



**NACL Industries Limited**



**Perseverance to Performance  
On to an Exhilarating Future**

ANNUAL REPORT 2020-21

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## Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

# Perseverance to Performance On to an Exhilarating Future

At NACL, last few years have been a story of sustained **perseverance** to overcome hurdles, seize opportunities, pursue growth and transformation. The impact of that relentless pursuit is evident in the consistently improving results being reported by the Company quarter after quarter.

Based on the progress achieved so far, opportunities being presented and investments being made, the Company sees an **exhilarating future** for all its stakeholders.

## FY21 KEY HIGHLIGHTS

**+18%**

Revenue YoY

**+28%**

YoY Revenue from Exports

**+10%**

YoY Revenue from Domestic Retail

**+24%**

YoY Revenue from B2B

**+68%**

EBIDTA YoY

**+219%**

Profit After Tax YoY



**Dear Shareholders,**

I am pleased to present you with the 34<sup>th</sup> Annual Report for NACL Industries.

Due to the pandemic, the last two years have been exceptionally challenging for everyone globally. COVID has greatly impacted our economic climate whilst forcing societies to adapt to new environments. Fortunately, with the recent rollout of vaccines, Countries and their economies are now on the road to recovery, albeit at different stages.

Global growth has been pegged at 6% for 2021 and 4.8% for 2022, after a contraction of 3.3% in 2020. Lockdowns have now eased, and most governments have provided a boost to their economies through fiscal support and policy measures. This, aided by vaccine-powered

optimism, should set the stage for the overall global economic recovery.

The Indian economy also saw a contraction of 7.7% in 2020-21 with lockdowns throughout the Country. This year saw even rural population being affected by Covid 19. In spite of extensive disruption, our economy is expected to rebound this year. The Government's fiscal policy support, infrastructure spending, infusion of liquidity into the banking sector and several measures introduced over the past years have all given a fillip to the economy and revived optimism for recovery.

Agriculture is the primary source of livelihood for about 60% of India's population. Gross Value Added (GVA) by agriculture, forestry and fishing was estimated at Rs. 19.48 lakh crore (US\$ 276.37 billion) in FY20. Share of agriculture and allied sectors in GVA of India at current prices stood at 17.8 % in FY20.

Improvement of agricultural yield and quality of output are both important parameters in sustaining and growing the

“

The past year has been good for the agrochemical industry, which was declared as an essential service during Covid-19. Despite shortages of labour and supply disruptions, the industry managed to operate well and grow during the year.

## MESSAGE FROM CHAIRPERSON

agriculture-dependent Indian Economy. Being a major source of livelihood in India, it is very heartening that the sector is doing well even during the economic downturn. The outlook for the sector remains strong, with favourable agroclimatic conditions, remunerative crop prices, stable exports and other supportive conditions. We are enthused about the role our industry and company in supporting the agriculture sector.

The past year has also been good for the agrochemical industry, which was declared as an essential service during Covid-19. Despite shortages of labour and supply disruptions, the industry managed to operate well and grow during the year. With safety measures in place, our facilities operated throughout the year. Alongside, the company continued to serve the nearby community needs through various initiatives including supply of food, medicines and providing oxygen units.

At NACL, we are delighted to report that we had a very good year in terms of performance with growth reported across all key metrics. It will be our earnest endeavor to continue this growth hereon. I would like to thank our employees for their contribution, displaying considerable resilience and ownership in ensuring business continuity even during trying times.

I would like to express my gratitude to all our stakeholders and thank Customers, Investors, Lenders, Channel Partners, Vendors, Business Associates, Government Agencies and Others who trusted and supported the Company in its mission to improve the lives of farmers through its work.

Regards

**K. Lakshmi Raju**  
Chairperson

“

At NACL, we are delighted to report that we had a very good year in terms of performance with growth recorded across all key metrics.



**Dear Member of the Shareholder family,**

We trust you and your dear ones are safe and well. For well over a year now, the world has been preoccupied dealing with the Covid-19 pandemic, which is probably the biggest crisis humanity ever faced, with a debilitating and protracted impact on nations, society and families.

2021, the second year of the pandemic, is a watershed year for many individuals and organizations, as they grappled with unprecedented disruption and discontinuity. NACL is no exception, as it faced disorder in the functioning of supply chains, shortage of manpower and services, restrictions in the movement of people and materials and more. Backed by Government support in designating agrochemicals as an essential industry, NACL resolutely worked through these challenges, functioned wholeheartedly in all its facets of engagement and with a heightened sense of commitment in rendering service to the nation, to the farming community and fulfilling responsibility to all stakeholders, while paying attention to the norms and practices of safety and well-being.

**Performance and outlook**

The company had a very positive year in terms of financial performance, with a 17% increase in operating revenue at Rs.1191 crore. Domestic retail sales grew by 10% to Rs. 555 crore, domestic institutional sales were up by 24% at Rs. 280 crore and exports grew at 28%

going up to Rs. 330 crore. EBITDA was up at Rs. 128 crore and EBITDA margins grew by 4 percentage points, from 7% in the previous year to 11% in the current year. Profit after tax was Rs. 50 crore, doubling in percentage to revenue. These numbers are greatly encouraging and result of perseverance of employees at all levels of the organization.

In terms of the key financial ratios, the return on capital employed is 21% as against 14% in the previous year. The return on equity is 12% as against 4% during the previous year. The company's equity base further strengthened during the year by over Rs. 60 crore with infusion of equity by promoters and accruals from retained earnings.

Spurred by consistent growth in sales and profits over the last many quarters, improved business quantum and velocity, better productivity of assets, stronger product and process development record, satisfaction of customers and vendors, and the resolve of the employees to actualize potential and make a difference, NACL is raring to scale further heights in the next years. The company is expanding its production capacity substantially, to serve the expected business growth in domestic and overseas markets. The well established R&D facilities received GLP certification recently, enabling further investment in the development effort and generation of high-quality analytical data for various domestic and international registrations. The company has also received Responsible Care certification, which is a recognition of its environment, health, safety and security culture and practices. Promoters of the company revoked share pledges and infused more capital. The company has been progressing well on various operating and

## REVIEW BY MANAGING DIRECTOR & CEO

financial parameters and is ready to embark on the next phase of growth with confidence and optimism.

### Industry outlook

Agriculture and Allied sectors continue to be prominent for the Indian economy as they are the primary source of livelihood for about half of the nation's population. A major milestone was achieved last year, when agriculture's share as a % of GDP went from 18% to 20%. While arable land in India is declining over the last few years, agriculture production is improving, signifying better productivity. Crop protection chemicals are a potent means to secure more food with less resources by saving farm production from pests and diseases. Agrochemical Industry has played a critical role since its first green revolution to transform India from a ship-to-mouth economy to a farm-to-ship economy.

While there are structural and systemic challenges that affect the agricultural sector such as the vagaries of monsoons, fragmented holdings, access to technology, availability of input resources and credit, remunerative prices for the food produced, factors that helped change the course are initiatives from the Government as well as private enterprises in infusing appropriate technology, creating infrastructure for market access, timely credit, support prices, among others, in improving farm yields and returns.

NACL has been in the agrochemical business for over twenty-five years, starting as an active ingredient manufacturer and moving into branded formulations, intermediates and others. The company's range of products spanning Insecticides, Herbicides, Fungicides

and others, and its strong presence across retail, B2B and exports markets, gives the required portfolio breadth and depth to be able to maximize opportunities, balance risk and scale. NACL retails over fifty brands across the country, has a network of over 12500 retailers and longstanding business relationships with a number of multinational corporations. NACL is a Board-managed company with a capable team of management professionals steering daily operations. The company distinguishes itself on a high governance, compliance and sustainability quotient, along with harmonious industrial regulatory and community relations.

The Company has plans to introduce many new products, add new customers, and expand its facilities in the near future to enable and support sustained growth.

I thank our customers for their trust, employees for their effort, Board for their guidance and all stakeholders for their faith and support. I wish you safe navigation through the COVID crisis, which is not over yet, but thankfully the World is now better prepared and equipped to deal with it. Every good wish for a safe and successful future.

**M Pavan Kumar**

Managing Director & CEO

## ABOUT NACL

**NACL started its journey in 1993 as an Active Ingredient manufacturer and now has a sizable business in Exports, Domestic Retail and B2B. It is a trusted and preferred supplier to MNCs with long standing relationships. The Company has also emerged as a strong player in the domestic formulations business with over fifty well-known Brands covering all major crops.**







#### QUICK FACTS:

Serves **5** million Farmers

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Distributes through **12,500** Retailers

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Retails **57** Branded Products

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Operates **3** Manufacturing units

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Exports to **30** Countries

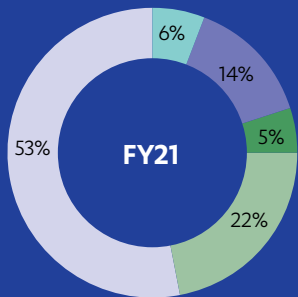
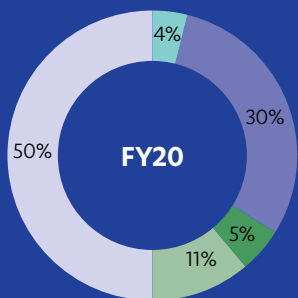
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# THE WORLD OF NACL



GEOGRAPHICAL EXPORT REVENUE SPLIT (%)



- Africa
- Asia
- Australia
- Europe
- America's



# FINANCIAL HIGHLIGHTS

## Revenue from Operations (₹ in lakhs)

FY 20-21	1,19,137
FY 19-20	1,01,489
FY 18-19	86,549
FY 17-18	84,606
FY 16-17	73,411

## EBITDA (₹ in lakhs)

FY 20-21	12,806
FY 19-20	7,607
FY 18-19	3,941
FY 17-18	6,777
FY 16-17	9,670

## PBT (₹ in lakhs)

FY 20-21	7,396
FY 19-20	2,294
FY 18-19	(1,492)
FY 17-18	1,458
FY 16-17	3,060

## PAT (₹ in lakhs)

FY 20-21	5,029
FY 19-20	1,577
FY 18-19	(838)
FY 17-18	1,072
FY 16-17	3,172

## EPS (₹ in lakhs)

FY 20-21	2.60
FY 19-20	0.94
FY 18-19	(0.54)
FY 17-18	0.69
FY 16-17	2.03

## Debt Equity Ratio (Times)

FY 20-21	0.48
FY 19-20	0.74
FY 18-19	0.76
FY 17-18	1.01
FY 16-17	0.94

# PRODUCTS - HOW WE PERFORMED IN FY21

## INSECTICIDES



Revenue: **+19%**  
₹ 53,578 lakhs

## HERBICIDES



Revenue: **+25%**  
₹ 20,254 lakhs

## FUNGICIDES



Revenue: **+23%**  
₹ 40,143 lakhs

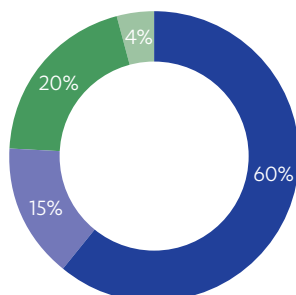
## PLANT GROWTH REGULATORS



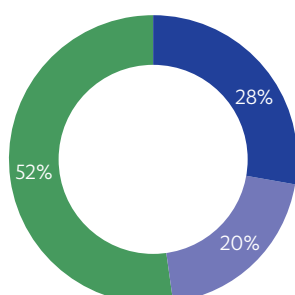
Revenue: **-50%**  
₹ 2,569 lakhs

### PRODUCT CATEGORY-WISE (%) (FY21)

#### Formulation



#### Technical



Insecticides

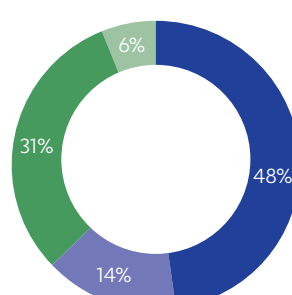
Herbicides

Fungicides

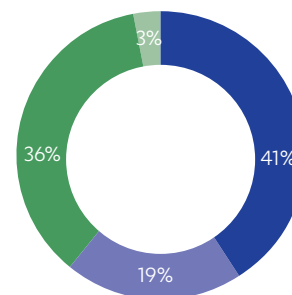
Plant Growth Regulators & Nematicides

### PRODUCT CATEGORY-WISE (%) (FY20)

#### Formulation



#### Technical



# OUR VALUE CHAIN

The key success factor for the Company is its strong presence in the entire value chain of Crop Protection including R&D, Active Ingredients, Intermediates, Formulations Retail Distribution and Farmer Outreach programmes.

To further strengthen the value chain, the Company is setting up greenfield manufacturing sites in Gujarat and Andhra Pradesh, expanding its product portfolio and enhancing R&D capability while working concerted in forging long-term relationships with retailers and farmers.

1



State-of-the-art R&D center near Hyderabad, where product and processes are developed for the manufacture of Active Ingredients, Intermediates and Formulations. The center has well-resourced synthetic lab, formulation lab and analytical lab.

2



Technical manufacturing plant at Srikakulam, Andhra Pradesh, 100 km from the Visakhapatnam port. This facility has a production capacity of 10000 metric tons per annum and produces Technical grade material for sale as well captive consumption.

**484**

Total number of registrations

**10000**

Metric Tons (Capacity)

3



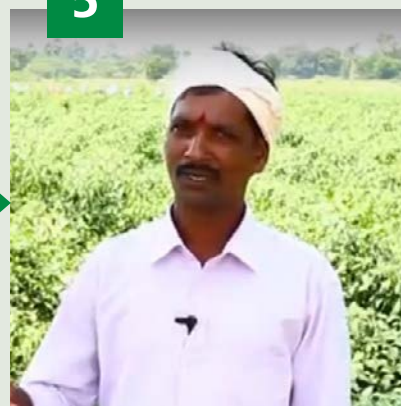
Formulation unit located at Ethakota, Andhra Pradesh, a large formulating and packaging facility for handling liquids, powders and granules with a Capacity of 53000 MT/KL per annum.

4



40 stock points and 12500 retail outlets across India under the Company's direct to retail approach.

5



Involving agriculture scientist and specialist, the Company disseminates crop protection techniques, product usage guidance, safety practices and others to the farmers. Our field development associates provide product demos to show usage methods and benefits.

# 53000

MT/KL per annum (Capacity)

# 12500

Retail outlets

# 50

Lakhs farmers

# STRENGTHS AND ENABLERS

## RESEARCH & DEVELOPMENT

Capable R&D team with state-of-the-art, GLP accredited facility, to develop differentiated products and cost efficient manufacturing processes

## GOVERNANCE & LEADERSHIP

Accomplished Board Members and seasoned professional leadership with decades of industry experience; long standing record of enlightened governance and mature business processes

## CONSISTENT GROWTH

Sustained improvement across all key performance parameters over many quarters

## DISTRIBUTION NETWORK

Extensive market reach through a large base of retailers and distributors

## PRODUCT PORTFOLIO

Robust, diversified and expanding product portfolio, spanning insecticides, herbicides, fungicides, plant growth regulators and nematicides

## ENDURING BUSINESS RELATIONS

Long standing and trusted relationships with multi-national and domestic Companies

## STRONG VALUE CHAIN

Well developed presence in R&D, intermediate, technical grade materials and formulations manufacturing, exports and brand marketing; intensive farmer and customer engagement

## BRAND EQUITY

Distinct consumer preference based on brand competitiveness with accent on quality and service.

# KEY STRATEGIES

## LEVERAGING CAPABILITIES

Leverage R&D, Manufacturing and Marketing capabilities for profitable growth in Retail and Institutional markets, with close consumer affinity.

## BUSINESS PARTNERSHIPS

Strengthen, deepen and widen business partnerships with Institutional and International customers.

## CAPACITY EXPANSION

Substantial capacity expansion in Agrochemicals, Specialties & Advanced Intermediates.

## INVESTING IN PRODUCT AND PROCESS

Invest in Product and Process development, Brands, Digitization and Sustainability.



# EXPANDING MANUFACTURING CAPABILITIES



## **NACL Spec-Chem Limited**

NACL Spec-Chem Limited, a wholly owned subsidiary of NACL, is implementing a greenfield project for manufacturing of Agrochemicals, Active Ingredients Formulation with a capacity of 25,000 MT/ Annum in phases, at Dahej, Gujarat.

## **NACL Multichem Private Limited**

NACL Multichem Private Limited, a wholly owned subsidiary of NACL, is planning a greenfield project for manufacturing of Agrochemicals and Synthetic Organic Chemicals with a capacity of 38,000 MT/ Annum in phases, at Ranasthalam Mandal, Srikakulam.

## **NACL Industries Limited**

NACL is in process of increasing existing Plant capacity of 10,000 MT/Annum to 25,000 MT/Annum at its plant at Srikakulam, A.P.

# ENVIRONMENT, HEALTH & SAFETY (EHS)

**The company continues to progress in the EHS compliance and sustainability by adopting latest technologies and processes and continuously monitoring the environment impact from the operations.**

## ENVIRONMENT

At Srikakulam site , facilities such as electro oxidation, bio engyme culture and usage, RO for boiler water treatment and energy efficient cooling towers are installed along with efficient air compressors replacing reciprocating technology.

As a part of continuous improvement many projects were taken up to improve the environmental performance. The ZLD unit's performance were assessed and the throughput was enhanced by in-house modifications. Actions were taken to segregate, reuse, recycle in process.



## FOCUS ON EFFICIENT AND RESPONSIBLE MANUFACTURING

Manufacturing Plants are Integrated Management Systems (IMS) certified, related to quality, environment, health and safety practices and now is a RC logo holder. Efficient equipment is in place to improve energy consumption, water consumption, waste optimisation and pollution control. Plants equipped with occupational health facilities, professional trained staff and instituted compliance. The Company adopted strong EHS systems, processes, inspection and training which enhance awareness and ensure compliances.

Srikakulam and Ethakota manufacturing units received awards of appreciation for the third year in a row in FY20 from National Safety Council of India for safety initiatives

ICC (Indian Chemical Council) granted permission for use of the Responsible Care Logo for a period of three years. Responsible Care has become a differentiator to chemical industry to continue doing business in domestic and export market.





## SAFETY & HEALTH

Regular training and audits are being done for safety compliance and improvements in safety systems. The company educates and increases awareness of all villagers and conducted offsite emergency mock drill regularly involving the District authorities, first factory to conduct off site emergency drill in Srikakulam. All employees were trained continuously on safety culture and hence the unit achieved zero reportable accidents.

The hygiene and health of all the employees is monitored by having regular inspection by cross functional teams comprising of workers and officers and also by half yearly and annual health checks.

Medical health check-ups were conducted for all associates including contract workmen periodically. The company could continue the production even during COVID 19, 2<sup>nd</sup> phase by taking all preventive measures and ensuring support to employees and their families to ensure quick recovery.

During the year the company celebrated National Safety Week, World Environment Day and Road safety week so as to enhance the awareness among employees.



During 2020-21, NSCI has awarded Certificate of achievement in Occupational health and Safety systems based on evaluation of the company's health and safety performance for the period of 2017-2019.

# RESEARCH & DEVELOPMENT

**The state-of-the-art R&D Centre established in 2012 is located near Hyderabad. The centre assists the company in actualizing sizable opportunities in the Crop Protection business by developing differentiated products and processes for the Company to compete in the market place.**

NACL Industries limited R&D Centre conducts a wide variety of studies in compliance with EC, OECD, OPPTS and SANCO guidelines as well as methods laid down by the FAO, WHO, AOAC and CIPAC in compliance with OECD principles of Good Laboratory Practices.

The areas of expertise include 5 batch analyses with impurity profiling, method development, method validation, and full range of product chemistry, product stability Study.

Team of well-qualified, competent and motivated staff is accustomed to perform studies conforming to national and international guidelines, standards and specifications. The studies are conducted using sophisticated infrastructure and equipments like GC, GC-MS, FTIR, HPLC-UV and PDA detectors.



## GLP CERTIFICATE :

The R&D facility situated at Nandigaon village, outskirts of Hyderabad (Telangana), India has been accredited for "Good Laboratory Practice" issued by NGCMA, Department of Science and Technology, Government of India. The OECD Principles of Good Laboratory Practice (GLP) ensure the generation of high quality, reliable and reproducible test data related to non-clinical health and environmental safety studies. Registration authorities of all OECD countries (which includes USA, CANADA, Australia, Japan, UK, Germany and many more countries) will now be able to accept the test data generated out of the aforesaid R&D facility centre of NACL. This data is also required for registration of crop protection chemicals in various other countries.





# HUMAN POTENTIAL DEVELOPMENT

**In FY21 key people priority was ensuring employees safety and health against the backdrop of the pandemic. All our locations continue to follow all the social distancing and hygiene protocol.**

## OUR HPD APPROACH

The company makes effort to upskill and reskill the workforce to enable them to perform and improve their capabilities. The Company encourages free flow of information, seeking feedback and promoting sharing of ideas. It also encourages customer focused and performance driven culture.

The Company endeavours to recruit talented individuals based on merit and encourages them for long term association. The Company values and invest in learning & development, employee engagement for collaboration across business hierarchy.

The performance management process is guided by the philosophy of facilitating employees at each phase of Performance - KRAs (Goal Setting), Performance Review and Feedback to build a culture of sustainable performance.

As the crop protection sector is classified as "Essential" and permitted to operate with necessary safety and security by the Government during the pandemic, the Company could reorganize and realign the operations facilitating its office based employees to work remotely by providing necessary digital & IT tools and establishing smooth flow of information.



Employee engagement initiatives @ NACL



MD & CEO awarding winning sports team



First- aid training by Red Cross



Campus recruitment

**In 2020-21, NACL has 1204 on-roll employees. Our average age of employees is 40. On the reporting date, our employees had worked for the NACL for an average of 8 years.**

# FARMER OUTREACH PROGRAMME

**On a regular basis, the company organises village level meetings for farmers for education, interaction and clarification on Crop Protection and related topics for a wide range of crops such as Rice, Wheat, Cotton, Soybean, Groundnut, Black Gram, Green Gram, Onion, Tomato, Brinjal, Peas, Tea and others**

Some of the meetings are held at the instance of Agricultural Research Stations when Scientists from the Stations also participate and share latest crop trends and technologies.

The company also organises a number of field demonstrations spanning diverse conditions and contexts to showcase products, their features and uses in considerable granularity along with guidance on right and safe use. The company has a wide retail network covering the length and breadth of the country which provides an efficient last mile connectivity.

Scientific application of agri inputs enable farmers to produce more crops per unit area with less tillage, thus reducing deforestation, conserving natural resources and curbing soil erosion. Pesticides are also critical for the control of invasive species and We help to surmount the problem of noxious weeds.

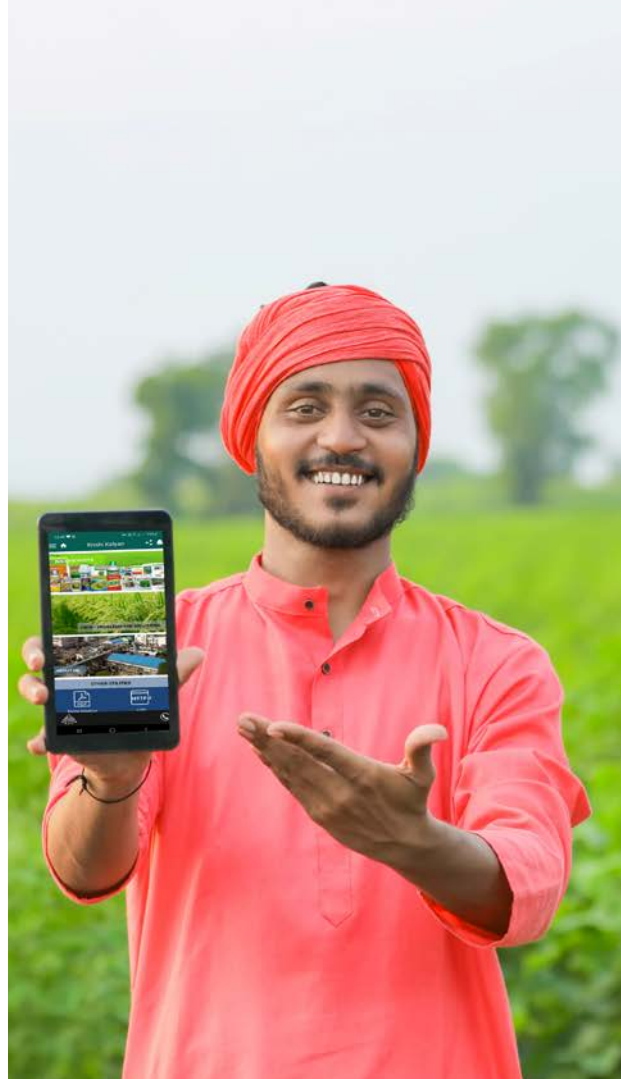


## KRISHI KALYAN APP

“Krishi Kalyan” launched in the year 2019, has been providing the crop information to Indian Farming community through digital mode.

The Farmers can access to readily available solutions for the crop-wise problems (i.e. about Pest and Diseases) along the pictorial presentation of damage symptoms and their remedies.

Farmers can also get the information about the Company’s range of products along with label crops in which they can be used along with mode of action and recommended dose.





## FARMER CENTRIC PRODUCT DEVELOPMENT AND SALES APPROACH



Over the years, NACL has built Brand Equity based on differentiation, quality, reliability and customer service. The company has been adding new customers with the expanded product portfolio. The company's knowledge delivery based outreach programmes across India is one of the key initiatives to enhance the farm output through appropriate use of crop protection chemicals.

Domestic retail witnessed a growth of 14% over that of last year, despite challenges posed by COVID situation.

During the year the company successfully launched a Rice herbicide by the name CUBIT and added two other products Eraz Plus (Herbicide) and Fenny (Insecticide), enabling expanded presence in rice and other crop segments. The Company is in the process of adding new generics to expand offerings while its R&D is developing new combination molecules targeting niche markets.

**5**

Million Farmers

**57**

Branded Products

**14%**

Growth in Domestic sales  
in FY21

**4**

Formulations Launched

**3**

Active Ingredients Launched

# AWARDS AND ACCOLADES



## BEST COMPANY OF THE YEAR 2017

NACL has been awarded “Best Company of the Year 2017” presented by International Brand Consulting Corporation (IBCC), USA.



## CERTIFICATE OF APPRECIATION

NACL’s Ethakota Unit has bagged the prestigious SAFETY AWARD for the year 2018,2019 & 2020 from the National Safety Council of India, for its best safety practices.



## GREENTECH AWARD

NACL has bagged the “Greentech Environment Silver Award” for the year 2018 from New Delhi-based Greentech Foundation, for its best efforts towards environment protection and conservation.



## BEST MANAGEMENT AWARD

NACL’s manufacturing units situated at Srikakulam and Ethakota, Andhra Pradesh have been conferred with “Best Management Award” by the Government of Andhra Pradesh for the years 2015 & 2018.



## SURAKSHA PURASKAR

NACL’s Srikakulam Unit has bagged the prestigious “Suraksha Puraskar” Award for the year 2017 from the National Safety Council of India, for its best safety practices.



## WATER MANAGEMENT AWARD

Srikakulam won CII National Award in Water management for the year 2019.



# CERTIFICATES

## ISO ACCREDITATIONS



ISO 45001:2018



ISO 14001:2015



ISO 9001:2015

## NABL ACCREDITATIONS



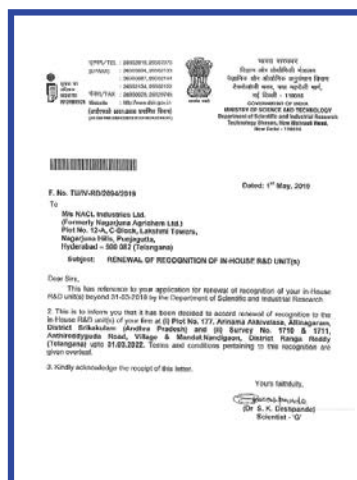
R&D Facility



Ethakota Unit



Srikakulam Unit



DSIR

# TIMELINE

## 1994-1996

### 1994

Commencement of Monocrotophos (MCP) commercial production  
Listed on Hyderabad and Madras Stock Exchanges (HSE & MSE)

### 1995

Project Work on 2nd Technical Manufacturing Block for manufacturing Acephate was initiated

### 1996

Chemagro International Limited became Nagarjuna Agrichem Limited.  
2<sup>nd</sup> Technical Manufacturing block for manufacturing Acephate was commissioned

## 1998-2004

### 1998

Started exporting the products manufactured from the Technical Manufacturing Plant

### 2001

The 3rd Technical Manufacturing block was established  
Listed on BSE while delisted from HSE & MSE

### 2003

SAP (Enterprise Resource Planning) was successfully implemented

### 2004

The 4th Technical Manufacturing block was established and Care - an external credit rating agency accredited NACL

## 2005-2010

### 2005

The 5th Technical Manufacturing block was established

### 2006

Acquired two Pesticide Formulation Plants at Ethakota in East Godavari District and a Pesticide storage warehouse from Vijayalakshmi Insecticides & Pesticides Ltd.

6<sup>th</sup> Technical Manufacturing block was established

### 2010

Zero Liquid Discharge (ZLD) Plant was commissioned at the Technical Manufacturing Plant

## 2012-2016

### 2012

State-of-the-Art Research & Development Center launched at Shadnagar, Telangana

### 2012-2016

Increased focus on branded business and crop segment Geographic expansion both in domestic and export business

International collaborations with global players

Registration approvals in countries in SE Asia and Africa

### 2016

Co-marketing partnership with leading Japanese chemical companies for Herbicide - Sirius & PGR – Atonik We started exporting our brands to African countries

## 2017-2018

### 2017

Renamed as NACL Industries Limited

Got listed on NSE

Has been awarded with "Suraksha Puraskar"

Award by the National Safety Council of India and amongst the top ten Indian Crop Protection Products Manufacturing Companies

### 2018

Bagged "India's Best Company of the Year Award – 2017", by International Brand Consulting Corporation, USA and also got the "Best Management" Award from Government of AP in 2015 & 2018

## 2019-2021

### 2019

Commission of Block 7 at Srikakulam Unit

### 2020

Registered highest ever turnover of Rs.1000 crores.

Setting up a greenfield project at Dahej, Gujarat.

### 2021

Turnover reached new height.

Has been awarded with "Responsible Care" logo by Indian Chemical Council

R&D facility situated at Nandigaon Village, Hyderabad was accredited for Good Laboratory Practices (GLP)

# BOARD OF DIRECTORS



**Mrs. K Lakshmi Raju**

Chairperson, Non-Executive  
Non-Independent Director & Promoter

She holds a Masters' degree in Business Administration and has been associated with Agrochemical business for many years as Promoter Director.



**Mr. M Pavan Kumar**

Managing Director & CEO

He holds a Master's in Business Management from McGill University, Canada and has over three decades of operating and executive management experience working for Multinational & Indian organisations in agribusiness, chemicals and other sectors, building competitive and sustainable businesses.



**Mr. Sudhakar Kudva**

Non-Executive  
Independent Director

He brings with him over 40 years of work experience in India and abroad in a wide range of industries including the Lakshmi Mittal Group. His areas of expertise are Finance, Treasury and General Management.



**Mr. N.Vijayaraghavan**

Non-Executive  
Non-Independent Director

He did his Engineering from IIT, Madras (Chennai) and PGDBM from IIM Ahmedabad. He has over 40 years of experience in L&T, ITW Signode, NFCL and Sterlite Industries. His strengths are Marketing and General Management.



**Mr. Raghavender Mateti**

Non-Executive  
Independent Director

He is an Independent Director and has been on the Board since February 2014. He is a product of IIT Kharagpur and IIM Ahmedabad. He has around four decades of experience in many leading Companies including Multinationals in the Agrochemical Industry. He retired as Director-Marketing of Gharda Chemicals. He is actively associated with an industry association of Crop Protection Companies.



**Mr. Atul Churiwal**

Investor-Nominee Director

He has around 40 years of rich corporate experience mainly in Agrochemical industry. He is the Managing Director of M/s Krishi Rasayan Exports Pvt. Ltd (KREPL), an investor in the Company. He was the President of Premier Chamber of Commerce & Industry.



**Mr. Rajesh Kumar Agarwal**  
Investor-Nominee Director

He has more than 25 years of diversified corporate experience including Chemical Industry. He is the Joint Managing Director of M/s. Krishi Rasayan Exports Pvt. Ltd (KREPL), an investor in the Company. Mr. Agarwal is an Executive Member of Managing Committee of PHD Chamber of Commerce, New Delhi and also the trustee of various social, religious and educational charitable organisations.



**Mr. Dorairaj K**  
Non-Executive  
Independent Director

He is an agriculture graduate with around 5 decades of rich experience in Marketing of Fertilizers, Speciality Fertilizers, Pesticides and Organic inputs. He is currently a Freelance Agriculture Consultant to various Government/ Non Government organisations.



**Mr. Ramakrishna Mudholkar**  
Non-Executive  
Independent Director

He is a graduate in Agriculture science with an MBA from IIM Ahmedabad. He has vast experience of more than 35 years in Agri-business sector having held domestic and international business segments with AgrEvo India and DuPont.



**Mr. N. Sambasiva Rao**  
Non-Executive  
Independent Director

He having the Masters degree in Agriculture has rich experience of about 40 years in Agri-input industries. He was superannuated from Krishak Bharati Cooperative Limited(KRIBHCO) as Managing Director on December 31, 2019.



**Ms. Veni Mocherla**  
Non-Executive  
Independent Director

She is a business consulting professional with over 18 years of work experience including services rendered for various international assignments. She has been actively involved in cross border partnerships, turnaround and corporate strategic initiatives. An MBA, she also studied Post Graduate Program at the Chartered Institute of Marketing, UK. Managing the Global firm, Strategic Management and Leadership from Wharton Executive Program.

- Nomination and Remuneration Committee
- Audit Committee
- Stakeholders Relationship Committee
- Compensation Committee
- CSR Committee
- Risk Management Committee
- Banking Committee
- Chairman



# CORPORATE INFORMATION

## BOARD OF DIRECTORS:

Mrs.K.Lakshmi Raju, Chairperson, Director & Promoter  
Mr.M.Pavan Kumar, Managing Director & CEO  
Mr.Sudhakar Kudva, Director  
Mr.N.Vijayaraghavan, Director  
Mr.Raghavender Mateti, Director  
Mr.K.Dorairaj, Director  
Mr.Atul Churiwal, Investor Nominee Director  
Mr.Rajesh Kumar Agarwal, Investor Nominee Director  
Mr.N.Sambasiva Rao, Director  
Mr.Ramkrishna Mudholkar, Director  
Ms.Veni Mocherla, Director

## CHIEF FINANCIAL OFFICER:

Mr. R.K.S. Prasad

## COMPANY SECRETARY & HEAD – LEGAL:

Mr. Satish Kumar Subudhi

## STATUTORY AUDITORS:

M/s. Deloitte Haskins & Sells LLP,  
Chartered Accountants,  
Firm Reg. No. 117366W/W-100018  
KRB Towers, Plot No.1 to4, 1<sup>st</sup> & 2<sup>nd</sup> Floor,  
Jubilee Enclave, Madhapur, Hyderabad-500081  
Telangana State, India

## COST AUDITORS:

M/s K. Narasimha Murthy & Co.,  
Firm Reg. No. 4042  
No.3-6-365, 104 & 105, Pavani Estate,  
Himayathnagar, Hyderabad-500029,  
Telangana State, India

## SHARE TRANSFER AGENTS:

M/s XL Softech Systems Limited,  
No.3, Sagar Society, Road No.2, Banjara Hills,  
Hyderabad-500034, Telangana State, India

## OUR BANKERS:

HDFC Bank  
SVC Co-operative Bank  
RBL Bank  
Karnataka Bank  
Bandhan Bank  
Shinhan Bank  
Axis Bank  
Yes Bank  
Bajaj Finance Limited  
Bank of Bahrain & Kuwait  
SBM Bank  
Kotak Mahindra Bank

## REGISTERED OFFICE:

Plot No.12-A, "C" Block, Lakshmi Towers,  
No.8-2-248/1/7/78,Nagarjuna Hills, Panjagutta,  
Hyderabad - 500082, Phone. No. 040-24405100,  
Telangana State, India

## FACTORY- TECHNICAL:

UNIT-1, Arinama Akkivalasa, Etcherla Mandal,  
Srikakulam-532403, Andhra Pradesh, India

## FACTORY – FORMULATION:

Unit-I & Unit II, Ethakota-533238, Ravulapalem Mandal,  
East Godavari Dist, Andhra Pradesh State, India

## R & D CENTRE:

Nandigama Village, Kothur Mandal,  
Mahabubnagar Dist, Telangana State, India

## CORPORATE IDENTIFICATION NUMBER:

L24219TG1986PLC016607

## LISTING:

BSE Limited (BSE) Mumbai  
National Stock Exchange (India) Ltd (NSE) Mumbai



# AGM NOTICE

**NOTICE** is hereby given that the 34<sup>th</sup> Annual General Meeting of **M/s. NACL Industries Limited** will be held on Friday, the September 24, 2021 at 09.30 a.m. (IST) through Video Conference ('VC') facility/Other Audio-Visual Means ('OAVM') to transact the following business:

## ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Standalone and Consolidated Financial Statements of the Company for the financial year ended March 31, 2021 and the Reports of Directors and Auditors thereon and in this regard, pass the following resolutions as an Ordinary Resolutions:
  - a) "RESOLVED THAT the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2021 and the Reports of Directors and Auditors thereon be and are hereby considered and adopted."
  - b) "RESOLVED THAT the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2021 and the Report of Auditors thereon be and are hereby considered and adopted."
- 2) To appoint a Director in place of Mr.N.Vijayaraghavan (DIN:02491073), who retires by rotation and being eligible, offer himself for re-appointment and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 152 and other applicable provisions of the Companies Act, 2013, Mr.N.Vijayaraghavan (DIN:02491073), who retires by rotation at this meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
- 3) To declare final dividend on equity shares for the financial year ended March 31, 2021 and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT final dividend of Re.0.15/- per equity share (i.e. 15% on the paid-up equity share capital of the Company) for the financial year ended March 31, 2021, as recommended by the Board of Directors of the Company, be and is hereby declared and the same be paid out of the profits of the Company for the financial year ended March 31, 2021."

