance at the beginning and end of the financial year | (0) | | - | |
| | Add: Adjustment on consolidation of ESOP Trust during the year | (0) | | (0) | |
| | Less: Exercise of share options | 0 | (0) | 0 | (0) |
| | **Items of other comprehensive income** | | | | |
| **h.** | **Cash flow hedge reserve** | | | | |
| | Balance at the beginning of the financial year | 49 | | 135 | |
| | Add: Other comprehensive income for the financial year | 78 | 127 | (86) | 49 |
| | *The company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable forecast sale. For hedging foreign currency risk, the company uses foreign currency forward contracts which is designated as cash flow hedges. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to profit or loss when the hedged item (sales) affects profit or loss.* | | | | |
| **i.** | **Foreign currency translation reserve** | | | | |
| | Balance at the beginning and end of the financial year | 2 | | 1 | |
| | Other comprehensive income for the year | 0 | 2 | 1 | 2 |
| | **Total** | | **22,716** | | **19,110** |

## 14. DISTRIBUTION MADE AND PROPOSED

| A | Dividends declared and paid: | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| | Final dividend | 344 | 344 |
| | Interim dividend | 345 | 206 |
| | **Total dividends** | **689** | **550** |

The Company has paid tax on dividend amounting to ₹ 142 (March 31, 2018 ₹ 112)

| B | Dividends not recognised at the end of the reporting period | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| | In addition to the above dividends, subsequent to the year end the Board of Directors have recommended a final dividend of ₹1.50 per fully paid equity share (March 31, 2018 ₹ 2.50). | 207 | 345 |
| | Tax on dividend | 42 | 70 |

This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

## 15. FINANCIAL LIABILITIES

### 15(a) BORROWINGS (NON-CURRENT)

| | Non- Current maturities | | Current maturities | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| **Secured** | | | | |
| **Term Loans - From Banks and Financial Institutions** | | | | |
| Foreign Currency Loans from Banks | 99 | 463 | 395 | 373 |
| Less: Interest accrued but not due on borrowings (included in Note 15(c)) | - | - | 2 | 2 |
| **TOTAL** | **99** | **463** | **393** | **371** |

a. **Foreign currency loans includes:**

External commercial borrowings (ECB) from HSBC bank amounting to USD 7 Mn carrying interest rate of 3 months LIBOR plus 1.42% is outstanding as on March 31, 2019 and is repayable in balance 5 quarterly instalments of USD 1 Mn each. The loan is secured by exclusive charge on movable plant and machinery relating to multi purpose plant (MPP) - 6 &7 of the Company situated at SPM 28, Jambusar (Gujarat). Carrying value of assets pledged as securities is ₹ 1,805. Refer note 42.

b. As on the Balance sheet date there is no default in repayment of loans and interest.

c. **Changes in liabilities arising from financing activities**

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| This section sets out changes in liabilities arising from financing activities pursuant to requirements under Ind AS 7 | | |
| Current portion of long term financial borrowings | (393) | (371) |
| Non-current portion of long term financial borrowings | (99) | (463) |
| Interest accrued but not due on borrowings | (2) | (2) |
| **TOTAL** | **(494)** | **(836)** |

| | Amount |
|---|---|
| **Balance as at March 31, 2018** | **(836)** |
| Foreign exchange adjustments | (56) |
| Interest expense | (29) |
| Interest paid | 30 |
| Amortisation of Prepaid Processing Charges on Term Loan | (2) |
| Re-payments | 399 |
| **Balance as at March 31, 2019** | **(494)** |

# Notes to Consolidated Financial Statements

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

### 15(b) TRADE PAYABLES

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Trade payables | | |
| - Due to micro and small enterprises (Refer Note 37) | 48 | 47 |
| - Other trade payables | 5,082 | 3,640 |
| **TOTAL** | **5,130** | **3,687** |

### 15(c) OTHER FINANCIAL LIABILITIES

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| Employee payables* | - | - | 523 | 486 |
| Security deposits from dealers | 189 | 181 | - | - |
| Security deposits from contractors | 1 | 2 | 3 | 3 |
| Current maturities of long-term borrowings (Refer Note 15 (a)) | - | - | 393 | 371 |
| Interest accrued but not due on borrowings | - | - | 2 | 2 |
| Unclaimed dividends | - | - | 7 | 6 |
| Creditors for capital purchases | - | - | 371 | 239 |
| Other payable ** | - | - | 1,120 | 1,037 |
| **TOTAL** | **190** | **183** | **2,419** | **2,144** |

* This includes due to directors amounting to ₹ 93 (March 31, 2018 ₹ 68)

** This includes due to non-executive/ independent directors amounting to ₹ 17 (March 31, 2018 : ₹ 12)

## 16 PROVISIONS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| **Provision for employee benefits*** | | | | |
| Long term compensated absences | 111 | 97 | 8 | 6 |
| Gratuity | 179 | 136 | - | - |
| | **290** | **233** | **8** | **6** |
| **Provisions for legal claims** | - | - | 118 | 101 |
| | **-** | **-** | **118** | **101** |
| **TOTAL** | **290** | **233** | **126** | **107** |

**(i) Information about provisions for legal claims**

(a) An objection was raised by the custom department on classification of one of the imported raw materials resulting in demand of differential custom duty. The Company filed an appeal against the order and is clearing the goods after furnishing of bank guarantee for differential duty against each import of such raw material. As on March 31, 2019 total differential custom duty demand is ₹ 114 (March 31, 2018 ₹ 97). Case is pending before Assistant Commissioner of Customs, Mumbai.

(b) Government of Rajasthan issued a notification resulting into an excise liability of ₹ 4 (March 31, 2018: ₹ 4). The Company has filed writ against the notification and has furnished fixed deposit against the said liability. The case is pending before Honorable Rajasthan High Court.

**(ii) Movement in other provisions**

| | Legal claims |
|---|---|
| **As at 1 April 2017** | 82 |
| Provisions made during the year | 19 |
| **As at 31 March 2018** | 101 |
| Provisions made during the year | 17 |
| **As at March 31, 2019** | 118 |

* Refer note 31 for movement in "Provision for Employee Benefits"

## 17 DEFERRED TAX (ASSETS) / LIABILITIES

| The balance comprises temporary differences attributable to: | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| Property, plant and equipment | | 1,093 | 1,033 |
| Intangible assets | | 14 | 16 |
| Other comprehensive income items | | | |
| - Remeasurements on defined benefit plans | | (17) | (16) |
| - Effective portion on cash flow hedges | | 58 | 16 |
| - Exchange difference on translation of foreign operations | | 1 | 1 |
| | A | **1,149** | **1,050** |
| **Deferred tax assets** | | | |
| Provision for employee benefits | | (42) | (89) |
| Other provisions | | (17) | - |
| Other financial liabilities | | (8) | (5) |
| Trade receivables | | (155) | (67) |
| Other financial assets | | - | (28) |
| Others | | (5) | (15) |
| Minimum alternate tax (MAT) credit entitlement | | (1,063) | (1,113) |
| | B | **(1,290)** | **(1,317)** |
| **Net deferred tax (assets)/ liabilities** | TOTAL | **(141)** | **(267)** |

| Movement in deferred tax: | As at March 31, 2018 | Recognized in P&L | Recognized in OCI | Other Adjustments* | As at March 31, 2019 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Property, plant and equipment | 1,033 | 60 | - | - | 1,093 |
| Intangible assets | 16 | (2) | - | - | 14 |
| Other comprehensive income items | | | | | |
| - Remeasurements on defined benefit plans | (16) | - | (1) | - | (17) |
| - Effective portion on cash flow hedges | 16 | - | 42 | - | 58 |
| - Exchange difference on translation of foreign operations | 1 | - | - | - | 1 |
| **Sub- Total (a)** | **1,050** | **58** | **41** | **-** | **1,149** |
| **Deferred tax assets** | | | | | |
| Provision for employee benefits | 89 | (47) | - | - | 42 |
| Other provisions | - | 17 | - | | 17 |
| Other financial liabilities | 5 | 3 | - | - | 8 |
| Trade receivables | 67 | 88 | - | - | 155 |
| Other financial assets | 28 | (28) | - | - | - |
| Others | 15 | (10) | - | - | 5 |
| Minimum alternate tax (MAT) credit entitlement | 1,113 | (66) | - | 16 | 1,063 |
| **Sub- Total (b)** | **1,317** | **(43)** | **-** | **16** | **1,290** |
| **Net deferred tax liability (a)-(b)** | **(267)** | **101** | **41** | **(16)** | **(141)** |

* Actualisation of MAT credit utilisation for the FY 2017-18 on the basis of tax return filed.

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# Notes to Consolidated Financial Statements

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

| Movement in deferred tax: | As at March 31, 2017 | Recognized in P&L | Recognized in OCI | Other Adjustments* | As at March 31, 2018 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Property, plant and equipment | 947 | 86 | - | - | 1,033 |
| Intangible assets | 14 | 2 | - | - | 16 |
| Other comprehensive income items | | | | - | |
| - Remeasurements on defined benefit plans | (22) | - | 6 | - | (16) |
| - Effective portion on cash flow hedges | 61 | - | (45) | - | 16 |
| - Exchange difference on translation of foreign operations | 1 | - | 0 | - | 1 |
| **Sub- Total (a)** | **1,001** | **88** | **(39)** | **-** | **1,050** |
| **Deferred tax assets** | | | | | |
| Provision for employee benefits | 58 | 31 | - | - | 89 |
| Other provisions | - | - | - | - | - |
| Other financial liabilities | 13 | (8) | - | - | 5 |
| Trade receivables | 51 | 16 | - | - | 67 |
| Other financial assets | 23 | 5 | - | - | 28 |
| Others | 1 | 14 | - | - | 15 |
| Minimum alternate tax (MAT) credit entitlement | 1,053 | 52 | - | 8 | 1,113 |
| **Sub- Total (b)** | **1,199** | **110** | **-** | **8** | **1,317** |
| **Net deferred tax liability (a)-(b)** | **(198)** | **(22)** | **(39)** | **(8)** | **(267)** |

* Actualisation of MAT credit entitlement for the FY 2016-17 on the basis of tax return filed.

## 18 OTHER LIABILITIES

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2019 | As at March 31, 2018 | As at March 31, 2019 | As at March 31, 2018 |
| Advance from customers | - | - | 125 | 116 |
| Refund/ Return liabilities | - | - | 208 | - |
| Statutory dues payable | - | - | 102 | 83 |
| **TOTAL** | **-** | **-** | **435** | **199** |

The Group has a customary practice of accepting return and accordingly, the Group has recognised a refund liability for the amount of consideration received for which the Group does not expect to be entitled amounting to ₹ 208. The Group has also recognised a right to recover the returned goods ₹ 107; see note 43. The costs to recover the products are not material because the customers usually return the product in a saleable condition.

## 19 CURRENT TAX LIABILITIES

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| Provision for Income Tax (Net of Advance Income Tax ₹ 7,226 {March 31, 2018 ₹ 5,972}) | 5 | - |
| **TOTAL** | **5** | **-** |

## 20 REVENUE FROM OPERATIONS

| | | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| | **Revenue from operations includes** | | |
| a) | Sale of products (including excise duty) | 27,918 | 22,747 |
| b) | Sale of services; | 2 | 15 |
| c) | Other operating revenues: | | |
| | Scrap sales | 18 | 14 |
| | Export incentives | 471 | 311 |
| | **Revenue From Operations (Net)** | **28,409** | **23,087** |

Goods and Service Tax (GST) has been effective from July 01, 2017. Consequently, excise duty, value added tax (VAT), Service tax etc. have been replaced with GST. Until June 30, 2017, 'Sale of products' included the amount of excise duty recovered on sales. With effect from July 01, 2017, 'Sale of products' excludes the amount of GST recovered. Accordingly, revenue from 'Sale of Products' and 'Revenue from operations' for the year ended March 31, 2019 are not comparable with those of the previous year.

See note 43 for details about restatements for change in accounting policies consequent to adoption of IND AS 115.

| Reconciliation of revenue recognised with the contract price: | Year ended March 31, 2019 |
|---|---|
| Contract Price | 29,886 |
| Adjustments for: | |
| Refund liabilities | (208) |
| Discount/Incentives | (1,760) |
| **Revenue from Operations** | **27,918** |

**Critical judgements in recognising revenue :**

The Group has recognised Provision for discounts and sales returns amounting to INR 474 from sale of products to various customers during the year ended March 31, 2019. The provision has been determined by the management based on the current and expected operating environment, Sales returns variability, expected achievement of targets against various ongoing schemes floated.

## 21. OTHER INCOME

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Interest Income from financial assets at amortised cost | 194 | 266 |
| Unwinding of discount on security deposits | 10 | 2 |
| Net gain on investments | | 80 |
| -Realised Gain | 198 | - |
| -Unrealised Gain/ (Loss) | (89) | - |
| Net foreign exchange differences * | 240 | 235 |
| Dividend Income | 0 | 0 |
| Miscellaneous Income | 42 | 19 |
| **TOTAL** | **595** | **602** |

* Net of amount of loss ₹ 55 (March 31, 2018 ₹ 2) which has been transferred to Capital work in progress during the year.

## 22 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| **Closing balance** | | | | |
| Finished Goods | 735 | | 1,710 | |
| Stock in trade | 292 | | 150 | |
| Work in Progress | 595 | | 369 | |
| Right to recover returned goods (Refer note 43) | 107 | 1,729 | - | 2,229 |
| **Opening balance** | | | | |
| Finished Goods | 1,710 | | 1,355 | |
| Stock in trade | 150 | | 190 | |
| Work in Progress | 369 | 2,229 | 761 | 2,306 |
| **TOTAL** | | **500** | | **77** |

## 23 EMPLOYEE BENEFIT EXPENSE

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Salaries, wages and bonus | 2,372 | 2,139 |
| Contribution to provident & other funds | 96 | 83 |
| Gratuity (Refer Note 31) | 38 | 90 |
| Long term compensated absences | 25 | 13 |
| Employees Welfare Expenses | 103 | 89 |
| Expense on Employee Stock Option Scheme (Refer Note 30) | 13 | 17 |
| **TOTAL *** | **2,647** | **2,431** |

* Net of amount of ₹ 169 (March 31, 2018 ₹ 94) which has been transferred to Capital work in progress during the year.

# Notes to Consolidated Financial Statements

**FOR THE YEAR ENDED MARCH 31, 2019**
**(All amount in ₹ million, unless otherwise stated)**

## 24 OTHER EXPENSES

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Power, Fuel & Water | 912 | 755 |
| Consumption of stores & spares | 251 | 212 |
| Repairs & Maintenance | | |
| - Buildings | 60 | 53 |
| - Plant and machinery | 216 | 156 |
| - Others | 129 | 103 |
| Environment & Pollution Control expenses | 454 | 350 |
| Laboratory & Testing Charges | 214 | 190 |
| Freight & Cartage | 406 | 321 |
| Advertisement & Sales Promotion | 372 | 370 |
| Travelling and conveyance # | 431 | 382 |
| Rental charges {Refer note 33 (c)} | 159 | 152 |
| Rates and taxes | 45 | 37 |
| Insurance | 42 | 44 |
| Donation | 59 | 34 |
| Loss on Sale/Retirement of property, plant and equipment (Net) | 13 | 5 |
| Payment to auditors {Refer note 24 (a) below} | 5 | 5 |
| Telephone and communication charges | 46 | 45 |
| Provision for Bad and Doubtful debts & Advances | 179 | 69 |
| Director sitting fees and commission | 19 | 15 |
| Legal & professional fees | 218 | 185 |
| Bank charges | 21 | 20 |
| Corporate social responsibility expenditure {Refer note 25 below} | 93 | 86 |
| Miscellaneous Expenses | 152 | 126 |
| **TOTAL *** | **4,496** | **3,715** |

### a) Auditors' Remuneration

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| -Audit Fees | 3 | 3 |
| - Limited Review Fees | 1 | 1 |
| -Certificates & other matters | 1 | 1 |
| -Reimbursement of expenses | 0 | 0 |
| **TOTAL** | **5** | **5** |

* Net of amount of ₹ 55 (March 31, 2018 ₹ 2) which has been transferred to Capital work in progress during the year.

\# Includes lease rental for vehicles on operating lease amounting to ₹ 104 (March 31, 2018 ₹ 93). Refer note 33 (c).

## 25 CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Contribution to PI Foundation Trust for CSR activities | 93 | 86 |
| Amount required to be spent by the Company during the year as per Section 135 of the Act | 93 | 86 |
| Amount spent during the year on : | | |
| (i) Construction/acquisition of an asset | - | - |
| (ii) On purpose other than (i) above | 93 | 86 |

## 26 DEPRECIATION AND AMORTIZATION EXPENSES

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Depreciation of Property, Plant and Equipment (Refer Note 4) | 910 | 810 |
| Amortization of Intangible Assets (Refer Note 5) | 20 | 20 |
| **TOTAL** | **930** | **830** |

## 27 FINANCE COST

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Interest on financial liabilities measured at amortised cost | 47 | 50 |
| Other borrowing costs | 3 | 3 |
| **TOTAL** | **50** | **53** |

## 28 INCOME TAX EXPENSE

### a) Income tax expense recognized in Profit and Loss

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | 1,192 | 1,009 |
| Adjustment of current tax for prior year periods | (16) | (8) |
| **Total Current tax expense** | **1,176** | **1,001** |
| **Deferred tax expense** | | |
| (Decrease) / Increase in Deferred tax liability | 58 | 88 |
| Decrease / (Increase) in Deferred tax assets | 43 | (110) |
| **Net Deferred tax expense** | **101** | **(22)** |
| **Total Income tax expense** | **1,277** | **979** |

### b) Income tax related to items recognised in Other comprehensive income during the year

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Remeasurement of defined benefit plans | (1) | 6 |
| Effective portion on cash flow hedges | 42 | (45) |
| Exchange difference on translation of foreign operation | 0 | 0 |
| **Income tax charged to Other comprehensive income** | **41** | **(39)** |

### c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Accounting profit before tax | 5,379 | 4,655 |
| Tax at India's statutory income tax rate @ 34.944% (March 31, 2018: 34.608%) | **1,880** | **1,611** |
| Adjustment in respect of current income tax of previous years | (16) | (8) |
| Adjustment in respect of interest under 234A/B/C of Income Tax Act | - | 1 |
| Effect of concessions (expenditure on research and development) | (121) | (121) |
| Effect of income that is exempt from taxation (operations in tax free zone) | (486) | (513) |
| Difference in overseas tax rate | (0) | (0) |
| Effect of lower income tax rate | 1 | 1 |
| Effect of change in tax rate | 8 | - |
| Effect of amounts which are not deductible in calculating taxable income | 11 | 8 |
| **Income Tax Expense** | **1,277** | **979** |

The Group recognised current tax amounts directly in retained earnings as a result of the changes in accounting policies. Refer note 43.

### d) Unrecognized temporary differences

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:** | | |
| Undistributed earnings | 222 | 199 |
| Unrecognised deferred tax liabilities relating to the above temporary differences @ 34.944% (March 31, 2018: 34.608%) | 78 | 69 |

Certain subsidiaries of the Group have undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from the subsidiaries. These subsidiaries are not expected to distribute these profits in foreseeable future.

## 29 RESEARCH & DEVELOPMENT EXPENSES

Details of Expenditure on Research & Development Facilities/ division of the Group recognised by Department of Scientific & Industrial Research.

**a) Revenue Expenditure**

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **Other Income** | 0 | 2 |
| **TOTAL** | **0** | **2** |
| **Employee Benefit Expenses** | | |
| Salaries, Wages & Bonus | 290 | 231 |
| Contributions to Provident & other funds | 20 | 16 |
| Employee Welfare Expenses | 7 | 7 |
| | **317** | **254** |
| **Raw & Packing Materials Consumed** | **109** | **98** |
| **Other Expenses** | | |
| Laboratory & testing Material | 58 | 56 |
| Power, Fuel & Water | 40 | 42 |
| Consumption of stores & spares | 65 | 47 |
| Testing & analysis | 13 | 5 |
| Travelling & conveyance | 17 | 13 |
| Rates and taxes | 0 | 0 |
| Printing & Stationery | 0 | 0 |
| Bank Charges | 0 | 0 |
| Legal & professional fees | 33 | 17 |
| Miscellaneous Expenses | 36 | 34 |
| | **262** | **214** |
| **Depreciation** | | |
| Depreciation | 100 | 90 |
| **TOTAL** | **788** | **656** |
| **Total Expenditure** | **788** | **654** |

**b) Capital Expenditure**

| **Description** | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Buildings | 0 | 26 |
| Equipments & Others | 50 | 141 |
| **TOTAL** | **50** | **167** |

## 30 EARNING PER SHARE (EPS)

| | | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| a) | Net Profit for Basic and Diluted EPS | 4,102 | 3,676 |
| b) | Number of Equity Shares at the beginning of the year | 137,907,318 | 137,586,624 |
| | **Add:** Issue of Shares under ESOP | 123,333 | 320,694 |
| | **Sub-total** | **138,030,651** | **137,907,318** |
| | **Less:** Adjustment of own shares held under ESOP Trust | (231,200) | (271,558) |
| | **Total Number of Shares outstanding at the end of the Period** | **137,799,451** | **137,635,760** |
| | Weighted Average number of Equity Shares outstanding during the period - Basic | **137,947,190** | **137,571,318** |
| | **Add:** Weighted Average number of Equity Shares arising out of grant of Employee Stock option | 40,927 | 255,250 |
| | Weighted Average number of Equity Shares outstanding during the year - Diluted | **137,988,117** | **137,826,568** |
| | Earning Per Share - Basic (₹) | 29.74 | 26.72 |
| | Earning per share - Diluted (₹) | 29.73 | 26.67 |
| | Face value per share (₹) | 1.00 | 1.00 |

## 31 EMPLOYEE BENEFITS

In respect of entities incorporated in India, the Group participates in defined contribution and benefit schemes, the assets of which are held (where funded) in separately administered funds. For defined contribution schemes the amount charged to the statements of profit or loss is the total of contributions payable in the year.

***Provident Fund***

In accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (EPF and MP Act), employees are entitled to receive benefits under the Provident Fund. Employers and employees both contribute @12% of wages in contribution accounts. Further, the employers also contribute towards administration of the benefits under the EPF and MP Act. All employees have an option to make additional voluntary contributions as permissible under the Act. These contributions are made to the fund administered and managed by the Employee Provident Fund organization. The Group has no further obligations under the fund managed by the Employee Provident Fund Organization (EPFO) beyond its monthly contributions which are charged to the statements of profit or loss in the period they are incurred. The benefits are paid to employees on their retirement or resignation from the EPFO.

***Gratuity Plan***

In accordance with the Payment of Gratuity Act of 1972, PI Industries Limited has established a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to the employees at the time of retirement or resignation (after 5 years of continued services of employment), being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group. Based on actuarial valuations conducted as at year end, a provision is recognised in full for the benefit obligation over and above the funds held in the Gratuity Plan. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

***Long term compensated absences***

The liabilities for compensated absence namely earned and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit and loss.

**a) Defined Contribution Plans:-**

The Group has recognised an expense of ₹ 96 (Previous Year ₹ 84) towards the defined contribution plan.

**b) Defined benefits plans - as per actuarial valuation**

**I Change in present value of obligation during the year**

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| Present value of obligation at the beginning of the year | 223 | 0 | 161 | 0 |
| Total amount included in profit and loss*: | | | | |
| - Current Service Cost | 32 | 1 | 24 | 0 |
| - Interest Cost | 17 | 0 | 12 | 0 |
| - Past Service Cost | - | - | 57 | - |
| **Total amount included in OCI:** | | | | |
| Remeasurement related to gratuity: | | | | |
| Actuarial losses/(gains) arising from: | | | | |
| - Demographic Assumption | 0 | - | 0 | - |
| - Financial assumption | 1 | 0 | (4) | (0) |
| - Experience Judgement | 2 | 0 | (13) | (0) |
| **Others** | | | | |
| Benefits Paid | (16) | - | (14) | - |
| **Present Value of obligation as at year-end** | **259** | **1** | **223** | **0** |

* Includes expenses reclassified to capital work in progress ₹ 4 (March 31, 2018 ₹ 2)

**II Change in Fair Value of Plan Assets during the year**

| | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| Plan assets at the beginning of the year | 88 | 30 |
| **Included in profit and loss:** | | |
| Expected return on plan assets | 7 | 2 |
| **Included in OCI:** | | |
| Actuarial Gain/(Loss) on plan assets | 2 | 0 |
| **Others:** | | |
| Employer's contribution | - | 70 |
| Benefits paid | - | (14) |
| Claim received during the year from fund manager | (3) | - |
| Pending claim with fund manager | (13) | |
| **Plan assets at the end of the year** | **81** | **87** |

The plan assets are managed by the Gratuity Trust formed by the Group. The management of 100% of the funds is entrusted with the Life Insurance Corporation of India, HDFC Standard Life Insurance Company Ltd. and Kotak Mahindra Old Mutual Life Insurance Ltd., whose pattern of investment is not available with the Group.

**III Reconciliation of Present value of Defined Benefit Obligation and Fair Value of Plan Assets**

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| Present Value of obligation as at year-end | 259 | 1 | 223 | 0 |
| Fair value of plan assets at year -end | 81 | - | 87 | - |
| Funded status {Surplus/(Deficit)} | (178) | (0) | (136) | (0) |
| Net Asset/(Liability) | **(178)** | **(1)** | **(136)** | **(0)** |

**IV Bifurcation of PBO at the end of the year**

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| 1 Current Liability | - | - | - | - |
| 2 Non-Current Liability | 178 | 1 | 136 | 0 |

**V Actuarial Assumptions**

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| 1 Discount Rate | 7.65% | 7.65% | 7.71% | 7.71% |
| 2 Expected rate of return on plan assets | 7.50% | NA | 7.50% | NA |
| 3 Mortality Table | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) |
| 4 Salary Escalation | 7.00% | 7.00% | 7.00% | 7.00% |

**VI The expected contribution for Defined Benefit Plan for the next financial year will be ₹ 53**

**VII Sensitivity Analysis**

| Gratuity | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.50 % movement) | (11) | 11 | (10) | 10 |
| Future salary growth ( 0.50 % movement) | 12 | (12) | 10 | (10) |

**VIII Maturity Profile of Defined Benefit Obligation**

| | Year ended March 31, 2019 | | Year ended March 31, 2018 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| Within the next 12 months | 14 | 0 | 12 | 0 |
| Between 2-5 years | 41 | 0 | 42 | 0 |
| Beyond 5 years | 204 | 0 | 169 | 0 |

**IX Description of Risk Exposures:**

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such Group is exposed to various risks as follow -

A) Salary Increases- Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.

B) Investment Risk – If Plan is funded then the mismatch between assets and liabilities and actual return on assets being lower than the discount rate assumed at the last valuation date can impact the liability.

C) Discount Rate: Reduction in discount rate in subsequent valuations can increase the plan's liability.

D) Mortality & disability – Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

E) Withdrawals – Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.

**C) Long term compensated absences**

The provision for long term compensated absences covers the Group's liability for earned and sick leave, the amount of provision recognised is ₹ 119 (March 31, 2018 ₹ 103).

## 32 SHARE BASED PAYMENTS

**Employee Stock Option Plan**

The Group provides share-based payment schemes to its employees. The relevant details of the scheme are as follows:

In December 2010, the Board of Directors approved the PII ESOP 2010 Scheme in order to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Group (including subsidiary companies) with an intent to attract and retain talent in the organization. The aforesaid scheme was duly approved by shareholders in its EGM held on January 21, 2011 and is administered through independent trust. The Compensation Committee of the Board has granted following options under PII ESOP 2010 Scheme to certain category of employees as per criteria laid down by Compensation Committee of the Board.

**Key terms of the scheme**

| | |
|---|---|
| Date of Shareholder's Approval | 21-Jan-11 |
| Total Number of Options approved | 62,62,090 |
| Vesting Requirements | Options shall vest after a lock in period of one year from the date of grant. Option shall vest in four years as per the Group's ESOP plan. (Refer vesting schedule below) |
| The Pricing Formula | 10% discount to market price on National Stock Exchange a day prior to date of grant |
| Maximum term of Options granted (years) | 10 years |

| | |
|---|---|
| Method of Settlement | Shares |
| Source of shares | Primary-Fresh equity allotment by Group to the Trust |
| Variation in terms of ESOP | Nil |
| Vesting schedule | Under the plan, participants are granted options which vests at 15%, 25%, 30%, 30% respectively each year over a period of 4 years or as defined in Grant letter. |
| Exercisable period | Once vested, the options remain excisable for a period of six years |
| Vesting condition | Vesting shall be computed through performance evaluation method based on conditions pre-communicated to employees. |

**I Option Movement during the year ended March 2019**

| Particulars | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | No. of Options | Wt. avg exercise Price (in ₹) | No. of Options | Wt. avg exercise Price (in ₹) |
| No. of Options Outstanding at the beginning of the year | 6,87,924 | 492.55 | 13,60,078 | 447.36 |
| Options Granted during the year | - | NA | - | NA |
| Options Forfeited / Surrendered during the year | 84,882 | 581.35 | 4,38,658 | 510.91 |
| Total number of shares arising as a result of exercise of options | 1,63,691 | 177.59 | 2,33,496 | 194.84 |
| Money realised by exercise of options (₹ Mn) | 29 | NA | 45 | NA |
| Number of options Outstanding at the end of the year | 4,39,351 | 592.87 | 6,87,924 | 492.55 |
| Number of Options exercisable at the end of the year | 2,31,200 | 499.46 | 2,66,748 | 255.81 |

**II Weighted Average remaining contractual life**

| Range of Exercise Price | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | No. of Options Outstanding | Weighted average contractual life (years) | No. of Options Outstanding | Weighted average contractual life (years) |
| 25 to 75 | - | NA | 72,454 | 1.66 |
| 75 to 150 | 54,716 | 4.11 | 1,08,893 | 5.22 |
| 150 to 450 | 45,958 | 5.34 | 91,839 | 6.21 |
| 450 to 750 | 3,38,677 | 5.55 | 4,14,738 | 6.62 |

**III Weighted average Fair Value of Options granted during the year**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Exercise price is less than market price (in ₹)* | NA | NA |

* No options granted during the year ended March 31, 2019 and March 31, 2018.

IV The weighted average market price of options exercised during the year ended March 31, 2019 is ₹ 84 (March 31, 2018 is ₹ 88)

V Method and Assumptions used to estimate the fair value of options granted during the year ended:

The fair value has been calculated using the Black Scholes Option Pricing model

The Assumptions used in the model are as follows:

| Variables | March 31, 2019 Weighted Average * | March 31, 2018 Weighted Average |
|---|---|---|
| 1. Risk Free Interest Rate | NA | NA |
| 2. Expected Life(in years) | NA | NA |
| 3. Expected Volatility | NA | NA |
| 4. Dividend Yield | NA | NA |
| 5. Exercise Price (in ₹) | NA | NA |
| 6. Price of the underlying share in market at the time of the option grant.(in ₹) | NA | NA |

* No options granted during the year ended March 31, 2019 and March 31, 2018..

**VI Particulars**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Employee Option plan expense | 13 | 17 |
| Total liability at the end of the period | 73 | 102 |

## 33 CAPITAL & OTHER COMMITMENT

| | | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| a | Estimated Amount of Contracts remaining to be executed on capital account and not provided for {Net of advances ₹ 385 (March 31, 2018 : ₹ 326) | 1,461 | 162 |
| b | Export Commitment | 5,202 | 3,404 |

**c Leases**

**Operating lease commitments - As lessee**

Total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| - Payable within one year | 156 | 147 |
| -Later than one year and not later than five years | 172 | 185 |
| -Later than five years | 0 | - |
| -Lease payments recognised in Statement of Profit and Loss (Refer note 24) | 260 | 243 |

**Finance lease commitments - As lessee**

The Group has entered into finance lease for land in Panoli and Jambusar (Gujarat). Future minimum lease payments under finance leases for all the land is absolute ₹ 2,20,010 per annum. For land in Panoli Group has a renewal option for further 2 periods with 100% increase in lease rentals and for land in Jambusar Group has a renewal option upon expiry as may be agreed between the parties or as may be determined by Development Committee from time to time. The amount of minimum lease payments and their present value is not material.

## 34 CONTINGENT LIABILITIES

| | | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| a. | Claims against the Group not acknowledged as debt;* | | |
| | - Sales Tax including Goods and Service Tax | 48 | 49 |
| | - Excise Duty | 21 | 26 |
| | - Income Tax | 78 | 78 |
| | - ESI | 1 | 1 |
| | - Other matters, including claims relating to customers, labour and third parties etc. | 35 | 27 |
| b. | Guarantees excluding financial guarantees; | | |
| | - Performance bank guarantees | 259 | 212 |
| c. | Other money for which the Group is contingently liable | | |
| | - Letter of Credit | 1,427 | 984 |

* Pending resolution of the respective proceedings, it is not practicable for the Group to estimate the timings of the cash outflows, if any, in respect of the above as it is determinable only on receipt of the judgements/ decisions pending with various forums / authorities.

The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial position.

"The Group is in the process of evaluating the impact of the recent Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and accordingly, no provision has been made in these Financial Statements".

## 35 OPERATING SEGMENT

An operating segment is defined as a component of the entity that represents business activities from which it earns revenues and incurs expenses and for which discrete financial information is available. The operating segments are based on the Group's internal reporting structure and the manner in which operating results are reviewed by the Chief Operating Decision Maker (CODM).

The Group has evaluated the applicability of segment reporting and has concluded that since the Group is operating in the field of Agro Chemicals both in the domestic and export markets and the CODM reviews the overall performance of the agro chemicals business, accordingly the Group has one reportable business segment viz. Agro Chemicals.

**I Revenue:**

**A. Information about product revenues:**

The Group is in the business of manufacturing and distribution of Agro Chemicals. The amount of its revenue from external customers broken down by products is shown in the table below:

| | March 31, 2019 | March 31, 2018 |
|---|---:|---:|
| Active Ingredients and Intermediates | 19,205 | 14,687 |
| Formulations | 9,030 | 8,286 |
| Others | 174 | 114 |
| | **28,409** | **23,087** |

**B. Geographical Areas**

The Group is domiciled in India. The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---:|---:|
| India | 9,574 | 8,534 |
| Asia (other than India) | 3,893 | 8,683 |
| North America | 11,012 | 3,191 |
| Europe | 2,802 | 1,911 |
| Rest of the World | 1,128 | 768 |
| | **28,409** | **23,087** |

**II.** The total of Non-current assets (other than financial instruments and deferred tax assets), broken down by location of the assets, is shown in the table below:

| | March 31, 2019 | March 31, 2018 |
|---|---:|---:|
| India | 14,131 | 11,260 |
| Asia (other than India) | 3 | 3 |
| Europe | 2 | 3 |
| | **14,136** | **11,266** |

## 36 RELATED PARTY DISCLOSURES

Related party disclosure, as required by Indian Accounting Standard-24, is as below:

**a) Nature of Related Party relationship**

**I - Joint Ventures, Associates and Controlled Trust:**

(a) Solinnos Agro Sciences Private Limited. Associate

(b) PI Kumiai Private Limited. Joint Venture

**II - Key Management Personnel (KMP) & their relatives with whom transactions have taken place:**

**(a) Key Management Personnel**

| | |
|---|---|
| Mr. Mayank Singhal | Managing Director & CEO |
| Mr. Rajnish Sarna | Whole-Time Director |
| Mr. Narayan K. Seshadri | Non-executive Director (Chairman) |
| Mr. Pravin K. Laheri | Non-executive Director |
| Ms. Ramni Nirula | Non-executive Director |
| Mr. Ravi Narain | Non-executive Director (Until May 1, 2019) |
| Mr. Arvind Singhal | Non-executive Director |
| Dr. Tanjore Soundararajan Balganesh | Non-executive Director (w.e.f. May 16, 2017) |

**(b) Relatives of Key Management Personnel**

| | |
|---|---|
| Mr. Salil Singhal | Father of Mr. Mayank Singhal |
| Ms. Madhu Singhal | Mother of Mr. Mayank Singhal |
| Ms. Pooja Singhal | Sister of Mr. Mayank Singhal |

**III - Entities controlled by KMP with whom transactions have taken place:**

**(a) PI Foundation**

**(b) The following transactions were carried out with related parties in the ordinary course of business:**

| Nature of Transaction | Type of relation | 2018-19 | | 2017-18 | |
|---|---|---|---|---|---|
| | | Transactions during the period | Balance outstanding Dr (Cr) | Transactions during the period | Balance outstanding Dr (Cr) |
| **Compensation to KMP** | | | | | |
| -Short term employee benefits | a(ii) (a) | 159 | | 129 | |
| -Post employment benefits* | | 5 | | 5 | |
| -Commission and other benefits to non-executive/ independent directors | | 19 | | 13 | |
| **Total** | | **183** | **(110)** | **147** | **(80)** |
| **Other transactions** | | | | | |
| Purchase of services | a(ii) (b) | 14 | (4) | 13 | - |
| Purchase of services | a(i)(a) | 1 | - | 5 | 3 |
| Sales of services | a(i)(a) | 1 | - | 6 | 6 |
| Rent Received | a(i)(a),a(i)(b) | 1 | - | 0 | - |
| Rental expense | a(ii)(b) | 2 | - | 2 | - |
| Recovery of Dues on account of expenses incurred | a(ii)(b) | 0 | - | - | - |
| Donation | a(iii) | 4 | - | 4 | - |
| Investment purchased | a(i)(b) | 95 | - | 1 | - |
| Dividend paid | a(ii)(a), a(ii)(b) | 164 | - | 49 | - |
| | | 194 | - | 58 | - |
| Salary | a(ii)(b) | - | - | 0 | - |
| Travel & Other expenditure incurred | a(ii)(a) | 25 | 6 | 32 | 1 |
| | a(ii)(b) | 3 | - | 3 | 0 |
| Contribution towards CSR Activities | a(iii) | 93 | - | 86 | - |

* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

### c) Terms and conditions of transactions with related parties

The sales and purchases / services rendered to and from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2018: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 37 DISCLOSURES REQUIRED UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (MSMED) ACT, 2006

| | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Principal Amount | Interest Amount | Principal Amount | Interest Amount |
| Principal amount and Interest due thereon remaining unpaid to any supplier as on 31st March | 48 | 0 | 47 | - |
| Interest paid by the Group in terms of Section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year | 53 | 1 | 36 | 0 |
| Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act. | - | - | - | - |
| Interest accrued and remaining unpaid at the end of the year | - | - | - | - |
| Further interest remaining due and payable in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED Act. | - | - | - | - |

## 38 ADDITIONAL INFORMATION REQUIRED UNDER SCHEDULE III TO COMPANIES ACT 2013, OF ENTITIES CONSOLIDATED AS SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND OTHER CONTROLLED ENTITIES

March 31, 2019

| Name of the Entity | Net Assets, i.e., total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount |
| **Parent** | | | | | | | | |
| PI Industries Limited | 98.56% | 22,523 | 99.41% | 4,078 | 99.75% | 77 | 99.41% | 4,155 |
| **Subsidiaries Indian** | | | | | | | | |
| PI Life Science Limited | 0.77% | 177 | 0.46% | 19 | -0.02% | (0) | 0.46% | 19 |
| PILL finance and investments Limited | 0.18% | 41 | 0.03% | 1 | 0.00% | - | 0.03% | 1 |
| **Subsidiaries Foreign** | | | | | | | | |
| PI Japan Limited | 0.07% | 17 | 0.05% | 2 | 0.27% | 0 | 0.05% | 2 |
| **Associates** | | | | | | | | |
| Solinnos Agro Sciences Private Limited | 0.03% | 6 | 0.01% | 0 | 0.00% | - | 0.01% | 0 |
| **Joint Venture** | | | | | | | | |
| PI Kumiai Private Limited | 0.42% | 96 | 0.00% | 0 | 0.00% | - | 0.00% | 0 |
| **Controlled Trust** | | | | | | | | |
| PI ESOP Trust | -0.03% | (6) | 0.04% | 2 | 0.00% | - | 0.04% | 2 |
| **TOTAL** | **100%** | **22,854** | **100%** | **4,102** | **100%** | **77** | **100%** | **4,179** |

March 31, 2018

| Name of the Entity | Net Assets, i.e., total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount |
| **Parent** | | | | | | | | |
| PI Industries Limited | 99.26% | 19,105 | 99.71% | 3,666 | 100.75% | (74) | 99.68% | 3,592 |
| **Subsidiaries Indian** | | | | | | | | |
| PI Life Science Limited | 0.82% | 158 | 0.37% | 14 | -0.01% | 0 | 0.38% | 14 |
| PILL finance and investments Limited | 0.21% | 40 | 0.07% | 2 | 0.00% | - | 0.07% | 2 |
| **Subsidiaries Foreign** | | | | | | | | |
| PI Japan Limited | 0.08% | 16 | 0.05% | 2 | -0.74% | 0 | 0.07% | 2 |
| **Associates** | | | | | | | | |
| Solinnos Agro Sciences Private Limited | 0.03% | 6 | 0.04% | 1 | 0.00% | - | 0.04% | 1 |
| **Joint Venture** | | | | | | | | |
| PI Kumiai Private Limited | 0.00% | 0 | 0.00% | 0 | 0.00% | - | 0.00% | 0 |
| **Controlled Trust** | | | | | | | | |
| PI ESOP Trust | -0.40% | (77) | -0.24% | (9) | 0.00% | - | -0.24% | (9) |
| **TOTAL** | **100%** | **19,248** | **100%** | **3,676** | **100%** | **(74)** | **100%** | **3,602** |

## 39 FINANCIAL INSTRUMENTS

### 1 Financial instruments – Fair values and risk management

#### A. Financial instruments by category

| | Notes | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|---|
| | | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| **Financial assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Investments | 7(a) | 70 | - | - | 5 | - | - |
| Loans | 7(c) | - | - | 41 | - | - | 39 |
| Derivative financial instruments | 7(g) | - | 90 | - | - | 10 | - |
| Other financial asset | 7(g) | - | - | 59 | - | - | 53 |
| **Current assets** | | | | | | | |
| Investments | 7(b) | 1,119 | - | - | 1,595 | - | - |
| Trade receivables | 7(d) | - | - | 6,618 | - | - | 5,268 |
| Cash and cash equivalents | 7(e) | - | - | 614 | - | - | 1,173 |
| Bank balances other than cash and cash equivalents | 7(f) | - | - | 278 | - | - | 134 |
| Loans and advances | 7(c) | - | - | 63 | - | - | 37 |
| Derivative financial instruments | 7(g) | - | 120 | - | - | 102 | - |
| Other financial asset | 7(g) | - | - | 134 | - | - | 131 |
| **TOTAL** | | **1,189** | **210** | **7,807** | **1,600** | **112** | **6,835** |
| **Financial liabilities** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Borrowings | 15(a) | - | - | 99 | - | - | 463 |
| Other financial liabilities | 15(c) | - | - | 190 | - | - | 183 |
| **Current liabilities** | | | | | | | |
| Trade payables | 15(b) | - | - | 5,130 | - | - | 3,687 |
| Other financial liabilities | 15(c) | - | - | 2,419 | - | - | 2,144 |
| **TOTAL** | | **-** | **-** | **7,838** | **-** | **-** | **6,477** |

**B. Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

| | Notes | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | | |
| Investment in equity instruments | 7(a) | 5 | - | 65 | 5 | - | 0 |
| Investment in mutual funds | 7(b) | 1,119 | - | - | 1,595 | - | - |
| Derivative financial instruments | 7(g) | - | 210 | - | - | 112 | - |
| | | **1,124** | **210** | **65** | **1,600** | **112** | **0** |

**Assets and liabilities which are measured at amortised cost for which fair values are disclosed**

| | Notes | 31 March 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial assets** | | | | | | | |
| Security deposits | 7(c) | - | - | 23 | - | - | 23 |
| Loans and advances to related parties | 7(c) | - | - | 3 | - | - | 78 |
| **TOTAL** | | **-** | **-** | **26** | **-** | **-** | **101** |
| **Financial liabilities** | | | | | | | |
| Security deposits from contractors | 15(c) | - | - | 4 | - | - | 5 |
| **TOTAL** | | **-** | **-** | **4** | **-** | **-** | **5** |

The fair value of cash and cash equivalents, bank balances other than Cash and cash equivalents, trade receivables, short term loans, contract assets, current financial assets, trade payables, current financial liabilities and borrowings approximate their carrying amount, largely due to the short-term nature of these instruments. Long-term debt has been contracted at floating rates of interest, which are reset at short intervals. Accordingly, the carrying value of such long-term debt approximates fair value. Fair value for security deposits (other than perpetual security deposits) has been presented in the above table. Fair value for all other non-current assets and liabilities is equivalent to the amortised cost, interest rate on them is equivalent to the market rate of interest.

**Fair value hierarchy**

The table shown above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined below:

**Level 1 -** This includes financial instruments measured using quoted prices. The mutual funds are valued using closing net assets value (NAV).

**Level 2 –** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

There are no transfers between level 1, level 2 and level 3 during the year.

**Valuation technique used to determine fair value:**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices

- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

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

The fair values for security deposits (assets & liabilities) were calculated based on present values of cash flows and the discount rates used were adjusted for counterparty or own credit risk. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit.

## 40 FINANCIAL RISK MANAGEMENT

**Risk management framework**

The Group is exposed to credit risk, liquidity risk and market risk. The Group's board of directors has the overall responsibility for the management of these risks and is supported by Management Advisory Committee that advises on the appropriate financial risk governance framework. The Group has risk management policies and systems in place which are reviewed regularly to reflect changes in market conditions and price risk along with the Group's activities. The Group's audit committee oversees how management monitors compliance with the financial risk management policies and procedures, and reviews the adequacy of risk management framework in relation to the risks faced by the Group.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and impact of hedge accounting in the financial statements.

### I. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises from the operating activities primarily (trade receivables) and from its financing activities including cash and cash equivalents, deposits with banks, derivatives and other financial instruments. The carrying amount of financial assets represents the maximum credit exposure and is as follows:

**Trade and other receivables and contract assets**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has established a credit policy under which each customer is analysed individually for creditworthiness before the Group's credit terms are offered. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. Credit limits are established for each customer and reviewed periodically. Any sales order exceeding those limits require approval from the appropriate authority.

The concentration of credit risk is limited in domestic market due to the fact that the customer base is large and unrelated. The Group's exports are mainly carried out in countries which have stable economic conditions, where the concentration is relatively higher, however the credit risk is low as the customers have good credit ratings.

The Group computes an allowance for impairment of trade receivables based on a simplified approach, that represents its expected credit losses. The Group uses an allowance matrix to measure the expected credit loss of trade receivables. Loss rates are based on actual credit loss experienced over the past 3 years. These loss rates are adjusted by considering the available, reasonable and supportive forward looking information.

The following table provides information about the exposure to credit risk and expected credit loss:

***Reconciliation of loss allowance provision – Trade receivables and Interest and Other charges recoverable from customer***

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | 273 | 214 |
| Changes in loss allowance | 169 | 59 |
| **Closing balance** | **442** | **273** |

**Cash and cash equivalents, deposits with banks, mutual funds and other financial instruments**

Credit risk from balances with banks and other financial instruments is managed by Group in accordance with its policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management, and may be updated throughout the year. Group also invests in mutual funds based on the credit ratings, these are reviewed for safety, liquidity and yield on regular basis.

Impairment on cash and cash equivalents, deposits and other financial instruments has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of counterparties.

Based on the assessment there is no impairment in the above financial assets.

**Derivatives**

The derivatives are entered into with banks and financial institution counterparties which have low credit risk based on external credit ratings of counterparties.

**Exposure to credit risk:**

The gross carrying amount of financial assets, net of impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2019 and March 31, 2018 was as follows:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Trade receivables | 6,618 | 5,268 |
| Cash and cash equivalents | 614 | 1,173 |
| Bank balances other than above | 278 | 134 |
| Investments | 1,119 | 1,595 |
| Loans | 104 | 76 |
| Other financial assets | 403 | 296 |
| **TOTAL** | **9,136** | **8,542** |

**II. Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to the dynamic nature of underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecast of Group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**(a) Financing arrangements**

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Expiring within one year | | |
| - Fund based (Floating rate) | 1,999 | 1,850 |
| - Non fund based (Fixed rate) | 1,164 | 854 |

**(b) Maturities of financial liabilities**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

| March 31, 2019 | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| | Total | 3 months or less | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Term Loans from Banks | 492 | 99 | 294 | 99 | - | - |
| Interest Accrued but not due on Borrowings | 2 | 2 | - | - | - | - |
| Trade Payables (Due to micro and small enterprises) | 48 | 48 | - | - | - | - |
| Trade Payables (Other Trade Payables) | 5,082 | 4,801 | 281 | - | - | - |
| Employee payables | 523 | 180 | 343 | - | - | - |
| Security Deposits from Dealers | 189 | - | - | - | - | 189 |
| Security Deposits from Contractors | 4 | 1 | 2 | 1 | - | - |
| Unclaimed Dividends | 7 | 7 | - | - | - | - |
| Creditors for Capital Purchases | 371 | 371 | - | - | - | - |
| Other Payable | 1,120 | 287 | 833 | - | - | - |
| **TOTAL** | **7,838** | **5,796** | **1,753** | **100** | **-** | **189** |

| March 31, 2018 | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| | Total | 3 months or less | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | | |
| Term Loans from Banks | 834 | 90 | 279 | 372 | 93 | - |
| Interest Accrued but not due on Borrowings | 2 | 2 | - | - | - | - |
| Trade Payables (Due to micro and small enterprises) | 47 | 47 | - | - | - | - |
| Trade Payables (Other Trade Payables) | 3,640 | 3,299 | 341 | - | - | - |
| Employee payables | 486 | 253 | 233 | - | - | - |
| Security Deposits from Dealers | 181 | - | - | - | - | 181 |
| Security Deposits from Contractors | 5 | 1 | 2 | 1 | - | 1 |
| Unclaimed Dividends | 6 | 6 | - | - | - | - |
| Creditors for Capital Purchases | 239 | 239 | 0 | - | - | - |
| Other Payable | 1,037 | 204 | 833 | - | - | - |
| **TOTAL** | **6,477** | **4,141** | **1,688** | **373** | **93** | **182** |

**III. Market risk**

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Group is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and market value of its investments. Thus the Group's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

**Foreign Currency risk**

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$ and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency (₹). The Group uses forward exchange contracts to hedge its currency risk and are used exclusively for hedging purposes and not for trading and speculative purposes. These forward exchange contracts, carried at fair value, may have varied maturities depending upon the primary host contract requirement and risk management strategy of the Group. The objective of the hedges is to minimise the volatility of the ₹ cash flows of highly probable forecast transactions.

The Group's risk management policy is to hedge around 50% to 100% of the net exposure with forward exchange contracts. The remaining exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term requirements. Hedging decisions are based on rolling forex cash flow statement prepared and reviewed on a monthly basis. Such contracts are designated as cash flow hedges.

The foreign exchange forward contracts are denominated in the same currency as the highly probable future sales transaction, therefore the hedge ratio is 1:1. The Group's hedge policy allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective assessments to ensure that an economic relationship exists between the hedged item and the hedged instrument. The Group enters into hedge instruments where the critical terms of hedging instrument are aligned with terms of the hedged item.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the value of the hedging instruments exceeds on an absolute basis the change in the value of the hedged item attributable to the hedged risk. Hedge ineffectiveness may arise due to the following:

- the critical terms of the hedging instrument and the hedged item differ (i.e. nominal amounts, timing of the forecast transaction, interest resets changes from what was originally estimated), or
- differences arise between the credit risk inherent within the hedged item and the hedging instrument.

**Foreign currency risk exposure -**

The currency profile of financial assets and financial liabilities as at March 31, 2019 and March 31, 2018 expressed in Indian Rupees (₹) are as below:

**Non derivative**

| **Particulars** | **March 31, 2019** | | | | | |
|---|---|---|---|---|---|---|
| | **USD** | **EURO** | **JPY** | **GBP** | **CHF** | **AUD** |
| **Financial assets** | | | | | | |
| Cash and cash equivalents (EEFC Account) | 60 | - | - | - | - | - |
| Trade receivables | 3,180 | 146 | - | - | - | - |
| | **3,240** | **146** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | |
| Borrowings (Term Loan) | 494 | - | - | - | - | - |
| Trade payables | 1,396 | 18 | 2 | 0 | 0 | 0 |
| | **1,890** | **18** | **2** | **0** | **0** | **0** |
| **Particulars** | **March 31, 2018** | | | | | |
| | **USD** | **EURO** | **JPY** | **GBP** | **CHF** | **AUD** |
| Financial assets | | | | | | |
| Cash and cash equivalents (EEFC Account) | 11 | - | - | - | - | - |
| Trade receivables | 2,928 | 112 | 25 | - | - | - |
| | **2,939** | **112** | **25** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | |
| Borrowings (Term Loan) | 838 | - | - | - | - | - |
| Trade payables | 745 | - | 9 | 0 | - | - |
| | **1,583** | **-** | **9** | **0** | **-** | **-** |

The following significant exchange rates have been applied during the year.

| | **Year-end spot rate (₹)** | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| USD | 69.16 | 65.18 |
| EUR | 77.67 | 80.81 |
| JPY (100) | 62.42 | 61.51 |
| GBP | 90.53 | 92.28 |
| CHF | 69.43 | 68.50 |
| AUD | 49.02 | 50.04 |

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee at March 31 would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. Impact of hedging, if any has not been considered here. A 1% increase or decrease is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

| | Profit or loss, net of tax | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| **Effect in ₹** | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2019** | | | | |
| **1% movement** | | | | |
| USD | 9 | (9) | - | - |
| EUR | 1 | (1) | - | - |
| JPY (100) | (2) | 2 | - | - |
| GBP | (0) | 0 | - | - |
| | **8** | **(8)** | **-** | **-** |

| | Profit or loss, net of tax | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| **Effect in ₹** | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2018** | | | | |
| **1% movement** | | | | |
| USD | 9 | (9) | - | - |
| EUR | 1 | (1) | - | - |
| JPY (100) | 11 | (11) | - | - |
| GBP | (0) | 0 | | - |
| | **21** | **(21)** | **-** | **-** |

**Interest rate risk**

The Group's main interest rate risk arises from long term foreign currency and working capital borrowings at variable rates. Group's investments are primarily in fixed deposits which are short term in nature and do not expose it to interest rate risk. The Group regularly evaluates the interest rate hedging requirement to align with interest rate views and defined risk appetite, in order to ensure most cost effective interest rate risk management.

**Exposure to interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Fixed-rate instruments** | | |
| Financial assets | 833 | 1,248 |
| **Variable-rate instruments** | | |
| Financial liabilities | 492 | 834 |
| **TOTAL** | **1,325** | **2,082** |

**Fair value sensitivity analysis for fixed-rate instruments**

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable-rate instruments**

A reasonably possible change of 50 bp in interest rates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| | Profit or loss | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **March 31, 2019** | | | | |
| Variable-rate instruments | (1.61) | 1.61 | - | - |
| **Cash flow sensitivity (net)** | (1.61) | 1.61 | - | - |
| **March 31, 2018** | | | | |
| Variable-rate instruments | (2.74) | 2.74 | - | - |
| **Cash flow sensitivity (net)** | (2.74) | 2.74 | - | - |

**IV. Price risk**

The Group's exposure to price risk arises from investment in mutual funds and classified in the balance sheet as fair value through profit and loss. Mutual fund investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments. However, due to very short tenor of the underlying portfolio in the liquid schemes, these do not pose any significant price risk. Group reviews these mutual fund investments based on safety, liquidity and yield on regular basis.