## SPECIAL BUSINESS:

- 4) To ratify the remuneration of the Cost Auditors for the financial year ending March 31, 2022 and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory amendment(s), modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration of ₹ 8,00,000/- (Rupees Eight Lakhs only) plus applicable taxes and out-of-pocket expenses incurred in connection with the Cost Audit to be paid to M/s.K.Narasimha Murthy & Co., (Registration No.4042) the Cost Auditors, appointed to conduct the audit of the cost records of the Company for the financial year ending March 31, 2022, as fixed by the Board on the recommendation of the Audit Committee, be and is hereby ratified."

"RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

- 5) To approve the material related party transactions with M/s. Krishi Rasayan Exports Private Limited and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 188 and other applicable provision of the Companies Act, 2013 ('the Act') read with the Rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and any other applicable provisions of the law (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) the Members of the Company do hereby ratify and also accord further approval to the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to include any Committee constituted/empowered/ to be constituted by the Board from time to time to exercise its power conferred by this resolution) for carrying out and/or continuing with arrangements and transactions (whether

individual transactions or transactions taken together or series of transactions or otherwise) with M/s. Krishi Rasayan Exports Private Limited ('KREPL') being related party within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/transactions or otherwise including purchase and sale of raw materials, intermediate products and finished goods, agro-inputs, bio pesticides, Active Ingredients (AI), Technical, Formulations, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities, entering into such contracts and agreement (manufacturing, loan licensing etc.) and such other transactions as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions within the financial year 2021-22 in aggregate may exceed 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements or any materiality threshold as may be applicable from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute all such documents, deeds and writings and to do all such acts, deeds, matters and things as may be deemed necessary, expedient and incidental thereto and to delegate all or any of its powers herein conferred to any Committee of Directors and/or Director(s) and/or officer(s)/employee(s) of the Company/any other person(s) to give effect to the aforesaid resolution."

- 6) To approve the material related party transactions with M/s. Agro Life Science Corporation, a registered Partnership Firm and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 188 and other applicable provision of the Companies Act, 2013 ('the Act') read with the Rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and any other applicable provisions of the law (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) the Members of the Company do hereby ratify and also accord further approval to the

Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to include any Committee constituted/empowered/to be constituted by the Board from time to time to exercise its power conferred by this resolution) for carrying out and/or continuing with arrangements and transactions (whether individual transactions or transactions taken together or series of transactions or otherwise) with M/s. Agro Life Science Corporation ('ALSC'), a registered Partnership Firm, being related party within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements / transactions or otherwise including purchase and sale of raw materials, intermediate products and finished goods, agro-inputs, bio pesticides, Active Ingredients (AI), Technical, Formulations, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities, entering into such contracts and agreement (manufacturing, loan licensing etc.) and such other transactions as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions within the financial year 2021-22 in aggregate may exceed 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements or any materiality threshold as may be applicable from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute all such documents, deeds and writings and to do all such acts, deeds, matters and things as may be deemed necessary, expedient and incidental thereto and to delegate all or any of its powers herein conferred to any Committee of Directors and/or Director(s) and/or officer(s)/employee(s) of the Company/any other person(s) to give effect to the aforesaid resolution."

- 7) To approve amendment to NACL Employee Stock Option Scheme 2020 (ESOS-2020) and in this regard, pass the following resolution as a Special Resolution:

"RESOLVED THAT in partial modification of the resolution passed by the Members of the Company at the Extra-Ordinary General Meeting (EGM) held on September 07, 2020 approving the 'NACL Employee Stock Option Scheme – 2020'



(the "ESOS - 2020") and pursuant to Section 62 of the Companies Act, 2013 (the "Act"), rules made thereunder and all other applicable provisions of the Act (including any amendment thereto or re-enactment thereof), the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB") as amended, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI LODR") and any other laws, rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by the Parliament, the Government of India ("GoI"), the Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India ("RBI") and the Stock Exchanges where the shares of the Company are listed ("Stock Exchanges") and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the 'Board', which expression shall also include any committee constituted by the Board for this purpose) in accordance with the provisions of the Memorandum of Association, the Articles of Association and the ESOS - 2020, approval and consent of the Members of the Company be and is hereby accorded to vary the exercise period by reducing it from being two years from the date of Vesting to one year from the date of Vesting, in respect of the stock options already granted which are yet to be exercised and the stock options to be granted in future under the ESOS 2020, and accordingly substitute in entirety the definition of Exercise Period in the Clause 3.13 of the ESOS 2020 with the following:

3.13. "Exercise Period" means a period within which the Participant exercises his right to apply for shares against vested options in pursuance of this ESOS-2020. The exercise period shall commence from the date of vesting and shall expire on completion of one year from the date of vesting.

"RESOLVED FURTHER THAT except for the revisions expressly stated herein all other terms of the ESOS 2020 and authorizations, consents, permissions and approvals granted in that regard shall remain unaltered."

"RESOLVED FURTHER THAT for the purpose of

giving effect to this resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard at any stage without requiring the Board to secure any further consent or approval of the members of the Company to the end and intent that they shall be deemed to have given their approval there to expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any powers conferred herein, to any Committee of Directors with a power to further delegate to any executives/officers of the Company and to do all such acts, deed, matters and things as also to execute such documents, writings, etc. as may be necessary in this regard."

**By order of the Board**

**Satish Kumar Subudhi**

Company Secretary & Head-Legal  
(FCS-9085)

Place: Hyderabad

Date: August 05, 2021

#### **Notes:**

- 1) In view of the continuing of COVID-19 pandemic and social distancing norms to be followed, the Ministry of Corporate Affairs ('MCA') vide its General Circular dated January 13, 2021 read with General Circular dated April 08, 2020, April 13, 2020 and May 05, 2020 (collectively referred to as 'MCA Circulars') permitted the holding of the Annual General Meeting ('AGM') through Video Conferencing ('VC') facility or other audio visual means ('OAVM'), without the physical presence of the Members at a common venue. Further, the Securities and Exchange Board of India (SEBI) vide its Circular dated May 12, 2020 and January 15, 2021 (SEBI Circulars) has also granted certain relaxations. In compliance with the provisions of the Companies Act, 2013 ('Act'), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), MCA Circulars and SEBI Circulars, the 34<sup>th</sup> AGM of the Company is being held through VC/OAVM on Friday, September 24, 2021 at 09.30 a.m. (IST). The deemed venue for 34<sup>th</sup> AGM shall be the

Registered Office of the Company situated at Plot No. 12-A, "C" Block, Lakshmi Towers, Nagarjuna Hills, Panjagutta, Hyderabad-500082.

Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of Friday, September 17, 2021.

- 2) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA and SEBI Circulars through VC/OAVM, the facility for appointment of proxies by the members will not be available for this AGM. Accordingly, the proxy form, attendance slip, and route map of AGM are not annexed to this Notice.**

**3) Explanatory Statement:**

The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, ("Act") relating to the Special Business Items are given below and forms part hereof.

**4) Director proposed to be appointed/re-appointed:**

Details of Directors retiring by rotation or seeking appointment/re-appointment at the ensuing Meeting are provided in the "Annexure" to the Notice pursuant to the provisions of (i) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and (ii) Secretarial Standard on General Meetings ("SS-2"), issued by the Institute of Company Secretaries of India (ICSI).

**5) Book Closure:**

The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, September 18, 2021 to Friday, September 24, 2021 (both days inclusive).

**6) Dividend:**

- a) The dividend on Equity Shares for the financial year 2020-21, will be paid after declaration by the members:
- i) in respect of shares held in physical form, to those Members whose names shall appear on the Company's Register of Members as on Friday, September 17, 2021.
  - ii) in respect of shares held in electronic form, to those beneficial owners whose names appear in the statements of beneficial ownership furnished by National Securities Depository

- b) Members may note that as per the Income Tax Act, 1961 ("IT Act"), as amended by the Finance Act, 2020, dividends paid or distributed by the Company after April 1, 2020, shall be taxable in the hands of the shareholders and the Company shall be required to deduct tax at source (TDS) at the prescribed rates from the dividend to be paid to shareholders, subject to approval of dividend by the shareholders in the ensuing AGM. The TDS rate would vary depending on the residential status of the shareholder and the documents submitted by them and accepted by the Company/RTA. In order to enable the Company to determine the appropriate TDS rate as applicable, members are requested to submit relevant documents, as specified in the below mentioned paragraphs, in accordance with the provisions of the IT Act.

- i) For Resident Shareholders, TDS is required to be deducted at the rate of 10% under Section 194 of the Income Tax Act, 1961 on the amount of dividend declared and paid by the Company in the FY 2021-22 provided valid PAN is registered by the members. If the valid PAN is not registered, the TDS is required to be deducted at the rate of 20% under Section 206AA of the Income Tax Act, 1961.

However, no tax shall be deducted on the dividends paid to resident individuals if aggregate dividend distributed or likely to be distributed during the FY 2021-22 does not exceed ₹ 5,000. Even in the cases where the members provide valid Form 15G (for individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) or Form 15H (for individual above the age of 60 years with no tax liability on total income), no TDS shall be deducted.

- ii) For Non-resident shareholders, (including Foreign Portfolio Investors) Tax is required to be withheld in accordance with the provisions of

Section 195 and 196D of the Act at applicable rates in force. As per the relevant provisions of the Act, the tax shall be withheld @ 20% (plus applicable surcharge and cess) on the amount of dividend payable. However, as per Section 90 of the Act, a non-resident shareholder has the option to be governed by the provisions of the Double Tax Avoidance Agreement ("DTAA") between India and the country of tax residence of the shareholder, if they are more beneficial to the shareholder. For this purpose, i.e. to avail the tax treaty benefits, the non-resident shareholder will have to provide the following:

- Self-attested copy of PAN card, if any, allotted by the Indian Income Tax Authorities;
  - Self-attested copy of Tax Residency Certificate ("TRC") obtained from the tax authorities of the country of which the shareholder is resident;
  - Self-declaration in Form 10F, if all the details required in this form are not mentioned in the TRC;
  - Self-declaration by the non-resident shareholder of meeting treaty eligibility requirement and satisfying beneficial ownership requirement (Non-resident having PE in India would need to comply with provisions of section 206AB of the IT Act).
  - In case of Foreign Institutional Investors and Foreign Portfolio Investors, self-attested copy of SEBI registration certificate.
  - Any other documents as prescribed under the IT Act for lower withholding of taxes if applicable, duly attested by the member
- c) Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial DTAA Rate shall depend upon the completeness and satisfactory review by the

Company/RTA, of the documents submitted by Non-Resident shareholder.

Further effective July 01, 2021, Finance Act, 2021 has inserted Section 206 AB of the IT Act, as a special provision for TDS for non-filers of income-tax return, whereby tax has to be deducted at twice the rate specified in the relevant provision of the IT Act.

The aforementioned documents are required to be submitted to RTA / Company on or before Friday, September 17, 2021. Members are requested to visit [www.naclind.com](http://www.naclind.com) for more instructions and information on this subject.

## 7) **Unclaimed Dividend and Transfer of shares to Investors Education and Protection Fund (IEPF)**

- a) The Members are hereby informed that the Company would transfer the dividends, which remains unpaid/unclaimed for a period of 7 (seven) years, to the Investors Education and Protection Fund (IEPF) constituted by the Central Government under Section 125 of the Companies Act, 2013.
- b) The Company has duly transferred the unpaid or unclaimed dividends declared up to financial year 2011-12 to the IEPF during the previous years. Members may please refer to "Corporate Governance Report" (forms part hereof) for details of unclaimed dividend amount credited to IEPF account during the previous years. Further the Company shall not entertain the claims of the Shareholders for the unclaimed dividends which have been transferred to IEPF.
- c) During the FY 2012-13 and 2013-14, the Company has not declared any dividend. The unclaimed dividend lying in the dividend account in respect of financial year 2014-15 (Final) is due for transfer in November 2022 to the IEPF. The Shareholders are advised to send their requests for payment of unpaid dividend pertaining to the years from FY 2014-15 (Final Dividend) to FY 2020-21 (Interim Dividend) to the Share Transfer Agent (RTA) office or to the Registered Office of the Company at Hyderabad, for issue of cheques/demand drafts before the due dates for transfer to the IEPF. The Company has uploaded the details of unpaid and unclaimed dividend amounts lying with the Company, as on September 28,

2020 (i.e. date of previous Annual General Meeting), on the website of the Company [www.naclind.com](http://www.naclind.com) and also on the website of Ministry of Corporate Affairs.

d) **Transfer of Shares to IEPF Suspense Account:**

Attention of the members is drawn to the provisions of Section 124(6) of the Act which require a Company to transfer in the name of IEPF Authority all shares in respect of which dividend has not been paid or claimed for 7 (seven) consecutive years or more. Members are advised to visit the website [www.naclind.com](http://www.naclind.com) to ascertain details of shares liable for transfer in the name of IEPF authority.

e) During the year, an amount of ₹ 1,27,005 was also transferred to IEPF on account of sale proceeds of fractional shares arising out of issuance of bonus shares.

f) The dividend amount and shares transferred to the IEPF can be claimed by the concerned members from the IEPF Authority after complying with the procedure prescribed under the IEPF Rules. The details of the unclaimed dividends are also available on the Company's website at [www.naclind.com](http://www.naclind.com) and the said details have also been uploaded on the website of the IEPF Authority and the same can be accessed through the link [www.iepf.gov.in](http://www.iepf.gov.in).

8) The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.

9) The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1,000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

10) In view of the MCA Circulars and SEBI Circulars, the Notice of 34<sup>th</sup> AGM along with the Annual

Report 2020-21 has been sent only through electronic mode to all members whose email addresses are registered with the Company/ Depository Participants for communication purposes. The Annual Report 2020-21 has been uploaded on the website of the Company at [www.naclind.com](http://www.naclind.com) under Investor Relations section and may also be accessed on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively. The Notice is also available on the website of the CDSL at [www.evotingindia.com](http://www.evotingindia.com).

## 11) **Members Nomination:**

a) Members are advised to avail themselves of nomination facility as per the Section 72 of the Companies Act, 2013. Facility for making nomination is available for the Members in respect of the shares held by them.

b) Members holding shares and who have not yet registered their nomination are requested to register the same by submitting Form No.SH-13. Further, a Member who desires to cancel the earlier nomination and record fresh nomination may submit the same in Form No.SH-14. Both the forms for "Nominations" and "Cancellation or Variation of Nomination" can be availed from the RTA or can be downloaded from the Company's website.

c) Members holding shares in physical form are requested to submit the forms to the Company's Share Registrars and Transfer Agents (RTA). The members holding shares dematerialized form are requested to file the Nomination/Cancellation or Variation in Nomination forms with their respective Depository Participants in the prescribed form.

## 12) **Important Communication to Members:**

a) All communications relating to the shares may be addressed to our Share Transfer Agent (RTA) Office i.e., M/s. XL Softech Systems Limited, (Unit: NACL Industries Limited) No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500034, Telangana; Telephone No: 040-23545913/914/915; Fax No.040-23553214, e-mail ID: [xlfield@gmail.com](mailto:xlfield@gmail.com).

b) The members may please visit the Company's Website: [www.naclind.com](http://www.naclind.com) to find more

information about the Company.

- c) The Ministry of Corporate Affairs, Government of India has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliance by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its Members. To support this Green Initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses by submitting the e-mail Registrations Form. The said form is available on the website of the Company.
- d) Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS)/ National Electronic Fund Transfer (NEFT), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's RTA, to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to RTA.
- e) In terms of the SEBI Listing Regulations, securities of listed companies can only be transferred in dematerialized form with effect from April 01, 2019 except transmission or transposition of shares. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holding to dematerialized form. Members can contact the Company or RTA of the Company for assistance in this regard.
- f) Members holding shares in physical form in identical order of names in more than one folio are requested to send to the Company

or RTA the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such Members after making requisite changes thereon.

- g) Updating member details: The format of the Register of Members prescribed by the Ministry of Corporate Affairs, under the Companies Act, 2013, requires the Company/ Registrar and Share Transfer Agent (RTA) to record additional details of members, including email address, bank details for payment of dividend etc. In this regard, a form for capturing the additional details can be downloaded from the Company's website. Members holding shares in physical form are requested to submit their filled in form to the Company or the Registrar and Share Transfer Agent. Members holding shares in electronic form are requested to submit the details to their respective Depository Participants.
- h) The Securities and Exchange Board of India ('SEBI') has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN details to their respective Depository Participants. Members holding shares in physical form are requested to submit their PAN details to the Company or its RTA.
- i) To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Members as soon as possible. Periodic statement of holdings should be obtained from the concerned DP and holding should be verified from time to time.

### **13) Listing Fees:**

The Company has paid the Listing Fees for the year 2021-22 to BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), the Stock Exchange(s) where the Company's shares are listed.

### **14) Instructions for attending the AGM through VC/OAVM are as under:**

- a) Members will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders



may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.

- b) Members are encouraged to join the Meeting through Laptops/IPads/Tablet for better experience.
- c) Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- d) Please note that Participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- e) Members, like to express their views or ask questions during the AGM, may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number to [investors@naclind.com](mailto:investors@naclind.com) from September 15, 2021 (9:00 a.m. IST) to September 20, 2021 (5:00 p.m. IST).

Those Members, registered themselves as a speaker, will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

The shareholders who do not wish to speak during the AGM but have queries may send their queries on or before September 20, 2021 (5:00 p.m. IST) mentioning their name, demat account number/ folio number, email id, mobile number at [investors@naclind.com](mailto:investors@naclind.com). These queries will be considered and answered during the AGM.

#### **15) Process for those Members whose email-ids are not registered:**

- a) In case shares are held in physical mode - please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN

(self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to Company/RTA email id.

- b) In case shares are held in Demat mode - please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to Company/RTA email id.

#### **16) Instructions about Voting through electronic means:**

Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

Please refer to the following instructions for remote e-voting through electronic means.

- a) The voting period begins on Tuesday the September 21, 2021 (10.00 a.m.) and ends on Thursday, September 23, 2021 (5.00 p.m). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Friday, September 17, 2021 may cast their vote electronically. The remote e-voting module shall be disabled by CDSL for voting thereafter.
- b) The Company is providing e-voting facility on the date of AGM through the CDSL system, besides the remote e-voting. Members who have cast their

votes by remote e-Voting prior to the AGM may also attend/participate in the Meeting through VC/OAVM but they shall not be entitled to cast their vote again.

- c) Pursuant to SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 09, 2020 under Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

- d) In terms of SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 09, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method for e-Voting and joining virtual meetings for Individual shareholders holding securities in Demat mode CDSL/NSDL is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with <b>CDSL</b>	<ol style="list-style-type: none"> <li>1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a> or visit <a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on Login icon and select New System Myeasi.</li> <li>2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly.</li> <li>3) If the user is not registered for Easi/Easiest, option to register is available at <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on <a href="http://www.cdslindia.com">www.cdslindia.com</a> home page or click on <a href="https://evoting.cdslindia.com/Evoting/EvotingLogin">https://evoting.cdslindia.com/Evoting/EvotingLogin</a> The system will authenticate the user by sending OTP on registered Mobile &amp; Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.</li> </ol>

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with <b>NSDL</b>	<ol style="list-style-type: none"> <li>1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a> either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting.</li> <li>2) If the user is not registered for IDeAS e-Services, option to register is available at <a href="https://eservices.nsdl.com">https://eservices.nsdl.com</a>. Select "Register Online for IDeAS" Portal or click at <a href="https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp">https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</a></li> <li>3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <a href="https://www.evoting.nsdl.com/">https://www.evoting.nsdl.com/</a> either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting &amp; voting during the meeting</li> </ol>
Individual Shareholders (holding securities in demat mode) login through their <b>Depository Participants</b>	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with <b>CDSL</b>	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at <a href="mailto:helpdesk.evoting@cdslindia.com">helpdesk.evoting@cdslindia.com</a> or contact at 022- 23058738 and 22-23058542-43.
Individual Shareholders holding securities in Demat mode with <b>NSDL</b>	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at <a href="mailto:evoting@nsdl.co.in">evoting@nsdl.co.in</a> or call at toll free no.: 1800 1020 990 and 1800 22 44 30

- e) Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form.
  - 1) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
  - 2) Click on "Shareholders" module.
  - 3) Now enter your User ID
    - a. For CDSL: 16 digits beneficiary ID,
    - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,



- c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
- 4) Next enter the Image Verification as displayed and Click on Login.
- 5) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier e-voting of any company, then your existing password is to be used.
- 6) If you are a first-time user follow the steps given below:

For Physical shareholders and other than individual shareholders holding shares in Demat.	
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders). Shareholders who have not updated their PAN with the Company/ Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details <b>OR</b> Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field.

- f) After entering these details appropriately, click on "SUBMIT" tab.
- g) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- h) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- i) Click on the relevant EVSN for 'NACL Industries Limited'.
- j) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- k) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- l) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- m) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- n) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- o) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- p) Additional Facility for Non – Individual Shareholders and Custodians –For Remote Voting only.

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to <https://www.evotingindia.com> and register themselves as Corporate.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
  - Alternatively, Non Individual shareholders are required to send the relevant Board Resolution/ Authority Letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company, if voted from individual tab and not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.
- q) The voting rights of shareholders shall be in proportion to the shares held by them in the paid up equity shares capital of the Company as on Friday, September 17, 2021.
- r) Any person who acquires shares of the Company and becomes Members of the Company after the dispatch of the Notice and holding shares as on the cut-off date i.e. Friday, September 17, 2021 may obtain the User ID and password by sending request at [evoting@cdslindia.com](mailto:evoting@cdslindia.com).
- 17) Instructions for voting on the date of AGM:**
- a) The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
  - b) Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
  - c) If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/ OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
  - d) Shareholders who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
- 18) Documents open for inspection:**
- a) A certificate from the Statutory Auditors of the Company certifying that the "Nagarjuna Agrichem Ltd- Employee Stock Scheme-2015" (ESOS-2015) and "NACL Employees Stock Option Scheme, 2020" (ESOS-2020), are being implemented in accordance with the SEBI Regulations and the resolutions passed by the members, is required to be placed at the AGM. Such certificate will be available for inspection by the members in electronic mode before and during the AGM; and
  - b. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act and the Register of Contracts or Arrangements in which Directors are interested maintained under Section 189 of the Act will be available for inspection by the members in electronic mode before and during the AGM.

## 19) Other Instructions:

- I. Mr.K.V.Chalama Reddy, Practicing Company Secretary (M.No:F9268, and C.P No: 5451), Hyderabad, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- II. The Scrutinizer after scrutinizing the votes through remote e-voting as well as the e-voting during the AGM will, not later than 48 hours of conclusion of the Meeting, make a consolidated Scrutinizer's Report of the votes cast in favour or against, if any and submit the same forthwith to the Chairman or a person duly authorized by the Chairman who shall counter sign the same and declare the results of the voting.
- III. The results of the voting shall be declared on or after the Annual General Meeting of the Company. The results declared, along with the Scrutinizer's Report, shall be placed on the Company's website [www.naclind.com](http://www.naclind.com) and be communicated to the Stock Exchanges where the Company's shares are listed, i.e., BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), stock exchanges where the Company's share are listed.
- IV. Members may address any query to Company Secretary at the Registered Office of the Company, Tel. No.040-24405100, email: [investors@naclind.com](mailto:investors@naclind.com), Website: [www.naclind.com](http://www.naclind.com).
- V. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQ") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or contact at 022- 23058738 and 022-23058542/43.

### EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS ITEMS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

#### Item No.4:

The Board of Director of the Company, on recommendation of the Audit Committee, has approved the appointment of the Cost Auditors namely M/s K. Narasimha Murthy & Co., (Registration No.4042), Cost Accountants, to conduct the audit of the cost records of the Company for the financial year ending March 31,

2022, at a remuneration of ₹ 8,00,000/- (Rupees Eight Lakhs only) plus applicable taxes and out-of-pocket expenses incurred in connection with the Cost Audit.

In accordance with the provisions of Section 148 and other applicable provisions of the Companies Act, 2013 ("hereinafter referred as Act") read with the Rule 14 of Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No.4 of the Notice. The Board commends the Ordinary Resolution set out at Item No.4 of the Notice for approval and ratification by the Shareholders.

None of the Directors/Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

#### Item No.5 & 6:

Pursuant to Share Subscription and Shareholders Agreement ('SSSA') and Article of Association of the Company, the Investors have nominated Mr.Rajesh Kumar Agarwal and Mr.Atul Churiwal, as Investor Nominee Directors and they are continuing as Director on the Board of the Company. Upon such nomination of the Directors, the Investors (i.e Krishi Rasayan Exports Private Limited ('KREPL') and Agro Life Science Corporation ('ALSC'), a registered Partnership Firm) becomes the related party to the Company, in terms of Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

Pursuant to Regulation 23 of the Listing Regulations read with the applicable provisions of the Companies Act, 2013 all material Related Party Transactions, if the aggregate value of transaction(s) amounts to 10% or more of the annual turnover of the Company as per the last audited financial statements of the Company, shall require approval of the Shareholders.

The Company now proposes to obtain approval of the members for ratifying as well as granting further approval to the Board of Directors (including any Committee thereof) for carrying out and/or continuing with arrangements and transactions (whether individual transactions or transactions taken together or series of transactions or otherwise) with KREPL and ALSC, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/transactions or otherwise including purchase and sale of raw material, intermediate products and finished goods, agro inputs, bio pesticides, Active Ingredients (AI), Technical, Formulation, transactions with regard to

contract manufacturing, various funding and Research & Development activities and other business related activities and such other transactions as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions within the Financial Year 2021-22 in aggregate may exceed 10% (ten percent) of the consolidated annual turnover of the Company as per the last audited financial statements or any materiality threshold for qualifying a transactions as material related party transaction as may be applicable from time to time under the applicable laws or regulations. The above transactions are in the Ordinary Course of business of the Company.

The Board commends the Resolution at item no. 5 & 6 of the Notice for approval of the Members of the Company.

Save and except Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal and their relatives, to the extent of their shareholding interest, if any, in the Company, none of the Director/ Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise in the resolution set out at Item No. 5 & 6 of the Notice.

The members may please note that in terms of the provision of the Listing Regulations, the related parties as defined thereunder (whether the member is a related party / party to the aforesaid transaction or not), shall not vote to approve resolutions under this Item No. 5 & 6.

#### **Item No.7:**

The Company had introduced the "NACL Employee Stock Option Scheme 2020" (ESOS-2020), pursuant to Shareholders' Resolution passed on September 07, 2020. The Scheme is administered by the Compensation Committee of the Company. The objective of the Scheme is to provide equity-based incentives, reward and motivate Key Managerial Personnel and Senior Managerial Personnel for their continuous hard work, dedication, support and their long association and to promote the culture of employee ownership.

As per Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 and Regulation 7 of SEBI (Share based Employee Benefits and Sweat Equity) Regulations, 2021 (SEBI SBEB), the Company may vary, by way of a Special Resolution, the terms of the Employees Stock Options not yet exercised by the Employees provided that such variation is not prejudicial to the interests of the employees.

Keeping in view the various factors such as current performance and future outlook of the Company, the

categories of Eligible Employees, eligibility criteria (such as length of service, grade etc.) and to enable the employees to further align with the long-term interests of the Company, the Compensation Committee in its meeting held on December 02, 2020 had approved to reduce the exercise period under the ESOS 2020 from two years to one year from the date of vesting, subject to the approval of the Board and Shareholders.

Further, the Board, based on recommendation of the Compensation Committee, in its meeting held on August 05, 2021 had also approved the aforesaid amendment to the ESOS 2020.

The Board of Directors of the Company is of the view that the said amendment is not in detrimental to the interest of Grantee/Participants/ employees covered under the ESOS-2020 and is in accordance with the provisions of the SEBI SBEB.

The salient features of the ESOS-2020, considering the abovementioned amendment, are as follows:

#### **1) Administration:**

The Compensation Committee (hereinafter referred as "Committee") duly constituted by the Board of Directors in accordance with SEBI SBEB, would be entrusted with the responsibility of being the operating agency for administering the ESOS-2020. The Committee shall inter-alia, formulate the detailed terms and conditions of the scheme which shall include the provisions specified by SEBI, in terms of Regulation 5(3) of the SEBI SBEB or any other regulatory pronouncements in this regard.

#### **2) Brief description of the Scheme:**

To provide equity-based incentives, reward and motivate Key Managerial Personnel and Senior Managerial Personnel for their continuous hard work, dedication, support and their long association, which has led the Company on the growth path and to promote the culture of employee ownership, it is proposed to grant options to the employees to subscribe to the shares of the Company.

#### **3) The total number of options to be granted:**

20,00,000 (Twenty Lakhs) Options would be available for grant to the Eligible Employees of the Company, in aggregate under the ESOS-2020, in one or more tranches exercisable into 20,00,000 (Twenty Lakhs) equity shares of the face value of ₹ 1/- each or such additional quantity as may be required on account of Corporate Action(s) such as rights issues, bonus issues,

merger and others, for the purpose of fair and reasonable adjustment to the Options granted. Accordingly, if any additional equity shares are required to be issued pursuant to any corporate action, the above ceiling of Options or equity shares shall be deemed to increase in proportion of such additional equity shares issued subject to compliance of the SEBI SBEB. The options which lapse/expire or forfeited will be available for grant to the eligible employees.

One option would be entitle the holders of the options a right to apply for one equity share of face value of Rs. 1/- each of the Company. The option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner. The Committee has power to choose the quantum of options for each of the Eligible Employees.

#### **4) Identification of classes of employees entitled to participate in the ESOS-2020:**

Employees entitled to participate in the ESOS-2020 are:

- a) Permanent employee of the Company who has been working in India or outside India;
- b) Directors (including Managing Director or Whole – Time Directors) of the Company at any time.
- c) Such other persons, as may from time to time, be allowed under prevailing laws and regulations and as may be approved by the Board/Committee for this purpose.

An employee who is a promoter or belongs to promoter group; or a Director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10 percent of the outstanding equity shares of the Company at the time of granting of option; shall not be eligible to participate in ESOS-2020. Independent Directors shall not be eligible to receive any stock options.

#### **5) Transferability of Employee Stock Options:**

The Options granted to an employee shall not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of the Option grantee, the right to exercise all the Options granted to him till such date shall be transferred to his legal heirs or nominees within the period as may be prescribed under the ESOS-2020.

#### **6) The appraisal process for determining the eligibility of employees to the ESOS-2020:**

The process for determining the eligibility criteria for the eligible employees will be specified by the Compensation Committee, and will be based on, such criteria such as length of service, grade, performance, technical knowledge, leadership qualities, merit, contribution and conduct, future potential., etc., and such other factors as may be appropriate as may be decided by the Compensation Committee, in its discretion, from time to time.

#### **7) Requirements of vesting, period of vesting and maximum period of vesting:**

Subject to the provisions of SEBI SBEB, there shall be a minimum period of one year between the grant of options and vesting of options. The Vesting of options may be spread over a period of three years after the aforesaid one year from the date of grant. The Committee is empowered to implement and decide the vesting schedule to suit the needs of the organization.

The options may vest in tranches subject to the terms and conditions as may be stipulated by the Committee, which may include satisfactory performance of the Employee/Directors and their continued employment with the Company, as the case may be, unless such employment is discontinued on account of death, permanent/ total disability or on retirement.

#### **8) Exercise price or pricing formula:**

The Committee is empowered to fix the exercise price considering inter-alia the market price of shares as defined in the SEBI SBEB and the discount to be offered, which is subject to a minimum of face value of the equity shares of the Company.

#### **9) Exercise period and the process of Exercise:**

The exercise period shall commence from the date of vesting and will expire not later than one year from the date of vesting. The options will be exercisable by the Eligible Employees by a written application to the Committee to exercise the options, in such manner, and on execution of such documents, in such manner, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.



**10) The Lock-in period, if any:**

There shall be no lock-in period on shares issued to employee pursuant to exercise of option.

**11) Maximum number of options to be issued per employee and in aggregate:**

Maximum number of options to be issued per employee per year shall not exceed 2,00,000 and 20,00,000 in aggregate. Maximum quantum of benefits to be issued per employee under the Scheme shall not exceed 2,00,000 per year.

**12) Whether the ESOS-2020 is to be implemented and administered directly by the Company or through a trust:**

The ESOS-2020 will be implemented and administered directly by the Company.

**13) Whether the ESOS-2020 involves new issue of shares by the Company or secondary acquisition by the trust or both:**

The ESOS-2020 involves new issue of shares by the Company.

**14) The amount of loan to be provided for implementation of the ESOS-2020 by the Company to the trust, its tenure, utilization, repayment terms, etc:-** -Not Applicable-

**15) Maximum percentage of secondary acquisition (subject to limits specified under the Regulations) that can be made by the trust for the purposes of the ESOS-2020:-** -Not Applicable-

**16) A statement to the effect that the Company shall conform to the accounting policies specified in Regulation:**

The Company hereby states that it shall confirm to the Accounting policies as specified in Regulation 15 of the SEBI SBEB as may be applicable from time to time.

**17) Method of valuing the Options:**

The Company will adopt the intrinsic value method to value the options granted under the ESOS-2020.

**18) Statement by the Company:**

The difference between the employee compensation cost so computed using intrinsic value method and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors' report and the impact of this difference on profits and on earnings per share ("EPS") of the Company

shall also be disclosed in the Directors' report.

**19) Proposed amendment to the ESOS-2020:**

a) Details of the variation and rationale:

Keeping in view the various factors such as current performance and future outlook of the Company, the categories of Eligible Employees, eligibility criteria (such as length of service, grade etc.) and to enable the employees to further align with the long-term interests of the Company, the exercise period under the ESOS 2020 has been reduced from "two years from the date of vesting" to "one year from the date of vesting".

The above amendment was approved by the Compensation Committee and Board of Directors in their meetings held on December 02, 2020 and August 05, 2021 respectively.

b) Details of the employees who are beneficiaries of such variation:

All the eligible employees under the ESOS-2020, will be beneficiaries of such variation.

As the ESOS-2020 will entail further shares to be offered to persons other than existing shareholders of the Company and also for making amendment as mentioned in the Resolution forming part of the notice in the ESOS-2020, consent of the members is sought pursuant to the provisions of Regulation 6, Regulation 7 and other applicable provisions, if any, SEBI SBEB and Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with rules made thereunder.

The options to be granted under the ESOS-2020 shall not be treated as an offer or an invitation made to public for subscription in the securities of the Company. You are requested to read the entire text of the ESOS-2020 to get fully acquainted with the provisions thereof. The aforesaid are only some of the key provisions.

The Board accordingly recommends the resolutions at Item No. 7 for approval of the members as Special Resolutions.

None of the Directors/ Key Managerial Personnel of the Company/their relatives, are in any way, concerned or interested, financially or otherwise, in the aforesaid resolution set out at Item No. 7 of the Notice, except to the extent of their

shareholding in the Company and their entitlement to the employee stock options granted / may be granted to them, if any under the ESOS-2020.

**By order of the Board**

**Satish Kumar Subudhi**

Company Secretary & Head-Legal  
(FCS 9085)

Place: Hyderabad  
Date: August 05, 2021

**Registered Office:**

CIN: L24219TG1986PLC016607

Plot No.12-A, "C"- Block, Lakshmi Towers, No.8-2-248/1/7/78, Nagarjuna Hills, Panjagutta,  
Hyderabad-500082, Telangana State, INDIA. Ph.040-24405100

e-mail: investors@naclind.com, Website: www.naclind.com.

## ANNEXURE TO NOTICE

**Details of Directors seeking appointment/re-appointment at the AGM**

**(Pursuant to Regulations 26(4) and 36(3) of the Listing Regulations and Secretarial Standards - 2 on General Meeting)**

Name of the Director	Mr. N. Vijayaraghavan
Directors Identification Number (DIN)	02491073
Date of Birth, Age	July 22, 1949, 72 years
Date of first Appointment	September 16, 2008
Qualifications	B.Tech (Metallurgy), PGDM from IIM-A
Brief Profile including expertise in specified functional areas.	He has over 43 years of wide corporate experience. He worked in various senior positions in wide industry spectrum of Companies like L&T, ITW Signode, Nagarjuna Fertilisers and Chemicals Limited and Sterlite Industries. His experiences include various manufacturing fields, marketing and general management.
Terms and conditions of appointment / re-appointment	Appointed as Non-Executive Director, liable to retire by rotation.
Details of remuneration last drawn during the FY 2020-21 (*).	₹ 4,10,000/-
No. of Board Meetings attended during the year.	7 (Seven)
Relationship between Directors inter-se	Nil
No. of shares held in the Company	
(a) Own	Nil
(b) for other persons on a beneficial interest	Nil
List of other Companies in which Directorship held as on March 31, 2021 (excluding Foreign, private and Section 8 Companies).	Nil
Chairperson/Member of the Mandatory Committees of the Board of the Other Companies on which he is a Director as on March 31, 2021.	Nil

\* Sitting fees paid for attending the Board and Committee(s) Meetings held during the FY 2020-21

**Note:** Directorship and Committee memberships in the Company are not included in the aforesaid disclosure. Directorship in Private Limited Companies, Foreign Companies and Section 8 Companies and their Committee memberships are excluded. Membership and Chairmanship of Audit Committee and Stakeholder Relationship Committees of only public Companies have been considered as mandatory Committees and included in the aforesaid table. The details pertains to the financial year ended March 31, 2021.