**V. Impact of Hedging activities**

**(a).** Disclosure of hedge accounting on financial position

| Type of hedge and risk | March 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | No. of outstanding contracts | Nominal Value | Carrying value of hedging instrument * | Maturity date | Hedge ratio | Weighted average strike price/ rate |
| Foreign exchange forward contracts | 150 | 11,637 | 210 | April 2019 - December 2021 | 1:1 | US$1: ₹ 69.16 |
| **Type of hedge and risk** | **March 31, 2018** | | | | | |
| | No. of outstanding contracts | Nominal Value | Carrying value of hedging instrument * | Maturity date | Hedge ratio | Weighted average strike price/ rate |
| Foreign exchange forward contracts | 121 | 9,887 | 111 | April 2017 - March 2021 | 1:1 | US$1: ₹ 67.94 |

* Refer Note No. 7(g)

**(b).** Disclosure of effects of hedge accounting on financial performance

| Type of hedge | March 31, 2019 | | | |
|---|---|---|---|---|
| | Change in value of hedging instrument recognised in other comprehensive income | Hedge ineffectiveness recognised in profit and loss account | Amount reclassified from cash flow hedging reserve to profit and (loss) | Line item affected in statement of profit and loss account because of this reclassification |
| Foreign exchange forward contracts | (145) | - | (265) | Revenue |
| **Type of hedge** | **March 31, 2018** | | | |
| | Change in value of hedging instrument recognised in other comprehensive income | Hedge ineffectiveness recognised in profit and loss account | Amount reclassified from cash flow hedging reserve to profit and (loss) | Line item affected in statement of profit and loss account because of this reclassification |
| Foreign exchange forward contracts | 242 | - | 374 | Revenue |

**(c). Movement in the cash flow hedge reserve**

| Effective portion of Cash flow Hedges | Amount |
|---|---|
| **As at April 01, 2017** | 135 |
| Add: Effective portion of gains/(losses) on cash flow hedges | 242 |
| Less: Amount reclassified to profit and loss account | 373 |
| Less: Deferred tax relating to above | (45) |
| **As at March 31, 2018** | **49** |
| Add: Effective portion of gains/(losses) on cash flow hedges | (145) |
| Less: Amount reclassified to profit and loss account | (265) |
| Less: Deferred tax relating to above | 42 |
| **As at March 31, 2019** | **127** |

**(d). Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars at March 31 would have affected the measurement of foreign forward exchange contract designated as cash flow hedges and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. A 1% increase or decrease is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

| Effect in ₹ | Profit or loss, net of tax | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2019** | | | | |
| **1% movement** | | | | |
| USD | - | - | 76 | (76) |
| **March 31, 2018** | | | | |
| **1% movement** | | | | |
| USD | - | - | 65 | (65) |

## 41 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's Capital management is to maximise shareholder's value. The Group manages its capital and makes adjustment to it in light of the changes in economic and market conditions.

The Group manages capital using gearing ratio, which is total debt divided by total equity. The gearing ratio at the end of the reporting period was as follows:

| | | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| Borrowings (Non-current) | | 99 | 463 |
| Borrowings (Current) | | 393 | 371 |
| Total Debt | A | 492 | 834 |
| Total Equity | B | 22,854 | 19,248 |
| Debt to Equity ratio | A/B | 0.02 | 0.04 |

No changes were made in the objectives, policies or processes for managing capital of the Group during the current and previous year.

Also refer note 14 relating to details on dividend declared and distributed.

## 42 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for borrowings are:

| | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|
| **Property, plant and equipment** | | |
| First charge | 1,805 | 1,825 |
| Second charge | 6,378 | 7,736 |
| **Floating charge** | 16,875 | 9,788 |
| **TOTAL** | **25,058** | **19,349** |

## 43 CHANGES IN ACCOUNTING POLICIES

**Impact on the financial statements**

The Group applied IND AS 115 for the first time by using the modified retrospective method of adoption with the date of initial application of 1 April, 2018. Under this method, the Group recognised the cumulative effect of initially applying IND AS 115 as an adjustment to the opening balance of retained earnings as at 1 April, 2018. Comparative prior period has not been adjusted.

Entities applying the modified retrospective method can elect to apply the revenue standard only to contracts that are not completed as at the date of initial application (that is, they would ignore the effects of applying the revenue standard to contracts that were completed prior to the date of initial application). The Group elected to apply the standard only to contracts that are not completed as at the date of initial application.

The impact on the Group's retained earnings as at 1 April, 2018 is as follows:

| | Notes | | As on April 1, 2018 |
|---|---|---|---|
| **Retained Earnings** | | | **15,097** |
| Increase in Profit before tax from adoption of IND AS 115 | (i) | 297 | |
| Increase in Income tax liability | (i) | (81) | 216 |
| **Retained Earnings** | | | **15,313** |

The following table presents the amounts by which each financial statement line item is affected in the current year ended March 31, 2019 by the application of IND AS 115 as compared with the previous revenue recognition requirements. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

| **Balance Sheet (extract)** | Notes | Increase/ decrease |
|---|---|---|
| **Current assets** | | |
| Inventories | | (1,265) |
| Trade Receivables | | 1,444 |
| Contract assets | | 520 |
| Other current asset | (ii) | 107 |
| Current tax assets | | (138) |
| **Total Current assets** | | **668** |
| **Current liabilities** | | |
| Other liabilities | (ii) | 208 |
| Current tax liabilities | | 6 |
| **Total current liabilities** | | **214** |
| Other equity | | 454 |
| **Total equity** | | **454** |

| **Statement of profit and loss (extract) for the year ended 31 March 2019** | Increase/ decrease |
|---|---|
| Revenue from operations | 1,020 |
| **Total income** | **1,020** |
| Expenses | |
| Changes in inventories of finished goods, work in progress and stock in trade | 719 |
| **Total expenses** | **719** |
| **Profit before tax** | **301** |
| Current tax | (63) |
| **Total tax expense** | **(63)** |
| **Profit for the year** | **238** |
| **Total comprehensive income for the year** | **238** |

(i) Increase in Profit before tax from adoption of IND AS 115

Application of IND AS 115 has resulted in change in recognition criteria of revenue from contracts wherein the Group's performance does not create an asset with alternative use to the Group and the entity has an enforceable right to payment for performance completed till date. This has resulted in recognition of revenue over the period of time rather than at a point in time. Refer accounting policies for details. Management has determined that it is highly probable that there will be no rescission of the contract and no significant reversal in the amount recognised in revenue will occur. Accordingly, management has recognised revenue on these contracts over the period of time and not at a point in time as was done during the earlier years.

(ii) Presentation of assets and liabilities related to contract with customers

With adoption of IND AS 115, the Group has changed the presentation of certain amounts to reflect the terminology of IND AS 115:

Liabilities in relation to refund/ return liabilities for the expected returns were previously being presented as net off from Trade Receivable are now included in other current liabilities as refund/ return liabilities. Further, the Group has right to recover these return product from the customer and accordingly, an adjustment was earlier made in Inventories of finished goods. However, these goods are not in control of the entity and accordingly, with adoption of IND AS 115, amount previously presented as adjustment to Inventories will now be presented separately under Other Current Assets. The asset is measured by reference to the former carrying amount of the product. The cost to recover the products are not material because the customer usually returns the product in a saleable condition.

## 44 EVENTS AFTER REPORTING DATE

The Board of Directors in the meeting held on May 17, 2019 have recommended final dividend for the year ended March 31, 2019 which is subject to the approval of shareholders in the ensuing annual general meeting. Refer note 14(B) for details.

## 45 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying IND AS 116, 'Leases'. The amendments are applicable to the Group from April 01, 2019. The Group is currently evaluating the impact of the new standard on the Balance sheet. However, the impact on Statement of Profit & Loss is not expected to be material.

**This is the notes to the consolidated financial statements referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Ashok Narayanaswamy**
Partner
Membership Number: 095665

Place: Gurugram
Date: May 17, 2019

**For and on behalf of the Board of Directors**

Sd/-
**Narayan K. Seshadri**
Chairman
DIN: 00053563

Sd/-
**Mayank Singhal**
Managing Director & CEO
DIN: 00006651

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of PI Industries Limited**

**Report on the Audit of the Consolidated Financial Statements**

## Opinion

1. We have audited the accompanying consolidated financial statements of PI Industries Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), controlled trust, its associate and joint venture entity (refer note 3(t)) to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2020 and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), 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 and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated financial statements").

2. 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 Companies Act, 2013 ("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 consolidated state of affairs of the Group, controlled trust, its associate and joint venture entity as at March 31, 2020 of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

## Basis for Opinion

3. 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, controlled trust, its associate and joint venture entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 17 of the Other Matters paragraph below, other than the unaudited financial statements as certified by the management and referred to in sub-paragraph 18 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

4. We draw your attention to note 46 of the consolidated financial statements, which describes the management's assessment of the financial impact of the events arising out of Coronavirus (Covid-19) virus pandemic, for which a definitive assessment of the impact in the subsequent period is dependent upon the circumstances as they evolve. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

5. 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.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Investment made in Isagro (Asia) Agrochemicals Private Limited - Allocation of purchase price and determination of goodwill in the Consolidated Financial Statements**<br><br>**(Refer to Note 45 in the Consolidated financial statements)**<br><br>**The Company acquired 100% of the equity shares of Isagro (Asia) Agrochemicals Private Limited from Isagro S.p.a., Italy on December 27, 2019. The purchase consideration of INR 4432 MN was arrived at based on an independent valuation and subsequent negotiations / agreement thereon. For the consolidated financial statements, the company obtained independent valuation to arrive at the fair value of the net assets acquired / identified and recognised goodwill for the** | Our audit procedures included the following:<br><br>• Understanding the design and and testing the operating effectiveness of management controls around acquiring the aforesaid assessment of carrying values of the said goodwill in the consolidated financial statements.<br><br>• Reviewing minutes of the meeting of the board of directors / audit committee, share purchase agreement, testing payments made and ensuring compliances with the relevant provision of the Companies Act 2013.<br><br>• Reading the independent valuation report and understanding and evaluating, the projections thereon and the fair valuation of net assets acquired thereon by testing key inputs and assumptions made in the valuations, projections and performing sensitivity analysis.<br><br>• Involving auditor's expert to review the key assumptions in the valuation, the basis of purchase price allocation, the fair valuation of the net assets acquired / identified, goodwill impairment model. |

| | |
|---|---|
| **excess of the aforesaid purchase consideration over the identified net assets.**<br><br>**The Company has reviewed the carrying values of the above goodwill on the balance sheet date and concluded on their appropriateness and of the same.**<br><br>**We have considered this to be a key audit matter as the goodwill are material and the valuation based on which their carrying amounts were concluded as appropriate required significant management judgement, inputs, assumptions and estimates.** | • Checking the adequacy and appropriateness of the disclosures made in the financial statements.<br><br>Based on our procedures performed above, the management's assessment of carrying value of the goodwill was appropriate. |
| **Estimation of provision for sales returns and discounts and volume rebates on sales impacting revenue on sale of products**<br><br>**(Refer note 20 to the Consolidated financial statements)**<br><br>**Revenue from sale of products is presented net of returns, discounts and volume rebates in the financial statements.**<br><br>**The management determines provision for sales returns, discounts and rebates on the basis of various factors such as the current and expected business environment, sales returns variability and expected achievement of targets against various ongoing schemes floated.**<br><br>**We have considered this to be a key audit matter in view of it having significant impact on the recognised revenue and the involvement of management judgment in estimating the** | Our audit procedures included:<br><br>Understanding the policies and procedures related to sales returns, discounts and volume rebates and evaluating the design and testing the operating effectiveness of related controls related to these estimates.<br><br>Checking management's calculations for the estimates and assessing the reasonableness of assumptions used by the management in arriving at the amount of provisions.<br><br>Assessing the reasonableness of estimates made by the management in the past by comparing the provisions recognised in the earlier financial years with their subsequent settlement, performing ratio analysis of discounts, volume rebates and sales returns as a percentage of sale of the current year and comparing the same with those in prior years.<br><br>Testing on a sample basis, credit notes issued and/or adjustments made after the balance sheet date and their impact if any on the reported amounts.<br><br>Based on the above procedures performed, the estimates made by the management in respect of provision for sales |

| | |
|---|---|
| **amounts at which these are expected to be settled.** | returns and discounts and rebates on sales were considered to be reasonable. |

### Other Information

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board report, but does not include the consolidated financial statements and our auditor's report thereon.]

7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 17 below), 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.

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

9. 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 Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group including controlled trust, its Associate and Joint venture entity 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, controlled trust and of its associate and joint venture entity 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; 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.

10. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group, controlled trust and of its associate and joint venture entity are responsible for assessing the ability of the Group, controlled trust and of its associate and joint venture entity 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 Group or to cease operations, or has no realistic

alternative but to do so.

11. The respective Board of Directors of the companies included in the Group, controlled trust and of its associate and joint venture entity are responsible for overseeing the financial reporting process of the Group, controlled trust and of its associate and joint venture entity.

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

12. 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 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 consolidated financial statements.

13. 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 consolidated 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 Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to financial statements 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 ability of the Group, controlled trust and its associate and joint venture entity 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 consolidated 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 Group, controlled trust and its associate and joint venture entity to cease to continue as a going concern.
    - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair

presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group, controlled trust and its associate and joint venture entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

14. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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.

15. 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.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

### Other Matters

17. We did not audit the financial statements of four subsidiaries, and one controlled trust whose financial statements reflect total assets of INR 4,464 MN and net assets of INR 3,411 MN as at March 31, 2020, total revenue of INR 641 Mn, total comprehensive income (comprising of profit and other comprehensive income) of INR 253 Mn and net cash flows amounting to INR 136 MN for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of INR 0.3 MN and INR. 7.5 MN for the year ended March 31, 2020 as considered in the consolidated financial statements, in respect of one associate company and one joint venture respectively, whose financial statements have not been audited by us. These financial statements 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, controlled trust, joint venture and associate company and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information in so far as it relates to the aforesaid subsidiaries, joint venture and associate, is based solely on the reports of the other auditors.

18. We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of INR 30 Mn and net assets of INR 22 MN as at March 31, 2020, total

revenue of INR 58 MN, total comprehensive income (comprising of profit and other comprehensive income) of INR 3 MN and net cash flows amounting to INR 4 MN for the year ended on that date, as considered in the consolidated financial statements. whose financial statements have not been audited by us. These financial statements are unaudited and 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 this subsidiary, and our report in terms of sub-section (3) of Section 143 of the Act including report on Other Information insofar as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

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 certified by the Management.

## Report on Other Legal and Regulatory Requirements

19. 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 (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records 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, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate company and joint venture company incorporated in India, none of the directors of the Group company, its associate company and joint venture company incorporated in India 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 internal financial controls with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in Annexure A.

With respect to the adequacy of internal financial controls with reference to financial statements of an associate and a joint venture entity incorporated in India and the operating effectiveness of such controls, reporting under clause (i) of sub section 3 of Section 143 of the Act is not applicable vide the reports dated May 13, 2020 and May 12, 2020 of their respective statutory auditors.

(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, if any, of pending litigations on the consolidated financial position of the Group, controlled trust, its associate and joint venture entity, refer note 16 and 34 to the consolidated financial statements.

ii. The Group, controlled trust, its associate and joint venture had long-term contracts including derivative contracts as at March 31, 2020 for which there were no material foreseeable losses.

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, controlled trust, associate company and joint venture company incorporated in India.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2020.

20. The Holding Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act and for three subsidiaries based on the reports dated May 18, 2020, May 15, 2020 and May 16, 2020 of their statutory auditors no managerial remuneration has been paid. The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, reporting under Section 197(16) of the Act is not applicable to the one subsidiary, controlled trust, its associate and joint venture vide the reports dated May 22, 2020, May 13, 2020 and May 12, 2020 of their respective statutory auditors and one subsidiary incorporated outside India.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN012754/N500016
Chartered Accountants

Sd/-
Sougata Mukherjee
Partner
Membership Number 057084

UDIN:20057084AAAABS4955
Place: Gurugram
Date: June 4, 2020

**Annexure A to Independent Auditors' Report**

Referred to in paragraph 19 (f) of the Independent Auditors' Report of even date to the members of PI Industries Limited on the consolidated financial statements for the year ended March 31, 2020.



**Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to financial statements of PI Industries Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, as of that date. Reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is not applicable to an associate and a joint controlled entity incorporated in India namely Solinnos Agro Sciences Private Limited and PI Kumiai Private Limited, pursuant to MCA notification GSR 583(E) dated 13 June 2017 and controlled trust.

**Management's Responsibility for Internal Financial Controls with reference to financial statements**

2. The respective Board of Directors of the Holding company, its subsidiary companies, to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls with reference to financial statements, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on 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 the 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 Act.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements 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 ICAI and the Standards on Auditing 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 ICAI. 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained bythe 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 Company's internal financial controls system with reference to financial statements.

## Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial control with reference to 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 with reference to financial statements 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.

## Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Holding Company, its subsidiary companies which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements 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. (Refer paragraph 4 on emphasis of matter of main audit report)

**Annexure A to Independent Auditors' Report**

Referred to in paragraph 19 (f) of the Independent Auditors' Report of even date to the members of PI Industries Limited on the consolidated financial statements for the year ended March 31, 2020.



## Other Matter

9. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements insofar as it relates to four subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: FRN012754/N500016
Chartered Accountants

Sd/-
Sougata Mukherjee
Partner
Membership Number: 057084

Place: Gurugram
Date : June 04, 2020

**PI INDUSTRIES LIMITED**
**Consolidated Balance Sheet as at March 31, 2020**
**(All amounts in ₹ million, unless otherwise stated)**

| Particulars | Notes | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 17,338 | 11,791 |
| Capital work-in-progress | | 2,371 | 1,544 |
| Goodwill | | 828 | |
| Other intangible assets | 5 | 409 | 66 |
| Intangible asset under development | 6 | 336 | 284 |
| Investments accounted for using the equity method | 9 | 109 | 102 |
| Financial assets | | | |
| (i) Investments | 7(a) | 70 | 70 |
| (ii) Loans | 7(c) | 61 | 41 |
| (iii) Other financial assets | 7(g) | 82 | 149 |
| Deferred tax assets | 17 | - | 141 |
| Other non-current assets | 10 | 411 | 451 |
| **Total non-current assets** | | **22,015** | **14,639** |
| **Current assets** | | | |
| Inventories | 8 | 7,989 | 5,357 |
| Financial assets | | | |
| (i) Investments | 7(b) | 1,325 | 1,119 |
| (ii) Trade receivables | 7(d) | 6,465 | 6,618 |
| (iii) Cash and cash equivalents | 7(e) | 1,244 | 614 |
| (iv) Bank balances other than (iii) above | 7(f) | 98 | 278 |
| (v) Loans | 7(c) | 83 | 63 |
| (vi) Other financial assets | 7(g) | 313 | 254 |
| Contract assets | 7(h) | 1,022 | 520 |
| Current tax assets | 11 | 146 | - |
| Other current assets | 10 | 1,548 | 2,086 |
| **Total current assets** | | **20,233** | **16,909** |
| **Total assets** | | **42,248** | **31,548** |
| **EQUITY & LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 12 | 138 | 138 |
| Other equity | 13 | 26,053 | 22,716 |
| **Total equity** | | **26,191** | **22,854** |
| **Liabilities** | | | |
| **Non current liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | 15(a) | 3,994 | 99 |
| (ii) Other financial liabilities | 15(d) | 832 | 190 |
| Provisions | 16 | 124 | 290 |
| Deferred tax liabilities (Net) | 17 | 102 | - |
| **Total non current liabilities** | | **5,052** | **579** |
| **Current Liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | | 1,083 | - |
| (ii) Trade payables | 15(c) | | |
| a) total outstanding dues of micro enterprises and small enterprises | | 83 | 48 |
| b) total outstanding dues of creditors other than micro enterprises and small enterprises | | 5,826 | 5,082 |
| (iii) Other financial liabilities | 15(d) | 2,970 | 2,419 |
| Provisions | 16 | 424 | 126 |
| Other current liabilities | 18 | 575 | 435 |
| Current tax liabilities | 19 | 44 | 5 |
| **Total current liabilities** | | **11,005** | **8,115** |
| **Total liabilities** | | **16,057** | **8,694** |
| **Total equity and liabilities** | | **42,248** | **31,548** |

**Notes to accounts** 1 to 45

The accompanying notes referred to above formed the integral part of the financial statement

**This is the Consolidated Balance Sheet referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Sougata Mukherjee**
Partner
Membership Number: 057084

**For and on behalf of the Board of Directors**

Sd/-
**Mayank Singhal**
Vice Chairman & Managing Director
DIN: 00006651

Sd/-
**Rajnish Sarna**
Director
DIN: 06429468

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

Place: Gurugram
Date: June 04, 2020

PI INDUSTRIES LIMITED

**Statement of Consolidated Profit & Loss for the year ended March 31, 2020**

**(All amounts in ₹ million, unless otherwise stated)**

| Particulars | Notes | For the year ended March 31, 2020 | For the year ended March 31, 2019 |
|---|---|---|---|
| **Revenue from operations** | 20 | 33,665 | 28,409 |
| **Other income** | 21 | 489 | 595 |
| **Total income** | | **34,154** | **29,004** |
| **Expenses:** | | | |
| Cost of materials consumed | | 16,877 | 13,728 |
| Purchase of stock in trade | | 1,619 | 1,274 |
| Changes in inventories of finished goods, work in progress and stock in trade | | (22) | 500 |
| Employee benefit expense | 22 | 3,209 | 2,647 |
| Finance cost | 26 | 170 | 50 |
| Depreciation and amortisation expense | 25 | 1,367 | 930 |
| Other expense | 23 | 4,804 | 4,496 |
| **Total expenses** | | **28,024** | **23,625** |
| Share of profit and (loss) of associates & joint venture accounted for using the equity method | | **8** | **0** |
| **Profit before tax** | | **6,138** | **5,379** |
| **Income tax expense** | 27 | | |
| Current tax | | (1,259) | (1,176) |
| Deferred tax | | (313) | (101) |
| **Total tax expense** | | **(1,572)** | **(1,277)** |
| **Profit for the year** | | **4,566** | **4,102** |
| **Other comprehensive income** | | | |
| (i) Items that will not be reclassified to profit or loss | | | |
| Remeasurements gains/(losses) on defined benefit plans | | (19) | (2) |
| Income tax relating to the above item | | 8 | 1 |
| (ii) Items that will be reclassified to profit or loss | | | |
| Effective portion of gains/(losses) on cash flow hedges | | (840) | 120 |
| Exchange difference on translation of foreign operations | | 2 | 0 |
| Income tax relating to the above item | | 293 | (42) |
| **Total comprehensive income for the year** | | **4,010** | **4,179** |
| **Earnings per equity share** | 29 | | |
| 1) Basic (in ₹) | | 33.08 | 29.74 |
| 2) Diluted (in ₹) | | 33.08 | 29.73 |
| **Face value per share (in ₹)** | | 1.00 | 1.00 |

**Notes to accounts** 1 to 45

The accompanying notes referred to above formed the integral part of the financial statement

**This is the Consolidated Statement of Profit and Loss referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Sougata Mukherjee**
**Partner**
**Membership Number: 057084**

**For and on behalf of the Board of Directors**

Sd/-
**Mayank Singhal**
Vice Chairman & Managing Director
DIN: 00006651

Sd/-
**Rajnish Sarna**
Director
DIN: 06429468

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

**Place: Gurugram**
**Date: June 04, 2020**

Inspired by Science

**PI INDUSTRIES LIMITED**
**Statement of Changes in Consolidated Equity for the year ended March 31, 2020**
**(All amounts in ₹ million, unless otherwise stated)**

**a. Equity share capital**

| Particulars | Note | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|---|
| | | No. of Shares | Amount | No. of Shares | Amount |
| Balance at the beginning of the reporting period | 12 | 13,80,30,651 | 138 | 13,79,07,318 | 138 |
| Changes in equity share capital during the period | | 77,342 | 0 | 1,23,333 | 0 |
| **Balance at the end of the reporting period** | | **13,81,07,993** | **138** | **13,80,30,651** | **138** |

**b. Other equity**

| Particulars | Note | Reserves & Surplus | | | | | | Other Reserves | | | Total other equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | Capital Redemption reserve | Securities premium reserve | Share option outstanding account | General reserve | Own shares held by Trust under ESOP scheme | Retained earnings | Effective portion of cash flow hedges | Foreign Currency Translation Reserve | |
| **Balance at April 1, 2018** | | **15** | **4** | **1,984** | **102** | **1,857** | **(0)** | **15,097** | **49** | **2** | **19,109** |
| Profit for the year | | - | - | - | - | - | - | 4,102 | - | - | **4,102** |
| Change in accounting policy- Adjustment of Ind AS 115 | 13 f. | - | - | - | - | - | - | 216 | - | - | **216** |
| Other comprehensive income | 13 i, h | - | - | - | - | - | - | (1) | 78 | 0 | **77** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **4,317** | **78** | **0** | **4,395** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | | | | |
| Premium on issue of equity shares through ESOP | 13 c. | - | - | 116 | - | - | - | - | - | - | **116** |
| Own shares held by ESOP Trust | 12 c. | | - | (74) | | | (0) | | | - | **(74)** |
| Shares issued under ESOP scheme | 13 d. | - | | 29 | (42) | - | 0 | - | - | | **(13)** |
| Expense on Employee Stock Option Scheme | 13 d. | - | - | - | 13 | - | - | - | - | - | **13** |
| Dividends paid | 14 | - | - | - | - | - | - | (689) | - | - | **(689)** |
| Dividend Distribution Tax (DDT) | 14 | - | - | - | - | - | - | (142) | - | - | **(142)** |
| **Balance at March 31, 2019** | | **15** | **4** | **2,055** | **73** | **1,857** | **(0)** | **18,583** | **127** | **2** | **22,716** |
| Profit for the year | | - | - | - | - | - | - | 4,566 | - | - | **4,566** |
| Other comprehensive income | 13 i, h | - | - | - | - | - | - | (11) | (547) | 2 | **(556)** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **-** | **-** | **4,555** | **(547)** | **2** | **4,010** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | | | | |
| Premium on issue of Equity Shares through ESOP | 13 c. | - | - | 80 | - | - | - | - | - | - | **80** |
| Own shares held by ESOP Trust | 12 c. | - | - | (53) | - | - | (0) | - | - | - | **(53)** |
| Shares issued under ESOP scheme | 13 d. | - | - | 80 | (27) | - | 0 | - | - | - | **53** |
| Expense on Employee Stock Option Scheme | 13 d. | - | - | - | (4) | - | - | - | - | - | **(4)** |
| Dividends paid | 14 | - | - | - | - | - | - | (621) | - | - | **(621)** |
| Dividend Distribution Tax (DDT) | 14 | - | - | - | - | - | - | (128) | - | - | **(128)** |
| **Balance at March 31, 2020** | | **15** | **4** | **2,162** | **42** | **1,857** | **0** | **22,389** | **(420)** | **4** | **26,053** |

**This is the Consolidated Statement of Changes in Equity referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Sougata Mukherjee**
**Partner**
**Membership Number: 057084**

**For and on behalf of the Board of Directors**

Sd/-
**Mayank Singhal**
Vice Chairman & Managing Director
DIN: 00006651

Sd/-
**Rajnish Sarna**
Director
DIN: 06429468

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

**Place: Gurugram**
**Date: June 04, 2020**

**PI INDUSTRIES LIMITED**
**Consolidated Statement of Cash Flows for the year ended March 31, 2020**
**(All amounts in ₹ million, unless otherwise stated)**

| PARTICULARS | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | |
| **Profit before Income Tax** | **6,138** | **5,379** |
| **Adjustments for :-** | | |
| Depreciation and amortisation expense | 1,367 | 930 |
| Finance costs | 170 | 50 |
| Provision for Bad and Doubtful debts & Advances | 122 | 179 |
| Interest Income on Financial Assets at amortised cost | (175) | (194) |
| Unwinding of discount on Security Deposits | (3) | (10) |
| Expense on Employee Stock Option Scheme | (4) | 13 |
| (Gain)/Loss on Sale/Retirement of property, plant & equipment (Net) | (9) | 13 |
| (Gain)/Loss on sale of Investments (Net) | (19) | (198) |
| (Gain)/Loss on financial assets measured at fair value through profit or loss (Net) | 7 | 89 |
| Share of (profit)/loss of associate and joint venture | (8) | (0) |
| Impact of Ind AS 115 adjustment taken to retained earnings | - | 216 |
| Unrealised (Gain)/Loss on foreign currency transactions (Net) | 188 | 127 |
| **Operating Profit before Working Capital changes** | **7,774** | **6,594** |
| (Increase) / Decrease in Trade Receivables | 1,267 | (1,493) |
| (Increase) / Decrease in Current financial assets - Loans | (1) | (17) |
| (Increase) / Decrease in Current Contract Assets | (502) | (520) |
| (Increase) / Decrease in Non-current financial assets - Loans | 4 | (2) |
| (Increase) / Decrease in Other current financial assets | (177) | (44) |
| (Increase) / Decrease in Other non-current financial assets | 88 | (82) |
| (Increase) / Decrease in Other current assets | 771 | (433) |
| (Increase) / Decrease in Other non-current assets | 7 | (3) |
| (Increase) / Decrease in other bank balances | 1 | 10 |
| (Increase)/Decrease in Inventories | (1,850) | (837) |
| Increase / (Decrease) in Current Provisions and Trade Payables | 319 | 1,498 |
| Increase / (Decrease) in Non-current Provisions | (180) | 57 |
| Increase / (Decrease) in Other current financial liabilities | 96 | 119 |
| Increase / (Decrease) in Other non-current financial liabilities | 294 | 7 |
| Increase / (Decrease) in Other current liabilities | 118 | 237 |
| **Cash generated from Operations before tax** | **8,029** | **5,091** |
| Income Taxes paid (Includes TDS) | (1,048) | (1,183) |
| **Net cash inflow (outflow) from Operating Activities** | **6,981** | **3,908** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Payments for purchase of property, plant & equipment including Capital Work in Progress, Intangible Assets and Capital Advances | (6,743) | (3,685) |
| Proceeds from sale of property, plant & equipment | 48 | 8 |
| Consideration paid for acquisition of subsidiary, net of cash acquired | (4,345) | - |
| Purchase of Equity Investment | - | (65) |
| Investments in associates and joint venture | - | (95) |
| Purchase and Sale of Current Investments | 1,014 | 427 |
| Interest Received | 175 | 194 |
| Dividend Received | 0 | 0 |
| **Net cash used in Investing Activities** | **(9,851)** | **(3,216)** |
| **Net cash inflow (outflow) from Operating and Investing Activities** | **(2,870)** | **692** |

| PARTICULARS | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of Equity Share Capital | 0 | 0 |
| Premium on issue of equity shares under ESOP scheme | 80 | 29 |
| Short Term Borrowings (Net) | 1,083 | - |
| Principal elements of Deferred lease payments | (215) | - |
| Borrowings -Term Loan- Repayments | (407) | - |
| Borrowings - Term Loan- Taken | 3,886 | (399) |
| Interest paid | (179) | (50) |
| Dividends paid (including Tax) | (748) | (831) |
| **Net Cash inflow (outflow) from Financing Activities** | **3,500** | **(1,251)** |
| **Net Cash inflow (outflow) from Operating, Investing & Financing Activities** | **630** | **(559)** |
| Effect of exchange differences on translation of foreign currency Cash & Cash equivalents | (0) | (0) |
| **Net increase (decrease) in Cash & Cash equivalents** | **630** | **(559)** |
| **Opening balance of Cash & Cash equivalents** | **614** | **1,173** |
| **Closing balance of Cash & Cash equivalents** | **1,244** | **614** |

Note: Cash and cash equivalents included in the Cash Flow Statement comprise of the following (Refer Note No. 7(e)):-

| | | |
|---|---|---|
| **i) Cash on Hand** | 0 | 1 |
| **ii) Balance with Banks :** | | |
| -In Current Accounts | 600 | 150 |
| -In Fixed Deposits | 644 | 463 |
| Total | **1,244** | **614** |

The above Cash Flow Statement has been prepared under the Indirect method as set out in IND AS - 7.
Figures in brackets indicate cash outflows.

**This is the Consolidated Statement of Cash Flow referred to our report of even date**

For **Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Sougata Mukherjee**
**Partner**
**Membership Number: 057084**

**For and on behalf of the Board of Directors**

Sd/-
**Mayank Singhal**
Vice chairman & Managing Director
DIN: 00006651

Sd/-
**Rajnish Sarna**
Director
DIN: 06429468

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

**Place: Gurugram**
**Date: June 04, 2020**

**PI INDUSTRIES LIMITED**

**Notes to Consolidated Financial Statements for the year ended March 31, 2020**

## 1. Corporate Information

PI Industries Limited ("PI" or "the Company") is a public limited company domiciled in India and has its registered office at Udaipur. The shares of the Company are listed on National Stock Exchange and Bombay Stock Exchange.

These consolidated financial statements comprise the Company and its subsidiaries (referred to collectively as "the Group") and the Group's interest in an associate and a joint venture entity. PI is a leading player in the agchem space having strong presence in both Domestic and Export markets. It has state-of-art facilities in Gujarat having integrated process development teams with in-house engineering capabilities. The Group maintains a strong research presence through its R&D facility at Udaipur. The principal activities of the subsidiaries are Research and Development, Market research and Investment.

## 2. Basis of preparation

The Group has consistently applied the following accounting policies to all periods presented in the consolidated financial statements unless otherwise stated.

### a) Statement of compliance

These consolidated financial statements have been prepared in all material aspects, in accordance with the recognition and measurement principles laid down in Indian Accounting Standard ('Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 ('the Act') and other relevant provisions of the Act to the extent applicable.

These consolidated financial statements were authorised for issue by the Board of Directors on June 4, 2020.

### b) Basis of measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for the following:

-Certain financial assets and liabilities (including derivative instruments) and contingent considerations are measured at fair value;
-Defined benefit plan assets measured at fair value;
-Share-based payments measured at fair value.

**c) New and Amended standards adopted by the Group**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- IND AS 116, Leases (refer note (p) below)
- Uncertainty over Income Tax Treatments – Appendix C to Ind AS 12, Income Taxes

The group had to change its accounting policies and make certain adjustments following the adoption of IND AS 116. This is disclosed in note 43. The other amendments did not have any impact on the amount recognized in prior periods and are not expected to significantly affect current or future periods.

**d) Functional and presentation currency**

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Indian National Rupee ('₹'), which is the Group's functional and presentation currency. All amounts disclosed in the financial statements and notes have been rounded off to the nearest millions as per the requirement of Schedule III, unless otherwise stated. The sign '0' in these consolidated financial statements indicates that the amounts involved are below ₹ five lacs and the sign '-' indicates that amounts are nil.

**e) Current or Non current classification**

All Assets and Liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services provided and time between the rendering of services and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

**f) Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent liabilities and contingent assets at the date of consolidated financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Application of accounting policies that require critical accounting estimates and assumption judgements having the most significant effect on the amounts recognised in the consolidated financial statements are:

- Measurement of defined benefit obligations;
- Recognition of deferred tax assets & minimum alternative tax credit entitlement;
- Useful life and residual value of Property, plant and equipment and intangible assets;
- Impairment test of financial and non-financial assets including recoverability of expenditure on internally- generated intangible assets;
- Measurement of fair value for share based payments;
- Recognition and measurement of provisions and contingencies.

**g)** The Group recognises revenue over the period of time for contracts wherein the Group's performance for the products does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed till date. Management has determined that it is highly probable that there will be no rescission of the contract and a significant reversal in the amount of revenue recognised will not occur. Accordingly, revenue is recognised for these contracts based on Input method wherein amount of revenue to be recognised is determined based on the actual cost incurred till date and the estimated margin on the contract.

The Group also recognises Provision for discounts and sales returns based on the current and expected operating environment, Sales returns variability, expected achievement of targets against various ongoing schemes floated.

## 3. Significant Accounting Policies

### a) Property, plant and equipment

#### i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs relating to acquisition of qualifying fixed assets, if material, are also included in cost to the extent they relate to the period till such assets are ready to be put to use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment or major inspections performed, are recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of all other repairs and maintenance are recognized in the Statement of Profit & Loss as incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date. Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.
An item of property, plant and equipment is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**ii) Transition to Ind AS**

On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

**iii) Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values, and is recognised in the statement of profit and loss. Depreciation on property, plant and equipment is provided on the Straight Line Method based on the useful life of assets estimated by the Management which coincide with the life specified under Schedule II of the Companies Act, 2013, which are as follows:

| | | |
|---|---|---|
| - | Buildings including factory buildings and Roads | 3 - 60 years |
| - | General Plant and Equipment | 15 years |
| - | Electrical Installations and Equipments | 10 years |
| - | Furniture and Fixtures | 10 years |
| - | Office Equipments | 5 years |
| - | Vehicles | 8 - 10 years |
| - | Supply Agreement | 5 years |
| - | Computer and Data Processing Units | 3 - 6 years |
| - | Laboratory Equipments | 10 years |

The Group has estimated the useful lives different from the lives prescribed in schedule II of Companies Act, 2013, in the following cases:

| | |
|---|---|
| - Plant and Equipment (Continuous Process Plant) | 15 years |
| - Special Plant and Equipment (used in manufacture of chemicals) | 15 years |

Leasehold land is being amortised over the lease period and Cost of improvement on leasehold building is being amortised over the lease period or useful life, whichever is shorter.

Based on assessment made by technical experts, the Management believes that the useful lives as given above best represent the period over which it expects to use these assets.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and changes, if any, are accounted for prospectively. Depreciation on additions to or on disposal of assets is calculated on pro-rata basis i.e. from (up to) the date on which the property, plant and equipment is available for use (disposed of).

**b) Intangible assets**

**i) Recognition and measurement**

Intangible assets acquired separately

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets - Research and development

Research costs are expensed as incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Subsequent to initial recognition, the assets are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Internally generated Intangible assets which are not yet available for use are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in profit or loss.

An item of intangible asset is derecognised when no future economic benefit are expected to arise from the continued use of the asset or upon disposal. Any gain or loss on disposal of an item of intangible assets is recognised in profit or loss.

**ii) Transition to Ind AS**

On transition to Ind AS, Group has elected to continue with the carrying value of all of its intangible assets recognised as at April 1, 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

**iii) Amortisation**

Amortisation is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

| | |
|---|---|
| Software | 6 years |
| Product development | 5 years |

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

**c) Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash flows are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ('CGUs').

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss.

In respect of assets for which impairment loss has been recognised in prior periods, the Group reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

**d) Financial instruments**

**i) Initial recognition**

The Group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

**ii) Subsequent measurement**

**i) Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. When the financial asset is derecognised or impaired, the gain or loss is recognised in the statement of profit and loss.

**ii) Financial assets at fair value through other comprehensive income (FVOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss and recognised in other income.

Equity instruments are subsequently measured at fair value. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis. Fair value gains and losses recognised in OCI are not reclassified to profit and loss.

**iii) Financial assets at fair value through profit or loss**

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

**iv) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

**iii) Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. Except Trade receivables, expected credit losses are measured at an amount equal to the 12-month Expected Credit Loss (ECL), unless there has been a significant increase in credit risk from initial recognition, in which case those are measured at lifetime ECL.

With regard to trade receivable, the Group applies the simplified approach (Refer Note No. 40 (I)), which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

**iv) Derecognition**

**Financial Assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

**Financial Liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

**v) Reclassification of Financial Assets and Financial Liabilities**

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model.

**vi) Derivative financial instruments**

The Group is exposed to exchange rate risk which arises from its foreign exchange revenues. The Group uses foreign exchange forward contracts (derivative financial instruments), to hedge foreign currency risk associated with highly probable forecasted transactions and classifies them as cash flow hedges.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recorded in the Group's hedging reserve as a component of equity through OCI and later reclassified to profit and loss when the hedge item affects profit and loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group makes an assessment, on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For cash flow hedges to be "highly effective", a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income/ (loss), remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/ (loss) is recognized immediately in the statement of profit and loss.

**vii) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**e) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair values for measurement and/ or disclosure purposes are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

**Level 1-** This includes financial instruments measured using quoted prices.

**Level 2-**The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

**f) Inventories**

Inventories (including Stock-in-transit) of Finished Goods, Stock in Trade, Work in progress, Raw materials, Packing materials and Stores & Spares are stated at lower of cost and net realizable value. By-products are measured at estimated realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of Raw Materials, Packing Materials, Stores and Spares, Stock in Trade and other products are determined on weighted average basis and are net of Cenvat/Goods and service tax credit.

Cost of Work in progress and Finished Goods is determined on weighted average basis considering direct material cost and appropriate portion of manufacturing overheads based on normal operating capacity. Cost of finished goods include excise duty until June 30, 2017.

Obsolete, slow moving and defective inventories are identified as and when required, and where necessary, the same are written off or provision is made for such inventories.

**g) Provisions, Contingent Liabilities and Contingent Assets**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent Liability is disclosed after careful evaluation of facts, uncertainties and possibility of reimbursement, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are not recognised but are disclosed in notes to the consolidated financial statements.

Contingent assets are not disclosed in the consolidated financial statements unless an inflow of economic benefits is probable.

**h) Revenue Recognition**

**i) Sale of goods**

The Group manufactures and sells a range of products to various customers. Revenue is recognised over the period of time for contracts wherein the Group's performance does not create an asset with alternative use to the Group and the entity has an enforceable right to payment for performance completed till date. For remaining contracts, revenue is recognised when the significant risk and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods to the degree usually associated with the ownership, and the amount of revenue can be measured reliably, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable. Revenue recognised in relation to these contracts in excess of billing is recognised as a Contract Asset. Accumulated experience is used to estimate and provide for the discounts and returns and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other current liabilities) is recognized for expected returns from the customer. Liability (included in other financial liabilities) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Amounts disclosed as revenue are inclusive of excise duty and net of returns, discounts, volume rebates and net of goods and service tax.

**ii) Sale of services**

Revenue from sale of services is recognised over the period of time as per the terms of the contract with customers based on the stage of completion when the outcome of the transactions involving rendering of services can be estimated reliably.

**iii) Export Incentives**

Incentives on exports are recognised in books after due consideration of certainty of utilisation/ receipt of such incentives.

**iv) Interest Income**

Interest income is accrued on a time basis, by reference to the principal 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 the asset's net carrying amount on initial recognition. Interest income is included in other income in the statement of profit and loss.

**v) Dividends**

Dividend income is recognized when the Group's right to receive dividend is established, and is included in other income in the statement of profit and loss.

**i) Employee Benefits**

**i) Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**ii) Defined contribution plans in respect of entities incorporated in India**

Employees benefits in the form of the Group's contribution to Provident Fund, Pension scheme, Superannuation Fund and Employees State Insurance are defined contribution schemes. The Group recognizes contribution payable to these schemes as an expense, when an employee renders the related service.

If the contribution payable exceeds contribution already paid, the deficit payable is recognised as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, The Group recognize that excess as an asset (prepayments) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

**iii) Defined benefit plans**

Retirement benefits in the form of gratuity are considered as defined benefit plans. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The Group provides for its gratuity liability based on actuarial valuation of the gratuity liability as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an actuary. The Group contributes to the gratuity fund, which are recognized as plan assets. The defined benefit obligation as reduced by fair value of plan assets is recognized in the Balance Sheet.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**iv) Other long-term employee benefits**

Employee benefits in the form of long term compensated absences are considered as long term employee benefits. The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

The liability for long term compensated absences are provided based on actuarial valuation as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an actuary. In respect of entities incorporated outside India, the Group does not have any material employee benefit obligations.

**j) Foreign currency transactions**

**Initial recognition:**

Transactions in foreign currencies are translated into the Group's functional currency at the exchange rates at the dates of the transactions.

**Conversion:**

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

**Exchange difference:**

Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI

- equity investments at fair value through OCI (FVOCI);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective

In accordance with Ind-AS 101 'First Time Adoption of Indian Accounting Standards', the Group has continued the policy of capitalisation of exchange differences on foreign currency loans taken before the transition date. Accordingly, exchange differences arising on translation of long term foreign currency monetary items relating to acquisition of depreciable fixed assets taken before the transition date are capitalized and depreciated over the remaining useful life of the asset.

**k) Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**l) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income

**i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year after taking credit of the benefits available under the Income Tax Act and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Group:

i) Has a legally enforceable right to set off the recognised amounts; and

ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

For operations carried out in tax free units, deferred tax assets or liabilities, if any, have been recognised for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset only if:

i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

In respect of entities incorporated in India deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is probable evidence that the Group will pay normal income tax in future. Accordingly, MAT is recognised as deferred tax asset in the Balance Sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

**m) Segment Reporting**

An operating segment is defined as a component of the entity that represents business activities from which it earns revenues and incurs expenses and for which discrete financial information is available. The operating segments are based on the Group's internal reporting structure and the manner in which operating results are reviewed by the Chief Operating Decision Maker (CODM).

The Management Advisory Committee of the Group has been identified as the CODM by the Group. Refer Note 35 for Segment disclosure.

**n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**o) Cash flow statement**

Cash flow statements are prepared in accordance with "Indirect Method" as explained in the Accounting Standard on Statement of Cash Flows (Ind AS - 7). The cash flows from regular revenue generating, financing and investing activity of the Group are segregated.

**p) Leases**

The Group leases various offices, warehouses, IT equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 9 years but may have extension and termination options.

Until the 2019 financial year, leases of office & warehouses, IT equipment and vehicles leases were classified as either finance leases or operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

**Lease liabilities include the net present value of the following lease payments:**

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**Right-of-use assets are measured at cost comprising the following**

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

**Till 31 Mar 2019:**

At inception of an arrangement, it is determined whether the arrangement is or contains a lease, based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Group as lessee under finance lease**

Assets held under finance lease are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between the finance expenses and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The finance expenses are recognised in the statement of profit and loss.

**Group as lessee under operating lease**

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as an integral part of the total lease expense over the term of the lease.

**As a lessor**

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of this underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard

**q) Share-based payment transactions**

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and is adjusted to reflect the actual number of share options that vest.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions and excluding the impact of any service and non-market performance vesting conditions.

**r) Earning per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted Earning per Share, the net profit or loss for the period attributable to Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**s) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**t) Basis of consolidation**

**Subsidiaries**

Subsidiaries are entities controlled by the Group. the Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiary companies considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | %voting power held as at March 31st, 2020 (March 31, 2019) |
|---|---|---|
| PILL Finance & Investment Limited | India | 100% (100%) |
| PI Life Science Research Limited | India | 100% (100%) |
| PI Japan Co. Ltd. | Japan | 100% (100%) |
| Jivagro Ltd. | India | 100% (Nil) |
| Isagro (Asia) Agrochemicals Pvt. Ltd. | India | 100% (Nil) |

**Equity accounted investees**

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases.

The joint venture and associate companies considered in the consolidated financial statements are:

| Name of the Company | Country of Incorporation | %voting power held as at March 31st, 2020 (March 31, 2019) |
|---|---|---|
| PI Kumiai Private Limited | India | 50% (50%) |
| Solinnos Agro Sciences | India | 49% (49%) |

| Private Limited |
|---|

**Transactions eliminated on consolidation**

Intra -group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group 's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Foreign operation**

The assets and liabilities of foreign operations (subsidiaries, associates, joint arrangements, branches) including goodwill and fair value adjustments arising on acquisition, are translated into ₹, the functional currency of the Group , at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into ₹ at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction. The resulting exchange difference arising on translations are recognised in OCI and accumulated in other Equity, except to the extent that they are allocated to Non Controlling Interest.

## 4 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land | Freehold land | Leasehold improvement | Buildings | Plant and machinery | Furniture and fixtures | Office equipments | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | | | |
| **As at beginning of April 01, 2018** | 201 | 7 | 1 | 2,921 | 8,589 | 133 | 99 | 2 | **11,953** |
| Additions | 152 | 45 | 0 | 643 | 1,895 | 28 | 22 | 31 | **2,816** |
| Disposals/Adjustments | - | - | - | - | (34) | (1) | (0) | (0) | **(35)** |
| **As at March 31, 2019** | **353** | **52** | **1** | **3,564** | **10,450** | **160** | **121** | **33** | **14,734** |
| Addition relating to acquisition* | 236 | - | - | 252 | 207 | 4 | 2 | 6 | **707** |
| Lease - Right of Use | - | - | - | 218 | - | - | 17 | 190 | **425** |
| Addition - Right of Use | - | - | - | 84 | - | - | 6 | 86 | **176** |
| Additions of Right of Use relating to acquisition* | - | - | - | 44 | - | - | - | - | **44** |
| Additions | - | - | - | 1,274 | 3,922 | 22 | 33 | 313 | **5,564** |
| Disposals/Adjustments | - | - | - | - | (72) | - | - | (0) | **(72)** |
| **As at March 31, 2020** | **589** | **52** | **1** | **5,436** | **14,507** | **186** | **179** | **628** | **21,578** |
| **Accumulated depreciation** | | | | | | | | | |
| **As at beginning of April 01, 2018** | 6 | - | (0) | 244 | 1,733 | 23 | 40 | 1 | **2,047** |
| Depreciation charge during the year | 3 | - | 0 | 123 | 747 | 15 | 19 | 3 | **910** |
| Disposals | - | - | - | - | (13) | (1) | (0) | - | **(14)** |
| **As at March 31, 2019** | **9** | **-** | **0** | **367** | **2,467** | **37** | **59** | **4** | **2,943** |
| Depreciation charge during the year | 5 | - | 0 | 149 | 916 | 18 | 23 | 35 | **1,146** |
| Depreciation on Right of Use | - | - | - | 87 | - | - | 10 | 87 | **184** |
| Disposals/Adjustments | - | - | - | - | (33) | - | - | (0) | **(33)** |
| **As at March 31, 2020** | **14** | **-** | **0** | **603** | **3,350** | **55** | **92** | **126** | **4,240** |
| **Net carrying amount** | | | | | | | | | |
| **As at March 31, 2019** | **344** | **52** | **1** | **3,197** | **7,983** | **123** | **62** | **29** | **11,791** |
| **As at March 31, 2020** | **575** | **52** | **1** | **4,833** | **11,157** | **131** | **87** | **502** | **17,338** |

* Fair value as on December 27, 2019

a. Depreciation for the year includes depreciation amounting to ₹ 108 (March 31, 2019 ₹ 100) on assets used for Research & Development. During the year Group incurred ₹ 228 (March 31, 2019 ₹ 50) towards capital expenditure for Research & Development (Refer Note 29).

b. Refer note 33 (a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

c. Refer note 42 for information on property, plant and equipment pledged as security by the Group.

## 5 OTHER INTANGIBLE ASSETS

| | Computer Software | Product Development | Supply Agreement | Total |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| **As at beginning of April 01, 2018** | 105 | 10 | - | 115 |
| Additions | 15 | - | - | 15 |
| **As at March 31, 2019** | **120** | **10** | **-** | **130** |
| Addition relating to acquisition (Refer note 43) | 3 | - | 324 | 327 |
| Additions | 34 | 19 | | 53 |
| **As at March 31, 2020** | **157** | **29** | **324** | **510** |
| | | | | |
| **Accumulated amortisation** | | | | |
| **As at beginning of April 01, 2018** | 38 | 6 | - | 44 |
| Amortisation charge during the year | 18 | 2 | - | 20 |
| **As at March 31, 2019** | **56** | **8** | **-** | **64** |
| Amortisation charge during the year | 20 | 1 | 16 | 37 |
| **As at March 31, 2020** | **76** | **9** | **16** | **101** |
| | | | | |
| **Net Carrying Amount** | | | | |
| **As at March 31, 2019** | **64** | **2** | **-** | 66 |
| **As at March 31, 2020** | **81** | **20** | **308** | **409** |

* Fair value as on December 27, 2019

## 6 INTANGIBLE ASSETS UNDER DEVELOPMENT

| | Intangible Assets under Development |
|---|---|
| **As at beginning of April 01, 2018** | 208 |
| Additions | 76 |
| **As at March 31, 2019** | **284** |
| Additions | 87 |
| Disposal/Adjustments | (16) |
| Amount recognised under Intangible assets | (19) |
| **As at March 31, 2020** | **336** |

The value-in-use of intangible assets under development is higher than the carrying amount.

## 7 FINANCIAL ASSETS

### 7(a) NON-CURRENT INVESTMENTS

| | As at March 31, 2020 | | | As at March 31, 2019 | | |
|---|---|---|---|---|---|---|
| **Investment in equity instruments (fully paid up)** | | | | | | |
| **1) Quoted at FVTPL** | **Face value (in ₹ )** | **No. of Shares** | **Amount** | **Face value** | **No. of Shares** | **Amount** |
| a) United Credit Limited | 10 | 700 | 0 | 10 | 700 | 0 |
| b) Summit Securities | 10 | 12 | 0 | 10 | 12 | 0 |
| c) Akzo Nobel India Limited | 10 | 50 | 0 | 10 | 50 | 0 |
| d) BASF India Limited | 10 | 976 | 1 | 10 | 976 | 1 |
| e) Sudershan Chemical Industries Limited | 1 | 900 | 0 | 1 | 900 | 0 |
| f) Rallis India Limited | 1 | 2,070 | 1 | 1 | 2,070 | 1 |
| g) Bayers Crop Science Limited | 10 | 66 | 0 | 10 | 66 | 0 |
| h) Punjab Chemicals & Crop Protection Limited | 10 | 248 | 0 | 10 | 248 | 0 |
| i) Pfizer Limited (Erstwhile Wyeth Limited) | 10 | 29 | 0 | 10 | 29 | 0 |
| j) Sanofi India Limited | 10 | 100 | 1 | 10 | 100 | 1 |
| k) L.M.L.Limited | 10 | 150 | 0 | 10 | 150 | 0 |
| l) United Sprit Limited | 10 | 940 | 1 | 10 | 940 | 1 |
| m) RPG Life Sciences Limited | 10 | 360 | 0 | 10 | 360 | 0 |
| n) Voltas Limited | 1 | 100 | 0 | 1 | 100 | 0 |
| o) ICICI Bank Limited | 2 | 2,530 | 1 | 2 | 2,530 | 1 |
| | | | **5** | | | **5** |
| **2) Unquoted** | | | | | | |
| a) Sygenta India Limited | 10 | 160 | 0 | 10 | 160 | 0 |
| b) Ciba CKD Biochem Limited | 10 | 100 | 0 | 10 | 100 | 0 |
| c) Collabo Tech Inc.(in JPY) | 2,91,545 | 343 | 65 | 2,91,545 | 343 | 65 |
| Less: Provision for diminution in value of investment | | | **(0)** | | | **(0)** |
| | | | **65** | | | **65** |
| **TOTAL** | | | **70** | | | **70** |
| Aggregate amount of quoted investments and market value thereof | | | **5** | | | **5** |
| Aggregate amount of un-quoted investments | | | **65** | | | **65** |
| Aggregate amount of impairment in the value of investments | | | **(0)** | | | **(0)** |

### 7(b) CURRENT INVESTMENTS

| | As at March 31, 2020 | | As at March 31, 2019 | |
|---|---|---|---|---|
| **Investment in mutual funds at FVTPL** | | | | |
| **Quoted** | | | | |
| **a) SBI Short Term Debt Fund - Direct Plan - Growth** 2,52,39,905 (March 31, 2019 : Nil ) Units | 609 | | - | |
| **b) SBI Short Term Debt Fund - Direct Plan - Growth Fund** 2,30,197 (March 31, 2019 : Nil ) Units | 716 | | - | |
| **c) Reliance Liquid Fund - Direct Plan Growth Plan - Growth Option** Nil (March 31, 2019 : 48,256) Units | - | | 220 | |
| **d) Aditya Birla Sun Life Liquid Fund-Growth-Direct Plan** Nil (March 31, 2019 : 6,53,069) Units | - | | 196 | |
| **e) HDFC Liquid Fund-Regular Plan-Growth** Nil (March 31, 2019 : 70,151) Units | - | | 257 | |
| **f) SBI Liquid Fund Direct Growth** Nil (March 31, 2019 : 1,52,342) Units | - | **1,325** | 446 | **1,119** |
| **Quoted** **TOTAL** | | **1,325** | | **1,119** |
| Aggregate amount of quoted investments and market value thereof | | **1,325** | | **1,119** |
| Aggregate amount of impairment in the value of investments | | - | | - |

### 7(c) LOANS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| ***Unsecured, considered good unless stated otherwise*** | | | | |
| Security deposits | 61 | 41 | 29 | 7 |
| Loans and advances to related parties (Refer Note 36) | - | - | - | 3 |
| **Other loans and advances** | | | | |
| Employee advances | | | | |
| Considered good | - | - | 7 | 5 |
| Doubtful | - | - | 3 | 2 |
| Less: Allowance for doubtful employee advances | - | - | (3) | (2) |
| Other miscellaneous advances* | - | - | 47 | 48 |
| **TOTAL** | **61** | **41** | **83** | **63** |

* Includes amount due from Related Parties amounting to ₹ 11 (March 31, 2019 ₹ 6).