# DIRECTORS REPORT

## Dear Members,

Your Directors have pleasure in presenting the 34<sup>th</sup> Annual Report of the Company together with the Audited Accounts for the year ended March 31, 2021.

## Operating Results:

Your Company's performance during the year as compared with that during the previous year is summarized below:

(₹ in lakhs)

Particulars	Consolidated		Standalone	
	2020-21	2019-20	2020-21	2019-20
Total Income (including Other Income)	1,20,603	1,02,239	1,20,673	1,02,238
Profit/(Loss) before Finance Cost, Depreciation, Amortization and Tax	12,731	7,609	12,806	7,607
Finance Cost	2,792	2,916	2,880	2,916
Depreciation and Amortization	2,530	2,397	2,530	2,397
Profit/(Loss) before exceptional items and tax	7,409	2,296	7,396	2,294
Share of profit from associate	57	95	-	-
Profit/(Loss) before tax	7,466	2,391	7,396	2,294
Current Tax	2,606	423	2,606	423
Deferred Tax	(239)	294	(239)	294
Profit/(Loss) for the year	5,099	1,674	5,029	1,577
Other Comprehensive Income	(22)	(134)	(21)	(132)
Total Comprehensive Income	5,077	1,540	5,008	1,445
Balance of profit brought forward from previous year	18,683	17,459	18,056	16,927
<b>TOTAL</b>	<b>23,760</b>	<b>18,999</b>	<b>23,064</b>	<b>18,372</b>
<b>Appropriation</b>				
Dividend on equity shares	487	192	487	192
Dividend distribution tax	-	40	-	40
Impact on account of adoption of Ind AS 116 Leases	-	84	-	84
Balance profit carried forward to balance sheet	23,273	18,683	22,577	18,056

## Performance:

The Company achieved highest ever consolidated revenues of ₹ 1,20,603 lakhs for yet another year as against ₹ 1,02,239 lakhs achieved in the previous year, an increase of 18%. The Company's profit before tax is ₹ 7,466 lakhs during the year under review against profit of ₹ 2,391 lakhs during the previous, an increase of 212%. The Company earned a profit after tax of ₹ 5,099 lakhs against the profit of ₹ 1,674 lakhs in the previous year, an increase of 205%. The growth in revenue has been mainly attributable to growth in the Exports by 28% and Domestic retail by 10%, and new initiatives in the B2B business segment.

## Dividend & Dividend Distribution Policy:

Your Directors are pleased to recommend a final

dividend ₹ 0.15/- per equity share (i.e. 15% on equity shares of face value of ₹ 1/- each) for the financial year ended March 31, 2021. The payment of final dividend is subject to the approval of the shareholders at the ensuing Annual General Meeting (AGM) of the Company. The aforesaid final dividend is in addition to the interim dividends of ₹ 0.10 (10%) and ₹ 0.15 (15%) per Equity Share of ₹ 1 each respectively declared for the year under review. The total dividend amount for the financial year 2020-21, including the proposed final dividend, amounts to ₹ 0.40 per Equity Share (i.e. 40% on equity shares of face value of ₹ 1/- each) and the total outflow towards dividend on Equity shares for the year amounts to ₹ 781 lakhs (previous year ₹ 192 lakhs). In view of the changes made under the Income-tax Act, 1961, by the Finance Act, 2020, dividends paid or

distributed by the Company shall be taxable in the hands of the Shareholders. The Company shall, accordingly, make the payment of the final dividend after deduction of tax at source.

As per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Company has adopted a Dividend Distribution Policy and the same is available on the website of the Company at [www.naclind.com](http://www.naclind.com).

#### **Certifications & Awards:**

Your Directors are pleased to inform that during the year under review:

- a) ICC (Indian Chemical Council) has granted permission for use of the Responsible Care Logo for a period of Three Years. Responsible Care has become a key differentiator in the Chemical Industry indicating environmental, health, safety and security performance maturity.
- b) Company's R&D facility was accredited for Good Laboratory Practices (GLP) issued by National Good Laboratory Practice Compliance Monitoring Authority (NGCMA), Department of Science and Technology, Government of India. This certificate is issued for Physical-Chemical Testing (including Five Batch Analysis) and is in compliance with OECD Principles of GLP.

The OECD Principles of Good Laboratory Practice (GLP) ensure the generation of high quality, reliable and reproducible test data related to non-clinical health and environmental safety studies. Registration authorities of all OECD countries (which includes USA, Canada, Australia, Japan, UK, Germany and many other Countries) will now accept the test data generated out of the R&D facility of NACL. This data is also useful for registration of crop protection chemicals in various other Countries. This data is also required for registration of crop protection chemicals in various other Countries.

#### **Plant Operations:**

The Srikakulam technical plant has witnessed a record annual production of 7,415 MT as compared to 5,617 MT in the previous year. The plant could achieve the desired results due to growth in the export, domestic, institutional business and introduction of new products. With improved productivity and asset utilization, the plant could record higher production to meet the market requirement. The plant continued to take various initiatives for energy conservation and cost savings. Zero Liquid Discharge facility operated

efficiently during the year.

Ethakota formulation unit has been able to satisfactorily meet the market demand. It achieved production of 20,106 MT/KL during the year under review, compared to the previous year production of 16,606 MT/KL. This unit has been taking various initiatives for debottlenecking, safety and quality.

An encouraging working environment in both units enabled cordial relationship with all levels and improved productivity.

#### **Domestic Markets:**

The annual rainfall over the country was 109 % of long period average (LPA). Rainfall over the country as a whole during the South West monsoon season (June-September), which is the principal rainy season of the country, was above normal (109 % of LPA). During this season, among the four broad geographical regions of the country, Central India, South Peninsular and East & Northeast India received seasonal rainfall of 115%, 129% and 106% of its LPA respectively, while Northwest India received seasonal rainfall of 84% of its LPA.

The Northeast monsoon season (October-December) rainfall over the country as a whole was normal (101% of LPA). The seasonal rainfall during the northeast monsoon season over the core region of the south peninsula (comprising 5 subdivisions viz. Coastal Andhra Pradesh, Rayalaseema, Tamil Nadu & Puducherry, South Interior Karnataka and Kerala), was also normal (110% of LPA). All the five subdivisions of the core region except Kerala received excess/normal rainfall. (source: IMD)

COVID-19 has impacted the business to certain extent as most of the markets were closed due to nationwide lockdown during Kharif which is the major season in India. Unavailability of migrant labour resulted in increased use of herbicides.

Backed by supportive market conditions and facing COVID related hurdles, your Company achieved domestic sales of ₹ 83,535 lakhs (out of which domestic retail sales are ₹ 55,497 lakhs) for the year under review against ₹ 73,034 lakhs (out of which domestic retail sales were ₹ 50,436 lakhs) in the previous year, an increase by about 14%. Encouraging demand and pre-placement for major insecticides and herbicides, improved prices for one of the insecticides and fungicides have contributed positively to sales and have offset negative factors like impact of COVID during the first quarter, poor liquidation of certain brands caused by untimely rainfall at the end of September, price pressure on two major herbicides, farmer protests in northern parts of India and a provisional ban of six pesticides in Tamil Nadu.

### Export Market:

The global traditional crop protection market in 2020 is estimated to have grown by 2.7% to reach US\$ 62.04 billion at ex-manufacturer level in nominal terms. Up by 12.9%, the growth is more significant in real terms. COVID-19 has impacted the global economy in 2020. Although many industries have been negatively affected, Agriculture sector has been mostly shielded from the impact as food production being essential in nature. Agri input manufacturing and supply have been excluded from the lockdown restrictions, but, the industry faced challenges in terms of reduced availability of migrant labour, delay in shipments at the ports, reduced cotton consumption in textile industry, fall in vegetable production due to closing of the hospitality sector and lesser demand for biofuels. (Source: IHS Markit)

The Exports sales were ₹ 33,008 lakhs in the year under review as compared to ₹ 25,743 lakhs in the previous year, an increase by 28%. Consistent and increased demand for two fungicides from MNCs, extended campaign for contract manufacturing of an insecticide and a herbicide, campaign for an intermediate, improved formulation and trading business have been contributed to growth and have offset the impact caused by COVID situation and other adversities.

### Credit Rating:

Your Directors are pleased to inform that, the Credit Analysis and Research Limited (CARE), vide the letter dated July 06, 2021, has upgraded the rating for the Long-Term Bank facilities and Short-Term Bank facilities of the Company, the details of which are given herein below:

- a) Long-Term Bank facilities: CARE A; Stable (Single A; Outlook: Stable); and
- b) Short-Term Bank facilities: CARE A1 (A One).

### Fire Insurance Claim:

An appeal has been filed by the Insurance Company (The Oriental Insurance Company Ltd.) against the Arbitration Award in favour of the Company, before the Hon'ble High Court of Delhi. Pending final disposal of the above appeal, the Company has filed the Execution Petitions before Hon'ble High Court of Delhi for deposit of awarded amount in Material Damage (MD) Claim of ₹ 1,048 lakhs (including interest) and Business Interruption Policy claim of ₹ 1,352 lakhs (including interest) with the Court. With respect to the execution petition filed by the Company in both the cases, the Hon'ble High Court of Delhi has passed an order vide its order dated March 19, 2021 & April 9, 2021 directed the

Insurance Company to deposit the awarded amount towards Material Damage claim & Business Interruption Policy respectively together with the interest upto the date of deposit with Court. The Company has not recognised the said claim in the books of accounts.

### New Projects/Products:

With reference to the two new Greenfield Projects in Dahej, Gujarat and Pydibimavaram, Andhra Pradesh through its two new Wholly Owned Subsidiary (WoS) Companies namely M/s.NACL Spec-Chem Limited ("Spec-Chem") and M/s.NACL Multichem Private Limited ("Multichem") respectively, during the year under review, Spec-Chem undertook the first phase of the greenfield project with a capacity of 6,000 MT per annum for manufacturing of five technical and one intermediate for domestic, export and for captive consumption with a project cost of nearly ₹ 20,242 lakhs with debt-equity mix of 2:1. Your Board of Directors had earlier approved investing ₹ 5,200 lakhs in Spec-Chem for the ongoing capex and the balance amount to be mobilized through debt finance. As on the date of report, your Company has already invested ₹ 42 crores. To date the land acquisition & development work has been completed and the ground/civil works are in progress. The project is estimated to be completed in the first quarter of FY23.

With reference to the green-field project by Multichem, the subsidiary is in the process of acquiring land and obtaining necessary approvals /licenses.

The Company has successfully commercialized manufacturing of two new Technical / Active Ingredients namely Quizalofop Ethyl and Thiamethoxam and also introduced the three new formulated products namely CUBIT (Bispyribac Sodium 10% SC), Eraz Plus (Pretilachlor 37% EW) and Fenny (Bifenthrin 10% EC) during the year under review.

### Research & Development:

In the pursuit of innovation in developing products and improving processes, the Company's R&D Centre at Shadnagar, near Hyderabad, has been working on new products and better processes for manufacture of Active Ingredients (AIs)/Technical and Intermediates for Herbicides, Insecticides and Fungicides. To take advantage of the Make in India manufacturing initiative, processes for many generic products are under various stages of development for manufacturing by NACL.

The Company's R&D Centre received ISO 17025:2017 Certificate of Accreditation from the National Accreditation Board for Testing and Calibration of Laboratories (NABL) and also recognized by the

Department of Scientific and Industrial Research (DSIR), Government of India.

Registration of the Active Ingredients and the final products is a major activity. This Department works on applying for registration in India as well as in Countries in Africa and SE Asia, to enable marketing of the products. The total number of registrations NACL has is 385 in India and 99 for exports.

#### **Environment Protection:**

Your Company continues to maintain high standards in environmental management with its manufacturing facilities operating well within stipulated norms due to the efficient running of the Zero Liquid Discharge (ZLD) facilities in Srikakulam. Srikakulam manufacturing site has an online effluent and emission monitoring devices that continuously upload the data to Pollution Control Board website. These sites have also increased plantation area within the factory premises.

Your Company continues to enjoy the certifications ISO:9001:2015, ISO:14001:2015 and ISO 45001:2018 accredited for its proven standards covering in the areas of Quality, Environment, Safety and Health Management Systems respectively. Both Srikakulam and Ethakota Units are accredited by National Accreditation Board for Testing and Calibration of Laboratories (NABL).

#### **Share Capital:**

During the year under review, your Company has allotted 1,92,497 fully paid equity shares, upon exercise of Stock Option by the Eligible Employees of the Company, pursuant to the 'Nagarjuna Agrichem Ltd., - Employee Stock Option Scheme-2015' ('ESOS-2015') of the Company and these shares were duly admitted for trading on the Stock Exchange(s).

Further, pursuant to Section 42, 62(1)(c) of the Companies Act, 2013 read with Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, the Company, has allotted 34,20,000 fully paid equity shares to Mrs. K.Lakshmi Raju, Promoter and Director of the Company, upon exercise of option for conversion of 34,20,000 (Thirty Four Lakhs and Twenty Thousand), out of total allotted 50,00,000 Warrants, issued and allotted by the Company on preferential basis. Such infusion of equity capital through the aforesaid preferential issue of Warrants has strengthened the capital structure of the Company.

Subsequent to the above allotments, the paid up capital of your Company stand increased from ₹ 19,26,05,261/- (comprising of 19,26,05,261 fully paid up equity shares of

₹ 1/- per equity share) to ₹ 19,62,17,758/- (comprising of 19,62,17,758 fully paid up equity shares of ₹ 1/- per equity share).

#### **Employee Stock Option Scheme:**

- A) "Nagarjuna Agrichem Ltd., – Employee Stock Option Scheme – 2015" ("ESOS-2015"): During the year under review, the Company has granted 75,718 (Seventy Five Thousand Seven Hundred and Eighteen) stock options under ESOS-2015 to the Eligible Employees. Each option would entitle the holders of the option to apply for one equity share of the Company. Upon exercise of the vested stock options by Eligible Employees, 1,92,497 equity shares were allotted during the year under review.
- B) ESOS-2020: Further pursuant to and in terms of shareholders resolution dated September 07, 2020, the Company in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time (hereinafter referred to as "SBEB Regulations") has implemented 'NACL Employee Stock Option Scheme-2020' (ESOS-2020).

During the year under review, the Company has granted 17,35,000 (Seventeen Lakhs Thirty Five Thousand) stock options under ESOS-2020 to the Eligible Employees. Each option would entitle the holders of the option to apply for one equity share of the Company.

In compliance with the SBEB Regulations, a certificate from the Auditors of the Company confirming that the ESOS-2015 and ESOS 2020 are been implemented in accordance with the SBEB Regulations and the resolutions passed by the members, will be placed at the ensuing Annual General Meeting. The applicable disclosure, as stipulated under the SBEB Regulations, as on March 31, 2021 with regard to the ESOS 2015 & ESOS 2020, are uploaded on the website of the Company [www.naclind.com](http://www.naclind.com).

Keeping in view the several factors such as current performance and future outlook of the Company, the categories of Eligible Employees, eligibility criteria (such as length of service, grade etc.) and to enable the employees to further align with the long term interests of the Company, the Board of Directors of the Company, in its meeting held on August 05, 2021, based on the recommendations of the Compensation Committee and subject to the approval of the members of the Company in

this regard, approved reduction of the exercise period under ESOS 2020 to one year from the present exercise period of two years from the date of vesting.

As per the SBEB Regulations any amendments to the stock option plans of the Company requires the approval of the members by means of a special resolution. Accordingly, necessary resolutions in connection with the above are being placed before the meeting at the ensuing Annual General Meeting. The Board of Directors recommends the said resolutions for approval of the members by means of special resolutions.

#### **Preferential Issue:**

During the year under review, the Stakeholders Relationship Committee in its meeting held on September 30, 2020, has allotted 50,00,000 (Fifty Lakhs) Convertible Warrants on a preferential basis to Mrs.K.Lakshmi Raju, Promoter and Director of the Company upon receipt of the subscription amount of ₹ 488 lakhs (representing 25% of the Issue Price of ₹ 39 each i.e. ₹ 9.75 per Warrant), in compliance with the provisions of Companies Act, 2013 and Chapter V of SEBI – ICDR Regulation, 2018.

Further, the Company has allotted 34,20,000 equity shares on December 18, 2020, to Mrs.K.Lakshmi Raju, upon receipt of balance consideration of ₹ 29.25/- per warrant (i.e. 75% of the issue price of ₹ 39/-) aggregating to ₹ 1,000.35 lakhs.

#### **Material Changes and Commitments:**

Except the changed specifically described in this report, there have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

#### **Subsidiary and Associate Companies and Consolidation of Financial Statements:**

Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), along with other applicable provisions of the Act, and as per Indian Accounting Standards (Ind AS 110 – "Consolidated Financial Statements"), the Audited Consolidated Financial Statements for the year ended on March 31, 2021 are provided in this Annual Report. The Company has prepared consolidated financial statements by incorporating the financial statements of its wholly owned subsidiaries M/s.NACL Spec-Chem Limited, M/s.NACL Multichem Private Limited, M/s.LR Research

Laboratories Private Limited and M/s.Nagarjuna Agrichem (Australia) Pty, Ltd with its financial statements on line by line basis. The investments of the Company in M/s.Nasense Labs Private Limited, an Associate Company, have been accounted for in these consolidated financial statements under the equity method in accordance with Ind AS 28 – "Investments in Associates and Joint Ventures".

The Audited Annual Accounts and related information of Subsidiaries and Associate as applicable will be made available upon request. The Statement required under Section 134 of the Act is attached as **Annexure - I** (Form AOC-1) to this Directors' Report.

During the year under review, the Company has incorporated following two new Wholly Owned Subsidiary Companies:

- a) NACL Spec-Chem Limited (vide the certificate of incorporation dated April 27, 2020); and
- b) NACL Multichem Private Limited (vide the certificate of incorporation dated May 18, 2020).

No other Company has become/ceased to be Subsidiary or Joint Venture or Associate Company during the financial year. There has been no material change in the nature of the business of the aforesaid Subsidiaries and Associate.

The Company has no Subsidiary which can be considered as material in terms of the Listing Regulations.

In accordance with the provisions of Section 136(1) of the Act, read with Regulation 46 of the Listing Regulations the following have been placed on the website of the Company [www.naclind.com](http://www.naclind.com):

- a) Annual Report of the Company, containing therein its Standalone and the Consolidated Financial Statements; and
- b) Annual accounts of each of the Subsidiary Companies.

#### **Internal Financial Control Systems and their adequacy:**

The Company has in place adequate internal financial controls commensurate with the size and complexity of its operations. During the year, such controls were tested and no reportable material weakness in the design or operations were observed. The Company has policies and procedure in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.



The Company has adopted accounting policies which are in line with the Indian Accounting Standards and the Act. These are in accordance with generally accepted accounting principles in India. Changes in policies, if required, are made in consultation with the Auditors and are approved by the Audit Committee.

The Company's internal audit systems are geared towards ensuring adequate internal controls commensurate with the size and needs of the business, with the objective of efficient conduct of operations through adherence to the Company's policies, identifying areas of improvement, evaluating the reliability of financial statements, ensuring compliances with applicable laws and regulations and safeguarding of assets from unauthorized use.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the Internal, Statutory, Cost and Secretarial Auditors, including audit of the internal financial controls over financial reporting by the Statutory Auditors, and the reviews performed by Management and the relevant Board and Committees including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2020-21.

#### **Auditors:**

##### **a) Statutory Auditor and Audit Reports:**

M/s. Deloitte Haskins & Sells LLP, (Deloitte) Chartered Accountants, Madhapur, Hyderabad (Firm Registration No.117366W/W-100018), Chartered Accountants, were appointed as Statutory Auditors of the Company at the 30<sup>th</sup> Annual General Meeting held on August 05, 2017 for a period of 5 years commencing from the conclusion of 30<sup>th</sup> Annual General Meeting till the conclusion of 35<sup>th</sup> Annual General Meeting to be held in the year 2022. The firm has consented and confirmed that the appointment is within the limit specified under section 141(3)(g) of the Companies Act, 2013. The Statutory Auditors have also confirmed that they are not disqualified to be appointed as such in terms of the proviso to section 139(1), 141(2) and 141(3) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

The Audit Report of Deloitte on the Financial Statements of the Company for the Financial Year 2020-21 is a part of Annual Report and the report does not contain any qualification, reservation, adverse remark or disclaimer.

##### **b) Internal Auditor:**

The Board of Directors of the Company has appointed M/s. M.Bhaskara Rao & Co., Chartered Accountants, Hyderabad, as Internal Auditors to conduct internal audit of the Company for the financial year ended March 31, 2021 and their reports are reviewed by the Audit Committee from time to time. The Board of Directors re-appointed M/s. Bhaskara Rao & Co., Chartered Accountants, Hyderabad as Internal Auditors for the financial year ending March 31, 2022.

##### **c) Cost Auditor:**

The Board of Directors of the Company, on the recommendation of the Audit Committee appointed M/s. K. Narasimha Murthy & Co., Cost Accountants, Hyderabad to conduct cost audits relating to Insecticides (Technical Grade and Formulations), of the Company for the year ending March 31, 2022. The Company has received their written consent that the appointment will be in accordance with the applicable provisions of the Act, and rules framed thereunder. Pursuant to the provisions of Section 148 of the Act read with Rules made thereunder, members are requested to consider the ratification of the remuneration of ₹ 8,00,000 payable to M/s. K. Narasimha Murthy & Co., Cost Accountants, Hyderabad, for the financial year 2021-22. As a matter of record, relevant cost audit report for financial year ended 2020 were filed with the Central Government, within a stipulated timeline.

##### **d) Secretarial Auditor and Secretarial Audit Report:**

Pursuant to Section 204 of the Act read with the Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Mr. K.V. Chalama Reddy, Practicing Company Secretary, to carry out secretarial audit in terms of the Act for the financial year 2020-21. The secretarial audit report for the FY 2020-21 issued by Mr.K.V.Chalama Reddy, Practicing Company Secretary in form MR-3 is enclosed to this report as **Annexure – II** and the report does not contain any qualification, reservation, adverse remark or disclaimer.

#### **Reporting of Frauds by Auditors:**

During the year under review, the Statutory Auditors, Cost Auditors and Secretarial Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under Section 143(12) of the Act.

## Directors:

As on the date of this report, Company's Board comprises of 11 (Eleven) Directors, out of which, 2 (two) are Non-Executive, Non-Independent Directors (NEDs) including 1 (One) Woman Director. Further, out of the remaining Directors, 6 (six) are Non-Executive Independent Directors, including 1 (one) Women Independent Director, 2 (two) are Investors Nominee Directors and 1 (one) is an Executive Director.

### a) Director(s) to retire by rotation:

In accordance with the provisions of Section 152 of the Act, and Articles of Association of the Company, Mr.N.Vijayaraghavan, Director (DIN: 02491073) of the Company, retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer himself for re-appointment.

The necessary resolution for re-appointment of Mr.N.Vijayaraghavan forms part of the Notice convening the AGM. The profile and particulars of experience that qualify Mr.N.Vijayaraghavan for Board membership, are disclosed in the said Notice.

### b) Key Managerial Personnel:

In terms of Section 203 of the Companies Act, 2013 the following are the Key Managerial Personnel of the Company:

- i) Mr. M. Pavan Kumar, Managing Director & CEO
- ii) Mr. R.K.S Prasad, Chief Financial Officer
- iii) Mr. Satish Kumar Subudhi, Company Secretary & Head-Legal.

During the year under review, there were no changes to the Key Managerial Personnel of the Company.

### c) Independent Directors:

In terms of Sections 149, 152, Schedule IV and all other applicable provisions of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory amendment(s), modification(s) or re-enactment thereof for the time being in force), the Independent Director can hold office for a term of up to five (5) consecutive years on the Board of Directors of the Company and shall not be liable to retire by rotation.

All the Independent Directors have given declaration that they meet the criteria of

independence laid down under Section 149(6) of the Act read with Regulation 16(b) of Listing Regulations.

In the opinion of the Board, there has been no change in the circumstances which may affect their status as Independent Directors of the Company and the Board is satisfied of the integrity, expertise, and experience (including proficiency in terms of Section 150(1) of the Act and applicable rules thereunder) of all Independent Directors on the Board. Further, in terms of Section 150 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, Independent Directors of the Company have included their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs.

### d) Evaluation of performance of the Board of Directors:

Pursuant to the provisions of the Act, and Listing Regulations, the Board has carried out the evaluation of its own performance and Committees of the Board, the performances of Directors individually, the Executive Director, the Chairperson of the Board etc. Various parameters under the guidance note issued by the Institute of Company Secretaries of India and SEBI, were considered for evaluation and after receiving the inputs from the Directors, the performance evaluation exercise was carried out. The parameters include attendance of Directors at Board and Committee meetings, integrity, credibility, expertise and trustworthiness of Directors, Board's monitoring of various compliances, laying down and effective implementation of various policies, level of engagement and contribution of the Directors, safeguarding the interest of all stakeholders etc. The performance evaluation of the Board as a whole was carried out by the Independent Directors. The performance evaluation of each Independent Director was carried out by the Board. The Directors expressed their satisfaction with the evaluation process.

In a separate meeting, the Independent Directors evaluated the performance of the Non-Independent Directors and performance of the Board as a whole. They also evaluated the performance of the Chairperson taking into account the views of Executive Director and Non Executive Directors.

**e) Meeting of Independent Directors:**

The details on the separate meeting of the Independent Directors are reported in the Report on Corporate Governance.

**f) Familiarization Programme for the Independent Directors:**

In compliance with the requirement of Listing Regulations, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The same is available on the website of the Company i.e., [www.naclind.com](http://www.naclind.com).

Through the Familiarization programme, the Company apprises the Independent Directors about the business model, corporate strategy, business plans and operations of the Company. These Directors are also informed about the financial performance, annual budgets, internal control system, statutory compliances etc. They are also familiarized with Company's vision, core values, ethics and corporate governance practices.

At the time of appointment of Independent Director, necessary information including various documents such as the information's about Company, Memorandum and Articles of Association, Annual Reports for previous 2 years, Investor Presentations and recent Media Releases, Brochures, Organization policies are provided. Further, a formal letter of appointment has also given, explaining fiduciary duties, roles, responsibility and the accompanying liabilities that come with the appointment as an Independent Director of the Company.

On an on-going basis, periodic presentations are made at the Board and Committee meetings, on the performance updates of the Company, Industry scenario, business strategy, internal control and risks involved and mitigation plan. The Directors are also provided with quarterly update on relevant statutory changes, judicial pronouncements and important amendments.

**Board Meetings:**

During the year under review, 7 (seven) Board Meetings were held, the details of the same are given in Corporate Governance Report which forms part of this Annual Report. The provisions of Act and the Listing

Regulations were adhered to, while considering the time gap between two meetings.

**Audit Committee:**

The Audit Committee comprising of Mr.Sudhakar Kudva as the Chairman and Mr.Raghavender Mateti, Mr.N.Sambasiva Rao, Mr.N.Vijayaraghavan are the members. The details about Audit Committee including the brief description of its terms of reference and number of meetings held during the year are mentioned in the Corporate Governance Report. There have been no instances during the year when recommendations of the Audit Committee were not accepted by the Board.

**Criteria for selection of candidates for appointment as Directors, Key Managerial Personnel and Senior Management Personnel.**

Your Company has laid down well-defined criteria for the selection of candidates for appointment as Directors, Key Managerial Personnel and Senior Management Personnel. The details of the same forming part of Company's Nomination and Remuneration Policy are available at the Company's website at [www.naclind.com](http://www.naclind.com).

**Criteria for making payment to Non-Executive Directors of the Company.**

Your Company has laid down well-defined criteria for making payment to Non-Executive Directors of the Company. The details of the same are available at the Company's website at [www.naclind.com](http://www.naclind.com).

**Directors' Responsibility Statement:**

Pursuant to Section 134(3)(c) and 134(5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- b) it has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the Profit/Loss of the Company for the year ended on that date;
- c) it has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) it has prepared the Annual Accounts of the Company on a 'going concern' basis;
- e) it has laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) it has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

### **Corporate Social Responsibility:**

Corporate Social Responsibility (CSR) has been an integral part of your Company's culture and it has been associated, directly or indirectly, for contributing towards society's development. For the year under review, Company did a number of CSR activities in surrounding areas of Srikakulam and Ethakota where the Company's factories are situated. Such activities includes RO Water Supply to surrounding Villages, Village & Community Development, Scholarships to Merit students, contribution to Vidhya Volunteer Scheme, street lightning and bore-well maintenance, development of school facilities, community centers and bus shelters in the surrounding villages of the factories, providing medical services and vocational courses and conducting various medical camps, etc. These projects are largely covered under Schedule VII of the Companies Act, 2013 ('Act').

In accordance with the CSR provisions in the Act, the Company has formed a CSR Committee and a CSR Policy is in conformity with the provisions of the Act. The CSR Policy can be accessed on the Company's website at <http://www.naclind.com>. The Annual Report of CSR activities are annexed herewith as **Annexure-III** and forming part of this Report.

### **Change in the nature of business:**

There is no change in the nature of business of the Company.

### **Significant and Material Orders passed by the Regulators or Courts:**

During the year, the Company has not received any significant and material orders passed from Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future.

### **Particulars of Loans, Guarantees or Investments under Section 186:**

The details of Loans, Guarantees and Investments made during the financial year ended March 31, 2021 in compliance with the provisions of Section 186 of the Act

read with the Companies (Meetings of the Board and its Powers) Rules, 2014 have been disclosed in the Financial Statements forming part of this Annual Report.

### **Extracts of Annual Return:**

Pursuant to Section 92(3) and Section 134(3)(a) of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014 the extracts of the Annual Return of the Company is available on the website of the Company at [www.naclind.com](http://www.naclind.com).

### **Risk Management Policy:**

Pursuant to the provisions of Section 134, and other applicable provisions if any, of the Act and Listing Regulations, the Company constituted the Risk Management Committee and framed Risk Management Policy, which inter-alia covers implementation and monitoring of the risk management plan for the Company. The Committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The details about Committee including the brief description of its terms of reference are given in the Corporate Governance Report. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

### **Related Party Transactions:**

All the related party transactions are entered into during the financial year were on arm's length basis and in the ordinary course of Company's business the same are in compliance with the applicable provisions of the Act and Regulation 23 of Listing Regulations. Except the transactions disclosed herein form AOC-2 (enclosed), the Company has not entered into any contract, arrangement or transactions with any related party which could be considered as material within the meaning of Regulation 23 of the Listing Regulations. Related Party Transactions (RPTs) under Indian Accounting Standards (IndAS) -24 are disclosed in the notes to the financial statement.

In accordance to Section 134 of the Companies Act, 2013 and Rule 8 of the Companies (Accounts) Rules, 2014, the particulars of the contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is annexed as **Annexure IV** of this report.

Necessary disclosures and the statement of all related party transactions is presented before the Audit Committee and the Board of Directors on a quarterly basis specifying the nature, value and terms and conditions of the transactions. All Related Party Transactions are approved by the Audit Committee

and omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. The transactions entered into pursuant to the omnibus approval so granted are reviewed on a quarterly basis by the Audit Committee. Approval of the shareholders is being sought for 2 (two) material RPTs at the ensuing Annual General Meeting.

The Related Party Transactions Policy as approved by the Board is uploaded on the Company's website [www.naclind.com](http://www.naclind.com). The details of the transactions with Related Parties are provided in the accompanying financial statements.

#### **Vigil Mechanism/Whistle Blower Policy:**

The Company has implemented Whistle Blower Policy to deal with any fraud, irregularity or mismanagement in the Company. The policy enables any employee or Director to directly communicate to the Chairman of the Audit Committee to report any fraud, irregularity or mismanagement in the Company. The policy ensures strict confidentiality while dealing with concerns and also that no discrimination or victimization is meted out to any whistleblower. The Whistle Blower Policy as approved by the Board is uploaded on the Company's website [www.naclind.com](http://www.naclind.com). During the year under review, your Company has not received any complaints under the said policy of the Company. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.

#### **Nomination and Remuneration Policy:**

Pursuant to Section 178(3) of the Act, the Company has adopted a policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management Personnel. The Nomination and Remuneration Committee (NRC) has formulated the criteria for determining qualification, positive attributes and independence of Directors in terms of provisions of Section 178(3) of the Act and as Listing Regulations. The details about Committee including the brief description of its terms of reference are given in the Corporate Governance Report.

#### **Corporate Governance:**

In compliance with Regulation 34 read with Para-C of Schedule V of Listing Regulations, a separate report on Corporate Governance has been included in this Annual Report together with the Auditor's Certificate confirming compliance of the Corporate Governance as stipulated under the said Regulations. All the Board members and the Senior Management Personnel have affirmed compliance with the Companies "Code of Conduct for Board and Senior Management Personnel" for the financial year 2020-21.

A certificate signed by the Managing Director & CEO and Chief Financial Officer (CFO) certifying the financial statements and other matters as required under Regulation 17(8) of the Listing Regulations, forms part of this Annual Report.

#### **Management Discussion and Analysis Report and Business Responsibility Report:**

Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 16(b) of the Listing Regulations, is presented in a separate section forming part of this Annual Report.

A Business Responsibility Report containing the requisite details under Regulation 34 of the Listing Regulations is disclosed on the Company's website [www.naclind.com](http://www.naclind.com).

#### **Policy on Sexual Harassment:**

The Company has zero tolerance for sexual harassment at workplace and has adopted a "Policy on Sexual Harassment of Associates" in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. The Policy aims to provide protection to employees at the workplace, and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, and framed with the objective of providing a safe working environment, where employees feel secure. There were no cases reported during the financial year 2020-21 under the said Policy.

#### **Brand Protections:**

Your Company has taken appropriate actions against counterfeits, fakes and other forms of unfair competitions/trade practices.

#### **Fixed Deposit:**

Your Company has not accepted any fixed deposits from the public during the year under review, and no such amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

#### **Industrial Relations:**

The industrial relations at the Factories and Head Office of the Company continued to be cordial.

#### **Insurance:**

All the assets and insurable interests of your Company including inventories, buildings, plant and machinery, enactments are adequately insured.



### Particulars of Employees and Remuneration:

The information required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure-V** to this report.

### Compliance with Secretarial Standards:

During the year under review, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Disclosures required under the Section 134(3)(m) of the Act relating to Conservation of Energy, Technology Absorption and Foreign Exchange Outgo and Earning, in terms of Rule 8 of the Companies (Accounts) Rules, 2014, are set out in a separate statement attached hereto as **Annexure-VI** and forms part of this report.

### Acknowledgement:

Your Directors thank the Company's Bankers and the Financial Institutions for their help and co-operation extended throughout the year. Your Directors place on record their appreciation for the support and co-operation that the Company received from its Stakeholders, Customers, Agents, Suppliers, Employees, various Government/Non-Government Departments, Associates and Community in the vicinity of the plants. Your Directors also record their appreciation for the excellent operational performance of the staff of the Company that contributed to the achievements of the Company. The Directors also acknowledge with much gratitude, the continued trust and confidence reposed by the Dealers/Customers of the Company. Your Directors look forward to the future with confidence.

### For and on behalf of the Board

**M.Pavan Kumar**

Managing Director & CEO  
(DIN:01514557)

**N.Vijayaraghavan**

Director  
(DIN: 02491073)

Place: Hyderabad

Date: August 05, 2021

# ANNEXURE- I TO DIRECTORS REPORT

## Form No. AOC-1

(Pursuant to proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of Subsidiaries/Associate Companies/Joint Ventures

#### Part "A": Subsidiaries

(₹ in Lakhs)

Sl. No	Particulars	Name of the Company			
		L.R. Research Laboratories Private Limited (Wholly owned Subsidiary)	Nagarjuna Agrichem (Australia) Pty. Limited (Overseas Wholly owned Subsidiary)	NACL Multichem Private Limited (Wholly owned Subsidiary)	NACL Spec-Chem Limited (Wholly owned Subsidiary)
1	Reporting period for the Subsidiary concerned, if different from the Holding Company's reporting period	NA	NA	NA	NA
2	Reporting Currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign Subsidiaries.	INR	AUD (AUD/INR = 55.67)	INR	INR
3	Share capital	1.00	32.30	1.00	200.00
4	Other equity	(4.72)	(29.73)	(0.47)	(2.79)
5	Total assets	10.08	11.32	0.96	3,249.30
6	Total Liabilities	13.80	8.75	0.43	3,052.09
7	Investments	-	-	-	-
8	Revenue	35.40	12.24	-	1.55
9	Profit/(Loss) Before Tax	0.31	0.33	(0.47)	(2.79)
10	Tax Expenses	-	-	-	-
11	Profit/(Loss) after tax	0.31	0.33	(0.47)	(2.79)
12	Proposed Dividend	-	-	-	-
13	% of shareholding	100%	100%	100%	100%

#### Notes:

- Names of subsidiaries which are yet to commence operations: None
- Names of subsidiaries which have been liquidated or sold during the year: None

**Part “B”: Associates and Joint Ventures****Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures**

Sl. No	Particulars	Name of the Company
		Nasense Labs Private Limited
1.	Latest Un-audited Balance Sheet Date	March 31, 2021
2.	Shares of Associate/Joint Ventures held by the Company on the year end	Shares @ ₹ 10/-
	i) No. of Equity Shares	6,127,513
	ii) Amount of Investment in Associates/ Joint Venture	₹816 Lakhs
	iii) Extent of Holding %	26%
3.	Description of how there is significant influence	Significant influence means a control of at least 20% of the total shares capital or of business decisions under an agreement. Since the holding of the company is more than 20% hence there is significant influence.
4.	Reason why the Associate/ Joint Venture is not consolidated	The investments in M/s Nasense Labs Pvt. Ltd. have been accounted in the consolidated financial statements under the equity method in accordance with Indian Accounting Standard (Ind AS) 28 – Investments in Associates.
5.	Net worth attributable to Shareholding as per latest un-audited Balance Sheet	₹ 1,918 Lakhs
6.	Profit for the year	₹ 255 Lakhs
	i. Considered in Consolidation	₹ 57 Lakhs
	ii. Not Considered in Consolidation	₹ 198 Lakhs
	Names of Associates or Joint Ventures which are yet to commence operations.	Nil
	Names of Associates or Joint Ventures which have been liquidated or sold during the year.	Nil

**For and on behalf of the Board****N.Vijayaraghavan**Director  
(DIN: 02491073)**M.Pavan Kumar**Managing Director & CEO  
(DIN:01514557)**R.K.S.Prasad**Chief Financial Officer  
(M.No.FCA024958)**Satish Kumar Subudhi**Company Secretary & Head-Legal  
(M.No.F9085)Place: Hyderabad  
Date: May 28, 2021

# ANNEXURE- II TO DIRECTORS REPORT

## SECRETARIAL AUDIT REPORT

### For The Financial Year Ended March 31, 2021

[Pursuant to sec. 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014]

To  
The Members,  
**NACL Industries Limited**  
Hyderabad.

I have conducted Secretarial Audit pursuant to Section 204 of the Companies Act 2013, on the compliance of applicable Statutory Provisions and the adherence to good corporate practices by NACL Industries Limited (hereinafter called as "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 ("Audit Period") according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made there-under;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there-under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there-under;
- iv. The Foreign Exchange Management Act, 1999 and the rules and regulations made there-under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

- d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008: - Not applicable during the audit period.
- e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; regarding the Companies Act and dealing with client;
- f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009: -Not applicable during the audit period.
- g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: - Not applicable during the audit period.
- h) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- i) The Securities and Exchange Board of India (Listing Obligations Disclosure Requirements) Regulations, 2015.
- vi. The Company is into business of manufacture and sale of Agro Chemicals. Accordingly, the following major industry specific Acts and Rules, which are inter-alia, applicable to the Company, in view of the Management:
  - a) The Insecticides Act, 1968 and Rules made thereunder.
  - b) The Boiler Act, 1923 and Rules made thereunder.

I have also examined compliance with Secretarial Standards issued by the Institute of Company Secretaries of India in respect of Board and General Meeting(s) of the Company.

I have also examined compliance with the applicable clause of Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) with respect to Board, Committee and also General Meeting(s). Listing Agreements entered into by the Company with both Stock Exchange(s) (BSE and NSE) read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of Acts, Rules, Regulations, and Guidelines etc., mentioned above.

I, further report that:

- a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors. There is no changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.
- b) Adequate Notice is given to all the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. There is adequate system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through and there were no instances of dissenting members in the Board of Directors.

I further report that based on the review of compliance mechanism established by the Company, we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

I further report that the abovementioned Company being a listed entity and this report is also issued pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and circular No. CIR/CFD/CMD1/27/ 2019 dated February 08, 2019 issued by Securities and Exchange Board of India.

I further report that, the Company has incorporated following two new Wholly Owned Subsidiary Companies

- a) NACL Spec-Chem Limited (vide the certificate of incorporation dated April 27, 2020); and
- b) NACL Multichem Private Limited (vide the certificate of incorporation dated May 18, 2020).

I further report that as per the information and explanation provided by the Management, the Company does not have any Material Unlisted Subsidiary(ies) Incorporated in India pursuant to

Regulation 16(c) and 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the period under review.

I further report that during the year under review, the Company has allotted 1,92,497 fully paid equity shares of Rs.1/- each, upon exercise of Stock Option by the eligible Employees of the Company, pursuant to the 'Nagarjuna Agrichem Ltd., - Employee Stock Option Scheme – 2015' ('ESOS-2015') of the Company and these shares were duly admitted for trading on the stock exchange(s).

I further report that the Company has allotted 34,20,000 equity shares of ₹1/- each (at a price of ₹39/- per share) upon conversion of 34,20,000 Convertible Warrants into equity shares to Mrs. K.Lakshmi Raju, promoter of the Company pursuant to Section 42, 62(1)(c) of the Companies Act, 2013 read with Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Consequent to aforesaid allotments, the paid up share capital of the Company stand increased from ₹19,26,05,261/- (Rupees Nineteen Crore Twenty Six Lakhs Five Thousand Two Hundred and Sixty One Only) divided into 19,26,05,261 equity shares of ₹1/- to ₹19,62,17,758/- (Rupees Nineteen Crore Sixty Two Lakhs Seventeen Thousand Seven Hundred Fifty Eight Only).

There were no other major events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.

**K.V. Chalama Reddy**

Practicing Company Secretary

M. No: F9268, C.P No: 5451

UDIN: F009268C000738986

Place: Hyderabad

Date: August 05, 2021

(This report is to be read with my letter of even date annexed as **Annexure 'A'** and forms an integral part of this report.)



## **‘Annexure A’**

To,  
The Members  
**NACL Industries Limited**  
Hyderabad

My report of even date is to be read along with this letter.

- 1) Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
- 2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide reasonable basis for our opinion.
- 3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
- 4) Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- 5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- 6) The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**K.V. Chalama Reddy**

Practicing Company Secretary  
M. No: F9268, C.P No: 5451  
UDIN: F009268C000738986

Place: Hyderabad  
Date: August 05, 2021

# ANNEXURE – III

## CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITY

(Pursuant to Section 135 of the Companies Act, 2013 & Rules made thereunder)

### 1) Brief Outline on CSR Policy of the Company:

We at NACL Industries Limited, act in accordance with the principles of responsible, care and sustainable development to safeguard our employees, customers, stockholders, society and environment. In doing so, we ensure compliance with globally accepted social and ethical standards and values. As an organization, the Company is committed to operate in accordance with the demands of economy, ecology and society.

### 2) Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1)	Mr. Sudhakar Kudva	Chairman	1	1
2)	Mrs. K. Lakshmi Raju	Member	1	1
3)	Mr. N. Vijayaraghavan	Member	1	1
4)	Ms. Veni Mocherla	Member	1	1
5)	Mr. M. Pavan Kumar	Member	1	1

3)	Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company:	www.naclind.com
4)	Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report)	Not Applicable
5)	Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any	Not Applicable
6)	Average net profit of the company as per Section 135(5)	₹ 919 Lakhs
7)	a) Two percent of average net profit of the company as per Section 135(5)	₹ 19 Lakhs
	b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.	Nil
	c) Amount required to be set off for the financial year, if any	Nil
	d) Total CSR obligation for the financial year (7a+7b-7c).	₹ 19 Lakhs

### 8)a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹ 19 Lakhs	Nil	-	-	Nil	-

### b) Details of CSR amount spent against ongoing projects for the financial year: Not Applicable

**c) Details of CSR amount spent against other than ongoing projects for the financial year:**

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No	Name of the Project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/No)	Location of the project.		Amount spent for the project (₹ in lakhs)	Mode of implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1	RO Water Supply to surrounding Villages, COVID expenses	(i)	Yes	Andhra Pradesh	Srikakulam	12	Yes	-	-
2	Village & Community Development	(x)	Yes	Andhra Pradesh	Srikakulam	5	Yes	-	-
3	Salaries to Vidya Volunteers; Scholarships to Merit students	(ii)	Yes	Andhra Pradesh	Srikakulam	2	Yes	-	-
<b>TOTAL</b>						<b>19</b>			

(d) Amount spent in Administrative Overheads: Nil

(e) Amount spent on Impact Assessment, if applicable: Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 19 Lakhs

(g) Excess amount for set off, if any: Not Applicable.

Sl. No.	Particulars	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	19 Lakhs
(ii)	Total amount spent for the Financial Year	19 Lakhs
(iii)	Excess amount spent for the financial year [(ii)-(i)]	-
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

9)(a) Details of Unspent CSR amount for the preceding three financial years: Not Applicable

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable.

10) In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: Not Applicable.

Place: Hyderabad  
Date: May 28, 2021

**M. Pavan Kumar**  
Member  
(DIN: 01514557)

**Sudhakar Kudva**  
Chairman of CSR Committee  
(DIN: 02410695)

# ANNEXURE – IV

## FORM NO. AOC -2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.]

Form for disclosure of particulars of contracts/ arrangements entered into by the Company with related parties referred to in Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

### A) Details of contracts or arrangements or transactions not at Arm's length basis:

The Company has not entered into any contract or arrangement or transactions with its related parties which is not at arm's length during the financial year 2020-21.

### B) Details of contracts or arrangements or transactions at Arm's length basis:

The Company has entered into contracts with the related parties which are material in nature, the details of the said material contracts and the information required are as given below:-

Sl. No.	Particulars	Remarks
a)	Name of the related party	Krishi Rasayan Exports Private Limited
b)	Nature of relationship	Entity with Common Director
c)	Nature of contracts / arrangements/ transactions	The transactions involves purchase and sale of raw materials, intermediate products and finished goods, agro-inputs, bio pesticides, Active Ingredients (AI), Technical, Formulations, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities, entering into such contracts and agreement (manufacturing, loan licensing etc.)
d)	Duration of contracts / arrangements/ transactions	FY 2020-21
e)	Salient terms of the contracts or arrangements or transactions including the value, if any	Purchase and sale of raw materials, intermediate products and finished goods, agro-inputs, bio pesticides, Active Ingredients (AI), Technical, Formulations, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities, entering into such contracts and agreement (manufacturing, loan licensing etc.)
f)	Date(s) of approval by the Board, if any	The said Related Party Transaction ('RPT') was approved by the Board in its meeting held on August 26, 2020, which was further approved by the Members in its 33 <sup>rd</sup> Annual General Meeting held on September 28, 2020.
g)	Amount paid as advances if any	N.A.

#### Notes:

- All related party transactions entered during the year were in Ordinary Course of the Business and at Arm's length basis.
- Appropriate approvals have been taken from Audit Committee and the Board for the related party transactions entered by the Company.

#### For and on behalf of the Board

Place: Hyderabad  
Date: August 05, 2021

**M.Pavan Kumar**  
Managing Director & CEO  
(DIN: 01514557)

**N. Vijayaraghavan**  
Director  
(DIN: 02491073)

# ANNEXURE — V TO DIRECTORS REPORT

**The disclosure of remuneration during the year 2020-21 pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014**

- Ratio of remuneration of each Director to the median remuneration of employees of the Company for the financial year 2020-21 and the Percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary or Manager, if any in the financial year.

S. No	Name of Director and KMP	Remuneration (₹ in Lakhs)	Ratio median remuneration	% Increase in remuneration in the FY
1	Mrs.K.Lakshmi Raju, Non-Executive Director	3.50	0.6	79
2	Mr.Sudhakar Kudva, Independent Director	3.95	0.7	68
3	Mr.N.Vijayaraghavan, Non-Executive Director	4.10	0.7	128
4	Mr.Raghavender Mateti, Independent Director	4.10	0.7	44
5	Mr.K.Dorairaj, Independent Director	1.90	0.3	81
6	Mr.Atul Churiwal, Investor Nominee Director	1.75	0.3	67
7	Mr.Rajesh Kumar Agarwal, Investor Nominee Director	1.85	0.3	76
8	Mr.Ramkrishna Mudholkar, Independent Director	1.90	0.3	153
9	Mr.N.Sambasiva Rao, Independent Director	2.50	0.4	900
10	Ms.Veni Mocherla, Independent Director	2.05	0.4	720
11	Mr.R.K.S Prasad, CFO	79.05	13.8	3
12	Mr.Satish Kumar Subudhi, Company Secretary & Head-Legal	39.51	6.9	6
13	Mr.M.Pavan Kumar, Managing Director & CEO	148.65	25.9	NA*

\*The remuneration paid in FY 19-20 was for part of the year. Therefore, percentage increase is not comparable, hence not stated.

## Notes:

- During the year under review, the sitting fees have been paid to the Directors for attending the Board and all Committee Meetings.
  - Employees for the purpose above include all employees excluding employees governed under collective bargaining.
- The Percentage increase in the median remuneration of employees in the financial year: 8.05 %.
  - The number of permanent employees on the rolls of the Company: 1,204.
  - Comparison of average percentile increase in the salary of employees other than the managerial personnel and the percentile increase in the managerial remuneration:

Particulars	% Change in Remuneration
Average percentile increase in salary of employees (other than managerial personnel)	49.93
Average percentile increase in remuneration of managerial personnel	50.00

## 5. Statement under Section 197 of the Companies Act, 2013 read with Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

- Gross remuneration shown above is subject to tax and comprises salary, allowances, commission, incentives, monetary value of perquisites, Company's contribution to provident fund and superannuation fund. In addition to the above, employees are also entitled to gratuity, medical benefits etc. in accordance with Company's Rules.
- None of the above employee, along with the spouse and dependent children holds more than 2% of the equity shares of the Company.



- iii) All employees are permanent employee, of the Company.
- (b) Employed throughout the financial year and in receipt of remuneration aggregating One Crore and Two Lakhs Rupees per financial year: Nil
- (c) Employed for part of the financial year and in receipt of remuneration aggregating Eight Lakhs and Fifty Thousand Rupees per month or more: Nil
- (d) In terms of Section 136 of the Act, the statement containing particulars of employee as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is open for inspection at the Registered Office of the Company. Any shareholder interested obtaining copy of the same may write to the Company Secretary.

**6. Affirmation that the remuneration is as per the Remuneration Policy of the Company:**

It is affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees, adopted by the Company.

**For and on behalf of the Board**

Place: Hyderabad  
Date: August 05, 2021

**M. Pavan Kumar**  
Managing Director & CEO  
(DIN: 01514557)

**N. Vijayaraghavan**  
Director  
(DIN: 02491073)

# ANNEXURE — VI TO DIRECTORS REPORT

## The Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

[Pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014]

### A. CONSERVATION OF ENERGY:

#### 1. Steps taken or impact on conservation of energy:

- Reduction of Power consumption of Boiler FD Fans by using VFD and by avoiding discharge damper control.

#### 2. The capital investment on energy conservation equipment's:

Energy saving Activities in 2020-21			
Area of Improvement	Improvement	Cost of Project (In ₹ Lakhs)	Per Annum Saving (In ₹ Lakhs)
Total Plant	Replacement of conventional light fittings with LED lighting	22.15	18.86
Total Plant	Energy Efficient Motors (8 Nos)	4.24	2.82
Total Plant	LED 60W street Lighting arrangement in place of 125 W MV Lamp fittings (30 Nos)	0.68	0.69
Central Power Station	100 KVAR , APFC Panel for Utility MCC-2 A & 100 KVAR, APFC Panel for Utility MCC 2 B, 100 KVAR APFC Panel arrangement for New PCC (12 Numbers)	0.68	10
Block-4	Variable Frequency drives for energy saving	12.95	5.4
SKLM-Cent. Power Station	Old rewind motors replaced with energy efficient motors	5.52	1.5
SKLM-Cooling Tower Plant	SCREW CHILLERS 2 NOS FOR SKLM	105.38	50.92
SKLM-Cooling Tower Plant	ROTARY TYPE AIR SCREW COMPRESSOR	8.50	17.54
Block-5	ROTARY TYPE AIR SCREW COMPRESSOR	8.50	17.54
<b>Total</b>		<b>168.60</b>	<b>125.27</b>

### B. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:

1	The efforts made towards technology absorption	Process reviewed and new technology adopted to raise the productivity, reduction in effluents and RM reduction.
2	The benefits derived like product improvement, cost reduction, product development or import substitution.	<ol style="list-style-type: none"> <li>Utility consumption reduced and bringing the cost of utilities by 5%.</li> <li>Plant utilization improved from 55% - FY 2019-20 to 74% in FY 2020-21</li> <li>Exports started growing.</li> <li>New Products registered in India and abroad</li> <li>Cost reduction in Environment management System</li> </ol>
3	In case of imported technology (imported during the last three (3) years reckoned from the beginning of the financial year)	The Company has not imported any technology during the year
a)	Details of Technology Imported	None
b)	Year of Import	Not applicable
c)	Whether the Technology has been fully absorbed	Not applicable
d)	If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not applicable

#### 4 The expenditure incurred on Research & Development

- |  |   |
|--|---|
| a. Specific areas in which R&D carried out by the Company. | i) Indigenous process development for new products (agrochemicals and intermediates)<br>ii) R&D work on the existing processes to make them environmentally friendly and cost effective |
| b. Benefits delivered as a result of the above R&D.        | Increased export and domestic business and improved product quality. Registration of new products in India and abroad.  |
| c. Future plans of action.                                 | Introduction of new products through indigenously developed technology for domestic and export market. Process improvement. New areas like pharma intermediates.                        |

5 Expenditure on R&D for the financial year	2020-21	2019-20
a. Capital expenditure	₹ 1 Lakhs	₹ 29 Lakhs
b. Revenue expenses	₹ 506 Lakhs	₹ 450 Lakhs
c. Total expenditure as a percentage of total turnover	0.43%	0.47%

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The foreign exchange earned in terms of actual inflows during the year and the foreign exchange outgo during the year in terms of the actual outflow.

1. Foreign Exchange earned: ₹ 32,880 lakhs
2. Foreign Exchange Used: ₹ 31,217 lakhs

#### For and on behalf of the Board

Place: Hyderabad  
Date: August 05, 2021

**M. Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**N. Vijayaraghavan**  
Director  
(DIN: 02491073)

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## Macro-Economic Scene:

Just as global economies started getting back to pre-Covid-19 levels of trade and business, the world has witnessed a second wave of Covid-19, with new variants of the virus attacking mankind. The start of 2021 saw vaccines being available, and nations are busy rolling out vaccination plans for their population based on access, availability and feasibility. It is indeed a tall order trying to inoculate billions of the world populace, however, this being the only solution to the pandemic, efforts are underway in full swing. As of March 2021, more than 65 crore doses of the vaccine have been administered, across 141 countries. (Source: Department of Economic Affairs, March 2021 newsletter)

The global economy is recovering at different paces across countries. Growth is expected to be 5.6% in 2021, close on the heels of the global recession of 2020, and a strong growth poised on a weak base year. Vaccine availability and access, further waves of the virus, and states of economies are variable across the world and still pose a risk, however, 90% of the advanced economies are expecting to touch pre-pandemic per capita income level by 2020. Emerging market and developing economies are lagging behind a bit and battling pandemic-induced challenges. The world is trying to come together and solve problems at global scale, with sharing knowledge and data, science and information, to help each other overcome the stress induced by the pandemic. Fiscal policies, extension of credit and policy measures of governments play a key role in the economic recovery of each country. Certain long-standing reforms will lead the world in good stead, and policies and efforts to lower trade costs will aid in trade resumption, and help bring inclusive development for countries across. (source: Global Economic Prospects – World Bank)

## Indian Economy:

India is battled a deadly second wave of the coronavirus, and statistics for April and May 2021 were grim. Confirmed additional active daily cases touched peaks of about 4 lakhs per day in the beginning of May and are now down to about 40,000 cases a day. Total deaths reported are 4,11,439, and vaccination statistics are 5.6% fully vaccinated and 23% at least one dose as of Jul 14, 2021 (Source: <https://www.covid19india.org/>)

The unprecedented health crisis created stress on the healthcare systems, and the Government of India, as well as individual state governments took on a slew

of measures to test, track and treat those affected by the virus, while issuing constant advisories for people to stay indoors, wear masks and practice social distancing. Travel advisories, setting up of quarantine facilities and partial to full lockdowns were imposed by States to prevent further spread of the virus. Some of these measures affected employment, business, trade and manufacturing and service activities. The real GDP contraction for 2020-21 is estimated at 7.7%, as compared to a growth of 4.2% for 2019-20, and a strong recovery is estimated for 2021-22.

The Government announced a special economic and comprehensive package under Atmanirbhar Bharat of ₹ 20 lakh crore - equivalent to 10 percent of India's GDP, to fight the Covid-19 pandemic in India. Multiple reforms were announced as part of the package, including deregulation of the agricultural sector, new PSU policy, change in definition of MSMEs, commercialization of coal mining, higher FDI limits in defence and space sector, Production Linked Incentive Schemes, development of Land Bank and Industrial Information System, revamp of Viability Gap Funding scheme for social infrastructure, new power tariff policy and incentivizing States to undertake sector reforms. Steps were taken to improve private consumption, including handing of cash incentives and advances to central government employees. Other steps such as interest-free 50-year loan to states, additional capital expenditure budget for the central Government, and the launch of an Emergency Credit Line Guarantee Scheme (ECLGS) 2.0, boost to manufacturing sector through Production-linked incentives for ten Sectors amounting to ₹ 1.46 lakh crore, additional outlay for PM Awaas Yojana (PMAY) ₹ 18,000 and several other policy measures to give impetus to economic growth. (source: Union Budget – Macro Economic Statement 2021-22)

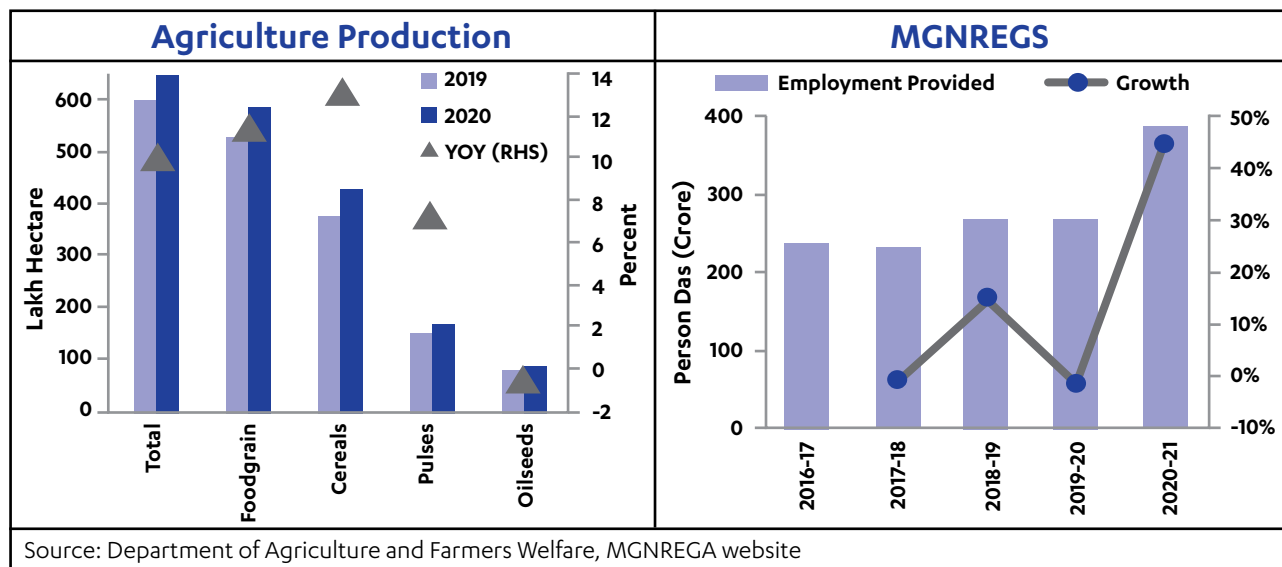
## Global Sector Overview:

The global agrochemical industry is expected to touch \$246.1 billion by 2025, at a CAGR of 3.4% from 2020. This is driven by the increased need for food and foodgrains for a growing global population, a decreasing availability of land for agriculture, necessitating an increased yield per hectare. Agrochemicals, as an input sector for agriculture, play an increasingly important role in making this happen.

Agriculture and Allied Agriculture continues to be prominent for the Indian economy as it is the primary source of livelihood for about half of the nation's

population. A growing population, increased food needs and economic growth are factors that affect the industry, as it is an input sector for agriculture. India is already the largest producer of milk, pulses and spices and the second largest producer of rice, wheat, cotton, sugarcane, tea, fruits and vegetables.

Production of food grains hit a record high of 303.2 million tonnes, 2 % higher than estimates made last year. Crops in kharif and rabi seasons grew, and production of oilseeds and horticulture, all had record growth during 2020-21.



(source: DEA report March, 2021)

### India Sector Overview: Agriculture and allied sectors

Agriculture plays a very important role in India's economy, with 54.6% of the workforce engaged in agricultural and allied sector activities (Census 2011), accounting for 17.8% of the country's Gross Value Added (GVA) for the year 2019-20. The Government of India has taken many steps towards its development in a sustainable manner. To mitigate risk in the agriculture sector, a scheme "Pradhan Mantri Fasal Bima Yojana" (PMFBY) was also launched in 2016. Schemes such as Formation & promotion of 10,000 FPOs and the Agriculture Infrastructure Fund have also been launched recently to benefit the sector.

India's geographical area is 328.7 million hectares, of which net sown area is 139.4 million hectares, 42.4% to the total.

Total foodgrain production in the country is estimated at 297 million tones for 2019-20, the highest of previous five years average foodgrain production. The increase is observed across all categories – rice, wheat, cereals,

pulses, oilseeds, sugarcane and cotton. (source: Annual Report of Agriculture, Cooperation & Farmers Welfare)

### India Sector Overview: Agrochemicals

The Indian agrochemical market reached USD 4.5 billion in 2020, and is expected to grow further at a CAGR of 8.6% between 2021 and 2026, to touch USD 8 billion by 2026. While arable land in India is declining over the last few years, Agriculture production is improving, signifying improvement of productivity. With growing global population constantly and challenges in food production, crop protection chemicals are a potent means to produce more food with less resources by saving farm production from pests and diseases. The agrochemicals industry has played a great role since first green revolution to transform India's ship-to-mouth economy to a farm-to-ship economy.

Production of agrochemicals has gone up in FY 2020-21 as compared to FY 2019-20.



## Production, Export and Imports during April - December 2020 - 21

**Table 1: Production, Export and Imports of agrochemicals (Unit: 000 tonnes)**

	Change (y-o-y)			
	2019-20	2020-21	2019-20	2020-21
<b>Production</b>	<b>145</b>	<b>163</b>	<b>-12.8%</b>	<b>11.9%</b>
<b>Exports</b>	<b>330</b>	<b>384</b>	<b>0.0%</b>	<b>16.1%</b>
<b>Imports</b>	<b>83</b>	<b>117</b>	<b>-9.4%</b>	<b>41.2%</b>

Source: CMIE, Ministry of Commerce

*Note: Companies are not required to mention segment-wise production capacity, i.e. production capacity of insecticides, fungicides, herbicides and rodenticides. Hence, the production numbers will not match the export and import number since production is that of technical grade (what APIs is in Drugs and Pharmaceuticals).*

\*Total exports and imports include insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant growth regulators and disinfectants.

Source: March 2021 update, CARE Ratings

India is the 4<sup>th</sup> largest producer of agrochemicals in the world which is expected to grow to over \$8 billion by 2026. Globally, India is 5<sup>th</sup> largest the exporter of agrochemicals. India is the 5<sup>th</sup> largest consumer of Agrochemicals globally but lags behind in per Acre consumption of agrochemicals, placed 13<sup>th</sup> globally. India is also low in per hectare productivity, which can be improved by better use of agrochemicals, among others.

Insecticides dominate the Indian crop protection market. Herbicides, which are the largest selling category in the West, are the fastest growing segment. Export of agrochemicals have increased sharply during the 9 months of FY 2021. India has mainly exported recently to Brazil (19%), US (9%), Vietnam (5%), Bangladesh (6%), Australia (4%), Costa Rica (3%) and France (3%) Exports to Latin America and Oceania regions have increased as compared to last year. (source: Care Rating March, 2021)

### Outlook and Opportunities:

Conditions for agrochemical industry have been favourable, with adequate water levels, good rains and moisture in the soil. Proposals under last year's 'Aatmanirbhar Bharat' package are pertinent for the

agrarian economy, boosting agriculture and allied sectors by strengthening infrastructure and logistics, demand for agrochemicals for the rest of FY 2021 seems sanguine. Some of the measures adopted by the Government such as increasing MSPs, eNAM portal, and Kisan Samman Nidhi have been very beneficial to farmers and brought about wider adoption of quality seeds (source: Care Rating March, 2021)

The opportunities for growth of your Company are very promising in domestic and export markets given so many supporting constituents including:

- 1) **Increasing Food Demand:** India has 17.7% of the world's population. An increasing population, need for food security and emphasis on achieving food self-sufficiency is expected to drive the demand for crop protection chemicals. With the population estimated to reach 1.7 billion by 2050, Indian food grain demand is estimated at 355 million tonnes by 2030. Taking into account reducing arable land, small land holdings and low consumption of pesticides per hectare, increasing productivity of farming is the way to go in to step up output to feed the population, which can be achieved through optimum usage of farm productivity-enhancing inputs like agrochemicals.
- 2) **Increasing demand of Horticulture & Floriculture:** Fruits and vegetables account for nearly 90% of total horticulture production in the country. The horticulture output for India increased in estimated at 326.5 million tonnes for FY 2020-21, growing at 1.8% versus the prior year. India is now the 2<sup>nd</sup> largest producer of fruits and vegetables in the world and is the leader in several horticultural crops namely mango, banana, papaya, cashew-nuts, areca nut, potato and okra. Growth in horticulture and floriculture industries is to result in increase in demand for agrochemicals, especially fungicides. As India's diverse climate ensures production of all varieties of fresh fruits & vegetables, the trend has slowly shifted from production of food grains to horticulture. Due to rapid urbanization and shift towards nutritious and healthy diet, demand for fruits & vegetables is expected to increase from 268 million tonnes to 647 million tonnes by 2050. In order to reduce post-harvest loss in fruits & vegetables, demand for fungicides, new age crop protection chemicals and preservation molecules will increase.

- 3) Off Patent Molecules: 23 active ingredients are expected to go off patent between 2020-2025, according to the Global Guide of coming Off Patent agrochemical active ingredients. This provides significant opportunities for agrochemical manufacturers looking to expand their production.
- 4) Increasing Export Potential:
  - a) China Government's clampdown on industries due to environmental concerns is increasing the cost of production in China, which is strengthening the Indian manufacturers in their global competitiveness. Further, US - China trade war and global effort to reduce dependency on China for inputs and finished products is expected to boost demand. The prevailing International market conditions become conducive for India in its desire to be a manufacturing hub and preferred destination for sourcing.
  - b) Government has announced Agricultural export policy and set a target of USD\$ 60 billion by 2022. Government is promoting cluster-based development which will boost competitiveness of exports and domestic sales by reducing logistics cost.
- 5) Government Budgetary and Policy Support:
  - a) In the direction of the doubling farmer's income by FY 2022, the Department of Agriculture, Cooperation and Farmers Welfare was allocated ₹ 135,000 crores on February 1, 2020.
  - b) Growing institutional credit to provide credit facilities to farmers in the rural areas are increasing continuously. Availability of farm loans at low interest rates are expected to encourage farmers to use more quality inputs including pesticides in order to improve crop yields. Agriculture credit target of ₹ 15,00,000 crores has been established for the financial year 2020-21.
  - c) Increasing minimum selling price (MSP), Government's focus on better water management, investment in irrigation projects and rainwater harvesting, enhancing exports of rice and wheat, establishing the National mission on Food processing, launching Agro Market infrastructure fund (corpus of INR 2000 crore) for setting up, developing and upgrading agricultural marketing infrastructure in 22,000 Grameen Agriculture Markets and 585 APMCs are all initiatives that augur well for the crop protection Industry.
- 6) Increase usage of Bio-pesticides:
  - a) Globally, the bio-pesticides market is estimated to grow at a CAGR 14.7%, whereas the corresponding market in India is estimated to grow at a CAGR of 7.3%
  - b) With an increasing awareness for eco-friendly inputs and use of integrated pest management (IPM) method for crop protection, there is significant opportunity for growth of bio pesticides in the agri inputs industry. (Source: FICCI Report on sustainability farming)
- 7) Incidence of pest attacks:
  - a) One of the major challenges to ensure food security and good crop yields is incidence of pests. On an average agro-pests are estimated to cause 15%-20% yield losses in principal major food and cash crops. Use of agrochemicals can help mitigate the pest problem and increase crop output by 25%-50%. So far, the presence of more than 40,000 different types of insects have been recorded in India and of these about 1,000 have been listed as potential pests of economic plants, 500 pests have caused serious damage at some time and 70 have been causing damage more often.
  - b) FY 2019-20 saw a record locust attack that impacted more than 3.5 lakh hectares of land in various districts of Gujarat and Rajasthan. During FY 2020-21, 10 states reported locust incursions, however, so far these seem to indicate reduction of losses incurred by farmers as compared to prior years.
- 8) Increasing awareness: Educating the farmers about advantages of agrochemicals and its safe usage would lead to increase in demand. Companies have been training farmers regarding the right use of agrochemicals in terms of quantity to be used, right application methodology and appropriate solutions to be used for identified pest problems.
- 9) Digital solutions in agriculture: Digital innovations and technologies would be part of the solution. The so-called 'Fourth Industrial Revolution' (Industry 4.0) is seeing several sectors rapidly transformed by 'disruptive' digital technologies

such as Block-chain, Internet of Things, Artificial Intelligence and Virtual Reality. In the agriculture and food sector, the spread of mobile technologies, remote-sensing services and distributed computing are already improving smallholders' access to information, inputs, market, finance and training. Digital technologies are creating new opportunities to integrate smallholders in a digitally driven agri-food system (USAID, 2018). (Source: <http://www.fao.org/3/ca4887en/ca4887en.pdf>)

Keeping in view of the above, your Company is gearing itself to seize the emerging opportunities amidst the challenging macro-economic environment, by focusing attention on better portfolio management, product development, asset productivity, quality and sustainability to grow in domestic and international markets.

### Challenges, Threat, Risks and Concerns:

Although the long term benefits for the Company expected to be good given the growth opportunities unfolding, there are few challenges, threat, risks and concerns that may affect the agrochemical business. Few of them are highlighted herein below:

- 1) The pandemic COVID-19 wreaked havoc on humanity across the globe, including all stakeholders of the agricultural system. India yet had a record production of food grain and showed resilience during FY 2020-21. However, this does not take away from the fact that several challenges were faced, and food inflation shot up during the period. The reverse migration of labour, supply chain issues both of inputs and outputs during the lockdown and beyond, proposed changes to Farmers bills and subsequent protests, changes in consumption patterns of populations forced to stay indoors; the impacts have been far reaching and diverse on the agricultural sector.
- 2) Due to the pandemic, with agrochemicals being placed under 'essential commodities, the industry has functioned close to normal. However, input materials for the industry were overly dependent on China, causing constraints to Indian Companies. Also, exports faced challenges due to global supply chain disruptions resulting from the pandemic.
- 3) Changing Climatic Conditions: Erratic climatic conditions are impacting crop output. Farms need an array of inputs to protect crops from adverse climatic realities. Irregular monsoons coupled with lack of irrigation (60% of cultivable land is

non-irrigated) results in low agricultural yield in India.

- 4) Companies are facing challenges in terms of availability of labor and staggered timing of plant operations in order to follow the protocol of social distancing and other safety protocols announced by the Government.
- 5) Other long-standing challenges/concerns the Industry is encountering are:
  - a) Low rate of development of agrochemical molecules, mainly due to low investment in R&D (India invests 1-2% of revenue against global investment of 8% of revenue in R&D);
  - b) Lack of testing infrastructure vis-à-vis production of pesticides in India, and underutilization of existing testing facilities;
  - c) Spurious products leading to crop and financial losses, reported illegal import of technical grade chemicals and local counterfeit products;
  - d) Lack of effective distribution systems in terms of speed and cost. Despite the aforesaid challenges, your Company's increased efforts in implementing various growth plans and improving productivity of resources and assets, bodes well for the future.