**Break up of security details**

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|

| | | |
|---|---|---|
| Loans considered good- Secured | - | - |
| Loans considered good- Unsecured | 147 | 106 |
| Loans which have significant increase in credit risk | - | - |
| Loans - credit impaired | - | - |
| | **147** | **106** |
| Less: loss allowance | (3) | (2) |
| **TOTAL** | **144** | **104** |

## 7(d) TRADE RECEIVABLES

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Trade receivables | **6,923** | **6,939** |
| Receivables from related parties | 58 | - |
| Less: Allowance for doubtful debts | (516) | (321) |
| **TOTAL** | **6,465** | **6,618** |
| Current portion | **6,465** | **6,618** |
| Non-current portion | - | - |

**Break up of security details**

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Trade receivables considered good- Secured | - | - |
| Trade receivables considered good- Unsecured | 6,981 | 6,939 |
| Trade receivables which have significant increase in credit risk | - | - |
| Trade receivables- credit impaired | - | - |
| | **6,981** | **6,939** |
| Less: Allowance for doubtful debts | (516) | (321) |
| **TOTAL** | **6,465** | **6,618** |

Refer note 42 for information on trade receivables pledged as security by the Group.

## 7(e) CASH AND CASH EQUIVALENTS

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| i. **Cash & Cash Equivalents** | | |
| **Balance with banks** | | |
| In Current Accounts | 563 | 90 |
| In EEFC account | 37 | 60 |
| **Cash on hand** | 0 | 1 |
| **Deposits with maturity of less than 3 months** | 644 | 463 |
| **TOTAL** | **1,244** | **614** |

## 7(f) BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| In deposit accounts held as margin money | 20 | 31 |
| Fixed deposits with bank | 71 | 240 |
| In unclaimed dividend accounts * | 7 | 7 |
| **TOTAL** | **98** | **278** |

* Not available for use by the Group as they represent corresponding unclaimed dividend liabilities.

PI INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ million, unless otherwise stated)

## 7(g) OTHERS FINANCIAL ASSETS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| ***Considered good unless stated otherwise*** | | | | |
| Interest and other charges recoverable from customers | | | | |
| -Considered good | - | - | 86 | 94 |
| -Doubtful | - | - | 120 | 121 |
| Less: Allowance for doubtful debts | - | - | (120) | (121) |
| Deposits lodged with Excise & Sales Tax department | 30 | 28 | - | - |
| Deposit accounts held as margin money | 52 | 31 | - | 40 |
| Insurance Claims Recoverable | - | - | 105 | - |
| Other recoverable | | | 122 | |
| Derivative financial instruments - foreign exchange forward contracts | - | 90 | - | 120 |
| **TOTAL** | **82** | **149** | **313** | **254** |

## 7(h) CONTRACT ASSETS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| Contract assets* | **-** | **-** | **1,022** | **520** |
| **TOTAL** | **-** | **-** | **1,022** | **520** |

*Recoverable from customers under contract for supply of goods manufactured exclusively for customers (Refer note 3(h)).

## 8 INVENTORIES

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Raw materials {includes stock-in-transit ₹ 733 (March 31, 2019 : ₹ 1048)} | 5,381 | 3,504 |
| Work in progress | 366 | 595 |
| Finished goods {includes stock-in-transit ₹ 103 (March 31, 2019 : ₹ 183)} | 1,313 | 735 |
| Stock in trade {includes stock-in-transit ₹ Nil (March 31, 2019 : Nil)} | 466 | 292 |
| Stores & spares {includes stock-in-transit ₹ 1 (March 31, 2019 : ₹ 6)} | 463 | 231 |
| **TOTAL*** | **7,989** | **5,357** |

* The cost of inventories recognised as an expense on account of provision of obsolete/ slow and non moving inventories amounting to ₹ 52 (March 31, 2019: ₹ 68)

## 9 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Investment in Unquoted Equity Instruments*** | | |
| Solinnos Agro Sciences Private Limited (Associate)** | 6 | 6 |
| PI Kumiai Private Limited (Joint Venture)*** | 103 | 96 |
| | **109** | **102** |

* Unlisted entity - no quoted price available

** The Group has a 49% interest in Solinnos Agro Sciences Private Limited, which is involved in the business of all types of agri Inputs. The Group's interest in Solinnos Agro Sciences Private Limited is at carrying amount determined using the equity method of accounting. The country of business is India.

*** The Group has a 50% interest in PI Kumiai Private Limited, which is involved in the business of are manufacturing and trading of Agri Science Products. The Group's interest in PI Kumiai Private Limited is at carrying amount determined using the equity method of accounting. The country of business is India.

The Group has interest in Solinnos Agro Sciences Private Limited and PI Kumiai Private Limited that are accounted for using equity method and are individually immaterial to the Group. Refer table below for details: -

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associate and joint venture | 109 | 102 |
| Aggregate amounts of the group's share of: | | |
| Profit/(loss) from continuing operations | 8 | 0 |
| Post-tax profit or loss from discontinued operations | - | - |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **8** | **0** |

## 10 OTHER ASSETS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| *Considered good unless stated otherwise* | | | | |
| **Capital advances** | | | | |
| Considered good | 301 | 383 | - | - |
| Doubtful | 1 | 1 | - | - |
| Less: Allowance for doubtful advances | (1) | (1) | - | - |
| **Advances to vendors** | | | | |
| Considered good | - | - | 347 | 627 |
| Doubtful | - | - | 43 | 11 |
| Less: Allowance for doubtful advances | - | - | (43) | (11) |
| Balance with Central Excise Authorities, Customs etc. | - | - | 413 | 93 |
| Prepayments | 6 | 9 | 84 | 40 |
| Other statutory advances | 50 | 0 | 288 | 660 |
| Export incentive receivables | - | - | 364 | 559 |
| Right to recover returned goods | - | - | 52 | 107 |
| Other miscellaneous advances* | 54 | 59 | - | - |
| **TOTAL** | **411** | **451** | **1,548** | **2,086** |

* Other miscellaneous advances includes amount of ₹ 71 (March 31, 2019 ₹ 55) deposited with Sales Tax Authorities under protest.

## 11 CURRENT TAX ASSETS

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Advance income tax (Net of provision for income tax ₹ 8,257 {March 31, 2019 ₹ 7,231}) | 146 | - |
| **TOTAL** | **146** | **-** |

## 12 EQUITY SHARE CAPITAL

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Authorised Shares** | | |
| 72,30,00,000 (March 31, 2019 : 22,30,00,000) Equity Shares of ₹1 each (March 31, 2019 : ₹ 1 each) | 223 | 223 |
| Nil (March 31, 2019 : 50,00,000) Preference Shares of ₹100 each (March 31, 2019 : ₹ 100 each) | - | 500 |
| | **223** | **723** |
| **Issued Shares** | | |
| 13,82,84,568 (March 31, 2019 : 13,82,07,226) Equity Shares of ₹1 each (March 31, 2019 : ₹ 1 each) | 138 | 138 |
| | **138** | **138** |
| **Subscribed & Fully Paid up Shares** | | |
| 13,81,07,993 (March 31, 2019 : 13,80,30,651) Equity Shares of ₹1 each (March 31, 2019 : ₹ 1 each) | 138 | 138 |
| **Total subscribed and fully paid up share capital** | **138** | **138** |

**a.** The difference between the issued and subscribed capital is on account of less number of shares allotted in right issue in earlier years.

**b. Terms/ rights attached to Equity Shares**

The Company has only one class of Equity Shares having a par value of ₹1 per share (March 31, 2019 ₹ 1 per share). Each holder of Equity Shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except interim dividend. In the event of liquidation, the Equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**c. Own shares held by ESOP Trust**

In the earlier years, PII ESOP Trust was set up to administer the employee stock option plan. During the current year PII ESOP Trust has been consolidated. Refer table below for movement of shares on account of consolidation: -

| Particulars | For the year ended March 31, 2020 | | For the year ended March 31, 2019 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| Opening balance | 2,31,200 | 0 | 2,71,558 | 0 |
| Adjustment on consolidation of ESOP Trust during the year | 77,342 | 0 | 1,23,333 | 0 |
| Exercised during the year | 1,59,685 | 0 | 1,63,691 | 0 |
| **Closing balance** | **1,48,857** | **0** | **2,31,200** | **0** |

**d. Issue of Shares under employee stock option (ESOP) Scheme**

During the year ended March 31, 2020, the Company has issued 77,342 equity shares of ₹ 1 each (March 31, 2019 123,333 equity shares of ₹ 1 each), as per exercise price to PII ESOP Trust, set up to administer Employee Stock Option Plan. Out of total equity shares issued to the Trust 159,685 equity shares of face value of ₹ 1 each (March 31, 2019 163,691 equity shares of face value of ₹ 1 each) have been allocated by the Trust during the year to respective employees upon exercise of Stock Option. As on March 31, 2020, 131,036 equity shares of face value of ₹ 1 per share (March 31, 2019 231,200 of face value of ₹ 1 each) are pending to be allocated to employees upon exercise of Stock Option. (Refer Note 32)

**e. Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

**Issued share capital**

***Equity Shares***

| Particulars | Equity Share (No. of Shares) | | Value of Equity Shares | |
|---|---|---|---|---|
| | **2019-20** | **2018-19** | **2019-20** | **2018-19** |
| Share outstanding at beginning of period | 13,82,07,226 | 13,80,83,893 | 138 | 138 |
| Shares issued under employee stock option scheme | 77,342 | 1,23,333 | 0 | 0 |
| Share outstanding at end of period | **13,82,84,568** | **13,82,07,226** | **138** | **138** |

**Subscribed & paid up**

***Equity Shares***

| Particulars | Equity Share (No. of Shares) | | Value of Equity Shares | |
|---|---|---|---|---|
| | **2019-20** | **2018-19** | **2019-20** | **2018-19** |
| Share outstanding at beginning of period | 13,80,30,651 | 13,79,07,318 | 138 | 138 |
| Shares issued under employee stock option plan | 77,342 | 1,23,333 | 0 | 0 |
| Share outstanding at end of period | **13,81,07,993** | **13,80,30,651** | **138** | **138** |

**f. Shares reserved for issue under option**

Shares reserved for issue under employee stock option scheme is set out in Note 32

**g. Details of shareholders holding more than 5% shares in the Company**

***Equity Shares***

| Name of Shareholders | 2019-20 | | 2018-19 | |
|---|---|---|---|---|
| | **No of Shares** | **% of Holding** | **No of Shares** | **% of Holding** |
| Mr. Salil Singhal | 85,54,857 | 6.20 | 85,54,857 | 6.20 |
| Ms. Madhu Singhal | 2,15,60,500 | 15.62 | 2,15,60,500 | 15.62 |
| Mr. Mayank Singhal | 3,20,28,510 | 23.20 | 3,20,28,510 | 23.20 |
| Ms. Pooja Singhal | 86,65,550 | 6.28 | 86,65,550 | 6.28 |
| ICICI Prudential Value Discovery Fund | - | - | 60,73,466 | 4.40 |

**PI INDUSTRIES LIMITED**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(All amounts in ₹ million, unless otherwise stated)**

## 13 OTHER EQUITY

| | **Reserves & surplus** | **As at March 31, 2020** | | **As at March 31, 2019** | |
|---|---|---|---|---|---|
| **a.** | **Capital reserve** | | | | |
| | Balance at the beginning of the financial year | 15 | | 15 | |
| | Addition during the financial year | - | 15 | - | 15 |
| | *Capital Reserve pertains to amount transferred from capital redemption reserve which was created for redemption of preference share.* | | | | |
| **b.** | **Capital redemption reserve** | | | | |
| | Balance at the beginning of the financial year | 4 | | 4 | |
| | Addition during the Financial year | - | 4 | - | 4 |
| | Deduction during the financial year | | | | |
| **c.** | **Securities premium reserve** | | | | |
| | Balance at the beginning of the financial year | 2,055 | | 1,984 | |
| | Addition during the Financial year | - | | | |
| | Add: Premium on issue of equity shares through ESOP | 80 | | 116 | |
| | Add: Exercise of share options | 80 | | 29 | |
| | Less: Own shares held by ESOP Trust | (53) | 2,162 | (74) | 2,055 |
| | *Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.* | | | | |
| **d.** | **Share option outstanding account** | | | | |
| | Balance at the beginning of the financial year | 73 | | 102 | |
| | Less: Expense on employee stock option scheme | (4) | | 13 | |
| | Less: Shares issued under employee stock option scheme | (27) | 42 | (42) | 73 |
| | *The share options outstanding account is used to recognise the liability arising out of options issued to employees under Employee stock option scheme until the shares are issued (Refer Note 32).* | | | | |
| **e.** | **General reserve** | | | | |
| | Balance at the beginning of the financial year | 1,857 | | 1,857 | |
| | Add: Transferred during the financial year | - | 1,857 | - | 1,857 |
| **f.** | **Surplus in statement of profit & loss** | | | | |
| | Balance at the beginning of the financial year | 18,583 | | 15,097 | |
| | Addition during the financial year | 4,566 | | 4,102 | |
| | Add: Change in accounting policy- Adjustment of Ind AS 115 | - | | 216 | |
| | Add: Remeasurement gain / (loss) on defined benefit plans through OCI | (11) | | (1) | |
| | Less: Interim dividend | (414) | | (345) | |
| | Less: Final dividend | (207) | | (344) | |
| | Less: Dividend distribution tax on equity shares | (128) | 22,389 | (142) | 18,583 |
| **g.** | **Own shares held by ESOP Trust** | | | | |
| | Balance at the beginning and end of the financial year | (0) | | (0) | |
| | Add: Adjustment on consolidation of ESOP Trust during the year | (0) | | (0) | |
| | Less: Exercise of share options | 0 | 0 | 0 | (0) |
| | **Items of other comprehensive income** | | | | |
| **h.** | **Cash flow hedge reserve** | | | | |
| | Balance at the beginning of the financial year | 127 | | 49 | |
| | Add: Other comprehensive income for the financial year | (547) | (420) | 78 | 127 |
| | *The company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable forecast sale. For hedging foreign currency risk, the company uses foreign currency forward contracts which is designated as cash flow hedges. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to profit or loss when the hedged item (sales) affects profit or loss.* | | | | |
| **i.** | **Foreign currency translation reserve** | | | | |
| | Balance at the beginning and end of the financial year | 2 | | 2 | |
| | Other comprehensive income for the year | 2 | 4 | 0 | 2 |
| | **Total** | | **26,053** | | **22,716** |

## 14 DISTRIBUTION MADE AND PROPOSED

| | | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|
| A | **Dividends declared and paid:** | | |
| | Final dividend (March 31, 2020 pertains to financial year 2018-19 and March 31, 2019 pertians to financial year 2017-18) | 207 | 344 |
| | Interim dividend (March 31, 2020 pertains to financial year 2019-20 and March 31, 2019 pertians to financial year 2018-19) | 414 | 345 |
| | **Total dividends** | 621 | 689 |

The Company has paid tax on dividend amounting to ₹ 127 (March 31, 2019 ₹ 142)

| | | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|
| B | **Dividends not recognised at the end of the reporting period** | | |
| | In addition to the above dividends, subsequent to the year end the Board of Directors have recommended a final dividend of ₹ 1.00 per fully paid equity share (March 31, 2019 ₹ 1.50). | 138 | 207 |
| | Tax on dividend | - | 42 |

This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

## 15 FINANCIAL LIABILITIES

### 15(a) BORROWINGS (NON-CURRENT)

| | Non- Current maturities | | Current maturities | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| **Secured** | | | | |
| **Term Loans - From Banks** | | | | |
| Foreign Currency Loans from Banks at amortised cost | 2,254 | 99 | 109 | 395 |
| Rupee Term Loan at amortised cost | 1,740 | - | - | - |
| Less: Interest accrued but not due on borrowings (included in Note 15(d)) | - | - | 12 | 2 |
| **TOTAL** | **3,994** | **99** | **97** | **393** |

**a. Foreign currency loans includes:**

(i) 'External commercial borrowings (ECB) from HSBC Bank, Mauritius amounting to USD 1.42 MN carrying interest rate of 3 months LIBOR plus 1.10% is outstanding as on March 31, 2020 and is repayable in balance 1 (one) quarterly instalments of USD 1.42 Mn. The maturity date of the loan is May 25, 2020. The loan is secured by exclusive charge on movable plant and machinery & building relating to multi purpose plant (MPP) - 6 &7 of the Company situated at SPM 28, Jambusar (Gujarat). The loan was taken for the purpose of capital expenditure for two multi purpose plant designated as MPP 10 and MPP 11 at sterling Multi Product SEZ in Jambusar, District, Gujarat. (refer note 42)

(ii) 'External commercial borrowings (ECB) from HSBC Bank, Singapore amounting to USD 30.0 MN (drawn) carrying interest rate of 3 months LIBOR plus 1.25% is outstanding as on March 31, 2020. In addition, an amount of USD 28 MN is approved from HSBC Bank, Singapore, which is pending to be drawn. The borrowing from HSBC Bank, Singapore are repayable in 14 (fourteen) equal quarterly instalments of USD 4.14 MN each. The maturity date of the loan is October 10, 2024. The loan is secured by exclusive charge on movable plant and machinery and building relating to under construction multi purpose plant (MPP) - 10 & 11 of the Company situated at SPM 29/2, Jambusar (Gujarat) .The loan was taken for the purpose of capital expenditure for two multi purpose plant designated as MPP 10 and MPP 11 at sterling Multi Product SEZ in Jambusar, District, Gujarat. (refer note 42)

(iii) 'Rupee Term Loan from Citicorp Finance (India) Limited ("CFIL") amounting to ₹ 1,740 carrying interest rate of 8% is outstanding as on March 31, 2020. The borrowings from CFIL are repayable in 8 (eight) equal quarterly installment. The maturity date of the loan is December 31, 2022. The loan is secured by exclusive charge on moveable fixed assets of multi purpose plant (MPP) 8 and under construction Multi purpose plant (MPP) 9 of the Company situated at SPM 29/2, Jambusar (Gujarat). The purpose of Loan is reimbursement of capital expenditure at various manufacturing facility in FY 2019 and H1 FY 2020.(refer note 42)

**b.** As on the Balance sheet date there is no default in repayment of loans and interest.

**c. Changes in liabilities arising from financing activities**

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| This section sets out changes in liabilities arising from financing activities pursuant to requirements under Ind AS 7 | | |
| Current portion of long term financial borrowings | (97) | (393) |
| Non-current portion of long term financial borrowings | (3,994) | (99) |
| Interest accrued but not due on borrowings | (12) | (2) |
| **TOTAL** | **(4,103)** | **(494)** |

| | Amount | Amount |
|---|---|---|
| **Balance as at the beginning of the year** | **(494)** | **(836)** |
| Foreign exchange adjustments | (154) | (56) |
| Interest expense | (60) | (29) |
| Interest paid | 50 | 30 |
| Amortisation of Prepaid Processing Charges on Term Loan | 34 | (2) |
| Loan taken | (3,886) | - |
| Re-payments | 407 | 399 |
| **Balance as at the end of the year** | **(4,103)** | **(494)** |

**d. Loan covenants**

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants :
a. the Debt service coverage ratio (DSCR) must be higher than 2. [DSCR = (PAT + Depreciation + Interest expenses + Deferred tax + Amortization)/ (Interest paid (including interest
b. Fixed assets coverage ratio (FACR) must be higher than 1.25 [ Fixed assets coverage ratio = (Hypothecated Movable Fixed Assets (net book value) + Immovable assets mortgaged
c. External Debt/EBIDTA to be maintained below 2.5. [ Total debt or borrowings/ EBIDTA]
d. External gearing to be maintained below 2.[ Total debt or borrowings /Tangible net worth ]

The group complied with these ratios throughout the reporting period. As at March 31, 2020 Debt service coverage ratio was 10.95 (March 31, 2019 15.03), Fixed assets coverage ratio was 3.52 (16.64 at March 31 2019), External Debt/EBIDTA was 0.66 (0.08 at March 31 2019) and external gearing ratio was 0.21 (March 31, 2019 0.02) .



### 15(b) BORROWINGS (CURRENT)

| | Current | |
|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 |
| **Secured** | | |
| **Working Capital- From Banks** | | |
| Working Capital Loan | 950 | - |
| Buyer's Credit | 133 | |
| **TOTAL** | **1,083** | **-** |

**a** Short term loan:
Working capital loans amounting to INR 950 Mn carrying interest rate of 7.90 to 8.10 %  is outstanding as on March 31, 2020, matruting within three months from the balance sheet date. The loan is secured by floating charge on all current assets. The purpose of the loan is to meet working capital requirements of the Company.

| **b** **Changes in liabilities arising from financing activities** | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Balance as at the beginning of the year** | - | - |
| Interest expense | 43 | - |
| Interest paid | (43) | - |
| Amortisation of Prepaid Processing Charges | - | - |
| Borrowings (Net) | 1,083 | - |
| **Balance as at the end of the year** | **1,083** | **-** |

## 15(c) TRADE PAYABLES

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Trade payables | | |
| -Due to micro and small enterprises (Refer Note 37) | 83 | 48 |
| -Other trade payables | 5,826 | 5,082 |
| **TOTAL** | **5,909** | **5,130** |

## 15(d) OTHER FINANCIAL LIABILITIES

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| Employee payables* | - | - | 642 | 523 |
| Security deposits from dealers | 255 | 189 | - | - |
| Security deposits from contractors | 1 | 1 | 2 | 3 |
| Current maturities of long-term borrowings (Refer Note 15 (a)) | - | - | 97 | 393 |
| Interest accrued but not due on borrowings | - | - | 12 | 2 |
| Unclaimed dividends | - | - | 7 | 7 |
| Creditors for capital purchases | - | - | 502 | 371 |
| Deferred Lease Liabilities | 318 | - | 187 | |
| Other payable ** | - | - | 1,013 | 1,120 |
| Derivative financial instruments - foreign exchange forward contracts | 258 | - | 508 | - |
| **TOTAL** | **832** | **190** | **2,970** | **2,419** |

| a | Changes in liabilities arising from financing activities- Deferred lease liabilities :- | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|
| | **Balance as at the beginning of the year** | 412 | - |
| | Interest expense | 47 | - |
| | Addition- lease liabilities | 261 | - |
| | Lease rental paid | (215) | - |
| | **Balance as at the end of the year** | 505 | - |

* This includes due to directors amounting to ₹ 118 (March 31, 2019 ₹ 93)
** This includes due to non-executive/ independent directors amounting to ₹ 16 (March 31, 2019 : ₹ 17)

## 16 PROVISIONS

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| **Provision for employee benefits*** | | | | |
| Long term compensated absences | - | 111 | 157 | 8 |
| Gratuity (Refer Note no. 31) | 124 | 179 | 7 | - |
| | **124** | **290** | **164** | **8** |
| **Provisions for legal claims** | - | - | 260 | 118 |
| | **-** | **-** | **260** | **118** |
| **TOTAL** | **124** | **290** | **424** | **126** |

* This includes due to directors amounting to ₹ 68 (March 31, 2019 ₹ 48 )

**(i) Long term compensated absences**
The long term compensated absences cover the company's liability for earned leave which are classified as other long-term benefits.

The entire amount of provision of ₹ 157 is presented as current, since the compnay does not have an unconditional right to defer settlement for any of these obligations. However based on past experience, the company does not expect all employees to avail the full amount of accrued leave or require payment for such leave within next 12 months.

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Leave obligations not expected to be settled within the next 12 months | 157 | - |

**(i) Information about provisions for legal claims**
(a) An objection was raised by the custom department on classification of one of the imported raw materials resulting in demand of differential custom duty. The Company filed an appeal against the order and is clearing the goods after furnishing of bank guarantee for differential duty against each import of such raw material. As on March 31, 2020 total differential custom duty demand is ₹ 128 (March 31, 2019 ₹ 114). Case is pending before Assistant Commissioner of Customs, Mumbai.

(b) Government of Rajasthan issued a notification resulting into an excise liability of ₹ 4 (March 31, 2019: ₹ 4). The Company has filed writ against the notification and has furnished fixed deposit against the said liability. The case is pending before Honorable Rajasthan High Court.

(c) An objection was raised by the custom department on classification of one of the raw materials siapton resulting in demand of differential excise duty. The Company filed an appeal against the order and has given fixed deposit amounting to ₹ 21 under lein against the said liability.As on March 31, 2020 total differential excise duty demand is ₹ 128 (March 31, 2019 ₹ Nil).

**(ii) Movement in other provisions**

| | Legal claims |
|---|---|
| **As at 1 April 2018** | 101 |
| Provisions made during the year | 17 |
| **As at 31 March 2019** | 118 |
| Provisions made during the year | 14 |
| Additions relating to acquisition (refer note 44) | 128 |
| **As at March 31, 2020** | 260 |

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## 17 DEFERRED TAX (ASSETS) / LIABILITIES

| The balance comprises temporary differences attributable to: | | | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Property, plant and equipment | | | 1,507 | 1,093 |
| Intangible assets | | | 14 | 14 |
| | **A** | | **1,521** | **1,107** |
| **Deferred tax assets** | | | | |
| Provision for employee benefits | | | (58) | (42) |
| Other provisions | | | (64) | (17) |
| Other financial liabilities | | | (7) | (8) |
| Trade receivables | | | (169) | (155) |
| - Remeasurements on defined benefit plans | | | (25) | (17) |
| - Effective portion on cash flow hedges | | | (236) | 58 |
| - Exchange difference on translation of foreign operations | | | 1 | 1 |
| Others | | | (71) | (5) |
| Minimum alternate tax (MAT) credit entitlement | | | (790) | (1,063) |
| | **B** | | **(1,419)** | **(1,248)** |
| **Net deferred tax (assets)/ liabilities** | | **TOTAL** | **102** | **(141)** |

| Movement in deferred tax: | As at March 31, 2019 | On account of acquisition* | Recognized in P&L | Recognized in OCI | Utilisation | As at March 31, 2020 |
|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | |
| Property, plant and equipment | 1,093 | 37 | 377 | - | - | 1,507 |
| Intangible assets | 14 | - | (0) | - | - | 14 |
| **Sub- Total (a)** | **1,107** | **37** | **377** | **-** | **-** | **1,521** |
| **Deferred tax assets** | | | | | | |
| Provision for employee benefits | 42 | 8 | 9 | (1) | - | 58 |
| Other provisions | 17 | | 47 | - | | 64 |
| Other financial liabilities | 8 | | (1) | - | - | 7 |
| Trade receivables | 155 | 38 | (24) | - | - | 169 |
| Other comprehensive income items | | | | | | |
| - Remeasurements on defined benefit plans | 17 | | - | 8 | - | 25 |
| - Effective portion on cash flow hedges | (58) | | - | 294 | - | 236 |
| - Exchange difference on translation of foreign operations | (1) | | - | - | - | (1) |
| Others | 5 | 33 | 33 | - | - | 71 |
| Minimum alternate tax (MAT) credit entitlement | 1,063 | | - | - | (273) | 790 |
| **Sub- Total (b)** | **1,248** | **79** | **64** | **301** | **(273)** | **1,419** |
| **Net deferred tax liability (a)-(b)** | **(141)** | **(42)** | **313** | **(301)** | **273** | **102** |

* Acquired on December 27, 2019 (Refer note 44)

| Movement in deferred tax: | As at March 31, 2018 | Recognized in P&L | Recognized in OCI | Other Adjustments* | As at March 31, 2019 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Property, plant and equipment | 1,033 | 60 | - | - | 1,093 |
| Intangible assets | 16 | (2) | - | - | 14 |
| **Sub- Total (a)** | **1,049** | **58** | **-** | **-** | **1,107** |
| **Deferred tax assets** | | | | | |
| Provision for employee benefits | 89 | (47) | - | - | 42 |
| Other provisions | - | 17 | - | - | 17 |
| Other financial liabilities | 5 | 3 | - | - | 8 |
| Trade receivables | 67 | 88 | - | - | 155 |
| Other financial assets | 28 | (28) | - | - | - |
| Others | 15 | (10) | - | - | 5 |
| Other comprehensive income items | | | | | |
| - Remeasurements on defined benefit plans | 16 | - | 1 | - | 17 |
| - Effective portion on cash flow hedges | (16) | - | (42) | - | (58) |
| -Exchange difference on translation of foreign operations | (1) | - | - | - | (1) |
| Minimum alternate tax (MAT) credit entitlement | 1,113 | (66) | - | 16 | 1,063 |
| **Sub- Total (b)** | **1,316** | **(43)** | **(41)** | **16** | **1,248** |
| **Net deferred tax liability (a)-(b)** | **(267)** | **101** | **41** | **(16)** | **(141)** |

* Actualisation of MAT credit utilisation for the FY 2017-18 on the basis of tax return filed.