### Financial Performance: (Consolidated)

During the year 2020-21, the Revenue from operations ₹ 119,137 Lakhs reflects an increase of 17% over the previous year. The EBIT and Cash Profit stood at ₹ 10,258 Lakhs and ₹ 9,996 Lakhs respectively compared to ₹ 5,307 Lakhs and ₹ 4,788 Lakhs. The financial performance of your Company during 2020-21 was as under:

(₹ in Lakhs)

Particulars	2020-21	2019-20
Revenue from Operations	1,19,137	1,01,489
EBIDTA (as % of Revenue from Operations)	10.73%	7.59%
Profit before depreciation, tax (as % of revenue from operations)	8.39%	4.72%
Return on Capital Employed	19.64%	13.23%
Return on Net Worth	12.18%	4.69%
Earnings per share (FV Rs.1 each)	2.63	1.00
Book value per share	21.34	18.53

## **Industrial Relations and Human Resources Development:**

The number of employees in the Company as on the March 31, 2021 was 1,204. The Company enjoys cordial and harmonious industrial relations. Training programs and various initiatives are being taken to create an environment to enhance individual and team performance.

## **Cautionary Statement:**

The Statement in the Report of the Board of Directors and Management Discussion & Analysis Report describing the Company's projections, estimates, exceptions or prediction may be forward looking statement within meaning of applicable of Securities Laws and Regulations. Actual results could differ materially from those expressed implied since the Company's operations are influenced by many external and internal factors beyond the control of Company.

## **Disclaimer:**

Readers are cautioned that this Management Discussion and Analysis contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words "anticipate", "believe", "estimate", "intend", "will", and "expected" and other similar expressions as they relate to the Company or its business are intended to identify such forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances

or achievements and risks and opportunities could differ materially from those expressed or implied in such forward-looking statements. The important factors that would make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets, raw material prices, changes in the Governmental regulations, labour negotiations, tax laws and other statutes, economic development within India and the countries within which the Company conducts business and incidental factors. The Company undertakes no obligation to publicly amend, modify or revise any forward-looking statements on the basis, of any subsequent developments, information or events. The aforesaid discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

## **For and on behalf of the Board**

### **M. Pavan Kumar**

Managing Director & CEO  
(DIN:01514557)

### **N. Vijayaraghavan**

Director  
(DIN:02491073)

Place: Hyderabad

Date: August 05, 2021

# CORPORATE GOVERNANCE 2020-21

## A. CORPORATE GOVERNANCE: GUIDING PRINCIPLES

NACL is guided in thought and action by the philosophy of SERVING SOCIETY THROUGH INDUSTRY.

This philosophy is defined by principles of concern, commitment, quality and integrity in all its acts and relationships with all stakeholders in the broadest sense including customers, investors, business associates, lenders, vendors, employees and the community at large, which always inspired and guided the company's thinking and conduct.

## B. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company views Corporate Governance under the following major parameters:-

- 1) Transparency in relation to appointments, remuneration, meetings of the Directors on the Board of the Company, responsibility and accountability of the Board of Directors.
- 2) Providing correct, accurate and relevant information to the shareholders regarding the functioning and performance of the Company pertaining to financial and other non-financial matters.
- 3) Internal and external controls and Audits.

### Date of Report:

The information provided in the Corporate Governance Report for the purpose of unanimity is as on March 31, 2021. The report is updated as on the date of the report wherever applicable.

### The Governance Structure:

The Company's Governance structure is based on the principles of freedom to the Executive Management within a given framework to ensure that the powers vested in the Executive Management are exercised with due care and responsibility so as to meet the expectation of all the stakeholders. In line with these principles, the Company has framed three tiers of Corporate Governance structure viz.,

- 1) **The Board of Directors:** The primary role of the Board of Directors is to protect the interest and enhance value for all the stakeholders. It conducts overall strategic

supervision and control by setting the goals and targets, policies, reporting mechanism and accountability, and decision making process to be followed. The Board also ensures that the Company effectively and efficiently works towards achieving its mission and is committed to continual quality improvement.

- 2) **Committees of Directors:** Committees are usually formed by the Company as a means of improving Board effectiveness and efficiency, in areas where more focused, specialized and technical discussions are required. Committees enable better management of full Board's time and allow in-depth scrutiny and focused attention. The Committees play an important role:

- to strengthen the governance arrangements of the company and support the Board in the achievement of the strategic objectives of the Company;
- to strengthen the role of the Board in strategic decision making and supports the role of non-executive directors in challenging executive management actions;
- to maximize the value of the input from non-executive directors, given their limited time commitment;
- to support the Board in fulfilling its role, given the nature and magnitude of the agenda.

The Company have formed Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, CSR Committee, Banking Committee, Risk Management Committee and Compensation Committee which are focused on financial reporting audit and internal controls, investors grievances and related issues, appointment and remuneration of Directors and senior management employees, implementation and monitoring of CSR activities, bank related transactions including availment of loans/working capital limits/renewals of credit facilities and related bank transactions



of the Company, equity issue related matters and the risk management framework.

- 3) Executive Management:** The entire business including the support services are managed with clearly demarcated responsibilities and authorities at different levels.

## C. BOARD OF DIRECTORS:

### 1) Composition of the Board:

The Company has a balanced and diverse composition of Board of Directors, which primarily takes care of the business needs and stakeholders interest. The Board consists of eminent persons with considerable professional expertise and experience in setting up and operating agrochemical manufacturing plants and pesticide formulations, and in other fields such as Finance, Accounts, Legal and Taxation.

The details of the composition of the existing Board of Directors as on March 31, 2021 are given below:

- a) Composition of Board:** The Company's Board of Directors, as on March 31, 2021, comprises of 11 (Eleven) Directors, out of which, 2 (two) are Non-Executive Non-Independent Directors (NEDs)

including 1 (One) Woman Director. Further, out of the remaining Directors, 6 (six) are Non-Executive Independent Directors, 2 (two) are Investors Nominee Directors and 1 (one) is an Executive Director. None of the Directors are related to each other. The composition of the Board is in conformity with the provisions of the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Obligations").

- b) Number of Board Meetings held during the year and the dates of the Board Meetings:** During the year 2020-21, the Board met 7 (seven) times on May 20, 2020; August 12, 2020; August 26, 2020; November 04, 2020; February 04, 2021; March 22, 2021 and March 23, 2021.
- c)** The maximum time gap between any two of the Board Meetings was not more than 120 (One Hundred and Twenty) days.
- d)** Attendance details of each Director at Board Meetings and the last Annual General Meeting are as follows:

Sl. No.	Name, Position and DIN of the Director	Category of Directorship	No. of Board Meeting held	No. of Board Meeting Attended	Whether present at previous AGM held on September 28, 2020
1)	Mrs.K.Lakshmi Raju, Chairperson (DIN: 00545776)	Promoter, Non-Executive Director	7	7	Yes
2)	Mr.Sudhakar Kudva (DIN: 02410695)	Independent Director	7	7	Yes
3)	Mr.N.Vijayaraghavan (DIN:02491073)	Non-Executive, Non-Independent Director	7	7	Yes
4)	Mr.Raghavender Mateti (DIN:06826653)	Independent Director	7	7	Yes
5)	Mr. K. Dorairaj (DIN: 00902788)	Independent Director	7	7	Yes
6)	Mr. Atul Churiwal (DIN: 00180595)	Investor Nominee Director	7	7	Yes
7)	Mr. Rajesh Kumar Agarwal (DIN: 00210719)	Investor Nominee Director	7	7	Yes

Sl. No.	Name, Position and DIN of the Director	Category of Directorship	No. of Board Meeting held	No. of Board Meeting Attended	Whether present at previous AGM held on September 28, 2020
8)	Mr. M. Pavan Kumar (DIN: 01514557)	Managing Director & CEO	7	7	Yes
9)	Mr. Ramakrishna Mudholkar (DIN: 00012850)	Independent Director	7	7	Yes
10)	Mr. N. Sambasiva Rao (DIN: 06400663)	Independent Director	7	7	Yes
11)	Ms. Veni Mocherla (DIN: 08082163)	Independent Director	7	7	Yes

Directors are appointed or re-appointed with the approval of the shareholders and shall remain in office in accordance with the provisions of the Companies Act, 2013. All the Non-Executive Directors (except Independent Directors and Investor Nominee Director) are liable to retire by rotation unless otherwise specifically approved by the shareholders.

None of the Directors on the Board is a member of more than 10 Committees and Chairperson of more than 5 Committees across all the Companies in which he/she is a Director as specified in Regulation 26 of the Listing Regulations. The necessary disclosures regarding Committee positions in other public Companies have been made by all the Directors. None of the Directors holds office in more than 20 Companies and in more than 10 public Companies as prescribed under Section 165(1) of the Companies Act, 2013. None of the Independent Directors of the Company are serving as an Independent Director in more than 7 (seven) Listed Entities.

The Board of Directors confirms that the Independent Directors fulfill the conditions specified in the Act and the Listing Regulations and are independent of management.

The number of Directorship and Committee positions held by Directors in public limited companies are given below:

Sl. No.	Name of the Director	Number of Directorships in Public Limited Companies* (including NACL Industries Limited)			Number of Committee** memberships held in Public Limited (including NACL Industries Limited)		Directorship in other Listed Entities	
		Chairperson	Director	Total	Chairperson	Member	Name of Listed Entity (including Debt Listed)	Category of Directorship
1)	Mrs.K.Lakshmi Raju	1	-	1	-	1	-	-
2)	Mr.Sudhakar Kudva	-	2	2	2	1	Bhagiradha Chemicals and Industries Limited	NED & ID®
3)	Mr.N.Vijayaraghavan	-	1	1	-	2	-	-
4)	Mr.Raghavender Mateti	-	2	2	1	1	-	-
5)	Mr. K. Dorairaj	-	1	1	-	-	-	-
6)	Mr. Atul Churiwal	-	1	1	-	-	-	-
7)	Mr. Rajesh Kumar Agarwal	-	1	1	-	-	-	-
8)	Mr. M. Pavan Kumar	-	1	1	-	1	-	-
9)	Mr. Ramakrishna Mudholkar	-	1	1	-	-	-	-

Sl. No.	Name of the Director	Number of Directorships in Public Limited Companies* (including NACL Industries Limited)			Number of Committee** memberships held in Public Limited (including NACL Industries Limited)		Directorship in other Listed Entities	
		Chairperson	Director	Total	Chairperson	Member	Name of Listed Entity (including Debt Listed)	Category of Directorship
10)	Mr. N. Sambasiva Rao	-	3	3	-	1		-
11)	Ms. Veni Mocherla	-	2	2	-	1	Andhra Paper Limited	NED & ID@

\*Excludes Directorships/Chairpersonships in Associations, Private Limited Companies, Foreign Companies, Government Bodies, Companies registered under Section 8 of the Act and Alternate Directorships.

\*\*Board Committees hereit means only Audit Committee and Stakeholders Relationship Committee.

@NED & ID – Non Executive Director & Independent Director.

## 2) Skill, Expertise and Competencies of the Board:

- Rich corporate experience in Agrochemical, Pesticides, Agri, Fertilizers and other business and industrial sectors.
- Skillful/Deft at operating vast array of farm technology with hands-on approach to work and honed with outstanding communication skills and expertise in training people on various aspects of agriculture operations, agricultural marketing and organic farming.
- Experience in the field of Agrochemical Marketing both in domestic and overseas.
- Experiences in various manufacturing fields, and general management.
- Expertise in Finance, Treasury, Information Technology, Risk Management, Treasury and Forex Operation and General Administration, Legal Compliance and Corporate Governance.

S. No	Name of Director	Qualification	Experience	Competencies
1)	Mrs.K.Lakshmi Raju (KLR)	a) B.Com b) Master Degree in Business Administration	17 years	Having more than 17 years of experience in the Corporate business field
2)	Mr. Sudhakar Kudva (SK)	a) B.Com b) FCA	42 years	Mr. Sudhakar Kudva, a Chartered Accountant, has over 42 years of work experience in India and abroad in a wide range of industries including the Lakshmi Mittal Group. (in Arcelor Mittal Ltd., as Executive Director-Commercial). His areas of expertise are Finance, Treasury and General Management.
3)	Mr.N. Vijayraghavan (NVR)	a) B.Tech (Metallurgy), b) PGDM from IIM-A	43 years	He has over 43 years of wide corporate experience. He worked in various senior positions in wide industry spectrum of Companies like L&T, ITW Signode, Nagarjuna Fertilisers and Chemicals Limited and Sterlite Industries. His experiences include various manufacturing fields, marketing and general management.
4)	Mr. Raghavender Mateti (RM)	a) B. Tech (Agricultural Engineering) b) PGDM in Agriculture from IIM-A	41 years	He has vast experience in various chemical industries and extensive experience in the field of Agrochemical Marketing both in domestic and overseas for over three decades through his association with Gharda Chemicals Limited, Cheminova India Limited, Lupin Agrochemicals, Shaw Wallace & Company Ltd and Rallies India Limited. He has served as Vice-Chairman of Pesticides Association of India during 1995-2000. He has delivered various speeches on industry matters at several National and International Conferences

S. No	Name of Director	Qualification	Experience	Competencies
5)	Mr. M. Pavan Kumar (MPK)	a) Honours Graduate in Science b) Master's in Business Management from McGill University, Montreal, Canada	38 years	He has more than 38 years of vast experience in various chemical industries and extensive experience in Pesticides, Agri, Fertilizers and other business and industrial sectors.
6)	Mr.K. Dorairaj (KD)	B.Sc. (Agriculture)	51 years	He has around 5 decades of experience in marketing of Fertilizers, specialty fertilizers, Pesticides and organic inputs. Currently working as the Freelance Agriculture Consultant, deft at operating vast array of farm technology with hands-on approach to work and honed with outstanding communication skills and expertise in training people on various aspects of agriculture operations, agricultural marketing and organic farming.
7)	Mr.Rajesh Kumar Agarwal (RKA)	B.Com (Honours) degree	27 years	He is having more than around 27 years of diversified corporate experience including Chemical Industry. He is the Joint Managing Director of M/s. Krishi Rasayan Exports Pvt. Ltd., (KREPL), an Investor in the Company. Mr. Agarwal is also executive member of Managing Committee of PHD Chamber of Commerce, New Delhi, and also trustee of various social, religious and education
8)	Mr.Atul Churiwal (AC)	B.Com (Honours) degree	39 years	He is having around 39 years of rich corporate experience mainly in Agrochemical Industry. He is the Managing Director of M/s. Krishi Rasayan Exports Pvt. Ltd., (KREPL) an Investor. He was the President of the premier Chamber of Commerce & Industry. He is also trustee of various social, religious and educational charitable organizations.
9)	Mr. Ramkrishna Mudholkar (RKM)	a) B. Sc. (Agriculture) b) Masters in Business Administration from IIM-A	36 years	He comes with rich corporate experience and an astute professional with around 36 years of rich experience in senior leadership roles in the field of sales and marketing of Agrochemicals, pesticides and organic inputs.
10)	Mr. N. Samabasiva Rao (NSR)	a) M. Sc., (Agriculture Economics), b) PGDM from University of Indianapolis, USA c) PGD in Japanese Management from Shingo Institute of Japanese Management, Hyderabad	39 years	He is having over 39 years of exposure and experience in sales and marketing of fertilisers and agro inputs products. Mr.Sambasiva Rao Nannapaneni also worked with Krishak Bharati Co-operative Limited (KRIBHCO), Nagarjuna Fertilizers and Chemicals Limited (NFCL), Pyrites Phosphates & Chemicals Limited, E.I.D Parry India Limited and Food Corporation of India.

S. No	Name of Director	Qualification	Experience	Competencies
11)	Ms.Veni Mocherla (VM)	a) MBA b) Post Graduate Programme at Chartered Institute of Marketing, UK	19 years	She is a business consulting professional with over 19 years work experience including services rendered for various international assignments. She has been actively involved in cross border partnerships, turnaround and corporate strategic initiatives.

Expertise and Skills	KLR	SK	NVR	RM	MPK	KD	RKA	AC	RKM	NSR	VM
General Management and Leadership Expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Industry Experience and Entire value chain	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Corporate Strategy and Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Science and Technology including IT				✓	✓	✓					
Finance	✓	✓			✓		✓	✓		✓	
Risk Management		✓	✓		✓					✓	✓
Regulatory and Governance		✓			✓				✓	✓	✓
Human Resource and Communication					✓						
Safety and Corporate				✓	✓	✓				✓	
Geography and Cross cultural experience	✓	✓	✓		✓		✓	✓	✓	✓	✓

### 3) Familiarization Programme:

The Company has formulated a Policy on Familiarization Programme for Independent Directors. The Company upon the induction of Independent Directors provide necessary documents, which contains the information about Company, Memorandum and Articles of Association, Annual Reports for previous 2 years, Investor Presentations and recent Media Releases, Brochures, Organization policies. The appointment letter issued to Independent Director inter alia sets out the expectation of the Board from the appointed Director, their fiduciary duties and the accompanying liabilities that come with the appointment as a Director of the Company.

Senior Management Personnel of the Company makes periodical presentations to the Board members at the Board and Committee Meetings held during the financial year briefing on the business and performance updates of the Company, global business environment, business strategy and risks involved, quarterly reports such as Corporate Governance,

financial results, shareholding pattern, plans, strategy, new initiatives, etc. The details of such familiarization programme for Independent Directors are put up on the Company's website and can be accessed at <https://www.naclind.com>.

### 4) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL:

The Board of Directors has laid down a Code of Conduct for all Board members and Senior Management Personnel of the Company. The Code of Conduct is uploaded on the website of the Company i.e., [www.naclind.com](http://www.naclind.com). All the Board members and Senior Management Personnel have confirmed compliance with the code for the year under review. A declaration signed by the Managing Director & CEO pursuant to Regulation 34(3) of the Listing Regulations, forms part of this Annual Report.

### 5) CODE OF CONDUCT OF INDEPENDENT DIRECTORS:

As per the provisions of Section 149(8) read with Schedule IV of the Companies Act,



2013 the Company has laid down the “Code of Conduct for Independent Directors” in accordance with Schedule IV of the Companies Act, 2013. The said Code of Conduct is duly approved and adopted by the Board and the same has been uploaded on the website of the Company.

#### 6) **SEPARATE MEETING OF INDEPENDENT DIRECTORS:**

A separate meeting of Independent Directors of the Company, without the attendance of Non-Independent Directors and members of management, was held on August 26, 2020 as required under Schedule IV to the Companies Act, 2013 (Code for Independent Directors) and Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. Sudhakar Kudva, Mr. Raghavender Mateti, Mr. K. Dorairaj, Mr. Ramakrishna Mudholkar, Mr. N.Sambasiva Rao and Ms.Veni Mocherla attended the Meeting of Independent Directors.

As required by the provisions of Section 149 read with Schedule IV to the Companies Act, 2013 the Independent Directors met and reviewed inter-alia the following matters:

- 1) Performance of Non-Independent Directors and the Board of Directors as a whole;
- 2) Performance of the Chairperson of the Company, taking into account the views of Executive, Non-Executive Directors; and
- 3) Assessed the quality, quantity and timeliness of flow of information between the Company management that is necessary for the Board to effectively and reasonably perform their duties and presented their observations to the Board of Directors.

#### **D. COMMITTEES OF THE BOARD OF DIRECTORS:**

The Board of Directors has constituted the following Committees with appropriate delegation of powers:

##### **1) Stakeholders Relationship Committee:**

Mr. Raghavender Mateti is the Chairman of the Stakeholders Relationship Committee. The other members of the Committee are Mr.N.Vijayaraghavan, Mrs.K.Lakshmi Raju,

and Mr.M.Pavan Kumar.

The Committee met three (03) times during the year. The details of attendance of members of the Stakeholders Relationship Committee Meetings are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr.Raghavender Mateti	Chairman	3	3
Mr. N.Vijayaraghavan	Member	3	3
Mrs.K.Lakshmi Raju	Member	3	3
Mr. M. Pavan Kumar	Member	3	3

The terms of reference of Stakeholders Relationship Committee inter-alia includes:

- approve transfers, transmission, dematerialization/re-materialization, issue of duplicate share certificates, shares splitting and consolidation of shares issued by the Company.
- oversee compliances in respect of dividend payments and transfer of unclaimed amounts to IEPF.
- consider and redress the complaints received from shareholders relating to transfer of shares, non-receipt of annual report, declared dividend, notices, balance sheet, etc.
- review the movement of shareholding and the stock prices of the Company.

The power to process dematerialization requests has also been delegated to the executives of the Share Transfer Agents of the Company to avoid delays. No penalties or strictures were imposed on the Company by any of the Stock Exchanges, SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years. The Company during the period year from April 01, 2020 to March 31, 2021 received 05 complaints from the investors and the same were resolved and there were no balance investor's complaints pending/unresolved as on March 31, 2021.

##### **2) Audit Committee:**

Mr.Sudhakar Kudva is the Chairman of the Audit Committee. The other members of the Committee are Mr.N.Vijayaraghavan, Mr.Raghavender Mateti and Mr.N.Sambasiva Rao.

The Audit Committee met four (4) times

during the period under review and the meetings were held on May 20, 2020; August 26, 2020; November 03, 2020 and February 03, 2021. The Statutory Auditors, the Internal Auditors and Cost Auditors were present as invitees for the meetings of the Audit Committee. The details of attendance of members of the Audit Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. Sudhakar Kudva	Chairman	4	4
Mr. N.Sambasiva Rao	Member	4	4
Mr. Raghavender Mateti	Member	4	4
Mr.N.Vijayaraghavan	Member	4	4

The terms of reference of the Audit Committee are in accordance with Regulation 18 read with Part C of Schedule II of the Listing Regulations and inter-alia includes the following:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending to the Board, the appointment, remuneration and terms of appointment of the auditors of the Company.
- c) Approval of payment to Statutory Auditors for any other services rendered by them.
- d) Reviewing with the Management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
  - i) Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013.
  - ii) Changes, if any, in accounting policies and practices and reasons for the same.
  - iii) Major accounting entries involving estimates based on the exercise of judgment by management.

- iv) Significant adjustments made in the financial statements arising out of audit findings.
- v) Compliance with listing and other legal requirements relating to financial statements.
- vi) Disclosure of related party transactions.
- vii) Modified opinion(s) in the draft audit report.
- e) Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
- f) Reviewing and monitoring the auditor's independence, and performance and effectiveness of the audit report.
- g) Approval or any subsequent modification of transactions of the Company with related parties;
- h) Scrutiny of inter-corporate loans and investments;
- i) Valuation of undertakings or assets of the Company, wherever it is necessary;
- j) Evaluation of internal financial controls and risk management systems;
- k) Reviewing with the Management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems.
- l) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- m) Discussion with Internal Auditors any significant findings and follow-up thereon.
- n) Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- o) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment

of declared dividends) and creditors.

- p) To review the functioning of the Whistle Blower mechanism.
- q) Approval of appointment of Chief Financial Officer after assessing the qualification, experience and background, etc of the candidates.
- r) Carrying out any other function as is mentioned in the 'Terms of Reference' of the Audit Committee.

The Audit Committee mandatorily reviews the following information:

- i) Management discussion and analysis of financial condition and results of operations;
- ii) Statement of significant related party transactions, submitted by management;
- iii) Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
- iv) Internal audit reports relating to internal control weaknesses; and
- v) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to the review of the Audit Committee.
- vi) Statements of deviations:
  - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
  - b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

### 3) Banking Committee:

Mr.N.Vijayaraghavan is the Chairman of the Banking Committee. The other members of the Committee are Mr.Sudhakar Kudva, Mr. Raghavender Mateti, Mr.M.Pavan Kumar and Mrs.K.Lakshmi Raju.

The quorum of the Committee is 2 members. The Banking Committee met six (6) times during the year. The details of attendance of

members of the Banking Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. N.Vijayaraghavan	Chairman	6	6
Mr. Sudhakar Kudva	Member	6	6
Mr. Raghavender Mateti	Member	6	6
Mr. M. Pavan Kumar	Member	6	6
Mrs. K. Lakshmi Raju	Member	6	6

The terms of reference of the Banking Committee inter-alia includes the following:

- a) To open new Accounts with any Bank and approve the list of persons authorized to operate such accounts and to make such changes as may be necessary from time to time.
- b) To approve avilment of working capital facilities/credit facilities by the Company and creation of the charge on the assets of the Company thereto, subject that such credit facilities so availed along with the existing credit facilities shall not exceed the limits as approved by the Board from time to time.
- c) To approve the creation of charge/ mortgage by deposit of title deeds or otherwise on the assets of the Company for availing the aforesaid credit facilities from time to time.
- d) To sub-delegate to Managing Director or any other Director/Executives of the Company to execute various documents including but not limited to loan documents, charge documents etc. and to exercise any of the powers delegated by Board to this Committee and to do all such acts, deeds and things as may be necessary.
- e) To authorize to deal/open/operate/ closures of various bank accounts of the Company/banking transactions and related matters.
- f) To authorize persons to sign necessary documents and for affixation of Common Seal and matters incidental thereto, for availing of such credit facilities.

#### 4) **Nomination and Remuneration Committee:**

Mr.Raghavender Mateti is the Chairman of the Nomination and Remuneration Committee. The other members of the Committee are Mr.N.Vijayaraghavan, Mrs.K.Lakshmi Raju and Mr.Sudhakar Kudva.

The functioning and terms of reference of the Nomination and Remuneration Committee are in accordance with the provisions of Section 178 and other applicable provisions of Companies Act, 2013, Rules made thereunder and Regulation 19 read with Para A Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It determines the Company's policy on all elements of the remuneration packages of the Directors including the Executive Directors. The Company has adopted a remuneration policy, which is available on the Company's website. The remuneration of the Directors is approved by the Nomination and Remuneration Committee and the Board of Directors as per the Nomination and Remuneration Policy of the Company.

The Nomination and Remuneration Committee had met two (02) times during the period under review and the meeting were held on August 26, 2020 and December 02, 2020. The details of attendance of members of the Nomination and Remuneration Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. Raghavender Mateti	Chairman	2	2
Mrs.K.Lakshmi Raju	Member	2	2
Mr.Sudhakar Kudva	Member	2	2
Mr.N.Vijayaraghavan	Member	2	2

The terms of reference of the Nomination and Remuneration Committee inter-alia includes the following;

- Identify persons who are qualified to become Directors and who may be appointed as Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal, and shall carry out the evaluation of every Director's performance.

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board of Directors a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- Formulation of criteria for evaluation of the performance of Independent Directors and the Board of Directors;
- Devising a policy on diversity of Board of Directors.
- Make recommendations regarding the composition of the Board, identify Independent Directors to be inducted to the Board from time to time and take steps to refresh the composition of the Board from time to time.
- To recommend the Board remuneration payable to the Directors and Key Managerial Personnel and Senior Managerial Personnel.
- To develop succession plan for the Board and to regularly review the plan.
- Review and recommend to the Board the remuneration and commission to the Managing and Executive Directors and define the principles, guidelines and process for determining the payment of commission to Non-Executive Directors and Independent Directors of the Company.

#### **Nomination and Remuneration Policy:**

The Company's philosophy for remuneration of Directors, Key Managerial Personnel, Senior Managerial Personnel and all other employees is based on the commitment of fostering a culture of leadership with trust. The Company has adopted a policy for remuneration of Directors, Key Managerial Personnel and other employees, which is aligned to this philosophy. The key factors considered in formulating the Policy areas under:

- the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;

- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to Directors, KMP and SMP involves a balance between fixed and incentives pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

#### 5) Corporate Social Responsibility (CSR) Committee:

Mr.Sudhakar Kudva is the Chairman of the Corporate Social Responsibility Committee. The other members of the Committee are Mrs.K.Lakshmi Raju, Ms.Veni Mocherla, Mr.M.Pavan Kumar and Mr.N.Vijayaraghavan.

The quorum of the CSR Committee is 2 members. The CSR Committee had met one (1) time during the period under review and the meeting was held on May 19, 2020. The details of attendance of members of the Corporate Social Responsibility Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr.Sudhakar Kudva	Chairman	1	1
Mr.N.Vijayaraghavan	Member	1	1
Mrs.K.Lakshmi Raju	Member	1	1
Mr.M.Pavan Kumar	Member	1	1
Ms.Veni Mocherla	Member	1	1

The terms of reference of the CSR Committee inter-alia includes the following:

- a) To formulate and recommend to the Board, a CSR Policy indicating activities to be undertaken by the Company in compliance with provisions of the Companies Act, 2013.
- b) To oversee the implementation of those activities, monitor the implementation of the framework of the CSR Policy and also report to the Board from time to time. It shall be ensured that the Company's CSR programmes will be identified and implemented according to the Board's approved CSR policy.
- c) The Committee shall monitor the implementation report from the

Organizations receiving funds. In this regard, the Committee may delegate designated Company official(s) to co-ordinate with the Organization receiving funds to inspect the activities undertaking and ensure information in a timely manner.

- d) To recommend the amount to be spent on the CSR activities.
- e) To attend to such other matters and functions as may be prescribed and statutorily required to be attended from time to time.

#### 6) Risk Management Committee:

Mr.Sudhakar Kudva is the Chairman of the Risk Management Committee. The others members of the Committee are Mr.M.Pavan Kumar, Mr.N.Vijayaraghavan, Mr.R.K.S.Prasad and Mr.Harish Chandra Bijlwan.

The functioning and terms of reference of the Risk Management Committee are in accordance with the applicable provisions of the Companies Act, 2013 and Rules made thereunder. The Company has duly framed the Risk Management Policy and laid down procedures to inform the Board members about the identification of elements of risk and minimization procedures.

The Risk Management Committee had met one (1) time during the period under review and the meeting was held on May 20, 2020. The details of attendance of members of the Risk Management Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr.Sudhakar Kudva	Chairman	1	1
Mr.N.Vijayaraghavan	Member	1	1
Mr.R.K.S. Prasad	Member	1	1
Mr.M.Pavan Kumar	Member	1	1
Mr.Harish Chandra Bijlwan	Member	1	1

The term of reference of the Risk Management Committee inter-alia includes the following:

- a) To assist the Board in the execution of its responsibility for the governance of risk, the Committee shall have the



responsibilities which include the following:

- i) to assist the Board in setting risk strategy policies, including annually agreeing risk tolerance and appetite levels in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and integrated reporting;
- ii) to ensure that an appropriate policy and plan for a system of risk management is developed by management, approved by the Board and distributed throughout the Company.
- iii) to annually review, assess the quality, integrity and effectiveness of the risk management plan and systems and ensure that the risk policies and strategies are effectively managed by management and that risks taken are within the agreed tolerance and appetite levels;
- iv) to review and assess the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work;
- v) to ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company's appetite or tolerance for risk. A framework and process to anticipate unpredictable risks should also be implemented;
- vi) to ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually. This assessment should as a minimum

cover risk affecting the income streams of the Company, IT risks, the critical dependencies of the business, the sustainability and the legitimate interest and expectations of shareholders; a framework and process to anticipate unpredictable;

- vii) to oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the Company's objectives are attained;
- viii) to review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
- ix) to monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts; and
- x) to provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management and the Audit Committee to the Board on all categories of identified risks facing by the Company.

## 7) Compensation Committee:

Mr. Raghavender Mateti is the Chairman of the Compensation Committee. The other member of the Compensation Committee is Mr. Sudhakar Kudva Mrs. K. Lakshmi Raju and Mr. N. Vijayaraghavan.

The quorum of the Compensation Committee is 2 members. The committee

met four (04) time during the year and the meeting was held on November 25, 2020, December 02, 2020, December 30, 2020 and February 22, 2021.

The attendance details of the members of the Compensation Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. Raghavender Mateti	Chairman	4	4
Mr. Sudhakar Kudva	Member	4	4
Mr. N. Vijayaraghavan	Member	4	4
Mrs. K. Lakshmi Raju	Member	4	4

The terms of reference of the Compensation Committee inter alia includes the following:

- To formulate, administer, supervise and implement or alter the same ESOS-2015 & ESOS-2020 Scheme.
- To Identify the employees entitled to participate under Employee stock option scheme
- To Grant and determine the number of options to be granted under Employee stock option scheme.
- To determine the method for exercising the vested options.
- To determine the exercise price of the option granted.
- To reissue of lapsed, surrendered, cancelled and forfeited options.
- To determine the conditions under which options vested in employee shall lapse.
- Such other things as the SEBI Regulations may prescribe from time to time.

#### E. REMUNERATION TO DIRECTORS:

The Non-Executive Directors of the Company are paid sitting fees for attending the Board of Directors/Committees meetings.

- The details of sitting fees paid to the Non-Executive Directors of the Company during the year from April 01, 2020 to March 31, 2021 are given below:

Sl. No.	Name of the Director	Sitting fees paid for attending meetings of Board of Directors and Committees of Directors.
(Amount in ₹)		
01.	Mrs. K. Lakshmi Raju	3,50,000
02.	Mr. Sudhakar Kudva	3,95,000
03.	Mr. N. Vijayaraghavan	4,10,000
04.	Mr. Raghavender Mateti	4,10,000
05.	Mr. K. Dorairaj	1,90,000
06.	Mr. Atul Churiwal	1,75,000
07.	Mr. Rajesh Kumar Agarwal	1,85,000
08.	Mr. Ramkrishna Mudholkar	1,90,000
09.	Mr. N. Sambasiva Rao	2,50,000
10.	Ms. Veni Mocherla	2,05,000

During the year, there were no other pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to its Non-Executive Director.

- Details of Remuneration paid to Mr. M. Pavan Kumar, Managing Director & CEO for the financial year ended March 31, 2021 is mentioned hereunder:

(in ₹)		
Sl. No.	Components	Amount
1.	Gross salary:	98,26,133
2.	Perquisites	39,600
3.	Stock Option	-
4.	Contribution to Provident Fund	-
5.	Others	50,00,000
<b>Total</b>		<b>1,48,65,733</b>

The tenure of office of the Managing Director is for 3 (three) years from their respective date of appointment and can be terminated by either party by giving three months' notice of writing. Further, in case of early termination of the agreement with the Managing Director, the Board of Directors may consider paying the remaining unpaid fixed pay component of the aforesaid Performance pay, on pro-rata basis or otherwise, as may deem fit and proper.

#### F. PERFORMANCE EVALUATION:

Pursuant to applicable provisions of the Companies Act, 2013 and Listing Regulations,

the Board has formulated Policy on Performance Evaluation of Directors which inter-alia covers, the criteria for evaluation of its own performance, performance of the Directors including Independent, Executive and Non-Executive Directors as well as the evaluation of its Committees and Chairperson of the Board. The criteria described in the said policy inter-alia includes qualifications, meeting the independence criteria, observing ethical standards, integrity, exercise of responsibilities, safeguarding interest of all stakeholders, skills and knowledge updation, adhering to Company's Code of conduct, regular attendance and active participation at the meetings of the Company, maintaining confidentiality, transparency, assistance in implementing best corporate governance practices, absence of conflict of interest with business of the Company, etc.

#### G. GENERAL BODY MEETINGS:

##### 1) Details of last three Annual General Meetings:

Financial Year	Date	Time	Place of venue
2017-18	06-08-2018	10.00 a.m.	FTAPCCI Auditorium, M/s. Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, (FTAPCCI), Federation House, 11-6-841, FAPCCI Marg, Red Hills, Hyderabad-500004, T.S. India.
2018-19	14-08-2019	10.00 a.m.	FTAPCCI Auditorium, M/s. Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, (FTAPCCI), Federation House, 11-6-841, FAPCCI Marg, Red Hills, Hyderabad-500004, T.S. India.
2019-20	28-09-2020	10.00 a.m.	Video conferencing (VC)/Other Audio Visual Means(OAVM)

##### 2) Details of last three years Extraordinary General Meetings:

Financial Year	Date	Time	Place of venue
2017-18	03-02-2018	10.00 a.m.	FAPCCI Auditorium, Federation of Telangana and Andhra Pradesh Chamber of Commerce & Industry, Red Hills, Hyderabad-500004, TS India.
2018-19	07-03-2019	10.00 a.m.	FAPCCI Auditorium, Federation of Telangana and Andhra Pradesh Chamber of Commerce & Industry, Red Hills, Hyderabad-500004, TS India.
2020-21	07-09-2020	10.00 a.m.	Video conferencing (VC)/Other Audio Visual Means(OAVM)

- 3) No Postal Ballot Notices are issued to the public during the year ended March 31, 2021.
- 4) All the Resolutions including the Special Resolution were passed through e-voting, physical ballot by post and polling process conducted at Annual General Meeting in compliance with the provisions of the Act, and Rule 20 of the Companies (Management and Administration) Rules, 2014.
- 5) During the year under review, no special resolution was passed through postal ballot.

#### H. TRANSFER OF UNCLAIMED SHARES TO INVESTOR EDUCATION AND PROTECTION FUND:

Pursuant to the provisions of Section 124(6) and 125 of the Companies Act, 2013 (the "Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (the "Rules") it is statutorily required on the part of the Company to transfer of all shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more in the name of Investor Education and Protection Fund Authority.

During the year, an amount of ₹ 1,27,005 was transferred to IEPF on account of sale proceeds of fractional shares arising out of issuance of bonus shares in the year 2013. No claims shall lie against the Company in respect of the dividend/shares/monies so transferred to IEPF. The Company has uploaded the full details of such shareholders and shares transferred and due to be transferred to IEPF Authority under the said provisions on its website at [www.naclind.com](http://www.naclind.com). Shareholders are requested to refer to the web link to verify the details of un-claimed dividends and the shares liable to be transferred to IEPF Authority. Shareholders may note that both the unclaimed dividend and the shares transferred to IEPF Authority including all benefits accruing on such shares, if any, can be claimed back by them from IEPF Authority after following the procedure prescribed under the Rules.