## 18 OTHER LIABILITIES

| | Non- Current | | Current | |
|---|---|---|---|---|
| | As at March 31, 2020 | As at March 31, 2019 | As at March 31, 2020 | As at March 31, 2019 |
| Advance from customers | - | - | 363 | 125 |
| Refund/ Return liabilities | - | - | 95 | 208 |
| Statutory dues payable | - | - | 117 | 102 |
| **TOTAL** | **-** | **-** | **575** | **435** |

The group has a customary practice of accepting return and accordingly, the group has recognised a refund liability for the amount of consideration received for which the group does not expect to be entitled amounting to ₹ 95 (March 31,2019: ₹ 208). The group has also recognised a right to recover the returned goods ₹ 52 (March 31, 2019: ₹ 107). The costs to recover the products are not material because the customers usually return the product in a saleable condition.

## 19 CURRENT TAX LIABILITIES

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| Provision for Income Tax (Net of Advance Income Tax ₹ 8,310 {March 31, 2019 ₹ 7,226}) | 44 | 5 |
| **TOTAL** | **44** | **5** |

## 20 REVENUE FROM OPERATIONS

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **Revenue from operations includes** | | |
| a) Sale of products (including excise duty) | 33,054 | 27,918 |
| b) Sale of services; | 12 | 2 |
| c) Other operating revenues: | | |
| Scrap sales | 17 | 18 |
| Export incentives | 582 | 471 |
| **Revenue From Operations (Net)** | **33,665** | **28,409** |

| Reconciliation of revenue recognised with the contract price: | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Contract Price | 34,851 | 29,886 |
| Adjustments for: | | |
| Refund liabilities | (95) | (208) |
| Discount/Incentives | (1,702) | (1,760) |
| **Revenue from Operations** | **33,054** | **27,918** |

**Critical judgements in revenue :**

The group has recognised Provision for discounts and sales returns amounting to ₹ 479 from sale of products to various customers during the year ended March 31, 2020 (March 31, 2019 ₹ 474 ). The provision has been determined by the management based on the current and expected operating environment, Sales returns variability, expected achievement of targets against various ongoing schemes floated.

## 21 OTHER INCOME

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Interest Income from financial assets at amortised cost | 175 | 194 |
| Unwinding of discount on security deposits | 3 | 10 |
| Net gain/ loss on sale of Plant, property and equipment ; | 9 | - |
| Net gain on financial assets measured at fair value through profit or loss | - | - |
| -Realised Gain | 13 | 198 |
| -Unrealised Gain/ (Loss) | - | (89) |
| Net foreign exchange differences * | 264 | 240 |
| Dividend Income | 0 | 0 |
| Miscellaneous Income | 25 | 42 |
| **TOTAL** | **489** | **595** |

* Net of amount of loss ₹ 149 (March 31, 2019 ₹ 55) which has been transferred to Capital work in progress during the year.

## 22 EMPLOYEE BENEFIT EXPENSE

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Salaries, wages and bonus | 2,859 | 2,372 |
| Contribution to provident & other funds | 116 | 96 |
| Gratuity (Refer Note 31) | 53 | 38 |
| Long term compensated absences | 46 | 25 |
| Employees Welfare Expenses | 139 | 103 |
| Expense/(Reversal) on Employee Stock Option Scheme (Refer Note 32) | (4) | 13 |
| **TOTAL *** | **3,209** | **2,647** |

* Net of amount of ₹ 494 (March 31, 2019 ₹ 169) which has been transferred to Capital work in progress during the year.

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## 23 OTHER EXPENSES

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Power, Fuel & Water | 1,094 | 912 |
| Consumption of stores & spares | 353 | 251 |
| Repairs & Maintenance | | |
| - Buildings | 46 | 60 |
| - Plant and machinery | 249 | 216 |
| - Others | 178 | 129 |
| Environment & Pollution Control expenses | 480 | 454 |
| Laboratory & Testing Charges | 248 | 214 |
| Freight & Cartage | 314 | 406 |
| Advertisement & Sales Promotion | 444 | 372 |
| Travelling and conveyance | 393 | 431 |
| Rental charges {Refer note 33 (c)} | 81 | 159 |
| Rates and taxes | 2 | 45 |
| Insurance | 114 | 42 |
| Donation | 8 | 59 |
| Loss on Sale/Retirement of property, plant and equipment (Net) | - | 13 |
| Payment to auditors {Refer note 23 (a) below} | 5 | 5 |
| Telephone and communication charges | 47 | 46 |
| Provision for Bad and Doubtful debts & Advances | 75 | 179 |
| Director sitting fees and commission | 18 | 19 |
| Legal & professional fees | 310 | 218 |
| Bank charges | 20 | 21 |
| Corporate social responsibility expenditure {Refer note 24 below} | 104 | 93 |
| Miscellaneous Expenses | 221 | 152 |
| **TOTAL *** | **4,804** | **4,496** |

| a. Auditors' Remuneration | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| -Audit Fees | 3 | 3 |
| - Limited Review Fees | 1 | 1 |
| -Certificates & other matters | 1 | 1 |
| -Reimbursement of expenses | 0 | 0 |
| **TOTAL** | **5** | **5** |

* Net of amount of ₹ 134 (March 31, 2019 ₹ 55) which has been transferred to Capital work in progress during the year.

## 24 CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Contribution to PI Foundation Trust for CSR activities | 104 | 93 |
| Amount required to be spent by the Company during the year as per Section 135 of the Act | 104 | 93 |
| Amount spent during the year on : | | |
| (i) Construction/acquisition of an asset | - | - |
| (ii) On purpose other than (i) above | 104 | 93 |

## 25 DEPRECIATION AND AMORTIZATION EXPENSES

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Depreciation of Property, Plant and Equipment (Refer Note 4) | 1,330 | 910 |
| Amortization of Intangible Assets (Refer Note 5) | 37 | 20 |
| **TOTAL** | **1,367** | **930** |

## 26 FINANCE COST

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Interest on financial liabilities measured at amortised cost | 140 | 47 |
| Less: transferred to CWIP | (19) | - |
| Interest and finance charges on lease liability | 47 | - |
| Other borrowing costs | 2 | 3 |
| **TOTAL** | **170** | **50** |

## 27 INCOME TAX EXPENSE

**a) Income tax expense recognized in Profit and Loss**

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on profits for the year | 1,246 | 1,192 |
| Adjustment of current tax for prior year periods | 13 | (16) |
| **Total Current tax expense** | **1,259** | **1,176** |
| **Deferred tax expense** | | |
| (Decrease) / Increase in Deferred tax liability | 377 | 58 |
| Decrease / (Increase) in Deferred tax assets | (64) | 43 |
| **Net Deferred tax expense** | **313** | **101** |
| **Total Income tax expense** | **1,572** | **1,277** |

**b) Income tax related to items recognised in Other comprehensive income during the year**

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Remeasurement of defined benefit plans | (8) | (1) |
| Effective portion on cash flow hedges | (294) | 42 |
| Exchange difference on translation of foreign operation | 1 | 0 |
| **Income tax charged to Other comprehensive income** | **(301)** | **41** |

**c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate**

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Accounting profit before tax | 6,138 | 5,379 |
| Tax at India's statutory income tax rate @ 34.944% (March 31, 2019: 34.944%) | **2,145** | **1,880** |
| Adjustment in respect of current income tax of previous years | 13 | (16) |
| Adjustment in respect of interest under 234A/B/C of Income Tax Act | - | - |
| Effect of concessions (expenditure on research and development) | (156) | (121) |
| Effect of income that is exempt from taxation (operations in tax free zone) | (426) | (486) |
| Difference in overseas tax rate | (0) | (0) |
| Effect of lower income tax rate | (16) | 1 |
| Effect of change in tax rate | - | 8 |
| Effect of amounts which are not deductible in calculating taxable income | 12 | 11 |
| **Income Tax Expense** | **1,572** | **1,277** |

**d) Unrecognized temporary differences**

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:** | | |
| Undistributed earnings | 2,607 | 222 |
| Unrecognised deferred tax liabilities relating to the above temporary differences @ 34.944% (March 31, 2019: 34.944%) | 911 | 78 |

Certain subsidiaries of the Group have undistributed earnings which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from the subsidiaries. These subsidiaries are not expected to distribute these profits in foreseeable future.

## 28 RESEARCH & DEVELOPMENT EXPENSES

**Details of Expenditure on Research & Development Facilities/ division of the group recognised by Department of Scientific & Industrial Research including new facility for which application has been made during the year.**

**a) Revenue Expenditure**

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **Other Income** | 0 | 0 |
| **TOTAL** | **0** | **0** |
| **Employee Benefit Expenses** | | |
| Salaries, Wages & Bonus | 374 | 290 |
| Contributions to Provident & other funds | 26 | 20 |
| Employee Welfare Expenses | 8 | 7 |
| | **408** | **317** |
| **Raw & Packing Materials Consumed** | **115** | **109** |
| **Other Expenses** | | |
| Laboratory & testing Material | 71 | 58 |
| Power, Fuel & Water | 51 | 40 |
| Consumption of stores & spares | 47 | 65 |
| Testing & analysis | 26 | 13 |
| Travelling & conveyance | 21 | 17 |
| Rates and taxes | 0 | 0 |
| Printing & Stationery | 1 | 0 |
| Bank Charges | 0 | 0 |
| Legal & professional fees | 31 | 33 |
| Miscellaneous Expenses | 41 | 36 |
| | **289** | **262** |
| **Depreciation** | | |
| Depreciation | 108 | 100 |
| **TOTAL** | **920** | **788** |
| **Total Expenditure** | **920** | **788** |

**b) Capital Expenditure**

| **Description** | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Buildings | 55 | 0 |
| Equipments & Others | 174 | 50 |
| **TOTAL** | **229** | **50** |

## 29 EARNING PER SHARE (EPS)

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| **a)** Net Profit for Basic and Diluted EPS | **4,566** | **4,102** |
| **b)** Number of Equity Shares at the beginning of the year | 13,80,30,651 | 13,79,07,318 |
| **Add:** Issue of Shares under ESOP | 77,342 | 1,23,333 |
| **Sub-total** | **13,81,07,993** | **13,80,30,651** |
| **Less:** Adjustment of own shares held under ESOP Trust | (1,48,857) | (2,31,200) |
| **Total Number of Shares outstanding at the end of the Period** | **13,79,59,136** | **13,77,99,451** |
| Weighted Average number of Equity Shares outstanding during the period - Basic | **13,80,35,101** | **13,79,47,190** |
| **Add:** Weighted Average number of Equity Shares arising out of grant of Employee Stock option | 2,840 | 40,927 |
| Weighted Average number of Equity Shares outstanding during the year - Diluted | **13,80,37,941** | **13,79,88,117** |
| **Earning Per Share - Basic (₹)** | 33.08 | 29.74 |
| **Earning per share - Diluted (₹)** | 33.08 | 29.73 |
| **Face value per share (₹)** | 1.00 | 1.00 |

## 31 EMPLOYEE BENEFITS

In respect of entities incorporated in India, the Group participates in defined contribution and benefit schemes, the assets of which are held (where funded) in separately administered funds. For defined contribution schemes the amount charged to the statements of profit or loss is the total of contributions payable in the year.

***Provident Fund***

In accordance with the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (EPF and MP Act), employees are entitled to receive benefits under the Provident Fund. Employers and employees both contribute @12% of wages in contribution accounts. Further, the employers also contribute towards administration of the benefits under the EPF and MP Act. All employees have an option to make additional voluntary contributions as permissible under the Act. These contributions are made to the fund administered and managed by the Employee Provident Fund organization. The Group has no further obligations under the fund managed by the Employee Provident Fund Organization (EPFO) beyond its monthly contributions which are charged to the statements of profit or loss in the period they are incurred. The benefits are paid to employees on their retirement or resignation from the EPFO.

***Gratuity Plan***

In accordance with the Payment of Gratuity Act of 1972, PI Industries Limited has established a defined benefit plan (the “Gratuity Plan”). The Gratuity Plan provides a lump sum payment to the employees at the time of retirement or resignation (after 5 years of continued services of employment), being an amount based on the respective employee’s last drawn salary and the number of years of employment with the Group. Based on actuarial valuations conducted as at year end, a provision is recognised in full for the benefit obligation over and above the funds held in the Gratuity Plan. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

***Long term compensated absences***

The liabilities for compensated absence namely earned and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit and loss.

**a) Defined Contribution Plans:-**

The Group has recognised an expense of ₹ 116 (Previous Year ₹ 96) towards the defined contribution plan.

**b) Defined benefits plans - as per actuarial valuation**

**I Change in present value of obligation during the year**

| | Year ended March 31, 2020 | | Year ended March 31, 2019 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| Present value of obligation at the beginning of the year | 259 | 0 | 223 | 0 |
| On account of Acquisition (refer note 44) | 83 | | | |
| **Total amount included in profit and loss*:** | | | | |
| - Current Service Cost | 44 | 0 | 32 | 1 |
| - Interest Cost | 21 | 0 | 17 | 0 |
| - Past Service Cost | - | - | 0 | - |
| **Total amount included in OCI:** | | | | |
| Remeasurement related to gratuity: | | | | |
| Actuarial losses/(gains) arising from: | | | | |
| - Demographic Assumption | 0 | - | 0 | - |
| - Financial assumption | 25 | 0 | 1 | 0 |
| - Experience Judgement | 0 | 0 | 2 | 0 |
| **Others** | | | | |
| Benefits Paid | (23) | - | (16) | - |
| **Present Value of obligation as at year-end** | **409** | **0** | **259** | **1** |

* Includes expenses reclassified to capital work in progress ₹ 6 (March 31, 2019 ₹ 4)

**II Change in Fair Value of Plan Assets during the year**

| | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|---|---|
| Plan assets at the beginning of the year | 81 | 88 |
| On account of acquisition (refer note 44) | 61 | |
| **Included in profit and loss:** | | |
| Expected return on plan assets | 6 | 7 |
| **Included in OCI:** | | |
| Actuarial Gain/(Loss) on plan assets | 6 | 2 |
| **Others:** | | |
| Employer's contribution | 148 | - |
| Benefits paid | (20) | - |
| Claim received during the year from fund manager | - | (3) |
| Pending claim with fund manager | (2) | (13) |
| **Plan assets at the end of the year** | **280** | **81** |

The plan assets are managed by the Gratuity Trust formed by the Group. The management of 100% of the funds is entrusted with the Life Insurance Corporation of India, HDFC Standard Life Insurance Company Ltd. and Kotak Mahindra Old Mutual Life Insurance Ltd., whose pattern of investment is not available with the Group.

**III Reconciliation of Present value of Defined Benefit Obligation and Fair Value of Plan Assets**

| | Year ended March 31, 2020 | | Year ended March 31, 2019 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| Present Value of obligation as at year-end | 409 | 1 | 259 | 1 |
| Fair value of plan assets at year-end | 280 | - | 81 | - |
| Funded status {Surplus/(Deficit)} | (129) | (0) | (178) | (0) |
| Net Asset/(Liability) | **(129)** | **(1)** | **(178)** | **(1)** |

**IV Bifurcation of PBO at the end of the year**

| | | Year ended March 31, 2020 | | Year ended March 31, 2019 | |
|---|---|---|---|---|---|
| | | Gratuity | | Gratuity | |
| | | Funded | Non-funded | Funded | Non-funded |
| 1 | Current Liability | - | - | - | - |
| 2 | Non-Current Liability | 129 | 1 | 178 | 1 |
| **V** | **Actuarial Assumptions** | | | | |
| 1 | Discount Rate | 6.79% | 6.79% | 7.65% | 7.65% |
| 2 | Expected rate of return on plan assets | 7.50% | NA | 7.50% | NA |
| 3 | Mortality Table | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) |
| 4 | Salary Escalation | 7.00% | 7.00% | 7.00% | 7.00% |

**VI** The expected contribution for Defined Benefit Plan for the next financial year will be ₹ 65.

**VII Sensitivity Analysis**

| **Gratuity** | Year ended March 31, 2020 | | Year ended March 31, 2019 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.50 % movement) | (16) | 16 | (11) | 11 |
| Future salary growth (0.50 % movement) | 17 | (17) | 12 | (12) |

**VIII Maturity Profile of Defined Benefit Obligation**

| | Year ended March 31, 2020 | | Year ended March 31, 2019 | |
|---|---|---|---|---|
| | Gratuity | | Gratuity | |
| | Funded | Non-funded | Funded | Non-funded |
| Within the next 12 months | 34 | 0 | 14 | 0 |
| Between 2-5 years | 90 | 0 | 41 | 0 |
| Beyond 5 years | 328 | 0 | 204 | 0 |

**IX Description of Risk Exposures:**

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such Group is exposed to various risks as follow -

A) Salary Increases- Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.

B) Investment Risk – If Plan is funded then the mismatch between assets and liabilities and actual return on assets being lower than the discount rate assumed at the last valuation date can impact the liability.

C) Discount Rate: Reduction in discount rate in subsequent valuations can increase the plan's liability.

D) Mortality & disability – Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

E) Withdrawals – Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.

**C) Long term compensated absences**

The provision for long term compensated absences covers the Group's liability for earned and sick leave, the amount of provision recognised is ₹ 157 (March 31, 2019 ₹ 119).

**32 SHARE BASED PAYMENTS**

**Employee Stock Option Plan**

The Group provides share-based payment schemes to its employees. The relevant details of the scheme are as follows:

In December 2010, the Board of Directors approved the PII ESOP 2010 Scheme in order to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Group (including subsidiary companies) with an intent to attract and retain talent in the organization. The aforesaid scheme was duly approved by shareholders in its EGM held on January 21, 2011 and is administered through independent trust. The Compensation Committee of the Board has granted following options under PII ESOP 2010 Scheme to certain category of employees as per criteria laid down by Compensation Committee of the Board.

**Key terms of the scheme**

| | |
|---|---|
| Date of Shareholder's Approval | 21-Jan-11 |
| Total Number of Options approved | 62,62,090 |
| Vesting Requirements | Options shall vest after a lock in period of one year from the date of grant. Option shall vest in four years as per the Group's ESOP plan. (Refer vesting schedule below) |
| The Pricing Formula | 10% discount to market price on National Stock Exchange a day prior to date of grant |
| Maximum term of Options granted (years) | 10 years |
| Method of Settlement | Shares |
| Source of shares | Primary-Fresh equity allotment by Group to the Trust |
| Variation in terms of ESOP | Nil |

| | |
|---|---|
| Vesting schedule | Under the plan, participants are granted options which vests at 15%, 25%, 30%, 30% respectively each year over a period of 4 years or as defined in Grant letter. |
| Exercisable period | Once vested, the options remain excisable for a period of six years |
| Vesting condition | Vesting shall be computed through performance evaluation method based on conditions pre-communicated to employees. |

**I. Option Movement during the year ended March 2019**

| Particulars | March 31, 2020 | | March 31, 2019 | |
|---|---|---|---|---|
| | No. of Options | Wt. avg exercise Price (in ₹) | No. of Options | Wt. avg exercise Price (in ₹) |
| No. of Options Outstanding at the beginning of the year | 4,39,351 | 592.87 | 6,87,924 | 492.55 |
| Options Granted during the year | - | NA | - | NA |
| Options Forfeited / Surrendered during the year | 72,488 | 711.90 | 84,882 | 581.35 |
| Total number of shares arising as a result of exercise of options | 1,59,685 | 499.27 | 1,63,691 | 177.59 |
| Money realised by exercise of options (₹ Mn) | 80 | NA | 29 | NA |
| Number of options Outstanding at the end of the year | 2,07,178 | 623.36 | 4,39,351 | 592.87 |
| Number of Options exercisable at the end of the year | 1,31,036 | 574.51 | 2,31,200 | 499.46 |

**II. Weighted Average remaining contractual life**

| Range of Exercise Price | March 31, 2020 | | March 31, 2019 | |
|---|---|---|---|---|
| | No. of Options Outstanding | Weighted average contractual life (years) | No. of Options Outstanding | Weighted average contractual life (years) |
| 25 to 75 | - | NA | - | NA |
| 75 to 150 | 24,349 | 3.16 | 54,716 | 4.11 |
| 150 to 450 | 5,254 | 4.47 | 45,958 | 5.34 |
| 450 to 750 | 177,575 | 5.57 | 3,38,677 | 5.55 |

**III. Weighted average Fair Value of Options granted during the year**

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Exercise price is less than market price (in ₹)* | NA | NA |

* No options granted during the year ended March 31, 2020 and March 31, 2019.

**IV.** The weighted average market price of options exercised during the year ended March 31, 2020 is ₹ 1327 (March 31, 2019 is ₹ 84)

**V.** Method and Assumptions used to estimate the fair value of options granted during the year ended:
The fair value has been calculated using the Black Scholes Option Pricing model
The Assumptions used in the model are as follows:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| **Variables** | **Weighted Average *** | **Weighted Average** |
| 1. Risk Free Interest Rate | NA | NA |
| 2. Expected Life(in years) | NA | NA |
| 3. Expected Volatility | NA | NA |
| 4. Dividend Yield | NA | NA |
| 5. Exercise Price (in ₹) | NA | NA |
| 6. Price of the underlying share in market at the time of the option grant.(in ₹) | NA | NA |

* No options granted during the year ended March 31, 2020 and March 31, 2019.

**VI. Particulars**

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Employee Option plan expense | (4) | 13 |
| Total liability at the end of the period | 42 | 73 |

**33 CAPITAL & OTHER COMMITMENT**

| | | March 31, 2020 | March 31, 2019 |
|---|---|---|---|
| **A** | Estimated Amount of Contracts remaining to be executed on capital account and not provided for {Net of advances ₹ 298 (March 31, 2019: ₹ 385) | 388 | 1,461 |
| **B** | Export Commitment | 5712 | 5,202 |
| **C** | Leases | | |

**Operating lease commitments - As lessee**

The Company leases various offices, warehouses, godown, IT equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 9 years. The leases have varying terms, escalation clauses and renewal rights. From April 1, 2019, the company has recognised Right of Use Assets for these leases except for short term and low value leases, see note 24 and Note 41 for further information

Total of future minimum lease payments under non-cancellable short term operating leases for each of the following periods:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| -Payable within one year | 24 | 156 |
| -Later than one year and not later than five years | 26 | 172 |
| -Later than five years | 0 | 0 |
| -Lease payments recognised in Statement of Profit and Loss (Refer note 24) | 81 | 260 |

**34 CONTINGENT LIABILITIES**

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| a. Claims against the Group not acknowledged as debt;* (refer note (i) below) | | |
| - Sales Tax including Goods and Service Tax | 62 | 48 |
| - Excise Duty | 248 | 21 |
| - Income Tax | 125 | 78 |
| - ESI | 1 | 1 |
| - Other matters, including claims relating to customers, labour and third parties etc. | 19 | 35 |
| b. Guarantees excluding financial guarantees; | | |
| - Performance bank guarantees | 442 | 259 |
| c. Other money for which the Group is contingently liable | | |
| - Letter of Credit | 1,393 | 1,427 |

Notes:
(i) Represents amounts as stated in Demand Order excluding interest and penalty

* Pending resolution of the respective proceedings, it is not practicable for the Company to estimate the timings of the cash outflows, if any, in respect of the above as it is determinable only on receipt of the judgements/ decisions pending with various forums / authorities.
The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial position.

In Group's assessment the impact of the recent Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 and circular No. C-I/1(33)2019/Vivekanand Vidyamandir/717 dated August 28, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 and computation of liability to be done as per provision of Para 2(f) of EPF Scheme, 1952, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in these Financial Statements.

## 35 OPERATING SEGMENT

An operating segment is defined as a component of the entity that represents business activities from which it earns revenues and incurs expenses and for which discrete financial information is available. The operating segments are based on the Group's internal reporting structure and the manner in which operating results are reviewed by the Chief Operating Decision Maker (CODM).

The Group has evaluated the applicability of segment reporting and has concluded that since the Group is operating in the field of Agro Chemicals both in the domestic and export markets and the CODM reviews the overall performance of the agro chemicals business, accordingly the Group has one reportable business segment viz. Agro Chemicals.