#### **I. DISCLOSURE WITH RESPECT TO UNCLAIMED SUSPENSE ACCOUNT:**

As per the Regulation 39(4) read with Schedule V & VI of Listing Regulations, all physical shares remaining unclaimed by the shareholders, were required to be dematerialized by the Company and kept in the "Unclaimed Suspense Account" to be opened and operated by the Company/Committee for this purpose. As per the requirements of the amended clause, the Company had sent three reminders to the respective shareholders. The shares in respect of which no valid response has been received were transferred to the said unclaimed suspense account. The Company opened a separate demat account with Stock Holding Corporation (India) Ltd, Hyderabad in the name and style of "Nagarjuna Agrichem Limited Unclaimed Suspense Account" in the month of July, 2013 in this regard.

A statement of the shares remaining outstanding in the Unclaimed Suspense Account as on March 31, 2021 is given below:

S. No	Particulars	No. of share-holders	No. of shares
1.	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the beginning of the year	1,218	16,78,620
2.	No. of shareholders who approached for transfer of shares from the unclaimed suspense account during the year	1	1,214
3.	No. of shareholders /folios holding shares were treat as unclaimed (in spite of several reminders mailed to them) transferred to unclaimed suspense account during the period.	-	-
4.	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the end of the year.	1,217	16,77,406

The Shareholders are entitled to claim these shares after complying with laid down procedures. As and when the shareholder approaches, the Company, after proper verification, shall either credit the shares to the Shareholder's Demat Account or deliver the physical certificates after re-materializing the same, depending on the option of the shareholder. The Board has delegated the power to the Managing Director and Company Secretary of the Company to approve such share transfers of the equity shares of the investors from the Unclaimed Suspense Account to the members demat account upon necessary requests from the original investor(s) and after duly confirmed by the RTA of the Company. All the corporate benefits in terms of securities accruing on these shares like bonus shares, subdivision etc. will also be credited to the Unclaimed Suspense Account and the voting rights on these shares shall remain frozen until the claim is made by the rightful owner.

## J. DISCLOSURES:

- a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with the Promoters, Directors, Key Managerial Personnel or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large is not included in the report, as there were no such transaction entered into by the Company during the financial year ended March 31, 2021.
- b) Details of related party transactions have been disclosed under the concerned note or Schedule in the financial statements. There are no transactions which may have potential conflict with the interests of the Company at large.
- c) There has been no instance of non-compliance, penalties and strictures imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authorities, on any matter related to capital markets during the last three years.
- d) As required under the provisions of Companies Act, 2013 and Regulation 46 of the Listing Regulations, the mandatory disclosure of relevant policies i.e., CSR Policy, Nomination and Remuneration Policy, Related Party Transactions Policy, Risk Management Policy, Whistle Blower Policy, Policy for determining materiality of event and Information, Policy on preservation and Archival of Documents and Policy on Evaluation of Boards' Performance are mentioned briefly in the Board's Report, in this Report and/or posted on Company's website. ([www.naclind.com](http://www.naclind.com)).
- e) The Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) read with Part B of Schedule II to the Listing Regulations pertaining to CEO/CFO certification for the Financial Year ended March 31, 2021.
- f) **Subsidiary Companies:** The Company has four unlisted (Indian and Overseas) Wholly Owned Subsidiaries i.e., LR Research Laboratories Private Limited, Nagarjuna Agrichem (Australia) Pty. Ltd., NACL Spec-Chem Limited and NACL Multichem Private

Limited. An Executive Director of the Company are the Directors of one Indian subsidiary. Three Executives (SMPs) of the Company are on the Board of M/s. NACL Spec-Chem Limited and M/s. NACL Multichem Private Limited and One Executive (SMPs) is on the Board of Overseas subsidiary. The Audit Committee of the Company reviews the financial statements of the subsidiaries. The minutes of the Board Meetings, along with a report of the significant transactions, if any, and arrangements of the unlisted subsidiaries of the Company are duly placed before the Board of Directors of the Company. The Company has no Subsidiary which can be considered as material in terms of the Listing Regulations.

### g) **Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:**

The Company has complied with all the mandatory requirements and regulations as applicable to the Company of the Stock Exchanges, SEBI and other statutory regulatory authorities.

- h) **Risk Management:** The Company has well laid down procedures and adopted a risk management policy to inform Board members about the risk assessment and minimization procedures.

- i) **Vigil Mechanism/Whistle Blower Policy:** The Company has implemented Whistle Blower Policy to deal with any fraud, irregularity or mismanagement in the Company. The policy enables any employee or Director to directly communicate to the Chairman of the Audit Committee to report any fraud, irregularity or mismanagement in the Company. The policy ensures strict confidentiality while dealing with concerns and also that no discrimination or victimization is meted out to any whistle blower. The Whistle Blower Policy as approved by the Board is uploaded on the Company's website [www.naclind.com](http://www.naclind.com). During the year under review, your Company has not received any complaints under the said policy. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.



j) **Details of utilisation of funds raised through Preferential issue:**

During the FY 2019-20, the Company has raised ₹ 11,500 lakhs against the issue of 3,59,37,500 equity shares at an issue price of ₹ 32/- per share by way preferential issue under Chapter V of Securities and Exchange Board of India (Issue of Securities and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR").

During the year under review, the Company has raised ₹ 487.50 lakhs against the allotment of 50,00,000 convertible warrants to Mrs.K.Lakshmi Raju at an issue price of ₹ 9.75/- per warrant (being 25% of issue price of ₹ 39/-) by way preferential issue under Chapter V of Securities and Exchange Board of India (Issue of Securities and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR").

The Company has allotted the 34,20,000 equity shares to Mrs.K.Lakshmi Raju upon conversion of 34,20,000 warrants (out of the total 50,00,000 Warrants) allotted under preferential issue against the receipt of balance consideration of ₹ 1,000 lakhs (₹ 29.25/- per warrant being 75% of issue price) on December 18, 2020.

The aforesaid funds raised through preferential issue have been utilised for the purposes/object, as stated in the EGM Notice.

k) **Non-Disqualification of Directors:**

The Company has received certificate dated August 05, 2021 from Mr. K.V.Chalama Reddy, Practicing Company Secretary, confirming that none of the directors on the board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Company by the SEBI / Ministry of Corporate Affairs or any such Statutory Authority. This certificate is annexed to this Report.

**K. INFORMATION TO THE BOARD:**

During the year, the Board of Directors of the Company had been furnished with the following information (including, but not limited to the following) to enable the Directors to contribute

in the decision making process along with the minimum information to be placed before the Board of the Director of the Company as per Regulation 17(7) read with Part A of Schedule II of the Listing Regulations.

- i) Quarterly Results of the Company.
- ii) Annual operating plans, budgets, capital budgets, updates and all variances.
- iii) Contracts in which Directors are deemed to be interested.
- iv) Compliance of any regulatory and statutory nature or any listing requirements.
- v) Minutes of the meetings of the Board of Directors of the Subsidiary Companies.

**L. MEANS OF COMMUNICATION:**

The quarterly/half-yearly un-audited and annual audited financial results of the Company are sent to the Stock Exchange immediately after they are approved by the Board of Directors. The results were published in Business Standard, Financial Express in English and Andhra Prabha in Telugu (regional language). The results are posted on the Company's website ([www.naclind.com](http://www.naclind.com)) and are sent to the BSE Limited and National Stock Exchange of India Ltd., (Stock Exchanges where the Company's share are listed) wherein the same is posted on their website [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com).

**M. NAME AND DESIGNATION OF THE CHIEF COMPLIANCE OFFICER:**

Mr.Satish Kumar Subudhi, Company Secretary & Head-Legal and Compliance Officer of the Company.

**N. COMPLIANCE OF INSIDER TRADING NORMS:**

The Company, in compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, has formulated a well-defined Insider Trading Policy which prohibits its Management, Employees and other Associates to deal in the securities of the Company based on any unpublished price sensitive information. The Policy lays down the guidelines which advise all the persons considered as Insiders on the procedures to be followed and disclosures to be made while dealing with shares of the Company and cautioning them of the consequences of violation.

## O. GENERAL INFORMATION:

1)	Date, time and venue of Annual General Meeting	: September 24, 2021 at 09.30 a.m. through video conferencing or other audio video means as set out in the Notice convening the AGM.
2)	Financial Year	: April 01, 2020 to March 31, 2021.
3)	Dividend	: First interim dividend @10% (i.e. Re. 0.10/-) per equity share of ₹ 1/- each of the Company declared by Board of Directors on their meeting held on November 04, 2020 during the financial year 2020-21.  Second interim dividend @15% (i.e. Re.0.15/-) per equity share of ₹ 1/- each of the Company declared by Board of Directors on their meeting held on March 23, 2021 during the financial year 2020-21.
4)	Listing on Stock Exchange	: a) <b>BSE Limited</b> , P.J.Towers, Dalal Street, Mumbai-400001.  b) <b>National Stock Exchange (India) Ltd.,</b> Bandra-Kurla Complex, Bandra (E), Mumbai-400051.
5)	Listing Fees	: The Company has paid the listing fees to these stock exchanges for the year 2021-22.
6)	Stock Code	: BSE - 524709 NSE - NACLIND
7)	CIN of the Company	: L24219TG1986PLC016607
8)	Registered Office of the Company	: Plot No.12-A, 'C' Block, Lakshmi Towers, No.8-2-248/1/7/78, Nagarjuna Hills, Panjagutta, Hyderabad-500082. Telangana State Tel.No.040-2445100, e-mail id: investors@naclind.com
9)	Website	: www.naclind.com

10)	Communication regarding registration of share transfers and other related correspondence	Registers and Share Transfer Agents (RTA): <b>XL Softech Systems Ltd.,</b> Plot No. 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad-500034 Tel. (040) 23545913/14/15, Fax (040)-23553214. e-mail: xlfiled@gmail.com  For shares related matters, the shareholders are requested to correspond with the RTA of the Company by mention /quoting their Client ID and DPID, Folio Number to the above address of RTA of the Company.  <b>Note:</b> Shareholders holding shares in electronic mode should address all correspondence to their respective Depository Participants.
11)	Share Transfer system	: According to the Listing Regulations, no shares can be transferred unless they are held in dematerialized mode. Members holding shares in physical form are therefore requested to convert their holdings in to dematerialized mode to avoid loss of shares and fraudulent transactions and avail better investor servicing. Accordingly, only valid transmissions or transposition cases may be proceed by the RTA of the Company, subject to compliance with the guidelines prescribed by SEBI.  During the year, the Company obtained, on half yearly basis, a certificate from Mr.K.V.Chalama Reddy, Practicing Company Secretary certifying that all certificates for transfer, transmission, sub-division, consolidation, renewal, exchange and deletion of names, were issued as required under Regulation 40(9) of the Listing Regulations. These certificates were duly filed with the Stock Exchanges.

- 12) Secretarial Audit :** Mr. K. V. Chalama Reddy, Practicing Company Secretary has conducted a secretarial audit of the Company for the year 2020-21. The audit report confirms that the Company has complied with the applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Listing Agreement entered with the Stock Exchange, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other laws and Regulations applicable to the Company. The said secretarial audit report forms part of the Directors' Report.

**13) Dividend Pattern: The dividend pattern of the Company is as under:**

Year	Type	Dividend (%)
2001-02	Final	8
2002-03	Final	10
2003-04	Final	12
2004-05	Interim	15
	Final	7
2005-06	Final	20
2006-07	Interim	20
	Final	20
2007-08	Interim-1	10
	Interim-2	10
	Interim-3	10
	Final	15
2008-09	Interim-1	10
	Interim-2	10
	Final	30
2009-10	Interim-1	20
	Final	30
2010-11	Interim	15
2011-12	Final	15
2012-13	No dividend	-
2013-14	No dividend	-
2014-15	Final	10
2015-16	Final	10
2016-17	Final	12.50
2017-18	Final	12.50
2018-19	No dividend	-
2019-20	Interim	10
2020-21	First Interim	10
	Second Interim	15

**14) Permanent Account Number (PAN):**

The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in physical form should submit their PAN details to the Company or Registrar and Transfer Agent i.e., XL Softech Systems Limited.

**15) Managing Director and Chief Financial Officer (CFO) Certification:**

Pursuant to Regulation 17(8) of the Listing Regulations, the Managing Director and the Chief Financial Officer of the Company have certified to the Board, in the manner required under the Corporate Governance Code. This certificate is annexed to this Report.

- 16)** The Company has not issued any GDRS/ADRS during the year. However, the Company has allotted 50,00,000 Warrants to Mrs.K.Lakshmi Raju, Promoter on preferential basis. Out of the total Warrants, Mrs.K.Lakshmi Raju has exercised 34,20,000 Warrants and balance 15,80,000 warrants, are yet to be exercised, as on the date of this report.

**17) Commodity price risk or foreign exchange risk and hedging activities:**

During the year, the Company has managed foreign exchange risk and hedged to the extent considered necessary. The details of foreign currency exposure are disclosed in Note to the Standalone Financial Statements.

**18) Location of Plants and R&D unit:**

- Plot No. 177, Arinama Akkivalasa, Etcherla Mandal, Srikakulam District PIN-532403, Andhra Pradesh.
- Ethakota, Ravulapalem P.O, East Godavari District, PIN-533238, Andhra Pradesh.
- Nandigama Village, Kothur Mandal, Mahaboobnagar District, PIN - 509228, Telangana State.

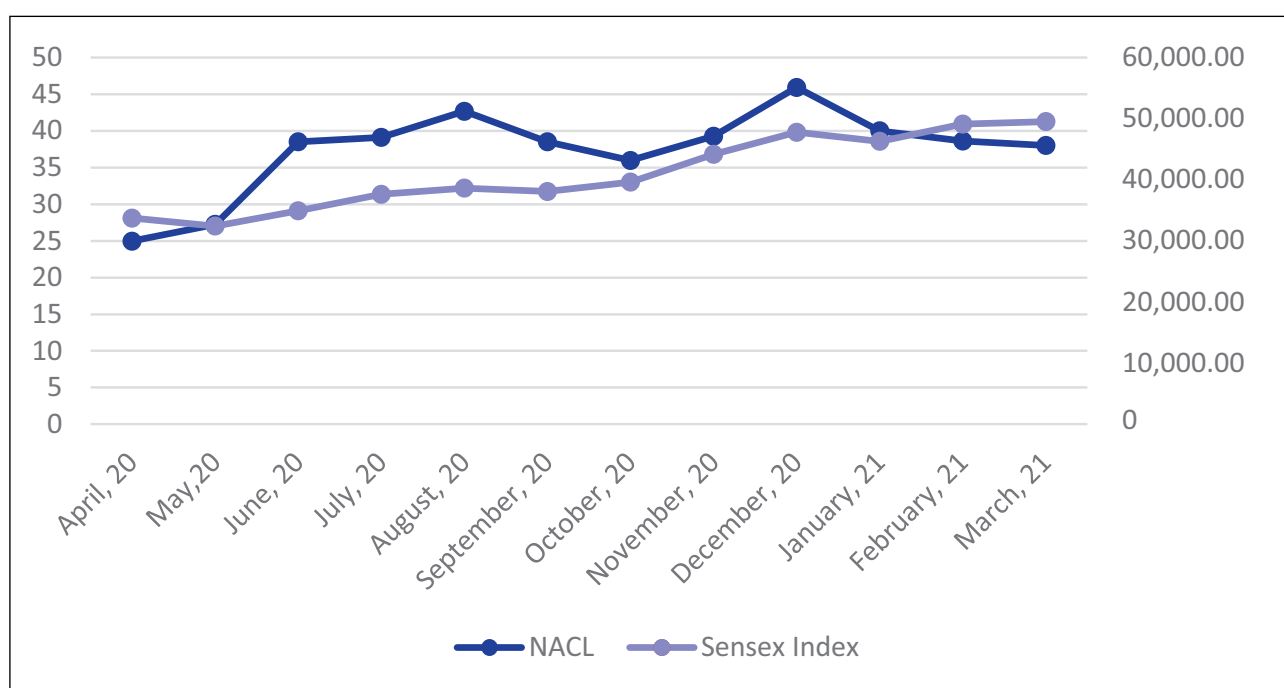
- 19) Market Price Data:** The monthly High and Low quotations, as well as the market Index at both BSE and NSE during the year April 01, 2020 to March 31, 2021 are as follows:

**20) Performance in comparison to Sensex**

Share prices movement for the period April, 2020 to March, 2021 of the Company and Sensex is given below:

Month	NACL Price (BSE) (in ₹)			Sensex Index (in ₹)		
	High	Low	Close	High	Low	Close
April, 20	28.00	20.40	24.95	33887.25	27500.79	33717.62
May, 20	29.55	22.85	27.25	32845.48	29968.45	32424.10
June, 20	40.95	25.05	38.50	35706.55	32348.10	34915.80
July, 20	42.00	36.95	39.10	38617.03	34927.20	37606.89
August, 20	51.10	37.50	42.65	40010.17	36911.23	38628.29
September, 20	45.95	35.00	38.50	39359.51	36495.98	38067.93
October, 20	40.50	33.30	35.95	41048.05	38410.20	39614.07
November, 20	44.80	35.90	39.25	44825.37	39334.92	44149.72
December, 20	46.25	39.05	45.90	47896.97	44118.10	47751.33
January, 21	47.25	39.20	40.00	50184.01	46160.46	46285.77
February, 21	43.30	37.20	38.60	52516.76	46433.65	49099.99
March, 21	41.65	35.30	38.00	51821.84	48236.35	49509.15

**BSE Sensex Vs NACL Share Price**

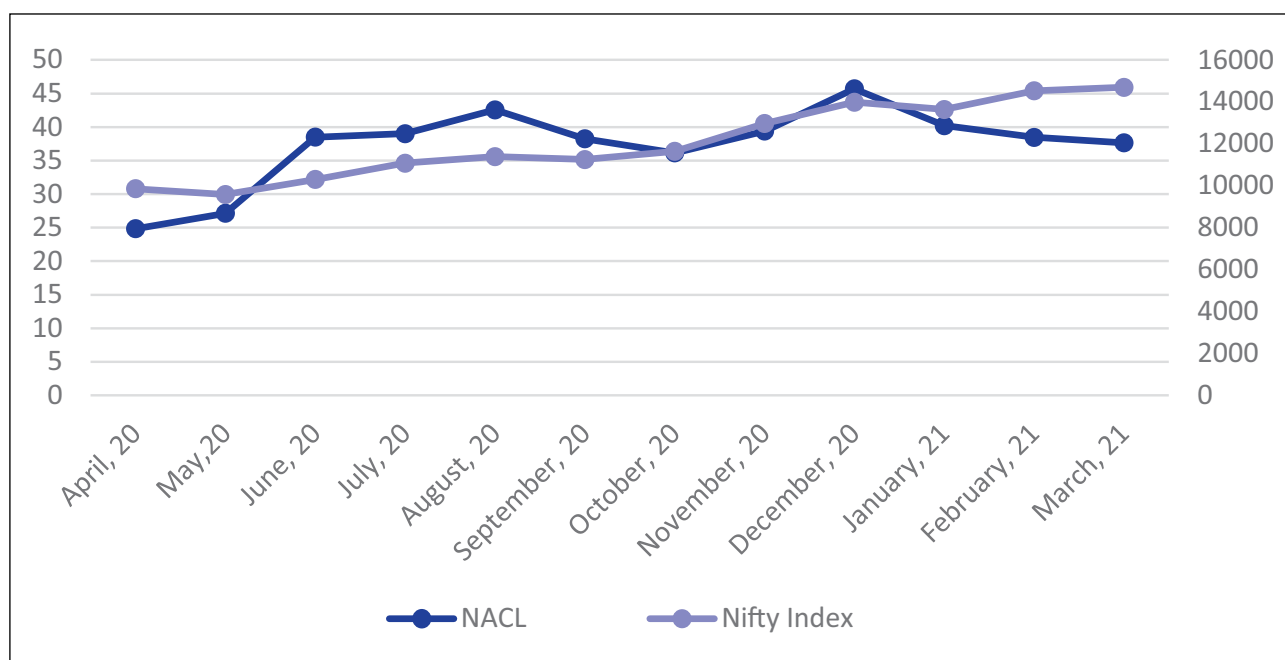


## 21) Performance in comparison to Nifty

Share prices movement for the period April, 2020 to March, 2021 of the Company and Nifty is given below:

Month	NACL Price (NSE) (in ₹)			Nifty (in ₹)		
	High	Low	Close	High	Low	Close
April, 20	28.30	20.40	24.85	9889.05	8055.80	9859.90
May, 20	29.70	23.60	27.15	9598.85	8806.75	9580.30
June, 20	40.70	24.30	38.50	10553.15	9544.35	10302.10
July, 20	42.05	36.15	39.00	11341.40	10299.60	11073.45
August, 20	51.25	37.55	42.55	11794.25	10882.25	11387.50
September, 20	44.80	35.55	38.25	11618.10	10790.20	11247.55
October, 20	41.00	29.60	36.15	12025.45	11347.05	11642.40
November, 20	44.85	36.20	39.40	13145.85	11557.40	12968.95
December, 20	46.25	39.00	45.70	14024.85	12962.80	13981.75
January, 21	47.50	39.50	40.20	14753.55	13596.75	13634.60
February, 21	43.70	37.05	38.45	15431.75	13661.75	14529.15
March, 21	41.90	36.55	37.65	15336.30	14264.40	14690.70

**Nifty Index Vs NACL Share Price**



## 22) Share Transfer Agent:

The Company's Registrar and Share Transfer Agent (RTA) is M/s XL Softech Systems Limited, is registered with SEBI and is located at Plot No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500034, Telangana State.

## 23) Distribution of Shareholding:

The distribution of shareholding as on March 31, 2021 was as follows:

Shareholding range	Shareholders		Share Amount	
	Member	In %	₹	In %
001 - 5000	8,248	56.70	12,55,206	0.64
5001 - 10000	1,513	10.40	12,66,550	0.64
10001 -20000	3,018	20.75	39,16,135	2.00
20001- 30000	502	3.45	12,65,991	0.64
30001- 40000	230	1.58	8,24,037	0.42
40001- 50000	196	1.35	9,35,151	0.48
50001-100000	386	2.65	27,82,076	1.42
100001 & above	454	3.12	18,39,72,612	93.76
<b>Total</b>	<b>14,547</b>	<b>100.00</b>	<b>19,62,17,758</b>	<b>100.00</b>



Category	No of shares held	Percentage of shareholding
<b>A Promoters Holdings (A)</b>	12,53,35,859	63.88
<b>Sub-Total</b>	<b>12,53,35,859</b>	<b>63.88</b>
<b>B Non-Promoters Holding: (B)</b>		
<b>I) Institutional investors</b>		
a) Banks, venture capital funds, insurance Companies, Alternate investment funds, Foreign Venture Capital Investors, Provident funds/Pension Funds.	-	-
b) Foreign Portfolio investors	42,32,971	2.16
c) Central Govt./State Govt./President of India.	-	-
<b>II) Non-Institutional Investors</b>		
<b>(i) Others:</b>		
1) Private Corporate Bodies	1,97,72,050	10.08
2) Indian Public	4,06,05,565	20.69
3) Unclaimed share suspense account	16,77,406	0.85
4) IEPF	12,48,948	0.64
5) Employees (ESOS)	9,08,750	0.46
6) NRIs/OCBs	8,25,405	0.42
7) Clearing members	96,443	0.05
8) HUF	15,14,361	0.77
<b>Sub-total</b>	<b>6,66,48,928</b>	<b>36.12</b>
<b>Grand Total (A) + (B)</b>	<b>19,62,17,758</b>	<b>100.00</b>

#### 24) Shares held by Promoters / Non-Executive Directors:

S. No	Name of the Promoters	No. of shares held	No. of Warrants held
1.	KLR Products Limited	11,36,23,500	-
2.	K.Lakshmi Raju	1,11,25,860	15,80,000
3.	Bright Town Investment Advisors Private Limited	5,86,499	-
4.	Krishi Rasayan Exports Private Limited	1,56,25,000	-
5.	Mr.Rajesh Kumar Agarwal and Mr. Atul Churiwal jointly representing M/s.Agro Life Science Corporation, a registered Partnership Firm	1,56,25,000	-
6.	Mr.Atul Churiwal	2,55,325	-

#### 25) Dematerialization of Shares and Liquidity:

Trading in equity shares of the Company is permitted only in dematerialized form as per the notification issued by SEBI. Dematerialization of shares is done through M/s. XL Softech System Ltd., Hyderabad and on an average the dematerialization process is completed within 21 days from the receipt of the valid demat request along with all documents. The breakup of physical and dematerialized shares as on March 31, 2021:

Mode	No. of shares held	Shareholding %
Demat	19,30,47,598	98.38
Physical	31,70,160	1.62
<b>Total</b>	<b>19,62,17,758</b>	<b>100.00</b>

For and on behalf of the Board

Place: Hyderabad  
Date: August 05, 2021

**M. Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**N. Vijayaraghavan**  
Director  
(DIN: 02491073)

# DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGERIAL PERSONNEL WITH THE CODE OF CONDUCT AND ETHICS

The Board of Directors of the Company approved the Code of Conduct for the Directors and the Senior Management personnel. All the Directors and the designated personnel in the Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2021.

Place: Hyderabad  
Date: August 05, 2021

**M. Pavan Kumar**  
Managing Director & CEO  
(DIN: 01514557)

# COMPLIANCE CERTIFICATE

## **Certification by Managing Director and Chief Financial Officer (CFO) of the Company under Regulation 17(8) and Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

We, M.Pavan Kumar, Managing Director & CEO and R.K.S.Prasad, Chief Financial Officer of NACL Industries Limited, to the best of our knowledge and belief, herewith certify that:

- A. We have reviewed the Balance Sheet and Profit & Loss Account of the Company for the quarter and financial year ended March 31, 2021 and all its schedules and notes on accounts and the Cash Flow statements for the year and that to the best of our knowledge and belief certify that:
  - i) these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the Auditors and the Audit Committee that:
  - i) there have been no significant changes in the internal controls over financial reporting during the financial year 2020-21.
  - ii) there were no significant changes in accounting policies during the year.
  - iii) there was no instance of significant fraud, which we have become aware of and that involves management or other employees who have significant role in the Company's internal control systems over financial reporting.

### **For and on behalf of the Board**

Place: Hyderabad  
Date: May 28, 2021

**M. Pavan Kumar**  
Managing Director & CEO

**R.K.S.Prasad**  
Chief Financial Officer

# CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

Pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015

To  
The Members  
**NACL Industries Limited**  
Hyderabad

## **Sub: Certificate under Schedule V(C)(10)(i) of SEBI (Listing Obligations and Disclosure Requirements), 2015**

I, K.V.Chalama Reddy, Practicing Company Secretary have examined the Company and Registrar of Companies records, books and papers of NACL Industries Limited (CIN:L24219TG1986PLC016607) having its Registered Office at Plot No.12-A, "C"- Block, Lakshmi Towers, No.8-2-248/1/7/78, Nagarjuna Hills, Panjagutta Hyderabad – 500082, Telangana State, India ("the Company") as required to be maintained under the Companies Act, 2013, SEBI Regulations, other applicable Rules and Regulations made thereunder for the Financial Year ended on March 31, 2021.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations and representation furnished to me by the Company, its officers and agents, we certify that none of the following Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority as on March 31, 2021:

List of Directors of the Company as on March 31, 2021:

S. No.	DIN No.	Name of the Director	Designation
1)	00545776	Mrs.Lakshmi Raju	Chairperson & Non-Executive Director
2)	02410695	Mr. Sudhakar Kudva	Independent Director
3)	06826653	Mr. Raghavender Mateti	Independent Director
4)	02491073	Mr.Vijayaraghavan Narayanan	Non-Executive Director
5)	01514557	Mr. Pavan Kumar Munjuluri	Managing Director & CEO
6)	00012850	Mr. Ramkrishna Mudholkar	Independent Director
7)	00180595	Mr.Atul Churiwal	Investor Nominee Director
8)	00210719	Mr. Rajesh Kumar Agarwal	Investor Nominee Director
9)	00902788	Mr.Dorairaj Kuppurangam	Independent Director
10)	06400663	Mr.Nannapaneni Sambasiva Rao	Independent Director
11)	08082163	Ms. Veni Mocherla	Independent Director

Place: Hyderabad  
Date: August 05, 2021

**K.V.Chalama Reddy**  
Practicing Company Secretary  
M.No:F9268, C.P.No:5451  
UDIN number : F009268C000738854

# CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To

The Members of **NACL Industries Limited**

We have examined the compliance of the conditions of Corporate Governance by NACL Industries Limited ("Company"), and examine the records for the purpose of certifying compliance of the conditions of the Corporate Governance as specified in regulations 17 to 27, clause (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule-V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing Regulations"), for the financial year ended March 31, 2021. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of our information and according to the explanations and information furnished to us, and based on the representations made by the Directors and the management, we certify that, the Company has complied with the conditions of Corporate Governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing regulations"), as applicable for the said financial year ended March 31, 2021.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place: Hyderabad

Date: August 05, 2021

**K.V.Chalama Reddy**

Practicing Company Secretary

M.No:F9268, C.P.No:5451

UDIN number : F009268C000738920

# INDEPENDENT AUDITOR'S REPORT

## To The Members of NACL Industries Limited

### Report on the Audit of the Standalone Financial Statements

#### Opinion

We have audited the accompanying standalone financial statements of **NACL Industries Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Key Audit Matter	Auditor's Response
<b>Timing of revenue recognition</b>  The Company recognises revenue from sale of farm inputs based on the terms and conditions of transactions which varies with different customers.  For sale transactions occurring close to the year end, it is essential to ensure that the control of goods have transferred to the customers.  As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we considered the risk of such sales transactions recorded in wrong financial period (cut-off) as a key audit matter.  Refer notes 2.3 and 22 of the standalone financial statements.	<b>Principal audit procedures performed:</b> <ul style="list-style-type: none"> <li>• We obtained an understanding of the revenue recognition process including a sample of sales contracts.</li> <li>• We tested the Company's key controls around the timely and accurate recording of the sales transactions.</li> <li>• We tested the access and change management controls of the relevant information technology system in which shipments are recorded.</li> <li>• We performed testing for a sample of sales invoices recorded immediately before the year-end and obtained evidences to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.</li> </ul>



## Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report and Management Discussion & Analysis, but does not include the standalone financial statements and our auditor's report thereon. The Director's Report and Management Discussion & Analysis are expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and will not express any form of assurance conclusion thereon

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the Director's Report and Management Discussion & Analysis, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

## Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material

misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibility for the Audit of the Standalone Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial 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 Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these

matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the IndAS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to

- its directors during the year is in accordance with the provisions of section 197 of the Act.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any 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 Company
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS LLP**

Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**

Partner  
(Membership No. 201193)  
UDIN: 21201193AAAADV1041

Place: Hyderabad  
Date: May 28, 2021

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

## **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of NACL Industries Limited (“the Company”) as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### **Management’s Responsibility for Internal Financial Controls**

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

### **Auditor’s Responsibility**

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

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

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

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

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to

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

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the

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

### For DELOITTE HASKINS & SELLS LLP

Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

### Ganesh Balakrishnan

Partner  
(Membership No. 201193)  
UDIN: 21201193AAAADV1041

Place: Hyderabad  
Date: May 28, 2021

## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for term loans and working capital loan are held in the name of the Company based on the confirmations directly received by us from lenders.
- ii. As explained to us, the inventories other than material lying with third parties (which were substantially been confirmed), were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v. According to the information and explanations given to us, the Company has not accepted any deposit from public during the year. There are no unclaimed deposits on which provisions of Section 73 or 76 or and other relevant provision of the Companies Act, 2013 apply.
- vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for pesticides. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Goods and Services Tax, Customs Duty, Cess and other material statutory dues applicable to it to the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Goods and Services Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable.



(c) Details of dues of Income-tax, Sales Tax, Service Tax, Excise duty, Goods and Service Tax which have not been deposited as on March 31, 2021 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)
Central Excise Act, 1944	Excise duty	Hon'ble High Court of Telangana	2004-05 to 2008-09	13	8
		CESTAT, Hyderabad	2005-06	4	-
		Addl. Commissioner (Appeals), Visakhapatnam	2006-07	12	12
Finance Act, 1994	Service tax	Commissioner (Appeals), Andhra Pradesh	2006-07 to 2010-11	15	15
Sales Tax Act	Sales Tax	Assistant Commissioner	2009-10, 2010-11, 2012-13 to 2014-15	44	27
		Additional Commissioner	2012-13	4	-
		Commissioner Appeals	2015-16	7	5
		Hon'ble High Court of Telangana and Andhra Pradesh	2011-12, 2013-14 to 2015-16	50	36
		Sales Tax Appellate Tribunal, Andhra Pradesh	2015-16	1	1
Goods and Service Tax Act 2017	Goods and Service Tax	Deputy Commissioner, Haryana	2019-20	6	-
The Income Tax Act, 1961	Income Tax	Commissioner of Income Tax, Appeals	2017-18	121	-

There are no dues of Customs Duty which have not been deposited as on March 31, 2021 on account of any disputes.

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institution and banks. The Company has not taken any loans or borrowings from government. The Company has not issued any debentures.
  - ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised.
  - x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
  - xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
  - xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
  - xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
  - xiv. According to the information and explanations given to us, the Company has made preferential allotment of shares against conversion of outstanding share warrants during the year under review.
- In respect of the above issue, we further report that:
- a. the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
  - b. the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised.

- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of the holding, subsidiaries or associate company or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For DELOITTE HASKINS & SELLS LLP**

Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**

Partner  
(Membership No. 201193)  
UDIN: 21201193AAAADV1041

Place: Hyderabad  
Date: May 28, 2021

# STANDALONE BALANCE SHEET

AS AT MARCH 31, 2021

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
<b>I ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Property, plant and equipment	4	18,572	18,291
(b) Right-of-use assets	4A	349	597
(c) Capital work-in-progress	4	2,748	3,482
(d) Intangible assets	5	149	174
(e) Intangible assets under development	5	799	751
(f) Financial assets			
(i) Investments	6	3,022	858
(ii) Other financial assets	7	401	482
(g) Income tax assets (net)		461	407
(h) Other non-current assets	8	1,056	663
<b>Total non-current assets</b>		<b>27,557</b>	<b>25,705</b>
<b>2 Current assets</b>			
(a) Inventories	9	22,830	16,450
(b) Financial assets			
(i) Trade receivables	10	33,582	35,939
(ii) Cash and cash equivalents	11	6,663	8,353
(iii) Other bank balances	12	821	3,415
(iv) Other financial assets	7	392	394
(c) Income tax assets (net)	13	-	267
(d) Other current assets	8	4,950	4,278
<b>Total current assets</b>		<b>69,238</b>	<b>69,096</b>
<b>Total assets</b>		<b>96,795</b>	<b>94,801</b>
<b>II EQUITY AND LIABILITIES</b>			
<b>1 Equity</b>			
(a) Equity share capital	14	1,962	1,926
(b) Other equity	15	39,186	33,127
<b>Total equity</b>		<b>41,148</b>	<b>35,053</b>
<b>2 Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	16	7,149	2,175
(ii) Lease Liabilities	37	226	316
(iii) Other financial liabilities	17	1,176	1,264
(b) Provisions	18	749	563
(c) Deferred tax liabilities (net)	19	1,076	101
<b>Total non-current liabilities</b>		<b>10,376</b>	<b>4,419</b>
<b>3 Current Liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	16	11,263	22,724
(ii) Lease Liabilities	37	164	379
(iii) Trade payables	20		
(a) total outstanding dues of micro enterprises and small enterprises		1,108	533
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		26,298	26,284
(iv) Other financial liabilities	17	4,405	3,767
(b) Provisions	18	243	154
(c) Income tax liabilities (net)	13	452	248
(d) Other current liabilities	21	1,338	1,240
<b>Total current liabilities</b>		<b>45,271</b>	<b>55,329</b>
<b>Total liabilities</b>		<b>55,647</b>	<b>59,748</b>
<b>Total equity and liabilities</b>		<b>96,795</b>	<b>94,801</b>

See accompanying notes forming part of the standalone financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants

(F. R. No.117366W/W-100018)

Ganesh Balakrishnan

Partner

Place : Hyderabad

Date : May 28, 2021

for and on behalf of the Board of Directors

M Pavan Kumar

Managing Director & CEO

(DIN:01514557)

R.K.S. Prasad

Chief Financial Officer

Place : Hyderabad

Date : May 28, 2021

N. Vijayaraghavan

Director

(DIN: 02491073)

Satish Kumar Subudhi

Company Secretary

# STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>I INCOME</b>			
Revenue from operations	22	119,137	101,489
Other income	23	1,536	749
<b>Total income</b>		<b>120,673</b>	<b>102,238</b>
<b>II EXPENSES</b>			
Cost of materials consumed	24	81,479	60,450
Purchases of stock-in-trade		4,719	4,564
Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(2,708)	6,319
Employee benefits expense	26	9,394	8,627
Finance costs	27	2,880	2,916
Depreciation and amortisation expense	28	2,530	2,397
Other expenses	29	14,983	14,671
<b>Total expenses</b>		<b>113,277</b>	<b>99,944</b>
<b>III Profit before tax (I - II)</b>		<b>7,396</b>	<b>2,294</b>
<b>IV Tax expense</b>			
(i) Current tax	13.1	2,606	423
(ii) Deferred tax	13.1	(239)	294
<b>Total tax expense</b>		<b>2,367</b>	<b>717</b>
<b>V Profit for the year (III - IV)</b>		<b>5,029</b>	<b>1,577</b>
<b>VI Other comprehensive income</b>			
Items that will not be reclassified subsequently to statement of profit and loss			
(a) Remeasurement of defined benefit obligation	18	(92)	(28)
(b) Income tax expense on remeasurement above	13.1	23	10
Items that will be reclassified subsequently to statement of profit and loss			
(a) Effective portion of loss on designated portion of hedging instrument in a cash flow hedge		64	(174)
(b) Income tax expense on above	13.1	(16)	60
<b>Total other comprehensive loss</b>		<b>(21)</b>	<b>(132)</b>
<b>VII Total Comprehensive Income for the year (V + VI)</b>		<b>5,008</b>	<b>1,445</b>
<b>VIII Earnings per equity share of ₹ 1 each</b>			
Basic (₹)	34	2.60	0.94
Diluted (₹)	34	2.60	0.94

See accompanying notes forming part of the standalone financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants

(F. R. No.117366W/W-100018)

Ganesh Balakrishnan

Partner

Place : Hyderabad

Date : May 28, 2021

for and on behalf of the Board of Directors

M Pavan Kumar

Managing Director & CEO

(DIN:01514557)

R.K.S. Prasad

Chief Financial Officer

Place : Hyderabad

Date : May 28, 2021

N. Vijayaraghavan

Director

(DIN: 02491073)

Satish Kumar Subudhi

Company Secretary

# STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	7,396	2,294
<b>Adjustments for:</b>		
Depreciation and amortisation expense	2,530	2,397
Finance costs	2,880	2,916
Interest income	(352)	(52)
Unrealised forex gain	(182)	(43)
Excess provisions, no longer required, written back	(99)	(68)
Provision for credit impaired trade receivables and advances	758	811
Loss on sale of property, plant and equipment (net)	54	28
Intangible assets and intangible assets under development written off	343	138
Share-based payments	71	44
Credit impaired trade receivables and advances written off (net)	933	583
<b>Operating profit before working capital changes</b>	<b>14,332</b>	<b>9,048</b>
<i>Changes in working capital:</i>		
<i>Adjustment for (increase)/decrease in operating assets:</i>		
Inventories	(6,380)	5,951
Trade receivables	1,097	(10,064)
Other financial assets	(165)	35
Other assets	(536)	86
<i>Adjustment for increase/(decrease) in operating liabilities:</i>		
Trade payables	676	5,697
Provisions	275	162
Other financial liabilities	(24)	137
Other liabilities	98	(548)
<b>Cash generated from operations</b>	<b>9,373</b>	<b>10,504</b>
Income taxes paid (net)	(969)	(200)
<b>Net cash flow from operating activities (A)</b>	<b>8,404</b>	<b>10,304</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment including capital advances	(1,498)	(6,993)
Proceeds from sale of property, plant and equipment	9	4
Investments made in subsidiary and others	(3,201)	(3)
Movement in other deposits and margin money (net)	2,704	(2,707)
Interest income received	286	45
<b>Net cash used in investing activities (B)</b>	<b>(1,700)</b>	<b>(9,654)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from allotment of share warrants	154	-
Proceeds from allotment of shares under ESOP	15	15
Proceeds on conversion of share warrants to equity shares	1,334	6,000
Proceeds from non-current borrowings	6,439	2,971
Repayment of non-current borrowings	(1,159)	(2,353)
Movement in current borrowings (net)	(11,472)	3,985

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Payment of lease liabilities	(450)	(543)
Dividend paid including tax thereon	(487)	(232)
Finance costs paid	(2,768)	(2,820)
<b>Net cash (used in) / flow from financing activities (C)</b>	<b>(8,394)</b>	<b>7,023</b>
<b>Net (decrease)/increase in cash and cash equivalents (D) = (A+B+C)</b>	<b>(1,690)</b>	<b>7,673</b>
<b>Cash and cash equivalents at the beginning of the year (E)</b>	<b>8,353</b>	<b>680</b>
<b>Cash and cash equivalents at the end of the year (F)=(D)+(E) (Refer Note 11)</b>	<b>6,663</b>	<b>8,353</b>

**Notes:**

**1. Reconciliation of liabilities from financing activities March 31, 2021**

Particulars	As at March 31, 2020	Proceeds/ Additions	Repayments	Foreign currency translation	As at March 31, 2021
Long term borrowings (including current portions)	3,350	6,439	1,159	(82)	8,548
Short-term borrowings	22,724	-	11,472	11	11,263
Lease liabilities	695	145	450	-	390
<b>Total liabilities from financing activities</b>	<b>26,769</b>	<b>6,584</b>	<b>13,081</b>	<b>(71)</b>	<b>20,201</b>

**Reconciliation of liabilities from financing activities March 31, 2020**

Particulars	As at March 31, 2019	Proceeds/ Additions	Repayments	Foreign currency translation	As at March 31, 2020
Long term borrowings (including current portions)	2,517	2,971	2,353	215	3,350
Short-term borrowings	18,574	3,985	-	165	22,724
Lease liabilities	-	1,238	543	-	695
<b>Total liabilities from financing activities</b>	<b>21,091</b>	<b>8,194</b>	<b>2,896</b>	<b>380</b>	<b>26,769</b>

2. Cash Flow Statement has been prepared under the indirect method as set out in the Indian Accounting Standard 7 on cash flow statements. Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and cash equivalents which are short-term and held for the purpose of meeting short-term cash commitments.

**See accompanying notes forming part of the standalone financial statements**

**In terms of our report attached  
For Deloitte Haskins & Sells LLP**

Chartered Accountants  
(F. R. No.117366W/W-100018)

**Ganesh Balakrishnan**  
Partner

Place : Hyderabad  
Date : May 28, 2021

**for and on behalf of the Board of Directors**

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**R.K.S. Prasad**  
Chief Financial Officer

Place : Hyderabad  
Date : May 28, 2021

**N. Vijayaraghavan**  
Director  
(DIN: 02491073)

**Satish Kumar Subudhi**  
Company Secretary



# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

## A. Equity share capital

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	Note	Number of shares	Amount
<b>Balance as at March 31, 2019</b>		<b>167,420,260</b>	<b>1,674</b>
Add: Issue of equity shares under Company's employee stock option plan	14.1	185,001	2
Add: Issue of equity shares upon conversion of share warrants	14.6	25,000,000	250
<b>Balance as at March 31, 2020</b>		<b>192,605,261</b>	<b>1,926</b>
Add: Issue of equity shares under Company's employee stock option plan	14.1	192,497	2
Add: Issue of equity shares upon conversion of share warrants	14.6	3,420,000	34
<b>Balance as at March 31, 2021</b>		<b>196,217,758</b>	<b>1,962</b>

## B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
<b>Balance as at March 31, 2019</b>	21	3,567	4,175	16,927	(499)	-	2,000	26,191
Profit for the year	-	-	-	1,577	-	-	-	1,577
Other comprehensive loss for the year net of income tax	-	-	-	(132)	-	-	-	(132)
Impact on account of adoption of Ind AS 116 Lease	-	-	-	(84)	-	-	-	(84)
Stock option on vesting of employee stock options	-	-	-	-	-	44	-	44
Stock option on exercise of employee stock options	-	-	-	-	-	(21)	-	(21)
Amount received on exercise of employee stock options & conversion of outstanding warrants to equity shares	-	7,784	-	-	-	-	-	7,784
Reversal of equity share warrants on exercise	-	-	-	-	-	-	(2,000)	(2,000)
Payment of dividends including tax thereon	-	-	-	(232)	-	-	-	(232)
<b>Balance as at March 31, 2020</b>	<b>21</b>	<b>11,351</b>	<b>4,175</b>	<b>18,056</b>	<b>(499)</b>	<b>23</b>	<b>-</b>	<b>33,127</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
Profit for the year	-	-	-	5,029	-	-	-	5,029
Other comprehensive loss for the year net of income tax	-	-	-	(21)	-	-	-	(21)
Stock option on vesting of employee stock options	-	-	-	-	-	71	-	71
Stock option on exercise of employee stock options	-	-	-	-	-	(23)	-	(23)
Amount received on exercise of employee stock options Allotment	-	13	-	-	-	-	-	13
Amount transferred on exercise of employee stock option	-	23	-	-	-	-	-	23
Amount received on allotment of share warrants	-	1,300	-	-	-	-	154	1,454
Payment of dividends including tax thereon	-	-	-	(487)	-	-	-	(487)
<b>Balance as at March 31, 2021</b>	<b>21</b>	<b>12,687</b>	<b>4,175</b>	<b>22,577</b>	<b>(499)</b>	<b>71</b>	<b>154</b>	<b>39,186</b>

See accompanying notes forming part of the standalone financial statements

**In terms of our report attached  
For Deloitte Haskins & Sells LLP**

Chartered Accountants  
(F. R. No.117366W/W-100018)

**Ganesh Balakrishnan**  
Partner

Place : Hyderabad  
Date : May 28, 2021

**for and on behalf of the Board of Directors**

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**R.K.S. Prasad**  
Chief Financial Officer

Place : Hyderabad  
Date : May 28, 2021

**N. Vijayaraghavan**  
Director  
(DIN: 02491073)

**Satish Kumar Subudhi**  
Company Secretary

# NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

## 1. General Information

NACL Industries Limited ("the Company"), is a Public Limited Company listed with the BSE Limited and National Stock Exchange of India Limited. The Company is in the business of crop protection and manufactures both Technical's (Active Ingredient) and Formulations. It manufactures pesticides, insecticides, acaricides, herbicides, fungicides and other plant growth chemicals. The Company's formulation business is mainly in the Indian market and sells through its large retail dealer network spread across India. The Company has a range of branded formulations. It also exports technicals and formulations and does toll manufacture for certain multinational companies.

## 2. Significant accounting policies

### 2.1. Statement of compliance

The financial statements which comprise the Balance sheet, the Statement of Profit and Loss, the Cash flow statement and the Statement of changes in Equity ("Financial Statements") have been prepared in accordance with Indian Accounting Standards (Ind ASs) notified under Section 133 of the Companies Act, 2013, read together with the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. The Company has consistently applied accounting policies to all periods.

### 2.2. Basis for preparation and presentation

The standalone financial statements have been prepared on accrual basis the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 another valuation technique. In estimating the fair value of an asset or a liability, the Company 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 value for measurement and/or disclosure purposes in these standalone financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements 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 inputs are quoted prices (unadjusted) in active markets for similar assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Based on the nature of activities of the Company and the average time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

The principal accounting policies are set out below.

### 2.3. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods. Revenue from the sale of goods is recognised at the point in time when control is transferred

to the customer which is usually on dispatch. Revenue is also recognised where goods are ready as per customer request and pending dispatch at the instance of the customer. In such cases, the products are separately identified as belonging to the customer and the Company does not hold the right to redirect the product to another customer. On satisfaction of all performance obligations, invoice is raised on the customer in accordance with customer request at regular payment terms. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers.

At contract inception, since for most of the contracts it is expected that the period between the transfer of the promised goods or services to a customer and payment for these goods or services by the customer will be one year or less, practical expedient in Ind AS 115 have been applied and accordingly the Company does not adjust the promised amount of consideration for the effects of any significant financing component.

Revenue from operations includes "Other Operating Revenue" which consists of export benefits, net interest on receivables, scrap sales and conversion charges etc. Export benefits, interest on receivables (net) and conversion charges are recognised on accrual basis.

## 2.4. Other income

- Dividend income from investments is recognised in the year in which the right to receive the payment is established.
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the 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 that asset's net carrying amount on initial recognition.

## 2.5. Leasing

The Company's lease asset classes primarily consist of leases for warehouses and vehicles. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those

from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

## **2.6. Insurance claims**

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

## **2.7. Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which entity operates (i.e. "functional currency"). The financial statements are presented in Indian Rupee (₹), the national currency of India, which is the functional currency of the Company.

## **2.8. Foreign currencies transactions and translations**

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are

recognised in statement of profit and loss in the period in which they arise.

## **2.9. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of profit and loss in the period in which they are incurred.

## **2.10. Employee benefits**

Employee benefits include Provident fund, Employee's State Insurance scheme, Gratuity fund and Compensated absences.

### **2.10.1. Defined contribution plans**

Contributions in respect of Employees Provident Fund and Pension Fund which are defined contribution schemes, are made to a fund administered through Regional Provident Fund Commissioner and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

### **2.10.2. Defined benefit plans**

The Company's Gratuity scheme for its employees is a defined benefit retirement benefit plan. Obligations under the Gratuity scheme is covered under a Scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognised in the statement of profit and loss. The liability as at the Balance Sheet date is provided for using the projected unit credit method, with actuarial valuations being carried out as at the end of the year.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is

reflected immediately in retained earnings and is not reclassified to statement of profit and loss.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income; and
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

### 2.10.3. Compensated absences

The employees of the Company are entitled to compensate absences. The employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence based on actuarial valuation made by an independent actuary as at the balance sheet date on projected unit credit method. Compensated absences expected to be maturing after 12 months from the date of balance sheet are classified as non-current.

### 2.11. Share based payment arrangement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit and loss such that the

cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### 2.12. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit attributable to equity shareholders by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

### 2.13. Taxation

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

#### 2.13.1. Current Tax

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income-tax Act, 1961.

#### 2.13.2. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### 2.13.3. Minimum Alternate Tax (MAT) Credit

Minimum alternate tax (MAT) credit is recognised in accordance with tax laws in India as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the MAT credit at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

#### 2.13.4. Current tax and deferred tax for the year

Current and deferred tax are recognised in the statement profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### 2.14. Cash flow statements and Cash and cash equivalents

Cash comprises cash on hand and in bank. The Company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents. Such cash equivalents are subject to insignificant risk of changes in value.

Cash flows are reported using indirect method, whereby profit / (loss) before tax is adjusted for the effects of transaction of non - cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### 2.15. Property, plant and equipment

Property, plant and equipment are stated in the Balance Sheet at cost, less accumulated depreciation and impairment losses, if any. Cost includes purchase price, attributable expenditure incurred in bringing the asset to its working condition for the intended use and cost of borrowing till the date of capitalisation in the case of assets involving material investment and substantial lead time.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of following categories of assets in whose case the life of certain assets has been assessed based on technical advice taking into account the nature of the asset, the estimated usage of the asset, the operating condition of the asset, past history of replacement, maintenance support etc.

Asset	Useful life (in years)	Useful life (in years)
Particulars	For the year ended	For the year ended
	March 31, 2021	March 31, 2020
Plant and equipment	15 - 20	15 - 20

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets costing Rs. 5,000 and below are depreciated over a period of one year. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

## 2.16. Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use.

The estimated useful life of an identifiable intangible asset is as under:

- Goodwill is amortised over a period of 10 years
- Computer software is amortised over a period of 3 years
- Developed products are amortised over a period of 3 years

The estimated useful life and amortisation method are reviewed periodically at the end of each reporting period.

Intangible assets under development are carried at cost, comprising direct cost and related incidental expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of profit and loss when the asset is derecognized.

## 2.17. Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use the asset and the costs can be measured reliably. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis for preparing the asset for its intended use.

## 2.18. Impairment of assets

### 2.18.1. Non-financial assets - property, plant and equipment and intangible assets

The Company assesses at each reporting date

whether there is an indication that an asset/cash generating unit may be impaired. If any indication exists the Company estimates the recoverable amount of such assets and if carrying amount exceeds the recoverable amount, impairment is recognised. The recoverable amount is the higher of the fair value less cost to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount factor. When there is indication that previously recognised impairment loss no longer exists or may have decreased such reversal of impairment loss is recognised in the statement of profit and loss.

### 2.18.2. Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as an impairment gain or loss in the statement of profit and loss.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL loss allowance (or reversal) during the year is recognised in the statement of profit and loss.

## 2.19. Inventories

Inventories are valued at lower of cost (on weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Net realisable value represents the estimated selling price of inventories less all the estimated costs of

completion and the costs necessary to make the sale.

The method of determination of cost of various categories of inventories is as follows:

- i. **Raw Materials** - Weighted average cost. Cost includes the purchase cost and other attributable expenses;
- ii. **Work-in-progress** - Weighted average cost. Cost includes the purchase cost and other attributable expenses;
- iii. **Finished Goods** - Weighted average cost of production which comprises of direct material costs, direct wages and applicable overheads. Excise duty is included in the value of finished goods;
- iv. **Stores and Spares, Packing Material** - Weighted average cost;
- v. **Stock-in-trade** - Weighted average cost.

## 2.20. Provisions, contingent liabilities and contingent assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reasonable estimate of the amount of obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Contingent liabilities are disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are neither recognised nor disclosed in the financial statements.

## 2.21. Financial Instruments

### (i) Initial recognition

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the

instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit and loss.

### (ii) Subsequent Recognition

#### Non-derivative financial instruments:

##### a. 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.

##### b. Financial assets at fair value through other comprehensive income

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. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

**c. Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

**d. Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through statement of profit and loss. 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.

**Derivative financial instruments:**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of profit and loss depends on the nature of the hedging relationship and the nature of the hedged item.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or

received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value Through Profit or Loss (FVTPL). Interest income is recognised in statement of profit and loss and is included in the "other income" line item.

**Hedge accounting:**

The Company designates derivative contracts in a cash flow hedging relationship by applying the hedge accounting principles designated in a hedging relationship, used to hedge its risks associated with foreign currency fluctuations relating to certain highly probable forecast transactions.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. These derivative contracts are stated at the fair value at each reporting date.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of profit and loss.

Amounts previously recognised in other comprehensive income and accumulated in equity relating to

(effective portion as described above) are reclassified to statement of profit and loss in the periods when the hedged item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in statement of profit and loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in statement of profit and loss.

#### **Investment in subsidiaries and associates**

On initial recognition, these investments are recognized at fair value plus any directly attributable transaction cost. Subsequently, they are measured at cost.

#### **Derecognition of financial assets and financial liabilities**

##### **Financial asset:**

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit and loss if such gain or loss would have otherwise been recognised in statement of profit and loss on disposal of that financial asset.

#### **Financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

#### **Foreign exchange gains and losses**

For foreign currency denominated financial assets measured at amortised cost and Fair Value through Profit or Loss (FVTPL), the exchange differences are recognised in statement of profit and loss.

Changes in the carrying amount of investments in equity instruments at Fair Value through Other Comprehensive Income (FVTOCI) relating to changes in foreign currency rates are recognised in other comprehensive income.

For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in statement of profit and loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the statement of profit and loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in statement of profit and loss.

#### **2.22. Fair value measurement**

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes.

All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

### **2.23. Exceptional Items**

Significant gains/losses or expenses incurred arising from external events that is not expected to recur are disclosed as 'Exceptional item'.

### **3. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **3.1 Critical Judgments**

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

#### **Contingencies and commitments**

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Company. Where the potential liabilities have a low probability of crystallizing or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

#### **3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a

significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Estimation of net realisable value of inventories**

Inventories are stated at the lower of cost and net realisable value. In estimating the net realisable value of inventories the Company makes an estimate of future selling prices and costs necessary to make the sale.

#### **Revenue recognition**

The Company accepts sales returns and provides various rebates & incentives as per the policy. Various estimates are made to recognise the impact of sales return provision, rebates & incentives on revenue. These estimates are made based on historical and forecasted data, contractual terms and market conditions.

#### **Provision for doubtful receivables**

The Company makes provision for doubtful receivables based on a provision matrix which takes into account historical credit loss experience and adjusted for current estimates.

#### **Provision for employee benefits**

The Company uses actuarial assumptions to determine the obligations for employee benefits at each reporting period. These assumptions include discount rate, expected long-term rate of return on plan assets, rate of increase in compensation levels and mortality rates.

#### **Useful lives of Property, plant and equipment**

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by Management at the time the asset is acquired and is reviewed at the end of each reporting period. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

#### **Claims, provisions and contingent liabilities**

If any ongoing litigations against the Company with various regulatory authorities and third parties, where an outflow of funds is believed to be probable and a reliable estimate of the outcome of



the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is disclosed in notes to the financial statements.

### **Hedge Accounting**

Significant judgments are made in determining the hedge effectiveness of the forward and option contracts entered by the Company

### **Other estimates**

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

(All amounts in ₹ lakhs, unless otherwise stated)

#### 4. Property, plant and equipment and capital work-in-progress

##### 4.1 Carrying amounts of:

Particulars	As at March 31, 2021	As at March 31, 2020
Land	2,508	2,508
Buildings	4,056	3,787
Plant and equipment	11,642	11,590
Furniture and fixtures	103	144
Vehicles	96	64
Office equipment	51	58
Computers	116	140
<b>Total</b>	<b>18,572</b>	<b>18,291</b>
Capital work-in-progress	2,748	3,482

##### 4.2 Movement of property, plant and equipment:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
<b>Cost or deemed cost</b>								
<b>Balance as at March 31, 2019</b>	<b>2,508</b>	<b>5,078</b>	<b>32,476</b>	<b>617</b>	<b>152</b>	<b>247</b>	<b>593</b>	<b>41,671</b>
Add: Additions	-	808	5,485	5	9	20	65	6,392
Less: Disposals	-	-	210	-	24	-	15	249
<b>Balance as at March 31, 2020</b>	<b>2,508</b>	<b>5,886</b>	<b>37,751</b>	<b>622</b>	<b>137</b>	<b>267</b>	<b>643</b>	<b>47,814</b>
Add: Additions	-	443	1,921	7	45	11	34	2,461
Less: Disposals	-	-	777	-	10	6	53	846
<b>Balance as at March 31, 2021</b>	<b>2,508</b>	<b>6,329</b>	<b>38,895</b>	<b>629</b>	<b>172</b>	<b>272</b>	<b>624</b>	<b>49,429</b>

##### 4.3 Accumulated depreciation:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
<b>Balance as at March 31, 2019</b>	<b>-</b>	<b>1,944</b>	<b>24,911</b>	<b>425</b>	<b>69</b>	<b>192</b>	<b>457</b>	<b>27,998</b>
Add: Depreciation expense	-	155	1,449	53	11	17	57	1,742
Less: Disposals	-	-	199	-	7	-	11	217
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>2,099</b>	<b>26,161</b>	<b>478</b>	<b>73</b>	<b>209</b>	<b>503</b>	<b>29,523</b>
Add: Depreciation expense	-	174	1,813	48	12	18	52	2,117
Less: Disposals	-	-	721	-	9	6	47	783
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>2,273</b>	<b>27,253</b>	<b>526</b>	<b>76</b>	<b>221</b>	<b>508</b>	<b>30,857</b>

##### 4.4 Carrying amounts:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
<b>Balance as at March 31, 2021</b>	<b>2,508</b>	<b>4,056</b>	<b>11,642</b>	<b>103</b>	<b>96</b>	<b>51</b>	<b>116</b>	<b>18,572</b>
<b>Balance as at March 31, 2020</b>	<b>2,508</b>	<b>3,787</b>	<b>11,590</b>	<b>144</b>	<b>64</b>	<b>58</b>	<b>140</b>	<b>18,291</b>

##### Notes:

- Above includes opening gross block of ₹ 2,013 lakhs (2020: ₹ 2,004 lakhs), additions amounting to ₹ 1 lakhs (2020: ₹ 29 lakhs) and net block amounting to ₹ 868 lakhs (2020: ₹ 968 lakhs) in respect of in-house research and development.
- Refer Note 16 for detail of Property, plant and equipment hypothecated or pledged.

(All amounts in ₹ lakhs, unless otherwise stated)

#### 4A. Right-of-use assets

##### 4A.1 Carrying amounts of:

Particulars	As at March 31, 2021	As at March 31, 2020
Buildings	137	246
Vehicles	212	351
<b>Total</b>	<b>349</b>	<b>597</b>

##### 4A.2 Movement of Right of use of assets:

Particulars	Buildings	Vehicles	Total
<b>Cost</b>			
<b>Balance as at March 31, 2019</b>	<b>497</b>	<b>260</b>	<b>757</b>
Add: Additions	32	241	273
Less: Disposals/adjustments	31	-	31
<b>Balance as at March 31, 2020</b>	<b>498</b>	<b>501</b>	<b>999</b>
Add: Additions	76	-	76
Less: Disposals/adjustments	-	-	-
<b>Balance as at March 31, 2021</b>	<b>574</b>	<b>501</b>	<b>1,075</b>

##### 4A.3 Accumulated depreciation:

Particulars	Buildings	Vehicles	Total
<b>Balance as at March 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
Add: Depreciation expense	252	150	402
Less: Disposals/adjustments	-	-	-
<b>Balance as at March 31, 2020</b>	<b>252</b>	<b>150</b>	<b>402</b>
Add: Depreciation expense	185	139	324
Less: Disposals/adjustments	-	-	-
<b>Balance as at March 31, 2021</b>	<b>437</b>	<b>289</b>	<b>726</b>

##### 4A.4 Carrying amounts:

Particulars	Buildings	Vehicles	Total
<b>Balance as at March 31, 2021</b>	<b>137</b>	<b>212</b>	<b>349</b>
<b>Balance as at March 31, 2020</b>	<b>246</b>	<b>351</b>	<b>597</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 5. Other Intangible assets and intangible assets under development

### 5.1 Carrying amounts of:

Particulars	As at March 31, 2021	As at March 31, 2020
Goodwill	-	-
Computer software	-	18
Developed products	149	156
Technical knowhow	-	-
<b>Total</b>	<b>149</b>	<b>174</b>
Intangible assets under development	799	751

### 5.2 Movement of intangible assets:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
<b>Cost or deemed cost</b>					
<b>Balance as at March 31, 2019</b>	<b>121</b>	<b>379</b>	<b>1,200</b>	<b>65</b>	<b>1,765</b>
Add: Additions	-	-	40	-	40
Less: Disposals	-	-	25	-	25
Less: written off	121	-	-	-	121
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>379</b>	<b>1,215</b>	<b>65</b>	<b>1,659</b>
Add: Additions	-	-	142	-	142
Less: Disposals	-	-	-	-	-
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>379</b>	<b>1,357</b>	<b>65</b>	<b>1,801</b>

### 5.3 Accumulated amortisation:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
<b>Balance as at March 31, 2019</b>	<b>121</b>	<b>343</b>	<b>766</b>	<b>65</b>	<b>1,295</b>
Add: Amortisation expense	-	18	305	-	323
Less: Disposals	-	-	12	-	12
Less: Reversal on written off assets	121	-	-	-	121
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>361</b>	<b>1,059</b>	<b>65</b>	<b>1,485</b>
Add: Amortisation expense	-	18	149	-	167
Less: Disposals	-	-	-	-	-
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>379</b>	<b>1,208</b>	<b>65</b>	<b>1,652</b>

### 5.4 Carrying amounts:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>-</b>	<b>149</b>
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>18</b>	<b>156</b>	<b>-</b>	<b>174</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 6. Non-current investments

Particulars	Nominal value	Number of shares	As at March 31, 2021	Number of shares	As at March 31, 2020
<b>Trade</b>					
<b>Unquoted equity investments (all fully paid)</b>					
<b>(a) Investment in subsidiaries at cost</b>					
Nagarjuna Agrichem (Australia) Pty Limited	AUD 1	64,734	32	64,734	32
LR Research Laboratories Private Limited	₹ 10	10,000	1	10,000	1
NACL Spec-Chem Limited (Refer note (i) below)	₹ 1	20,000,000	200	-	-
NACL Multi-Chem Private Limited (Refer note (ii) below)	₹ 1	100,000	1	-	-
<b>(b) Investment in associate at cost</b>					
Nasense Labs Private Limited	₹ 10	6,127,513	816	6,127,513	816
<b>(c) Other equity investment at fair value through other comprehensive income</b>					
New India Co-operative Bank Limited	₹ 10	81,875	8	81,875	8
SVC Co-operative Bank Limited*	₹ 25	100	-	100	-
<b>Total equity investments (A)</b>			<b>1,058</b>		<b>857</b>
<b>Investment in preference shares at fair value through other comprehensive income</b>					
Nagaarjuna Shubho Green Technologies Private Limited					
10% cumulative redeemable preference shares	₹ 100	500,000	1	500,000	1
<b>Total other investments (B)</b>			<b>1</b>		<b>1</b>
<b>Unquoted investment in compulsory convertible debentures carried at amortised cost</b>					
NACL Spec-Chem Limited					
0.01% cumulative convertible debentures	₹ 100,000	3,000	1,963	-	-
(Refer note (iii) below)					
<b>Total other investments (C)</b>			<b>1,963</b>		<b>-</b>
<b>Total unquoted investments (A) + (B) + (C)</b>			<b>3,022</b>		<b>858</b>
*less than a lakh					
<b>Aggregate carrying value of unquoted non-current investments</b>			<b>3,022</b>		<b>858</b>

### Notes:

- The Company subscribed share capital ₹ 200 lakhs (comprising 2,00,00,000 number of equity shares of ₹ 1 each) during the year.
- The Company subscribed share capital ₹ 1 lakh (comprising 1,00,000 number of equity shares of ₹ 1 each) during the year.
- The Company subscribed Compulsory Convertible Debentures ₹ 3,000 lakh (comprising 3,000 number of CCD of ₹ 1,00,000 each) during the year.

(All amounts in ₹ lakhs, unless otherwise stated)

## 7. Other financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non-current</b>		
Derivative asset	-	121
Security deposits (refer note below)	401	361
<b>Total</b>	<b>401</b>	<b>482</b>
<b>Current</b>		
Interest accrued on deposits and others	13	19
Insurance claims receivable	379	362
Others	-	13
<b>Total</b>	<b>392</b>	<b>394</b>

### Note:

Security deposits include rental deposit aggregating ₹ 72 lakhs (2020: ₹ 67 lakhs) with Smt. K. Lakshmi Raju, Director of the Company.

## 8. Other assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non-current</b>		
Capital advances	141	568
Balance with government authorities	77	92
Prepaid expenses	838	3
<b>Total</b>	<b>1,056</b>	<b>663</b>
<b>Current</b>		
Advance to suppliers	960	1,015
Balance with government authorities	2,352	2,023
Advance to related parties (Refer Note 30)	9	-
Prepaid expenses	517	279
Export Incentive receivable	1,108	957
Advance to employees	4	4
<b>Total</b>	<b>4,950</b>	<b>4,278</b>

## 9. Inventories

Particulars	As at March 31, 2021	As at March 31, 2020
Raw materials (refer note (i) below)	9,845	6,386
Work-in-progress	2,245	1,574
Finished goods (refer note (ii) below)	8,483	6,305
Traded goods	660	801
Packing materials	626	591
Stores and spares	971	793
<b>Total</b>	<b>22,830</b>	<b>16,450</b>

### Notes:

(i) Raw materials includes goods in transit ₹ 1,767 lakhs (2020: ₹ 952 lakhs).

(ii) Finished goods written off during the year on account of expired stock aggregated ₹ 80 lakhs (2020: ₹ 191 lakhs).

(iii) Refer Note 16 for detail of Inventories hypothecated or pledged.



(All amounts in ₹ lakhs, unless otherwise stated)

## 10. Trade receivables

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Current</b>		
(a) Considered good - Secured	635	727
(b) Considered good - Unsecured	32,947	35,212
(c) Which have significant increase in Credit risk	-	-
(d) Credit impaired	293	489
	33,875	36,428
Less: Impairment loss on trade receivables	293	489
<b>Total</b>	<b>33,582</b>	<b>35,939</b>

### Note:

#### Expected credit loss (ECL):

(i) The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to whom the Company grants credit terms in the normal course of business. The credit period on sale of goods varies with seasons and markets and generally ranges between 30 to 180 days. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL allowance (or reversal) during the year is recognised in the statement of profit and loss.

(ii) Movement in the Impairment loss on trade receivables

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Balance at the beginning of the year	491	224
Provision for impairment loss made during the year	758	811
Provision reversed against trade receivables write-off / recovery	(956)	(546)
<b>Balance at the end of the year</b>	<b>293</b>	<b>489</b>

(iii) The concentration of risk with respect to trade receivables is reasonably low, as Company's customers are located in several jurisdictions representing large number of minor receivables operating in independent markets. Of the trade receivable balance ₹ 8,361 lakhs (2020: ₹ 7,824 lakhs) is due from customers who represent more than 5% of total trade receivables.

## 11. Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Cash on hand	5	7
Balances with banks		
- in Current accounts	2,026	6,556
- in EEFC accounts	1,232	1,790
- in demand deposit accounts with original maturity of less than 3 months	3,400	-
<b>Total</b>	<b>6,663</b>	<b>8,353</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 12. Other bank balances

Particulars	As at March 31, 2021	As at March 31, 2020
In other deposit accounts		
- Term deposits with original maturity of more than 3 months	500	-
In earmarked accounts		
Unpaid dividend accounts (refer note (i) below)	320	210
Margin money / deposit (refer note (ii) below)	1	3,205
<b>Total</b>	<b>821</b>	<b>3,415</b>

### Note:

#### (i) Unpaid dividend accounts

If the dividend has not been claimed within 30 days from the date of declaration, the Company is required to transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the Company in a scheduled bank to be called "Unpaid Dividend Account". The unclaimed dividend lying in such account is required to be transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government after a period of seven years from the date of declaration.

#### (ii) Margin money / deposit

Amounts in margin money represents deposit with bank against the letter of credit and bank guarantees issued by them.

## 13. Tax asset / liabilities (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance tax [net of provision ₹ Nil (2020: ₹ Nil)]	-	267
Provision for tax [net of advance tax ₹ 1,433 lakhs (2020: ₹ 653 lakhs)]	452	248

### 13.1 Tax expense

#### A. Income tax expense recognised in the statement of profit and loss

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Current tax</b>		
In respect of current year	2,606	423
<b>Total (A)</b>	<b>2,606</b>	<b>423</b>
<b>Deferred tax credit:</b>		
In respect of current year	(239)	294
<b>Total (B)</b>	<b>(239)</b>	<b>294</b>
<b>Total tax expense (A)+(B)</b>	<b>2,367</b>	<b>717</b>

#### B. Income tax expense recognised in the other comprehensive income

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Income tax expense recognised directly in equity consists of:</b>		
Tax effect on actuarial gains/losses on defined benefit obligations	23	10
Tax effect on effective portion of profit / loss on designated portion of hedging instrument in a cash flow hedge	(16)	60
<b>Total</b>	<b>7</b>	<b>70</b>

**C. Reconciliation of effective tax rate**

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Profit before tax</b>	<b>7,396</b>	<b>2,294</b>
Enacted rate in India	34.94%	34.94%
<b>Computed expected tax expense</b>	<b>2,584</b>	<b>802</b>
<b>Adjustments:</b>		
Weighted deduction under section 35(2AB) of the Income Tax Act, 1961	-	(165)
Effect of expenses that are not deductible in determining taxable profit	132	51
Disallowances under section 43 B of the Income Tax Act, 1961	-	35
Effect of change in tax rate (Refer note below)	(402)	-
Effect of deferred tax adjustments	67	-
<b>Others</b>	<b>(14)</b>	<b>(6)</b>
<b>Income tax expense</b>	<b>2,367</b>	<b>717</b>

**Note:**

During the quarter ended March 31, 2021, the Company has decided to exercise the option permitted under section 115BAA of the Income tax Act, 1961, from financial year 2021-22, as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its deferred tax liabilities (net) based on the rate prescribed in the said Ordinance. The full impact of this change relating to deferred tax liabilities, amounting to ₹ 402 lakhs, has been recognised in the statement of profit and loss and other comprehensive income, during the quarter ended March 31, 2021.

**14. Equity share capital**

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
<b>Authorised share capital:</b>	250,000,000	2,500	250,000,000	2,500
Fully paid up equity shares of ₹ 1 each				
<b>Issued, subscribed and fully paid up capital</b>	196,217,758	1,962	192,605,261	1,926
Fully paid up equity shares of ₹ 1 each				
	<b>196,217,758</b>	<b>1,962</b>	<b>192,605,261</b>	<b>1,926</b>

**Notes:****14.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year:**

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
<b>Balance at the beginning of the year</b>	192,605,261	1,926	167,420,260	1,674
Add: Issue of equity shares under Company's employee stock option plan	192,497	2	185,001	2
Add: Issue of equity shares upon conversion of share warrants (Refer Note 14.6 below)	3,420,000	34	25,000,000	250
<b>Balance at the end of the year</b>	<b>196,217,758</b>	<b>1,962</b>	<b>192,605,261</b>	<b>1,926</b>

**14.2 Rights, preferences and restrictions attached to equity shares:**

The Company has only one class of issued, subscribed and fully paid up equity shares having a face value of ₹ 1 each per share. Each holder of equity shares is entitled to one vote per share. The dividend (other than interim dividend) proposed, if any, by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to number of equity shares held by the shareholders.

(All amounts in ₹ lakhs, unless otherwise stated)

#### 14.3 Details of shares held by each shareholder holding more than 5% of the aggregate shares in the Company:

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	% of shareholding	Number of shares held	% of shareholding	Number of shares held
KLR Products Limited (Holding Company)	57.91%	113,623,500	58.99%	113,623,500
Mrs. K Lakshmi Raju	5.67%	11,125,860	1.57%	3,018,360
Krishi Rasayan Exports Private Limited	7.96%	15,625,000	8.11%	15,625,000
Rajesh Kumar Agarwal and Atul Churiwal (jointly representing Agro Life Science Corporation, a registered Partnership Firm)	7.96%	15,625,000	8.11%	15,625,000

#### 14.4 Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015

- The Company set up the "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015" (hereinafter referred to as "ESOS-2015") and earmarked 11,50,000 number of equity shares of ₹ 1 each for issue to employees. The plan was approved in financial year 2015-16 and is administered by the Compensation Committee of the Board of Directors.
- Under the ESOS-2015 scheme, options are granted to eligible employees at an exercise price, which shall not be less than the market price as on the date of the grant. These options vest over a period of one to five years and exercisable by the employees within two years of vesting.