**I Revenue:**

**A. Information about product revenues:**

The Group is in the business of manufacturing and distribution of Agro Chemicals. The amount of its revenue from external customers broken down by products is shown in the table below:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Active Ingredients and Intermediates | 25,737 | 19,205 |
| Formulations | 7,700 | 9,030 |
| Others | 228 | 174 |
| | **33,665** | **28,409** |

**B. Geographical Areas**

The Group is domiciled in India. The amount of its revenue from external customers broken down by location of the customers is shown in the table below (also refer note 38):

| Particulars | March 31, 2020 | March 31, 2019 |
|---|---|---|
| India | 9,003 | 9,574 |
| Asia (other than India) | 8,615 | 3,893 |
| North America | 11,911 | 11,012 |
| Europe | 2,715 | 2,802 |
| Rest of the World | 1,421 | 1,128 |
| | **33,665** | **28,409** |

**II.** The total of Non-current assets (other than financial instruments and deferred tax assets), broken down by location of the assets, is shown in the table below:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| India | 20,854 | 11,260 |
| Asia (other than India) | 6 | 3 |
| Europe | 5 | 3 |
| | **20,865** | **11,266** |

## 36 RELATED PARTY DISCLOSURES

Related party disclosure, as required by Indian Accounting Standard-24, is as below:

**a) Nature of Related Party relationship**

**I - Joint Ventures, Associates and Controlled Trust:**

| | |
|---|---|
| (a) Solinnos Agro Sciences Private Limited. | Associate |
| (b) PI Kumiai Private Limited. | Joint Venture |

**II - Key Management Personnel (KMP) & their relatives with whom transactions have taken place:**

**(a) Key Management Personnel**

| | |
|---|---|
| Mr. Mayank Singhal | Vice Chairman and Managing Director |
| Mr. Rajnish Sarna | Whole-Time Director |
| Dr. Raman Ramachandran | Managing Director & CEO (W.e.f July 1, 2019) |
| Mr. Narayan K. Seshadri | Non-executive Director (Chairman) |
| Mr. Pravin K. Laheri | Non-executive Director |
| Ms. Ramni Nirula | Non-executive Director |
| Mr. Ravi Narain | Non-executive Director (Until May 1, 2019) |
| Mr. Arvind Singhal | Non-executive Director |
| Dr. Tanjore Soundararajan Balganesh | Non-executive Director |

**(b) Relatives of Key Management Personnel**

| | |
|---|---|
| Mr. Salil Singhal | Father of Mr. Mayank Singhal |
| Ms. Madhu Singhal | Mother of Mr. Mayank Singhal |
| Ms. Pooja Singhal | Sister of Mr. Mayank Singhal |

**III - Entities controlled by KMP with whom transactions have taken place:**

(a) PI Foundation

**b) The following transactions were carried out with related parties in the ordinary course of business:**

| Nature of Transaction | Type of relation | 2019-20 | | 2018-19 | |
|---|---|---|---|---|---|
| | | Transactions during the period | Balance outstanding Dr (Cr) | Transactions during the period | Balance outstanding Dr (Cr) |
| **Compensation to KMP** | | | | | |
| -Short term employee benefits | | 231 | | 159 | |
| -Post employment benefits | | 27 | | 19 | |
| -Commission and other benefits to non-executive/ independent directors | a(ii) (a) | 18 | | 19 | |
| **Total** | | **276** | **(202)** | **197** | **(158)** |
| **Other transactions** | | | | | |
| Purchase of services | a(ii) (b) | 13 | (2) | 14 | (4) |
| Purchase of services | a(i)(a) | - | - | 1 | - |
| Purchase of goods | a(i)(b) | 239 | (181) | - | - |
| Sale of services | a(i)(a) | 1 | - | 1 | - |
| Sale of goods | a(i)(b) | 161 | 58 | - | - |
| Rent & Power cost Received | a(i)(a) | 4 | - | 1 | - |
| Rent & Power cost Received | a(i)(b) | 4 | - | - | - |
| Rent & Power cost paid | a(ii)(b) | 2 | 0 | 2 | - |
| Recovery of Dues on account of expenses incurred | a(ii)(b) | 0 | - | 0 | - |
| Donation | a(iii) | 5 | - | 4 | - |
| Investment purchased | a(i)(b) | - | - | 95 | - |
| Dividend paid | a(ii)(a) | 147 | - | 164 | - |
| | a(ii)(b) | 175 | - | 194 | - |
| Travel & Other expenditure incurred | a(ii)(a) | 37 | 11 | 25 | 6 |
| | a(ii)(b) | 5 | - | 3 | - |
| Contribution towards CSR Activities | a(iii) | 102 | - | 93 | - |

**c) Terms and conditions of transactions with related parties**

The sales and purchases / services rendered to and from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (March 31, 2019: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 37 DISCLOSURES REQUIRED UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (MSMED) ACT, 2006

| | March 31, 2020 | | March 31, 2019 | |
|---|---|---|---|---|
| | **Principal Amount** | **Interest Amount** | **Principal Amount** | **Interest Amount** |
| Principal amount and Interest due thereon remaining unpaid to any supplier as on 31st March | 83 | - | 48 | - |
| Interest paid by the Group in terms of Section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year | 277 | 1 | 53 | 1 |
| Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act. | - | - | - | - |
| Interest accrued and remaining unpaid at the end of the year | - | - | - | - |
| Further interest remaining due and payable in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED Act. | - | - | - | - |

**38 ADDITIONAL INFORMATION REQUIRED UNDER SCHEDULE III TO COMPANIES ACT 2013, OF ENTITIES CONSOLIDATED AS SUBSIDIARIES, ASSOCIATES, JOINT VENTURE AND OTHER CONTROLLED ENTITIES**

**March 31, 2020**

| **Name of the Entity** | **Net Assets, i.e., total assets minus total liabilities** | | **Share in profit or loss** | | **Share in other comprehensive income** | | **Share in total comprehensive income** | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount |
| **Parent** | | | | | | | | |
| PI Industries Limited | 87.97% | 25,911 | 96.30% | 4,423 | -100.4% | (560) | 95.88% | 3,864 |
| **Subsidiaries Indian** | | | | | | | | |
| PI Life Science Limited | 1.03% | 303 | 0.54% | 25 | -0.00% | (0) | 0.60% | 25 |
| PILL finance and investments Limited | 0.14% | 42 | 0.02% | 1 | 0.00% | 0 | 0.02% | 1 |
| Jivagro | 0.01% | 2 | 0.00% | (0) | 0.00% | 0 | 0.00% | 0 |
| Isagro (Asia) Agrochemicals Private Ltd | 10.41% | 3,067 | 2.82% | 130 | 0.40% | 2 | 3.28% | 132 |
| **Subsidiaries Foreign** | | | | | | | | |
| PI Japan Limited | 0.07% | 22 | 0.07% | 3 | 0.00% | 0 | 0.07% | 3 |
| **Associates** | | | | | | | | |
| Solinnos Agro Sciences Private Limited | 0.02% | 6 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 |
| **Joint Venture** | | | | | | | | |
| PI Kumiai Private Limited | 0.36% | 103 | 0.17% | 8 | 0.00% | 0 | 0.20% | 8 |
| **Controlled Trust** | | | | | | | | |
| PI ESOP Trust | -0.01% | -3 | 0.07% | 3 | 0.00% | 0 | 0.07% | 3 |
| **TOTAL** | **100%** | **25,453** | **100%** | **4,593** | **100%** | **558** | **100%** | **4,030** |

**March 31, 2019**

| **Name of the Entity** | **Net Assets, i.e., total assets minus total liabilities** | | **Share in profit or loss** | | **Share in other comprehensive income** | | **Share in total comprehensive income** | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount | As % of consolidated profit or loss | Amount |
| **Parent** | | | | | | | | |
| PI Industries Limited | 98.56% | 22,523 | 99.41% | 4,078 | 99.75% | 77 | 99.41% | 4,155 |
| **Subsidiaries Indian** | | | | | | | | |
| PI Life Science Limited | 0.77% | 177 | 0.46% | 19 | -0.02% | (0) | 0.46% | 19 |
| PILL finance and investments Limited | 0.18% | 41 | 0.03% | 1 | 0.00% | - | 0.03% | 1 |
| **Subsidiaries Foreign** | | | | | | | | |
| PI Japan Limited | 0.07% | 17 | 0.05% | 2 | 0.27% | 0 | 0.05% | 2 |
| **Associates** | | | | | | | | |
| Solinnos Agro Sciences Private Limited | 0.03% | 6 | 0.01% | 0 | 0.00% | - | 0.01% | 0 |
| **Joint Venture** | | | | | | | | |
| PI Kumiai Private Limited | 0.42% | 96 | 0.00% | 0 | 0.00% | - | 0.00% | 0 |
| **Controlled Trust** | | | | | | | | |
| PI ESOP Trust | -0.03% | (6) | 0.04% | 2 | 0.00% | - | 0.04% | 2 |
| **TOTAL** | **100%** | **22,854** | **100%** | **4,102** | **100%** | **77** | **100%** | **4,179** |

## 39 FINANCIAL INSTRUMENTS

### 1 Financial instruments – Fair values and risk management

#### A. Financial instruments by category

| | | March 31 2020 | | | March 31 2019 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **FVTPL** | **FVTOCI** | **Amortised Cost** | **FVTPL** | **FVTOCI** | **Amortised Cost** |
| **Financial assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Investments | 7(a) | 70 | - | - | 70 | - | - |
| Loans | 7(c) | - | - | 61 | - | - | 41 |
| Derivative financial instruments | 7(g) | - | - | - | - | 90 | - |
| Other financial asset | 7(g) | - | - | 82 | - | - | 59 |
| **Current assets** | | | | | | | |
| Investments | 7(b) | 1,325 | - | - | 1,119 | - | - |
| Trade receivables | 7(d) | - | - | 6,465 | - | - | 6,618 |
| Cash and cash equivalents | 7(e) | - | - | 1,244 | - | - | 614 |
| Bank balances other than cash and cash equivalents | 7(f) | - | - | 98 | - | - | 278 |
| Loans and advances | 7(c) | - | - | 83 | - | - | 63 |
| Derivative financial instruments | 7(g) | - | - | - | - | 120 | - |
| Other financial asset | 7(g) | - | - | 312 | - | - | 134 |
| **TOTAL** | | **1,395** | **-** | **8,345** | **1,189** | **210** | **7,807** |
| **Financial liabilities** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Borrowings | 15(a) | - | - | 3,994 | - | - | 99 |
| Derivative financial | 15(d) | - | 258 | - | - | - | - |
| Other financial liabilities | 15(d) | - | - | 574 | - | - | 190 |
| **Current liabilities** | | | | | | | |
| Borrowings | 15(b) | - | - | 1,083 | | | |
| Trade payables | 15(c) | - | - | 5,909 | - | - | 5,130 |
| Derivative financial | 15(d) | - | 508 | - | - | - | - |
| Other financial liabilities | 15(d) | - | - | 2,460 | - | - | 2,419 |
| **TOTAL** | | **-** | **766** | **14,020** | **-** | **-** | **7,838** |

**B. Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

| | | March 31 2020 | | | March 31 2019 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | | | | |
| Investment in equity instruments | 7(a) | 5 | - | 65 | 5 | - | 65 |
| Investment in mutual funds | 7(b) | 1,325 | - | - | 1,119 | - | - |
| Derivative financial instruments | 7(g) | - | - | - | - | 210 | - |
| | | **1,330** | **-** | **65** | **1,124** | **210** | **65** |
| **Financial liabilities** | | | | | | | |
| Derivative financial instruments | 15(d) | - | 766 | - | - | - | - |
| | | **-** | **766** | **-** | **-** | **-** | **-** |

**Assets and liabilities which are measured at amortised cost for which fair values are disclosed**

| | | March 31, 2020 | | | March 31, 2019 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | | | | |
| Security deposits | 7(c) | - | - | 89 | - | - | 48 |
| Loans and advances to related parties | 7(c) | - | - | - | - | - | 3 |
| **TOTAL** | | **-** | **-** | **89** | **-** | **-** | **51** |
| **Financial liabilities** | | | | | | | |
| Security deposits from contractors | 15(d) | - | - | 3 | - | - | 4 |
| **TOTAL** | | **-** | **-** | **3** | **-** | **-** | **4** |

The fair value of cash and cash equivalents, bank balances other than Cash and cash equivalents, trade receivables, short term loans, contract assets, current financial assets, trade payables, current financial liabilities and borrowings approximate their carrying amount, largely due to the short-term nature of these instruments. Long-term debt has been contracted at floating rates of interest, which are reset at short intervals. Accordingly, the carrying value of such long-term debt approximates fair value. Fair value for security deposits (other than perpetual security deposits) has been presented in the above table. Fair value for all other non-current assets and liabilities is equivalent to the amortised cost, interest rate on them is equivalent to the market rate of interest.

**Fair value hierarchy**

The table shown above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined below:

**Level 1** - This includes financial instruments measured using quoted prices. The mutual funds are valued using closing net assets value (NAV).

**Level 2** – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

There are no transfers between level 1, level 2 and level 3 during the year.

**Valuation technique used to determine fair value:**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

The fair values for security deposits (assets & liabilities) were calculated based on present values of cash flows and the discount rates used were adjusted for counterparty or own credit risk. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit.

## 40 FINANCIAL RISK MANAGEMENT

**Risk management framework**

The Group is exposed to credit risk, liquidity risk and market risk. The Group's board of directors has the overall responsibility for the management of these risks and is supported by Management Advisory Committee that advises on the appropriate financial risk governance framework. The Group has risk management policies and systems in place which are reviewed regularly to reflect changes in market conditions and price risk along with the Group's activities. The Group's audit committee oversees how management monitors compliance with the financial risk management policies and procedures, and reviews the adequacy of risk management framework in relation to the risks faced by the Group.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and impact of hedge accounting in the financial statements.

**I. Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises from the operating activities primarily (trade receivables) and from its financing activities including cash and cash equivalents, deposits with banks, derivatives and other financial instruments. The carrying amount of financial assets represents the maximum credit exposure and is as follows:

**Trade and other receivables and contract assets**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has established a credit policy under which each customer is analysed individually for creditworthiness before the Group's credit terms are offered. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. Credit limits are established for each customer and reviewed periodically. Any sales order exceeding those limits require approval from the appropriate authority. There is one customer having revenue of ₹ 12,353 (March 31, 2019 ₹ 9,551) including an amount of ₹ 7,039 and ₹ 5,314 (March 31, 2019 ₹ 7,053 and ₹ 1,578) arising from shipments to United States of America and Japan respectively.

The concentration of credit risk is limited in domestic market due to the fact that the customer base is large and unrelated. The Group's exports are mainly carried out in countries which have stable economic conditions, where the concentration is relatively higher, however the credit risk is low as the customers have good credit ratings.

The Group computes an allowance for impairment of trade receivables based on a simplified approach, that represents its expected credit losses. The Group uses an allowance matrix to measure the expected credit loss of trade receivables. Loss rates are based on actual credit loss experienced over the past 3 years. These loss rates are adjusted by considering the available, reasonable and supportive forward looking information.

The following table provides information about the exposure to credit risk and expected credit loss:

***Reconciliation of loss allowance provision – Trade receivables and Interest and Other charges recoverable from customer***

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Opening balance | 442 | 273 |
| On account of acquisition (refer note 44) | 153 | 0 |
| Changes in loss allowance | 41 | 169 |
| **Closing balance** | **636** | **442** |

**Cash and cash equivalents, deposits with banks, mutual funds and other financial instruments**

Credit risk from balances with banks and other financial instruments is managed by Group in accordance with its policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management and may be updated throughout the year. Group also invests in mutual funds based on the credit ratings, these are reviewed for safety, liquidity and yield on regular basis.

Impairment on cash and cash equivalents, deposits and other financial instruments has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of counterparties.

Based on the assessment there is no impairment in the above financial assets.

**Derivatives**

The derivatives are entered into with banks and financial institution counterparties which have low credit risk based on external credit ratings of counterparties.

**Exposure to credit risk:**

The gross carrying amount of financial assets, net of impairment losses recognized represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2020 and March 31, 2019 was as follows:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Trade receivables | 6,465 | 6,618 |
| Cash and cash equivalents | 1,244 | 614 |
| Bank balances other than above | 98 | 278 |
| Investments | 1,325 | 1,119 |
| Loans | 144 | 104 |
| Other financial assets | 317 | 403 |
| **TOTAL** | **9,593** | **9,136** |

**II. Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. Due to the dynamic nature of underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecast of Group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**(a) Financing arrangements**

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Expiring within one year | | |
| - Fund based (Floating rate) | 3,983 | 1,999 |
| - Non fund based (Fixed rate) | 631 | 1,164 |

**(b) Maturities of financial liabilities**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

| | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| **March 31, 2020** | **Total** | **3 months or less** | **3-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
| **Non-derivative financial liabilities** | | | | | | |
| Term Loans from Banks | 4,128 | 108 | 219 | 1,361 | 2,440 | - |
| Interest Accrued but not due on | 12 | 12 | - | - | - | - |
| Working capital | 1,083 | 1,083 | | | | |
| Interest Payment on Term Loan | 691 | 47 | 193 | 234 | 217 | - |
| Trade Payables (Due to micro and small enterprises) | 83 | 83 | - | - | - | - |
| Trade Payables (Other Trade Payables) | 5,826 | 5,826 | - | - | - | - |
| Employee payables | 642 | 231 | 411 | - | - | - |
| Security Deposits from Dealers | 255 | - | - | - | - | 255 |
| Security Deposits from Contractors | 3 | 3 | - | - | - | - |
| Unclaimed Dividends | 7 | 7 | - | - | - | - |
| Creditors for Capital Purchases | 502 | 502 | - | - | - | - |
| Lease liability | 504 | 71 | 113 | 133 | 157 | 30 |
| Other Payable | 1,013 | 652 | 361 | - | - | - |
| **TOTAL** | **14,749** | **8,625** | **1,297** | **1,728** | **2,814** | **285** |

| | Contractual cash flows | | | | | |
|---|---|---|---|---|---|---|
| **March 31, 2019** | **Total** | **3 months or less** | **3-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
| **Non-derivative financial liabilities** | | | | | | |
| Term Loans from Banks | 492 | 99 | 294 | 99 | - | - |
| Interest Accrued but not due on Borrowings | 2 | 2 | - | - | - | - |
| Trade Payables (Due to micro and small enterprises) | 48 | 48 | - | - | - | - |
| Trade Payables (Other Trade Payables) | 5,082 | 4,801 | 281 | - | - | - |
| Employee payables | 523 | 180 | 343 | - | - | - |
| Security Deposits from Dealers | 189 | - | - | - | - | 189 |
| Security Deposits from Contractors | 4 | 1 | 2 | 1 | - | - |
| Unclaimed Dividends | 7 | 7 | - | - | - | - |
| Creditors for Capital Purchases | 371 | 371 | - | - | - | - |
| Other Payable | 1,120 | 287 | 833 | - | - | - |
| **TOTAL** | **7,838** | **5,796** | **1,753** | **100** | **-** | **189** |

**III. Market risk**

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Group is exposed to market risk primarily related to foreign exchange rate risk (currency risk), interest rate risk and market value of its investments. Thus the Group's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

**Foreign Currency risk**

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US$ and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency (**₹**). The Group uses forward exchange contracts to hedge its currency risk and are used exclusively for hedging purposes and not for trading and speculative purposes. These forward exchange contracts, carried at fair value, may have varied maturities depending upon the primary host contract requirement and risk management strategy of the Group. The objective of the hedges is to minimise the volatility of the **₹** cash flows of highly probable forecast transactions.

The Group’s risk management policy is to hedge around 50% to 100% of the net exposure with forward exchange contracts. The remaining exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term requirements. Hedging decisions are based on rolling forex cash flow statement prepared and reviewed on a monthly basis. Such contracts are designated as cash flow hedges.

The foreign exchange forward contracts are denominated in the same currency as the highly probable future sales transaction, therefore the hedge ratio is 1:1. The Group's hedge policy allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective assessments to ensure that an economic relationship exists between the hedged item and the hedged instrument. The Group enters into hedge instruments where the critical terms of hedging instrument are aligned with terms of the hedged item.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the value of the hedging instruments exceeds on an absolute basis the change in the value of the hedged item attributable to the hedged risk. Hedge ineffectiveness may arise due to the following:

- the critical terms of the hedging instrument and the hedged item differ (i.e. nominal amounts, timing of the forecast transaction, interest resets changes from what was originally estimated), or
- differences arise between the credit risk inherent within the hedged item and the hedging instrument.

**Foreign currency risk exposure -**

The currency profile of financial assets and financial liabilities as at March 31, 2020 and March 31, 2019 expressed in Indian Rupees (₹) are as below:

**Non derivative**

| Particulars | March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | USD | EURO | JPY | GBP | CHF | AUD |
| **Financial assets** | | | | | | |
| Cash and cash equivalents (EEFC Account) | 10 | 27 | - | - | - | - |
| Trade receivables | 4,032 | 81 | 15 | - | - | - |
| | **4,042** | **108** | **15** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | |
| Borrowings (Term Loan) | 2,363 | - | - | - | - | - |
| Trade payables | 3,227 | 93 | - | 1 | 1 | - |
| | **5,590** | **93** | **-** | 1 | 1 | - |

| | March 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | USD | EURO | JPY | GBP | CHF | AUD |
| **Financial assets** | | | | | | |
| Cash and cash equivalents (EEFC Account) | 60 | - | - | - | - | - |
| Trade receivables | 3,180 | 146 | - | - | - | - |
| | **3,240** | **146** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | |
| Borrowings (Term Loan) | 494 | - | - | - | - | - |
| Trade payables | 1,396 | 18 | 2 | 0 | 0 | 0 |
| | **1,890** | **18** | **2** | 0 | 0 | 0 |

The following significant exchange rates have been applied during the year.

| | Year-end spot rate (₹) | |
|---|---|---|
| | March 31, 2020 | March 31, 2019 |
| USD | 75.67 | 69.16 |
| EUR | 82.77 | 77.67 |
| JPY (100) | 69.63 | 62.42 |
| GBP | 93.50 | 90.53 |
| CHF | 78.29 | 69.43 |
| AUD | 46.08 | 49.02 |

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee at March 31 would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. Impact of hedging, if any has not been considered here. A 5% increase or decrease is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

| | **Profit or loss, net of tax** | | **Impact on other components of equity, net of tax** | |
|---|---|---|---|---|
| **Effect in ₹** | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2020** | | | | |
| **5% movement** | | | | |
| USD | (50) | 50 | - | - |
| EUR | 0 | (0) | - | - |
| JPY (100) | 49 | (49) | - | - |
| GBP | (0) | 0 | - | - |
| | **(1)** | **1** | **-** | **-** |

| | **Profit or loss, net of tax** | | **Impact on other components of equity, net of tax** | |
|---|---|---|---|---|
| **Effect in ₹** | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2019** | | | | |
| **1% movement** | | | | |
| USD | 9 | (9) | - | - |
| EUR | 1 | (1) | - | - |
| JPY (100) | (2) | 2 | - | - |
| GBP | (0) | 0 | - | - |
| | **8** | **(8)** | **-** | **-** |

**Interest rate risk**

The Group's main interest rate risk arises from long term foreign currency and working capital borrowings at variable rates. Group's investments are primarily in fixed deposits which are short term in nature and do not expose it to interest rate risk. The Group regularly evaluates the interest rate hedging requirement to align with interest rate views and defined risk appetite, in order to ensure most cost effective interest rate risk management.

**Exposure to interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| **Fixed-rate instruments** | | |
| Financial assets | 817 | 833 |
| Financial liabilities | 1,740 | - |
| **Variable-rate instruments** | | |
| Financial liabilities | 3,434 | 492 |
| **TOTAL** | **5,991** | **1,325** |

**Fair value sensitivity analysis for fixed-rate instruments**

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable-rate instruments**

A reasonably possible change of 50 bp in interest rates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| | Profit or loss | | Impact on other components of equity, net of tax | |
|---|---|---|---|---|
| | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| **March 31, 2020** | | | | |
| Variable-rate instruments | (11.17) | 11.17 | - | - |
| **Cash flow sensitivity (net)** | (11.17) | 11.17 | - | - |
| **March 31, 2019** | | | | |
| Variable-rate instruments | (1.61) | 1.61 | - | - |
| **Cash flow sensitivity (net)** | (1.61) | 1.61 | - | - |

**IV. Price risk**

The Group's exposure to price risk arises from investment in mutual funds and classified in the balance sheet as fair value through profit and loss. Mutual fund investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments. However, due to very short tenor of the underlying portfolio in the liquid schemes, these do not pose any significant price risk. Group reviews these mutual fund investments based on safety, liquidity and yield on regular basis.

**V. Impact of Hedging activities**

**(a).** Disclosure of hedge accounting on financial position

| | March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| **Type of hedge and risk** | **No. of outstanding contracts** | **Nominal Value** | **Carrying value of hedging instrument *** | **Maturity date** | **Hedge ratio** | **Weighted average strike price/rate** |
| Foreign exchange forward contracts | 217 | 17,758 | 765 | April 2020 - September 2023 | 1:1 | US$1: ₹ 75.89 |

| | March 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| **Type of hedge and risk** | **No. of outstanding contracts** | **Nominal Value** | **Carrying value of hedging instrument *** | **Maturity date** | **Hedge ratio** | **Weighted average strike price/rate** |
| Foreign exchange forward contracts | 150 | 11,637 | 210 | April 2019 - December 2021 | 1:1 | US$1: ₹ 69.16 |

* Refer Note No. 7(g)

**(b).** Disclosure of effects of hedge accounting on financial performance

| | March 31, 2020 | | | |
|---|---|---|---|---|
| **Type of hedge** | **Change in value of hedging instrument recognised in other comprehensive income** | **Hedge ineffectiveness recognised in profit and loss account** | **Amount reclassified from cash flow hedging reserve to profit and (loss)** | **Line item affected in statement of profit and loss account because of this reclassification** |
| Foreign exchange forward contracts | (779) | - | 62 | Revenue |

| | March 31, 2019 | | | |
|---|---|---|---|---|
| **Type of hedge** | **Change in value of hedging instrument recognised in other comprehensive income** | **Hedge ineffectiveness recognised in profit and loss account** | **Amount reclassified from cash flow hedging reserve to profit and (loss)** | **Line item affected in statement of profit and loss account because of this reclassification** |
| Foreign exchange forward contracts | (145) | - | (265) | Revenue |

**(c).** Movement in the cash flow hedge reserve

| Effective portion of Cash flow Hedges | Amount |
|---|---|
| **As at April 01, 2018** | **49** |
| Add: Effective portion of gains/(losses) on cash flow hedges | (145) |
| Less: Amount reclassified to profit and loss account | (265) |
| Less: Deferred tax relating to above | 42 |
| **As at March 31, 2019** | **127** |
| Add: Effective portion of gains/(losses) on cash flow hedges | (779) |
| Less: Amount reclassified to profit and loss account | 62 |
| Less: Deferred tax relating to above | (294) |
| **As at March 31, 2020** | **(420)** |

**(d). Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars at March 31 would have affected the measurement of foreign forward exchange contract designated as cash flow hedges and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. A 5% increase or decrease is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

| | **Profit or loss, net of tax** | | **Impact on other components of equity, net of tax** | |
|---|---|---|---|---|
| **Effect in ₹** | Strengthening | Weakening | Strengthening | Weakening |
| **March 31, 2020** | | | | |
| **5% movement** | | | | |
| USD | - | - | 578 | (578) |
| **March 31, 2019** | | | | |
| **1% movement** | | | | |
| USD | - | - | 76 | (76) |

## 41 CAPITAL MANAGEMENT

The Group’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's Capital management is to maximise shareholder's value. The Group manages its capital and makes adjustment to it in light of the changes in economic and market conditions.

The Group manages capital using gearing ratio, which is total debt divided by total equity. The gearing ratio at the end of the reporting period was as follows:

| | | **As at March 31, 2020** | **As at March 31, 2019** |
|---|---|---|---|
| Borrowings (Non-current) | | 3,994 | 99 |
| Borrowings (Current) | | 1,180 | 393 |
| Total Debt | A | 5,174 | 492 |

| | | | |
|---|---|---|---|
| Total Equity | B | 26,191 | 22,854 |
| Debt to Equity ratio | A/B | 0.20 | 0.02 |

No changes were made in the objectives, policies or processes for managing capital of the Group during the current and previous year.

Also refer note 14 relating to details on dividend declared and distributed.

## 42 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for borrowings are:

| | As at March 31, 2020 | As at March 31, 2019 |
|---|---|---|
| **Property, plant and equipment** | | |
| First charge | 6,169 | 1,805 |
| Second charge | 11,707 | 6,378 |
| **Floating charge** | 18,400 | 16,875 |
| **TOTAL** | **36,276** | **25,058** |

## 43 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IND AS 116 Leases on the Company's consolidated financial statements.

The group has adopted IND AS 116 Leases retrospectively from 1 April 2019 with the cumulative effect of initially applying the standard recognised at the date of initial application but has not restated comparatives for the 2018 reporting period. The group has measured right-of-use asset at an amount equal to the lease liability, adjusted by the amounts of prepaid lease payments relating to lease recognised in the balance sheet immediately before the date of initial application.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The measurement principles of Ind AS 116 are only applied after that date.

**(i) Practical Expedient Applied:** In applying Ind AS 116 for the first time, the group has used the following practical expedients permitted by the standard:

- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- Excluding all lease having underlying asset having value less than INR 0.25 for lease accounting as low value assets.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying Ind AS 17 and Interpretation for Determining whether an Arrangement contains a Lease.

**(ii) Measurement of lease liabilities**

On adoption of Ind AS 116, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Ind AS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 10% p.a.

| Particulars | Amount |
|---|---|
| **Operating lease commitments disclosed as at 31 March 2019** | **328** |
| **Discounted using the lessee's incremental borrowing rate of at the date of initial Application** | **462** |
| Add: finance lease liabilities recognised as at 31 March 2019 | 0 |
| (Less): short-term leases not recognised as a liability | (17) |
| (Less): low-value leases not recognised as a liability | (25) |
| Add/(less): adjustments as a result of a different treatment of extension and termination options | (3) |
| **Lease liability recognised as at 1 April 2019** | **417** |
| **Of which are:** | |
| Current lease liabilities | 120 |
| Non-current lease liabilities | 297 |

**(iii) Measurement of Right-of-Use assets**

The associated right-of-use assets for offices, warehouses, IT equipment and vehicles assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at April 1, 2019.

**(iv) Amount recognised in the balance sheet related to leases:**

| **Particulars** | **Balance as at March 31, 2019** | **Change on adoption of IND AS 116** | **Balance as at April 1, 2019** |
|---|---|---|---|
| Property, Plant and equipment: Right of use assets | - | 425 | 425 |
| Other Assets: Prepaid rent | 8 | 0 | 8 |
| Other Financial liabilities: Lease Liability | - | 417 | 417 |
| Retained Earnings | 22,716 | - | 22,716 |
| Deferred Tax Asset | 141 | - | 141 |

**(v) Amount Recognized in the statement of Profit or loss relating to leases**

| **Particulars** | **Year ended 31st March, 2020 before adopting IND AS 116** | **Changes due to IND AS 116 increase/ (decrease)** | **Year ended 31st March, 2020 as reported** |
|---|---|---|---|
| Other Expenses | 5,001 | (197) | 4,804 |
| Finance Cost | 124 | 46 | 170 |
| Depreciation and amortisation expense | 1,183 | 184 | 1,367 |
| **Profit before tax [(increase)/ decrease]** | **6,005** | **33** | **6,138** |

**(vi) The balance sheet shows the following amounts relating to leases:**

| **Particulars** | **March 31, 2020** |
|---|---|
| **Right of Use Asset:** | |
| Buildings | 258 |
| Office Equipment | 14 |
| Vehicles | 190 |
| Leasehold Land | 576 |
| **Total** | **1038** |
| **Lease Liabilities** | |
| Current | 184 |
| Non-Current | 320 |
| **Total** | **504** |

Addition of Right-of-use Asset during the 2019-20 financial year was ₹ 184.

## 44. BUSINESS COMBINATION:

On December 27, 2019, the Group acquired 100% of the issued equity shares in Isagro (Asia) Agrochemicals Private Limited, for consideration of INR 4,432.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

| Purchase consideration | Amount |
|---|---|
| Total Purchase consideration (Refer note (ii) below) | 4,432 |

The assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair Value |
|---|---|
| Cash and cash equivalents | 87 |
| Fixed Deposits | 11 |
| Current Investments | 1,037 |
| Property, plant and equipment including Intangibles Assets (refer note 3) | 750 |
| Intangibles (refer note 4) | 327 |
| Capital Work in Progress | 14 |
| Inventories | 780 |
| Trade and other assets | 1,475 |
| Trade and other payables | (918) |
| Net deferred tax assets | 41 |
| **Net identifiable assets acquired** | 3,604 |
| Add : Goodwill | 828 |
| **Total purchase consideration** | 4,432 |

If any new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.(Also, refer note (ii) below)

The goodwill is attributable to Isagro's strong position, profitability and synergies expected to arise after the company's acquisition of the subsidiary.

*i. Acquisition-related costs*

Acquisition-related costs of ₹ 7.4 are included in other expenses in profit or loss.

ii. *The* Consideration for acquisition of Isagro (Asia) Agrochemicals Private Limited includes an amount of ₹ 212 which is subject to final adjustments in accordance with share purchase agreement.

*iii. Acquired receivables*

The fair value of trade and other receivables is ₹ 1,475 and includes trade receivables with of ₹ 1,079 (net of allowance of doubtful debts of ₹ 153).

*iv. Revenue and Profit Contribution*

The acquired business contributed revenues of ₹ 601 and net profit/(loss) after tax of ₹ 130 to the group for the period from 28 December 2019 to 31 March 2020. If the acquisition had occurred on 1 April 2019, consolidated revenue and consolidated net profit for the year ended 31 March 2020 would have been ₹ 36,077 and ₹ 4,485 respectively.

The goodwill is tested for impairment annually. The recoverable amount of Goodwill has been determined from a value in use calculation which require the use of assumptions. The value in use calculation uses cash flow forecasts based on the most recently approved financial budgets and business projections by the management, which cover a period of five years. Key assumptions underlying the value in use calculation are those regarding expected revenues and introduction of new trading products and a pre-tax discount rate of 15% per annum. Sales growth projections considers managements' expectation of market development, current industry trends and pre-tax discount rate based on the relevant risks. 4% growth rate has been used to extrapolate the cash flow projections beyond the five-year period of the approved financial budgets. The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount of the cash generating unit.

The Isagro business is to be reorganized such that the domestic retail activities undertaken by Isagro will be transferred to Jivagro Limited and rest of the activities will be merged into PI Industries. This reorganization will be undertaken with effect from the date of acquisition of the Isagro business by PI Industries viz December 27, 2019 through a scheme of reorganization to be filed before the National Company Law Tribunal. The Board of Directors of the Company has authorised to submit scheme of arrangement for filing with the Court.

**45.** Consequent to the nationwide lockdown announced on 24th March 2020, Company's operations were disrupted at R&D facilities at Udaipur, manufacturing facilities at Gujarat and sales depots across the country. This resulted in partial deferment of Company's domestic and export revenues for the month of March 2020 to the next quarter. The Company has since been able to resume operations at its various sites from the beginning of April in a gradual manner and management believes that being into an essential commodity, there is no significant impact of COVID-19 pandemic on the current and future business condition of the Company, financial statements liquidity position and cash flow and has concluded that no material adjustments are required in the financial statements. Management will continue to closely monitor the situation.

**46. EVENTS AFTER REPORTING DATE**

The Board of Directors in the meeting held on June 04 2020 have recommended final dividend for the year ended March 31, 2020 which is subject to the approval of shareholders in the ensuing annual general meeting. Refer note 14(B) for details.

**This is the notes to the consolidated financial statements referred to our report of even date**

**For Price Waterhouse Chartered Accountants LLP**
**Chartered Accountants**
Firm Reg. No. 012754N/N500016

Sd/-
**Sougata Mukherjee**
Partner
Membership Number: 057084

Place: Gurugram
Date: June 04, 2020

**For and on behalf of the Board of Directors**

Sd/-
**Mayank Singhal**
Vice Chairman & Managing Director
DIN: 00006651

Sd/-
**Rajnish Sarna**
Director
DIN: 06429468

Sd/-
**Subhash Anand**
Chief Financial Officer

Sd/-
**Naresh Kapoor**
Company Secretary

## DETAILS OF PROPOSED ALLOTTEES

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotments of Equity Shares pursuant to this Issue shall be made by our Company, in consultation with the Book Running Lead Managers, to Eligible QIBs only, on a discretionary basis. The names of the Allottees and the percentage of post-Issue capital (assuming that the Equity Shares are Allotted to them pursuant to this Issue) that may be held by them, is set forth below:

| S. No | Name of the proposed Allottees | Percentage of the post-Issue Equity Share capital held (%)*# |
|---|---|---|
| 1. | FAIRFAX COUNTY EMPLOYEES RETIREMENT SYSTEM | 0.04% |
| 2. | ICICI PRUDENTIAL LARGE & MID CAP FUND | 4.71% |
| 3. | ABU DHABI INVESTMENT AUTHORITY | 0.97% |
| 4. | HDFC LIFE INSURANCE COMPANY LIMITED | 1.56% |
| 5. | ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED | 1.14% |
| 6. | DSP EQUITY FUND | 0.73% |
| 7. | AMERICAN FUNDS INSURANCE SERIES GLOBAL SMALL CAPITALIZATION FUND | 0.51% |
| 8. | ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE FOCUSED | 0.89% |
| 9. | CANARA ROBECO MUTUAL FUND A/C CANARA ROBECO CONSUMER TRENDS FUND | 0.56% |
| 10. | L AND T MUTUAL FUND TRUSTEE LIMITED - L AND T HYBRID EQUITY FUND | 0.31% |
| 11. | EMPLOYEES RETIREMENT SYSTEM OF TEXAS - SELF MANAGED PORTFOLIO | 0.04% |
| 12. | EMERGING MARKETS LEADERS TRUST | 0.05% |
| 13. | EMERGING MARKETS LEADERS FUND I | 0.01% |
| 14. | FIDELITY INDIA FUND | 0.02% |
| 15. | FIDELITY KOREA - INDIA EQUITY INVESTMENT TRUST - MOTHER | 0.01% |
| 16. | KUWAIT INVESTMENT AUTHORITY FUND F238 | 0.24% |
| 17. | KOTAK SMALL CAP FUND | 1.56% |
| 18. | LOCKHEED MARTIN CORPORATION MASTER RETIREMENTTRUST | 0.04% |
| 19. | PRINCIPAL TRUSTEE CO. PVT. LTD A/C - PRINCIPAL MUTUAL FUND - PRINCIPAL HYBRID EQ | 0.08% |
| 20. | SUNDARAM MUTUAL FUND A/C SUNDARAM BALANCED ADVANTAGE FUND | 0.51% |
| 21. | TATA EQUITY SAVINGS FUND | 1.32% |
| 22. | FRANKLIN INDIA PRIMA FUND | 0.40% |
| 23. | WHITE OAK INDIA EQUITY FUND | 0.06% |
| 24. | WHITE OAK INDIA EQUITY FUND II | 0.03% |
| 25. | WHITE OAK INDIA SELECT EQUITY FUND | 0.00% |
| 26. | ADITYA BIRLA SUN LIFE INSURANCE COMPANY LIMITED | 0.22% |
| 27. | SMALLCAP WORLD FUND, INC | 1.65% |
| 28. | INDGROWTH CAPITAL FUND I | 0.03% |
| 29. | LGIASUPER | 0.03% |
| 30. | MATTHEWS INDIA FUND | 0.11% |
| 31. | SBI SMALL CAP FUND | 3.74% |
| 32. | BHARTI AXA LIFE INSURANCE COMPANY LTD | 0.04% |
| 33. | AMUNDI FUNDS SBI FM INDIA EQUITY | 0.45% |
| 34. | INTEGRATED CORE STRATEGIES ASIA PTE LTD | 0.02% |
| 35. | MAX LIFE INSURANCE CO LTD A/C DIVERSIFIED EQUITY FUND (ULIF02201/01/20LIFEDIVEQF | 0.52% |
| 36. | GOVERNMENT PENSION FUND GLOBAL | 0.30% |
| 37. | AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS SMALL CAP FUND | 1.75% |
| 38. | MOTILAL OSWAL MIDCAP 30 FUND | 0.64% |
| 39. | BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD. | 0.07% |
| 40. | CAISSE DE DEPOT ET PLACEMENT DU QUEBEC - WHITE OAK CAPITAL PARTNERS PTE LTD | 0.06% |
| 41. | FIDELITY FUNDS - INDIA FOCUS FUND | 0.19% |

| S. No | Name of the proposed Allottees | Percentage of the post-Issue Equity Share capital held (%)*# |
|---|---|---|
| 42. | KOTAK GLOBAL FUNDS | 0.00% |
| 43. | TAIYO GREATER INDIA FUND LTD | 0.02% |
| 44. | TKP INVESTMENTS BV - AEGON CUSTODY B.V. RE MM EQUITY SMALL CAP FUND | 0.11% |
| 45. | DENDANA INVESTMENTS (MAURITIUS) LIMITED | 0.01% |
| 46. | INDIA ACORN FUND LTD | 0.07% |
| 47. | ISHANA CAPITAL MASTER FUND | 0.21% |
| 48. | IDFC EMERGING BUSINESSES FUND | 0.20% |
| 49. | ASHOKA INDIA OPPORTUNITIES FUND | 0.08% |
| 50. | IC PARTNERS LONG ONLY FUND | 0.06% |
| 51. | SBI LIFE INSURANCE CO. LTD | 0.51% |
| 52. | AUSTRALIA POST SUPERANNUATION SCHEME | 0.02% |
| 53. | AXIOM INTERNATIONAL SMALL-CAP EQUITY FUND | 0.04% |
| 54. | ABS DIRECT EQUITY FUND LLC - INDIA SERIES 1 | 0.01% |
| 55. | KOTAK FUNDS - INDIA MIDCAP FUND | 0.61% |
| 56. | MATTHEWS ASIA FUNDS - PACIFIC TIGER FUND | 0.08% |
| 57. | BNP PARIBAS ARBITRAGE - ODI | 0.13% |
| 58. | SEB SICAV 2 - SEB ASIA SMALL CAPS EX JAPAN FUND | 0.05% |
| 59. | MORGAN STANLEY INVESTMENT FUNDS EMERGING LEADERS EQUITY FUND | 0.10% |
| 60. | MORGAN STANLEY INSTITUTIONAL FUND INC-EMERGING MARKETS LEADERS PORTFOLIO | 0.02% |
| 61. | SCHRODER INTERNATIONAL SELECTION FUND ASIAN SMALLER COMPANIES | 0.14% |
| 62. | SUNDARAM INDIA MIDCAP FUND | 0.04% |
| 63. | AL MEHWAR COMMERCIAL INVESTMENTS LLC - (WHITING) | 0.12% |
| 64. | ASHOKA INDIA EQUITY INVESTMENT TRUST PLC | 0.04% |
| 65. | SEI TRUST COMPANY AS TRUSTEE ON BEHALF OF THE AXIOM INTERNATIONAL SMALL CAP EQUI | 0.01% |

** Based on beneficiary position as on July 3, 2020.*

*# The post-Issue shareholding pattern (in percentage terms) of the proposed Allottees has been disclosed on the basis of their respective DP ID and Client ID.*

*Note: The details as set forth in the table above, are subject to allotment in this Issue.*

# DECLARATION

Our Company certifies that all relevant provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

__________________________

**Mr. Rajnish Sarna**
**Designation: Whole-time Director**

Date: July 8, 2020
Place: Gurgaon

**DECLARATION**

We, the Board of Directors of the Company certify that:

(i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the Issue shall be used only for the purposes and objects indicated in this Placement Document (which includes disclosures prescribed under Form PAS-4).

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS**

Signed by:

_________________________

**Mr. Rajnish Sarna**
**Designation: Whole-time Director**

I am authorized by the QIP Committee, a committee of the Board of Directors of the Company, vide resolution dated July 8, 2020 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed: ___________________

**Mr. Rajnish Sarna**
**Designation: Whole-time Director**

Date: July 8, 2020
Place: Gurgaon

| REGISTERED OFFICE AND CORPORATE OFFICE OF THE COMPANY | |
|---|---|
| **PI Industries Limited**<br><br>Registered Office: Udaisagar Road, Udaipur 313 001, Rajasthan, India<br>Corporate Office: 5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India<br>Website: www.piindustries.com; CIN: L24211RJ1946PLC000469 | |
| **COMPLIANCE OFFICER** | |
| **Mr. Naresh Kapoor**<br>Company Secretary and Compliance Officer<br>5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India<br>Tel: +91 124 679 0032/ 1532; E-mail: investor@piind.com | |
| **BOOK RUNNING LEAD MANAGERS** | |
| **Axis Capital Limited**<br>1st Floor, Axis House, C-2, Wadia International Centre<br>Pandurang Budhkar Marg, Worli<br>Mumbai 400 025<br>Maharashtra, India | **Citigroup Global Markets India Private Limited**<br>1202, 12th Floor<br>First International Financial Center<br>G-Block<br>Bandra Kurla Complex, Bandra (East)<br>Mumbai 400 098<br>Maharashtra, India |
| **Kotak Mahindra Capital Company Limited**<br>27BKC, 1st Floor, Plot No. C-27,<br>“G” Block, Bandra Kurla Complex<br>Bandra (East)<br>Mumbai 400 051<br>Maharashtra, India | **Ambit Capital Private Limited**<br>Ambit House, 449, Senapati Bapat Marg<br>Lower Parel<br>Mumbai 400 013<br>Maharashtra, India |
| **LEGAL COUNSEL TO THE COMPANY AS TO INDIAN LAW** | **LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS AS TO INDIAN LAW** |
| **AZB & Partners**<br>AZB House<br>Plot No. A8, Sector 4<br>Noida 201 301 India<br>Tel: +91 120 417 9999 | **Shardul Amarchand Mangaldas & Co**<br>Amarchand Towers<br>216, Okhla Industrial Estate Phase III<br>New Delhi 110 020, India<br>Telephone: +91 11 4159 0700 |
| **LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS AS TO UNITED STATES FEDERAL SECURITIES LAW** | |
| **Sidley Austin LLP**<br>6 Battery Road<br>Level 31<br>Singapore 049909<br>Tel: +65 6230 3900 | |
| **STATUTORY AUDITORS** | |
| **Price Waterhouse Chartered Accountants LLP**<br>Building 8, 7th & 8th Floor, Tower B<br>DLF Cyber City<br>Gurgaon 122002, Haryana, India | |

# APPLICATION FORM

| PI Industries Limited | APPLICATION FORM |
|---|---|
| Inspired by Science<br>**PI Industries Limited** | **Name of the Bidder** ______________________<br><br>**Form. No.**______ |
| **Registered Office**: Udaisagar Road, Udaipur 313 001, Rajasthan, India; **Corporate Office:** 5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India**; Tel**: +91 294 2492 451; **E-mail**: investor@piind.com; **Website**: www.piindustries.com | **Date:** ______ |

**QUALIFIED INSTITUTIONS PLACEMENT OF [●] EQUITY SHARES OF FACE VALUE ₹ 1 EACH (THE "EQUITY SHARES") FOR CASH, AT A PRICE OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE"), INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE, AGGREGATING UP TO ₹ [●] MILLION IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED (THE "COMPANIES ACT"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") BY PI INDUSTRIES LIMITED (THE "COMPANY") (AND SUCH ISSUE THE "ISSUE").**

**Only Qualified Institutional Buyers ("QIBs") as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and which: (a) are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; (b) are not restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws; (c) hold a valid and existing registration under the applicable laws in India (as applicable); and (d) are eligible to invest in the Issue and submit this Application Form. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Company (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) (a "U.S. QIB") pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. The Equity Shares are transferable only in accordance with the restrictions described under the sections "*Selling Restrictions*" and "*Transfer Restrictions*" in the accompanying preliminary placement document dated July 2, 2020 (the "PPD").**

**ELIGIBLE FPIs ARE PERMITTED TO PARTICIPATE IN THE ISSUE IN TERMS OF SCHEDULE 2 OF THE FOREIGN EXCHANGE MANAGEMENT (NON-DEBT INSTRUMENTS) RULES, 2019 ("FEMA NON-DEBT RULES"). ELIGIBLE FPIs ARE PERMITTED TO BID FOR EQUITY SHARES IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE ELIGIBLE FPIs DOES NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. PURSUANT TO PRESS NOTE NO. 3 (2020 SERIES), DATED APRIL 17, 2020, ISSUED BY THE DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, GOVERNMENT OF INDIA, AND RULE 6 OF THE FEMA NON-DEBT RULES, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY. FVCIs ARE NOT PERMITTED TO PARTICIPATE IN THE ISSUE.**

**To,**
**The Board of Directors**
**PI Industries Limited**
5th Floor, Vipul Square, B-Block, Sushant Lok, Phase I, Gurugram 122 002, Haryana, India

Dear Sirs,

| **STATUS** (Please ✓) | | | |
|---|---|---|---|
| **FI** | Scheduled Commercial Banks and Financial Institutions | **IC** | Insurance Companies |
| **MF** | Mutual Funds | **VCF** | Venture Capital Funds |
| **NIF** | National Investment Fund | **FPI** | Eligible Foreign Portfolio Investor* |
| **IF** | Insurance Funds | **AIF** | Alternative Investment Fund |
| **SI-NBFC** | Systemically Important Non-Banking Financial Companies | **OTH** | Others _____________ (Please specify) |

**Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended, other than individuals, corporate bodies and family offices*

On the basis of the serially numbered PPD and subject to the terms and conditions contained therein, and in this Application Form, we hereby submit our Application Form for the Allotment of the Equity Shares in the Issue, on the terms and price indicated below. We confirm that we are an eligible QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws and that we are not a promoter of the Company (as defined in the SEBI ICDR Regulations), or any person related to the promoter of the Company, directly or indirectly. Further, we confirm that we do not have any right in the Company under a shareholders' agreement or voting agreement entered into with promoter or members of the promoter group of the Company, veto rights or right to appoint any nominee director on the Board of Directors of the Company. We confirm that the bid size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits and further confirm that our Bid does not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**SEBI Takeover Regulations**"). We further understand and agree that (i) our names, address, contact details, PAN and bank account details will be recorded by the Company in the format prescribed in terms of the PAS Rules; (ii) in the event that any Equity Shares are Allocated to us in the Issue, our names (as proposed Allottees) and the percentage of our post-Issue shareholding in the Company will be disclosed in the Placement Document pursuant to the requirements under Form PAS-4 of the PAS Rules; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Company will place our name in the register of members of the Company as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Company with the RoC as required in terms of the PAS Rules. Further, we are aware and agree that if we, together with any other QIBs belonging to the 'same group' (as defined under the SEBI ICDR Regulations), are Allotted more than 5% of the Equity Shares in the Issue, the Company will disclose our name, along with the name of such other Allottees and the number of Equity Shares Allotted to us and to such other Allottees, on the website of the National Stock Exchange of India Limited and BSE Limited (together referred to as the "**Stock Exchanges**"), and we consent to such disclosure.

We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations. We confirm that, in relation to our application, each foreign portfolio investor ("**FPI**") as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate bodies and family offices), and including persons who have been registered under these regulations (such FPIs, "**Eligible FPIs**"), have submitted separate Application Form, and asset management companies of mutual funds have specified the details of each scheme for which the application is being made along with the price and amount to be Allotted under each such scheme. We undertake that we will sign all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Applicant and the Applicant has all the necessary approvals. We note that the Board of Directors of the Company, or any duly authorized committee thereof, is entitled, in consultation with Axis Capital Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited and Ambit Capital Private Limited (collectively, the "**Book Running Lead Managers**" or "**BRLMs**",) in their absolute discretion, to accept or reject this Application Form without assigning any reason thereof. We hereby accept the Equity Shares that may be Allocated to us pursuant to the Confirmation of Allocation Note ("**CAN**") and request you to credit the same to our beneficiary account as per the details given below, subject to receipt of Application Form and Bid Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Bid Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form only through electronic mode, along with this duly completed Application Form within the Issue Closing Date and such Bid Amount has been / will be transferred from a bank account maintained in our name. We acknowledge and agree that we shall not make any payment in cash or cheque. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Company, in consultation with the Book Running Lead Managers; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Bid Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Company is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, the Bid Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Bid Amount has been paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in requirements. In this regard, we authorize the Company to issue instructions to the depositories for such lock-in requirements, as may be applicable to us.

By signing and submitting this Application Form, we hereby confirm and agree (i) that the representations, warranties and acknowledgments as provided in the "Notice to Investors", "Representations by Investors", "Issue Procedure", "Selling Restrictions" and "Transfer Restrictions" sections of the PPD (ii) and the terms, conditions and agreements mentioned herein are true and correct and acknowledge and agree that these representations and warranties are given by us for the benefit of the Company and the Book Running Lead Managers, each of which are entitled to rely on and are relying on these representations and warranties in consummating the Issue.

By signing and submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section titled '*Risk Factors*' therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Company, the Book Running Lead Managers or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document, this Application Form, the CAN and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on the floor of a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are granted by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the discretion of the Company in consultation with the Book Running Lead Managers and the submission of this Application Form and the corresponding Bid Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, upon Allocation, the Company will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Company, in consultation with the Book Running Lead Managers; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Eligible QIBs that 'belong to the same group' as us, shall not exceed 50% of the Issue. For the purposes of this representation: The expression Eligible QIBs 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations i.e. entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, amongst the Eligible QIBs, its subsidiary or holding company and any other QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the SEBI Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Company, applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

We acknowledge that the Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. By signing this Application Form and checking the applicable box above, we hereby represent that we are either (i) qualified institutional buyers (as defined in Rule 144A) purchasing the Equity Shares pursuant to Section 4(a)(2) under the Securities Act, or (ii) located outside the United States and purchasing Equity Shares in an offshore transaction in reliance on Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales are made. We confirm that we have read the representations, warranties and agreements contained in the sections titled "*Selling Restrictions*" and "*Transfer Restrictions*" of the PPD.

By signing and submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares.

| **BIDDER DETAILS (In Block Letters)** | | | |
|---|---|---|---|
| **NAME OF APPLICANT*** | | | |
| **REGISTERED ADDRESS** | | | |
| **NATIONALITY** | | | |
| **CITY AND CODE** | | | |
| **COUNTRY** | | | |
| **PHONE NO.** | | **FAX NO.** | |
| **EMAIL** | | | |
| **FOR FPIs**** | SEBI FPI REGISTRATION NO. ____________________________________________________________<br>______________________________________________________________________________________ | | |

| | |
|---|---|
| **FOR AIFs*** ** | SEBI AIF REGISTRATION NO. ____________________ |
| **FOR VCFs** | SEBI VCF REGISTRATION NO. ____________________ |
| **FOR SI-NBFC** | RBI REGISTRATION DETAILS____________________ |
| **FOR INSURANCE COMPANIES** | IRDAI REGISTRATION DETAILS. ____________________ |

**Name should exactly match with the name in which the beneficiary account is held. Bid Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund Bidders are requested to provide details of the Bids made by each scheme of the Mutual Fund. Each FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Issuer and the Book Running Lead Managers.*

*** In case you are an FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.*

****** Allotments made to Alternative Investment Funds in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. Alternative Investment Funds should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.***

We are aware that the number of Equity Shares in the Company held by us, together with the number of Equity Shares, if any, Allocated to us in the Issue will be aggregated to disclose the percentage of our post-Issue shareholding in the Company in the Placement Document in line with the requirements under PAS-4 of the PAS Rules. For such information, the Book Running Lead Managers will rely on the information provided by the Registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

| **DEPOSITORY ACCOUNT DETAILS** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Depository Name | National Securities Depository Limited | | | | | | | | Central Depository Services (India) Limited |
| Depository Participant Name | | | | | | | | | |
| DP – ID | I | N | | | | | | | |
| Beneficiary Account Number | | | | | | | | | (16-digit beneficiary A/c. No. to be mentioned above) |

The demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purposes of refund, if any, only the bank details as mentioned below, from which the Application Amount has been remitted for the Equity Shares applied for in the Issue will be considered.

| **PAYMENT DETAILS<br>REMITTANCE BY WAY OF ELECTRONIC FUND TRANSFER** |
|---|
| **By 3:00 p.m. (IST), [day] [date]** |

| **BANK ACCOUNT DETAILS FOR PAYMENT OF APPLICATION AMOUNT THROUGH ELECTRONIC FUND TRANSFER** | | | |
|---|---|---|---|
| **Name of the Account** | PI INDUSTRIES LTD – QIP ESCROW ACCOUNT | **Account Type** | Escrow Account |
| **Name of Bank** | Axis Bank Limited | **Address of the Branch of the Bank** | GL 005 to 008, Cross Point, DLF Phase IV, Gurugram, Haryana 122 009 |
| **Account No.** | 920020042447361 | **IFSC** | UTIB0000131 |
| **Phone No.** | +91 124 469 6591 | | |

Kindly make your payment only by way of electronic fund transfers, towards the Escrow Account**.** Payment of the entire Bid Amount should be made along with the Application Form on or before the closure of the Bidding Period i.e. within the Issue Closing Date. All payments must be made in favour of "PI INDUSTRIES LTD – QIP ESCROW ACCOUNT". The payment for subscription to the Equity Shares to be allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.

| **RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)** | | | |
|---|---|---|---|
| Bank Account Number | | IFSC Code | |
| Bank Name | | Bank Branch Address | |

| **NO. OF EQUITY SHARES BID FOR** | | **PRICE PER EQUITY SHARE (RUPEES)** | |
|---|---|---|---|
| (In Figures) | (In Words) | (In Figures) | (In Words) |
| | | | |

| **DETAILS OF CONTACT PERSON** | | | |
|---|---|---|---|
| Name: | | | |
| Address: | | | |
| | | | |
| Tel. No: | | Fax No: | |
| Email: | | | |

| OTHER DETAILS | |
|---|---|
| **PAN*** | |
| ***Signature of Authorized Signatory*** | |

| ENCLOSURES ATTACHED |
|---|
| ☐ Copy of the PAN Card or PAN Allotment Letter |
| ☐ FIRC |
| ☐ Copy of the SEBI registration certificate as a Mutual Fund |
| ☐ Copy of the SEBI registration certificate as an Eligible FPI |
| ☐ Copy of the SEBI registration certificate as an AIF |
| ☐ Copy of the SEBI registration certificate as a VCF |
| ☐ Certified copy of the certificate of registration issued by the RBI as an SI-NBFC/ a Scheduled Commercial Bank |
| ☐ Copy of notification as a public financial institution |
| ☐ Copy of the IRDAI registration certificate |
| ☐ Certified true copy of power of attorney |
| ☐ Others, please specify________________ |

**Please note that the Applicant should not submit the GIR number or any other identification number instead of the PAN as the application is liable to be rejected on this ground.*

**Note 1:** Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD and Placement Document.

**Note 2**: The Application Form is liable to be rejected if any information provided is incomplete or inadequate.

The Application Form, the PPD sent to you and the Placement Document which will be sent to you, either in physical form or in electronic form or both, are specific to you and you may not distribute or forward the same and are subject to the disclaimers and restrictions contained or accompanying these documents.