##### iii) Summary of stock option:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
	Number of stock options	Number of stock options
Options outstanding at the beginning of the year	324,997	508,748
Options granted during the year	75,718	20,000
Options forfeited / lapsed during the year	6,968	18,750
Options exercised during the year*	192,497	185,001
Options outstanding at the end of the year**	201,250	324,997
Options vested but not exercised at the end of the year	4,000	-
* options exercised by employees of subsidiary companies	10,500	10,500
** options outstanding with employees of subsidiary companies	-	10,500

##### iv) Fair value of shares granted during the year:

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2021	As at March 31, 2020
Risk free Interest Rate (%)	3.93 - 6.31	4.90 - 6.50
Expected life (years)	6	6
Expected volatility (%)	62.94 - 68.69	61.80 - 71.00
Dividend yield (%)	0.41	0.40
Price of the underlying share in market at the time of the option grant (₹)		
-Grant 1	17	17
-Grant 2	18	18
-Grant 3	29	29
-Grant 4	28	28
-Grant 5	26	26
-Grant 6	40	-
-Grant 7	39	-
Weighted average share price at the date of exercise	39	28

(All amounts in ₹ lakhs, unless otherwise stated)

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2021	As at March 31, 2020
Weighted average remaining contractual life		
-Grant 1	1 - 2 years	2 - 3 years
-Grant 2	-	0 - 1 year
-Grant 3	2 - 3 years	3 - 4 years
-Grant 4	3 - 4 years	4 - 5 years
-Grant 5	3 - 4 years	5 years
-Grant 6	1 year	-
-Grant 7	1 year	-

#### 14.5 Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2020

- The Company set up the "NACL Industries Limited-Employee Stock Option Scheme-2020" (hereinafter referred to as "ESOS-2020") and earmarked 20,00,000 number of equity shares of ₹ 1 each for issue to employees. The plan was approved in financial year 2020-21 and is administered by the Compensation Committee of the Board of Directors.
- Under the ESOS-2020 scheme, options are granted to eligible employees at an exercise price, which shall not be less than the market price as on the date of the grant. These options vest over a period of one to four years and exercisable by the employees within two years of vesting.

#### iii) Summary of stock option:

Particulars	For the year ended March 31, 2021
	Number of stock options
Options outstanding at the beginning of the year	-
Options granted during the year	1,735,000
Options forfeited / lapsed during the year	85,000
Options exercised during the year	-
Options outstanding at the end of the year	1,650,000
Options vested but not exercised at the end of the year	-

#### iv) Fair value of shares granted during the year:

The weighted average fair value of the share options granted during the year is ₹ 15 - ₹ 17. Options were priced using Black Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past years.

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2021
Risk free Interest Rate (%)	3.93 - 5.59
Expected life (years)	4
Expected volatility (%)	62.94 - 65.16
Dividend yield (%)	0.41
Price of the underlying share in market at the time of the option grant (₹)	
-Grant 1	39
-Grant 2	39
Weighted average share price at the date of exercise	-
Weighted average remaining contractual life	
-Grant 1	1 - 4 years
-Grant 2	1 - 4 years

(All amounts in ₹ lakhs, unless otherwise stated)

#### 14.6 Allotment of equity shares upon conversion of share warrants:

- (i) The Board of Directors and the Shareholders, in their meetings held on August 12, 2020 and September 07, 2020 respectively, approved inter-alia issuance of 5,000,000 share warrants (of face value of ₹ 1 each) on preferential basis to Mrs. K Lakshmi Raju, Promoter (hereinafter referred to as "Investor") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Consequently, the Company allotted 5,000,000 Warrants to the aforesaid Investor against receipt of 25% of Issue price of ₹ 39 per Warrant. i.e ₹ 9.75 per Warrant aggregating ₹ 488 lakhs

During the year, warrant holder have exercised their options of converting 3,420,000 warrants by submitting the necessary Warrant Exercise Application Form along with paying the balance consideration amount of ₹ 29.25 per warrant (i.e. 75% of the issue price) aggregating ₹ 1,000 lakhs. Accordingly, the Company has allotted 3,420,000 equity shares in the ratio of one Equity Share for each Warrant exercised, on December 18, 2020.

The total amount aggregating ₹ 1,488 lakhs has been utilised by the Company before the year end for the purposes for which the funds were raised.

- (ii) The Board of Directors and the Shareholders, in their meetings held on February 08, 2019 and March 07, 2019 respectively, approved inter-alia issuance of 25,000,000 share warrants (of face value of ₹ 1 each) on preferential basis to M/s. Krishi Rasayan Exports Private Limited, Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation and Mrs. K Lakshmi Raju, Promoter (collectively referred to as "Investors") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Consequently, the Company allotted 25,000,000 Warrants to the aforesaid Investors against receipt of 25% of Issued price of ₹ 32 per Warrant. i.e ₹ 8 per Warrant aggregating ₹ 2,000 lakhs.

During the financial year 2019-20, warrant holders have exercised their options of converting the warrants by submitting the necessary Warrant Exercise Application Form along with paying the balance consideration amount of ₹ 24 per warrant (i.e. 75% of the issue price) aggregating ₹ 6,000 lakhs. Accordingly, the Company has allotted 25,000,000 equity shares in the ratio of one Equity Share for each Warrant exercised, on March 24, 2020.

The total amount aggregating ₹ 8,000 lakhs has been deposited in current accounts and cash credit facilities of the Company as at March 31, 2020 and has been utilised subsequently in the financial year 2020-21 for the purposes for which the funds were raised.

#### 15. Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
General reserve	4,175	4,175
Capital reserve	21	21
Securities premium	12,687	11,351
Reserve for equity instruments through other comprehensive income	(499)	(499)
Share warrants	154	-
Stock option reserve	71	23
Retained earnings	22,577	18,056
<b>Total</b>	<b>39,186</b>	<b>33,127</b>



## 15.1 Other equity

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Capital reserve</b>	21	21
<b>Securities premium</b>		
Balance at beginning of year	11,351	3,567
Add: Amount received on exercise of employee stock options Allotment	13	13
Add: Amount transferred on exercise of employee stock option	23	21
Add: Premium on allotment of equity shares upon conversion of warrants	1,300	7,750
<b>Closing balance</b>	<b>12,687</b>	<b>11,351</b>
<b>Share options outstanding account</b>		
Opening balance	23	-
Add: Stock options on vesting of employee stock options	71	44
Less: Amount transferred on exercise of employee stock option	23	21
<b>Closing balance</b>	<b>71</b>	<b>23</b>
<b>General reserve</b>	<b>4,175</b>	<b>4,175</b>
<b>Reserve for equity instruments through other comprehensive income</b>	<b>(499)</b>	<b>(499)</b>
<b>Share warrants (Refer Note 14.6)</b>		
Opening balance	-	2,000
Add: Received on allotment	154	-
Less: Utilised on exercise	-	(2,000)
<b>Closing balance</b>	<b>154</b>	<b>-</b>
<b>Retained earnings</b>		
Opening balance	18,056	16,927
Less: Impact on account of adoption of Ind AS 116 Lease (Refer Note 37)	-	(84)
Add: Profit for the year	5,029	1,577
Add: Other comprehensive income arising from remeasurement of defined benefit obligation (net of taxes)	(21)	(132)
	<b>23,064</b>	<b>18,288</b>
Less: Dividends including corporate dividend tax (Refer Notes below)	487	232
<b>Closing balance</b>	<b>22,577</b>	<b>18,056</b>
<b>Total</b>	<b>39,186</b>	<b>33,127</b>

### Nature of reserves:

- Security premium:** Security premium reserve represents the amount received in excess of the face value of the equity shares. The utilisation of the security premium reserve is governed by the Section 52 of the Companies Act, 2013 ("Act").
- Share options outstanding accounts:** Share options outstanding account relates to share options granted by the Company to its employees under its employee share option plans. These will be transferred to retained earnings after the exercise of the underlying options.
- General Reserves:** The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.
- Reserve for equity instruments through other comprehensive income:** This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, net of amounts reclassified to retained earnings when those assets have been disposed off.
- Share warrants:** This represents the moneys received against the share warrants.
- Retained earnings:** Retained earnings represents the Company's undistributed earnings after taxes.

### Notes:

- In respect of the year ended March 31, 2021, the directors proposed that a dividend of ₹ 0.15 per share be paid on fully paid equity shares. The proposed equity dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated amount to be paid with respect to dividend is ₹ 294 lakhs.
- The Board of Directors in its meeting held on November 4, 2020 and on March 23, 2021 approved interim dividend of ₹ 0.10 and ₹ 0.15 per Equity Share of ₹ 1 each respectively.  
FY 2019-20: The Board of Directors in its meeting held on March 26, 2020 approved an interim dividend of ₹ 0.10 per Equity Share of ₹ 1 each.

(All amounts in ₹ lakhs, unless otherwise stated)

## 16. Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non current</b>		
<b>Secured - at amortised cost</b>		
Term loans		
from banks (refer note (a) below)	4,899	2,175
from financial institution (refer note (a) below)	2,250	-
<b>Total - non current</b>	<b>7,149</b>	<b>2,175</b>
<b>Current</b>		
<b>Secured - at amortised cost</b>		
Repayable on demand from banks (refer note (b) below)	11,263	21,293
<b>Unsecured - at amortised cost</b>		
from banks (refer note (c) below)		
Others	-	1,431
<b>Total - current</b>	<b>11,263</b>	<b>22,724</b>

### Notes:

#### (a) Terms of repayment of term loans

##### SVC Co-Operative Bank Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Term loan - Rupee	-	674	Repaid during the year

Secured by: first ranking pari-passu charge on Property, plant and equipment of the Company, second ranking pari-passu charge on current assets of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Repayable in 18 quarterly instalments. Rate of interest 13.05% p.a. (2020: 13.05% p.a.)

##### RBL Bank Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Term loan - External Commercial Borrowing	2,109	2,686	Repayable over next 3.50 years

Secured by: first ranking pari-passu charge on present and future Property, plant and equipment of the Company, second ranking pari-passu charge on present and future inventory and trade receivables of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Loan is denominated in foreign currency - USD 2,884,375 (2020: USD 3,550,000)

Repayable in 16 quarterly instalments.

Interest rate is determined based on 6 months LIBOR plus 400 basis points and is payable monthly. The same is hedged against variable to fixed rate swap contract for a fixed rate of 7.50% p.a. (2020: 7.50% p.a.) with RBL Bank Limited.

##### Bajaj Finance Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Term Loan - Rupee	3,000	-	Repayable over next 4 years

Secured by: first ranking pari-passu charge on present and future Property, plant and equipment of the Company, second ranking pari-passu charge on present and future inventory and trade receivables of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Repayable in 16 quarterly instalments from the date of each disbursement. Rate of interest 10.75% p.a. (1 year MCLR plus 3.50% p.a.)

(All amounts in ₹ lakhs, unless otherwise stated)

#### RBL Bank Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Working Capital Term loan - Rupee	3,439	-	Repayable over next 5 years

Secured by: 100% guaranteed by National Credit Guarantee Trustee Company Limited (NCGTC), second ranking pari-passu charge on current assets and Property, plant and equipment of the Company, both present and future.

Repayable in 16 quarterly instalments after moratorium of 12 months from the date of first disbursement.

Rate of interest 8.65% p.a. (3 months MCLR plus 4.50% p.a.)

Current maturities of non-current borrowings have been disclosed under the head other current financial liabilities. (Refer Note 17)

#### (b) Loans repayable on demand

Loans repayable on demand from banks (includes Cash Credit Facilities, Working capital demand loan and packing credit foreign currency facilities, along with non fund based limits of letters of credit and bank guarantees) from HDFC Bank Limited, SVC Co-operative Bank Limited, RBL Bank Limited, Karnataka Bank Limited, Shinhan Bank Limited, Axis Bank Limited, Bandhan Bank Limited, Bank of Bahrain and Kuwait B.S.C. and SBM Bank (India) Limited are secured by way of hypothecation of current assets comprising stock in trade, book debts and stores and spares, both present and future. The aforesaid facilities are further secured by second charge on the Company's immovable and movable properties, both present and future, ranking pari-passu with other working capital lenders. These facilities are guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Rate of interest on loans repayable on demand is in the range of 7.50% to 12.50%

#### (c) Unsecured short term loan

Unsecured others comprise of export bill discounting facilities availed from HDFC Bank Limited. As at March 31, 2021, the balance outstanding is ₹ Nil (2020: ₹ 1,431 lakhs).

#### (d) Moratorium availed from banks

As per RBI Circulars DOR.No.BP.BC.47/21.04.048/2019-20 and DOR.No.BP.BC.63/21.04.048/2019-20 dated March 27, 2020 and April 17, 2020 respectively, relating to the COVID-19 Regulatory Package, the Company availed moratorium of three months on the payment of interest on cash credit accounts, falling due between March 1, 2020 and May 31, 2020 from State Bank of India and IDBI Bank Limited. Further, the Company also availed moratorium of three months on the payment of instalment and interest on term loan falling due between March 1, 2020 and May 31, 2020 from SVC Co-operative Bank Limited. These were fully repaid during first quarter of FY 2020-21. From there onwards, Company has not availed any further moratorium from banks.

### 17. Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non current</b>		
Trade deposits from dealers	1,066	1,090
Derivative liabilities	110	174
<b>Total - non current</b>	<b>1,176</b>	<b>1,264</b>
<b>Current</b>		
Current maturities of long-term borrowings	1,399	1,175
Payable on purchase of property, plant and equipment	2,677	2,342
Interest accrued but not due	9	40
Unclaimed dividend (refer note below)	320	210
<b>Total - current</b>	<b>4,405</b>	<b>3,767</b>

#### Note:

As at March 31, 2021: ₹ Nil (March 31, 2020: ₹ Nil) there are no amounts of unclaimed dividend due for remittance to the Investor Education & Protection Fund.

(All amounts in ₹ lakhs, unless otherwise stated)

## 18. Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non current</b>		
Gratuity liability	351	220
Compensated absences	398	343
<b>Total - non current</b>	<b>749</b>	<b>563</b>
<b>Current</b>		
Gratuity liability	103	55
Compensated absences	140	99
<b>Total - current</b>	<b>243</b>	<b>154</b>

### Notes:

#### a) Defined benefit plans

##### Gratuity

In accordance with the 'Payment of Gratuity Act, 1972' of India, the Company, provides for Gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity plan are determined by an independent actuarial valuation and are charged to the Statement of Profit and Loss for the period determined. The Gratuity fund is administered through a scheme of Life Insurance Corporation of India.

The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

Amounts recognised in statement of profit and loss in respect of these defined benefit i.e. Gratuity plans are as follows:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current service cost	78	69
Net interest expense	18	14
<b>Components of defined benefit costs recognised in statement of profit or loss</b>	<b>96</b>	<b>83</b>
Re-measurement on the net defined benefit liability:		
- Return on plan assets (greater)/less than discount rate	-	30
- Actuarial losses / (gains) arising from experience adjustments	102	(49)
- Actuarial (gains) / losses arising from changes in financial assumptions	(10)	47
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>92</b>	<b>28</b>
<b>Total</b>	<b>188</b>	<b>111</b>

#### Change in Defined Benefit Obligation (DBO) during the year

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Present value of DBO at the beginning of the year	647	634
Current service cost	78	70
Interest cost	41	45
Actuarial (gains) / losses arising from changes in financial assumptions	(10)	46
Actuarial (gains) / losses arising from changes in financial assumptions	102	(49)
Benefits paid	(54)	(99)
<b>Present value of DBO at the end of the year</b>	<b>804</b>	<b>647</b>

(All amounts in ₹ lakhs, unless otherwise stated)

#### Change in fair value of plan assets during the year

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Fair value of plan assets at the beginning of the year	372	463
Interest income	23	33
Employer contributions	9	6
Benefits paid	(54)	(99)
Return on plan assets (greater)/less than discount rate	-	(31)
<b>Present value of plan assets at the end of the year</b>	<b>350</b>	<b>372</b>

#### Amounts recognised in the Balance Sheet

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of DBO at the end of the year	804	647
Fair value of plan assets at the end of the year	350	372
<b>Funded status of the plans – liability</b>	<b>454</b>	<b>275</b>
<b>Liability recognised in the Balance Sheet</b>	<b>454</b>	<b>275</b>

#### Nature and extent of investment details of the plan assets

Particulars	As at March 31, 2021	As at March 31, 2020
Insurer managed funds	100%	100%

#### Assumptions

Particulars	Gratuity plan	
	As at March 31, 2021	As at March 31, 2020
Discount rate	6.87%	6.70%
Estimated rate of return on plan assets	6.87%	6.70%
Expected rate of salary increase	3.00%	3.00%
Attrition rate	1% to 3%	1% to 3%
Retirement age	58 years	58 years
Mortality table	Mortality Rate (as % of IALM (2012-14) Ult. Mortality Table)	

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

#### Sensitivity analysis

Scenario	DBO	Percentage Change
Under base scenario	804	-
Salary escalation - up by 1%	874	8.70%
Salary escalation - down by 1%	742	(7.70%)
Attrition rate - up by 1%	821	2.20%
Attrition rate - down by 1%	784	(2.40%)
Discount rate - up by 1%	747	(7.10%)
Discount rate - down by 1%	869	8.10%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(All amounts in ₹ lakhs, unless otherwise stated)

#### Expected cash flows

Particulars	As at March 31, 2021	As at March 31, 2020
Maturity profile of Defined Benefit Obligations		
Within 1 year	103	55
Year 2	41	63
Year 3	65	34
Year 4	86	52
Year 5	74	70
> 5 years	385	320

#### b) Actuarial assumptions for compensated absences

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	6.87%	6.70%
Salary escalation	3%	3%
Attrition rate	1% to 3%	1% to 3%

The accrual for unutilised compensated absences is determined for the entire available compensated absences balance standing to the credit of the employees at year-end as per Company's policy. The value of such compensated absences balance eligible for carry forward, is determined by an independent actuarial valuation and charged to Statement of Profit and Loss in the period determined.

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

#### 19. Deferred tax liabilities (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Deferred tax liability (net)	1,076	1,322
MAT credit entitlement	-	(1,221)
<b>Total</b>	<b>1,076</b>	<b>101</b>

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Property, plant and equipment	1,623	2,008
Employee related provisions	(316)	(304)
Provisions for credit impaired balances	(74)	(172)
MAT credit entitlement	-	(1,221)
Lease Liabilities	(10)	(35)
Others	(147)	(175)
<b>Deferred tax liabilities (net)</b>	<b>1,076</b>	<b>101</b>



(All amounts in ₹ lakhs, unless otherwise stated)

#### Movement in deferred tax assets and liabilities

2020-21	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availability)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment & Intangible assets under development	2,008	(385)	-	-	1,623
Employee related provisions	(304)	11	(23)	-	(316)
Provisions for credit impaired balances	(172)	98	-	-	(74)
Minimum alternate tax (MAT) credit entitlement	(1,221)	-	-	1,221	-
Lease liabilities	(35)	25	-	-	(10)
Others	(175)	12	16	-	(147)
<b>Total</b>	<b>101</b>	<b>(239)</b>	<b>(7)</b>	<b>1,221</b>	<b>1,076</b>

#### Movement in deferred tax assets and liabilities

2019-20	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availability)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment	2,001	7	-	-	2,008
Employee related provisions	(248)	(46)	(10)	-	(304)
Provisions for credit impaired balances	(79)	(93)	-	-	(172)
Carry forward losses	(422)	422	-	-	-
Minimum alternate tax (MAT) credit entitlement	(1,247)	-	-	26	(1,221)
Lease liabilities	-	11	-	(46)	(35)
Others	(108)	(7)	(60)	-	(175)
<b>Total</b>	<b>(103)</b>	<b>294</b>	<b>(70)</b>	<b>(20)</b>	<b>101</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 20. Trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
Total outstanding dues to micro enterprises and small enterprises (refer note (a) below)	1,108	533
Total outstanding dues of creditors other than micro enterprises and small enterprises [refer note (c) below]	26,298	26,284
<b>Total</b>	<b>27,406</b>	<b>26,817</b>

### Notes:

(a) Based on the information available with the management, the balance due to micro, small and medium enterprises as defined under "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006", is ₹ 1,108 lakhs (2020: ₹ 533 lakhs) and no interest has been paid or is payable under the terms of MSMED Act, 2006. Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of the information collected by the Management.

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Principal amount due to suppliers under MSMED Act, as at end of the year	1,108	533
(ii) Interest accrued and due to suppliers under MSMED Act on the above amount as at the year end	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) +(iv)	-	-

(b) The average credit period on purchases ranges from 90 days - 120 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed credit terms.

(c) The dues above include acceptances against the letter of credit issued to bank amounting to ₹ 3,383 lakhs as at March 31, 2021 (March 31, 2020: ₹ 2,901 lakhs).

## 21. Other current liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Advances from customers	781	733
Statutory payables	557	507
<b>Total</b>	<b>1,338</b>	<b>1,240</b>

## 22. Revenue from operations

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale of products	116,543	98,777
Other operating revenue (refer note below)	2,594	2,712
<b>Total</b>	<b>119,137</b>	<b>101,489</b>

(All amounts in ₹ lakhs, unless otherwise stated)

**Notes:**

**(A) Revenue for the year ended March 31, 2021 and March 31, 2020 includes:**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale of manufactured products	112,605	90,837
Sale of traded products	3,938	7,940
<b>Total</b>	<b>116,543</b>	<b>98,777</b>

**Disaggregation of revenue information:**

The tables below presents disaggregated revenues from contracts with customers by customers and geography. The company believes that the this disaggregation best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Manufactured products</b>		
Domestic		
Dealer sales	51,559	42,496
Institutional sales	28,038	22,598
Exports		
Institutional sales	33,008	25,743
<b>Total manufactured products</b>	<b>112,605</b>	<b>90,837</b>
<b>Traded products</b>		
Domestic		
Dealer sales	3,938	7,940
<b>Total traded products</b>	<b>3,938</b>	<b>7,940</b>
<b>Total sales</b>	<b>116,543</b>	<b>98,777</b>

**(B) Other operating revenue**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on trade receivables	1,364	1,751
Export incentives and others (scrap sales, conversion charges etc.,)	1,230	961
<b>Total</b>	<b>2,594</b>	<b>2,712</b>

**23. Other income**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest income earned on financial assets that are not designated as fair value through profit and loss	12	9
Interest income	268	43
Unwinding of discount on 0.01% cumulative convertible debentures	72	-
Insurance claims	408	172
Credit impaired trade receivables recovered	106	151
Liabilities / provisions no longer required written back	99	68
Net gain on foreign currency transactions and translations	370	-
Miscellaneous income	201	306
<b>Total</b>	<b>1,536</b>	<b>749</b>

**24. Cost of materials consumed**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Raw material consumption	76,249	56,125
Packing material consumption	5,230	4,325
<b>Total</b>	<b>81,479</b>	<b>60,450</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 25. Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Opening balance</b>		
Work-in-progress	1,574	1,342
Finished goods	6,305	10,447
Stock-in-trade	801	3,210
<b>Total opening balance</b>	<b>8,680</b>	<b>14,999</b>
<b>Closing balance</b>		
Work-in-progress	2,245	1,574
Finished goods	8,483	6,305
Stock-in-trade	660	801
<b>Total closing balance</b>	<b>11,388</b>	<b>8,680</b>
<b>Net (increase) /decrease in inventories</b>	<b>(2,708)</b>	<b>6,319</b>

## 26. Employee benefits expense

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, wages and bonus	8,160	7,367
Contribution to provident and other funds (Refer note below)	617	567
Employee stock compensation expense	71	44
Staff welfare expenses	546	649
<b>Total</b>	<b>9,394</b>	<b>8,627</b>

### Notes:

#### Contribution to provident fund and other funds

##### - Provident fund:

The Company makes provident fund contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the fund administered and managed by the Government of India. The Company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. Total expense recognised during the year aggregated ₹ 521 lakhs (2020 ₹ 484 lakhs).

##### - Gratuity (funded):

Amount recognised in statement of profit and loss in respect of gratuity ₹ 96 lakhs (2020 ₹ 83 lakhs).

## 27. Finance cost

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expenses		
Interest on working capital and term loans (gross)	1,941	2,522
Less: Interest cost capitalised	(143)	(494)
Interest on working capital and term loans (net)	1,798	2,028
Other interest expenses	486	377
Interest on lease liabilities	67	114
Interest cost on amortised assets	97	11
Bank and finance charges	432	386
<b>Total</b>	<b>2,880</b>	<b>2,916</b>

## 28. Depreciation and amortisation expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation of property, plant and equipment (Refer Note 4)	2,117	1,742
Less: Depreciation capitalised during the year	80	70
	2,037	1,672
Add: Depreciation on right-of-use assets (Refer Note 4A)	325	402
Add: Amortisation of intangible assets (Refer Note 5)	167	323
<b>Total</b>	<b>2,530</b>	<b>2,397</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 29. Other expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Consumption of stores and spare parts	755	653
Repairs and maintenance		
Buildings	68	49
Plant and machinery	307	279
Others	28	36
Other manufacturing costs	1,495	1,129
Power and fuel	3,147	2,961
Rent	52	20
Rates and taxes	60	75
Communication expenses	70	81
Travel and conveyance	457	986
Legal and professional charges	388	520
Insurance	459	522
Directors' sitting fees	30	14
Auditors' remuneration (refer note (i) below)	52	33
Product development expenses	117	82
Credit impaired trade receivables written off	1,889	1,129
Reversal of provision for credit impaired trade receivables	(956)	(546)
Allowances for credit impaired receivables and advances	758	811
Royalty	1,029	957
Marketing expenses	1,002	2,389
Freight outward	2,551	1,922
Net loss on disposal of property, plant and equipment	54	28
Intangible assets and intangible assets under development written off	343	138
Goodwill written off	-	121
Reversal of accumulated amortization on goodwill	-	(121)
Loss / (gain) on foreign currency transactions and translations	-	(230)
Corporate social responsibility expenses (refer note (ii) below)	19	32
Miscellaneous expenses	809	601
<b>Total</b>	<b>14,983</b>	<b>14,671</b>

### Notes:

#### (i) Auditors' remuneration (net of applicable taxes) comprises of:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
For statutory audit	25	21
For tax audit	4	4
For others	23	8
<b>Total</b>	<b>52</b>	<b>33</b>

#### (ii) Corporate social responsibility (CSR):

As per Section 135 of the Companies Act, 2013 ('Act'), a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The focus areas of Company's CSR activities are Education, Health & Wellness and Community Engagement. The CSR activities of the Company are in line with the Schedule VII of the Companies Act, 2013. A CSR committee has been formed by the company as per the Act. The funds were primarily allocated to a corpus and utilized through the year on these activities which are specified in Schedule VII of the Companies Act, 2013.

(All amounts in ₹ lakhs, unless otherwise stated)

a. Gross amount required to be spent by the company during the year is ₹ 19 lakhs (2020: ₹ 32 lakhs)

b. Amount spent during the year on:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	19	32

c. Details of amount unspent ₹ Nil (2020: ₹ Nil)

### 30. Related party disclosures :

#### (A) Names of the related parties and their relationship :

##### (i) Details of subsidiaries & associates :

Names	Nature of relationship	Country of incorporation	Percentage of holding as at	
			March 31, 2021	March 31, 2020
LR Research Laboratories Private Limited (LRLPL)	Subsidiary	India	100%	100%
NACL Spec-Chem Limited (NSCL) *	Subsidiary	India	100%	-
NACL Multi-Chem Private Limited (NMCPL) **	Subsidiary	India	100%	-
Nagarjuna Agrichem (Australia) Pty Limited, Australia (NAPL)	Subsidiary	Australia	100%	100%
Nasense Labs Private Limited (NLPL)	Associate	India	26%	26%

\* Incorporated on April 27, 2020

\*\* Incorporated on May 18, 2020

##### (ii) Details of other related parties :

Name	Nature of relationship
KLR Products Limited (KLRPL)	Parent Company
Nagaarjuna Shubho Green Technologies Private Limited (NSGTPL)	Entity with common director (upto December 2, 2019)
Krishi Rasayan Exports Private Limited (KREPL)	Entity with common director (w.e.f. May 29, 2019)
Agro Life Sciences Corporation (ALSC)	Entity with common director (w.e.f. May 29, 2019)
Agma Energy Private Limited (AEPL)	Entity with common director (w.e.f. May 29, 2019)

##### (iii) Key Managerial Personnel (KMP) :

Name	Designation
Mr. M Pavan Kumar	Managing Director and Chief Executive Officer
Mr. RKS Prasad	Chief Financial Officer (CFO)
Mr. Satish Kumar Subudhi	Company Secretary (CS)
Mrs. K Lakshmi Raju	Chairperson (Director)
Mr. Sudhakar Kudva	Independent Director
Mr. Raghavender Mateti	Independent Director
Mr. N. Vijayaraghavan	Non- Executive Director
Mr. Ranvir Sain Nanda	Independent Director @
Mr. K Raghuraman	Independent Director ***
Mr. Ramkrishna Mudholkar	Independent Director
Mr. Dorairaj Kuppurangam	Independent Director
Mr. Sambasiva Rao Nannapaneni	Independent Director
Ms. Veni Mocherla	Independent Director
Mr. Atul Churiwal	Investor Nominee Director
Mr. Rajesh Kumar Agarwal	Investor Nominee Director

@ Ceased to be Independent Director of the Company with effect from February 26, 2020

\*\*\* Ceased to be Independent director of the company with effect from August 9, 2019



(All amounts in ₹ lakhs, unless otherwise stated)

**(B) Transactions during the year :**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(i) Sales</b>		
a. Associate (NLPL)	-	1,160
b. Other related party (KREPL)	6,759	3,278
c. Other related party (ALSC)	158	1,355
<b>(ii) Rent Income</b>		
a. Subsidiary (NMCPL)	*	-
b. Subsidiary (NSCL)	*	-
<b>(iii) Interest Income</b>		
a. Subsidiary (NSCL)	6	-
<b>(iv) Purchases</b>		
a. Associate (NLPL)	2	1,166
b. Other related party (NSGTPL)	-	8
c. Other related party (KREPL)	6,382	6,687
d. Other related party (ALSC)	2,109	1,189
e. Other related party (AEPL)	157	289
<b>(v) Professional charges</b>		
a. Subsidiary (LRLPL)	32	37
b. Subsidiary (NAPL)	12	10
<b>(vi) Investments</b>		
a. Subsidiary (NSCL)	3,200	-
b. Subsidiary (NMCPL)	1	-
<b>(vii) Dividend paid</b>		
a. Parent Company (KLRPL)	263	114
b. Other related party (KREPL)	36	16
c. Other related party (ALSC)	36	16
<b>(viii) Proceeds on conversion of share warrants to equity shares</b>		
a. Other related party (KREPL)	-	1,875
b. Other related party (ALSC)	-	3,000
<b>(ix) Transaction with Key Managerial Personnels</b>		
a. Rent paid	139	135
b. Sitting fees	30	14
c. Dividend paid	20	8
d. Proceeds on conversion of share warrants to equity shares	1,334	1,125
e. Proceeds from allotment of share warrants	154	-

\* less than a lakh

(All amounts in ₹ lakhs, unless otherwise stated)

**(C) Outstanding balances as at the year end**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>(i) Share warrants</b>		
a. Key Managerial Personnels	154	-
<b>(ii) Advance to related parties</b>		
a. Subsidiary (NSCL)	9	-
b. Subsidiary (NMCPL)	*	-
<b>(iii) Trade receivables</b>		
a. Associate (NLPL)	542	1,068
b. Other related party (KREPL)	1,046	837
<b>(iv) Trade payables</b>		
a. Associate (NLPL)	-	484
b. Subsidiary (LRLPL)	1	1
c. Other related party (KREPL)	1,399	1,981
d. Other related party (ALSC)	510	369
e. Other related party (AEPL)	13	168
<b>(v) Security deposits</b>		
a. Key Managerial Personnels	72	67
<b>(vi) Investments</b>		
a. Subsidiary (NAPL)	32	32
b. Subsidiary (LRLPL)	1	1
c. Subsidiary (NSCL)	3,200	-
d. Subsidiary (NMCPL)	1	-
e. Associate (NLPL)	816	816
f. Other related party (NSGTPL)	-	1

\* less than a lakh

**(D) Transactions with key management personnel**

Nature of transaction	Party name	For the year ended March 31, 2021	For the year ended March 31, 2020
Short-term employee benefits	MD & CEO, CFO and CS	268	236
Share based payments	MD & CEO, CFO and CS	2	3
<b>Total</b>		<b>270</b>	<b>239</b>

Short term employee benefits does not include expenses for gratuity and compensated absences.

(All amounts in ₹ lakhs, unless otherwise stated)

### 31. Contingent liabilities

S. No.	Particulars	As at	
		March 31, 2021	March 31, 2020
(i)	Claims against the Company not acknowledged as debts in respect of the matters under dispute:		
	Excise duty (refer note (a) below)	29	33
	Service tax (refer note (b) below)	15	66
	Income tax (refer note (c) below)	521	478
	Sales tax (refer note (d) below)	106	106
	Goods and Service tax (refer note (e) below)	31	6
(ii)	Counter guarantees given to bankers (refer note (f) below)	95	193
(iii)	Others (refer note (g) below)	141	125
	<b>Total</b>	<b>938</b>	<b>1,007</b>

#### Notes:

- (a) The Company has disputed various demands raised by excise duty authorities for the Financial years 2004-05 to 2006-07 and 2008-09 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- (b) The Company has disputed various demands raised by service tax authorities for the Financial years 2006-07 to 2010-11, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- (c) The Company has disputed various demands raised by income tax authorities for the assessment years 2004-05 to 2007-08; 2009-10, 2017-18 and 2018-19 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- (d) The Company has disputed various demands raised by sales tax authorities for the financial years 2009-10 to 2016-17, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- (e) The Company has disputed various demands raised by Goods and Service Tax authorities for the financial year 2017-2018 and 2019-20, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- (f) The Company has given certain counter guarantees to bank for guarantees given by the bank to third parties in ordinary course of business.
- (g) Other contingent liability majorly pertains to demand for payment of alleged deficit of stamp duty, registration fees and penalty in respect of a sales deed. The Company is confident that the case will be decided in its favour.

### 32. Commitments

S. No.	Particulars	As at	
		March 31, 2021	March 31, 2020
(i)	Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advance)	562	299
	<b>Total</b>	<b>562</b>	<b>299</b>

(All amounts in ₹ lakhs, unless otherwise stated)

### 33. Financial instruments

#### 33.1 Capital management

The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Company ensures optimal credit risk profile to maintain/enhance credit rating. The Company determines the amount of capital required on the basis of annual operating plan and long-term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Company monitors the capital structure on the basis of net debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

#### Gearing ratio

Particulars	As at March 31, 2021	As at March 31, 2020
Non-current borrowings	7,149	2,175
Current borrowings and current maturities of non-current borrowings	12,662	23,899
Cash and cash equivalents	(6,663)	(8,353)
Net debt (Refer note (i) below)	13,148	17,721
Equity (Refer note (ii) below)	41,148	35,053
<b>Net debt to equity ratio</b>	<b>0.32</b>	<b>0.51</b>

#### Notes:

- (i) Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.  
(ii) Equity includes issued equity capital, securities premium and all other reserves.

#### 33.2 Financial instruments by category

Particulars	As at March 31, 2021			As at March 31, 2020		
	Amortised Cost	FVTOCI	FVTPL	Amortised Cost	FVTOCI	FVTPL
<b>Financial assets</b>						
Investments in equity instruments / preferential shares	-	9	-	-	9	-
Derivative financial asset	-	-	-	-	-	121
Other financial assets	793	-	-	755	-	-
Trade receivables	33,582	-	-	35,939	-	-
Cash and cash equivalents	6,663	-	-	8,353	-	-
Other bank balances	821	-	-	3,415	-	-
<b>Total</b>	<b>41,859</b>	<b>9</b>	<b>-</b>	<b>48,462</b>	<b>9</b>	<b>121</b>
<b>Financial liabilities</b>						
Borrowings (refer note (i) below)	18,412	-	-	24,899	-	-
Lease liabilities	390	-	-	695	-	-
Derivative financial liability	-	110	-	-	174	-
Other financial liabilities	5,471	-	-	4,857	-	-
Trade payables	27,406	-	-	26,817	-	-
<b>Total</b>	<b>51,679</b>	<b>110</b>	<b>-</b>	<b>57,268</b>	<b>174</b>	<b>-</b>

#### Notes:

- (i) Borrowings include non-current and current borrowings (Refer Note 16)  
(ii) The management assessed that fair value of cash and cash equivalents, trade receivables, other current financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments, and hence these are carried at amortised cost.  
(iii) Investments (unquoted) are measured at fair value through initial designation in accordance with Ind-AS 109.

(All amounts in ₹ lakhs, unless otherwise stated)

### 33.3 Fair Value by hierarchy

#### Valuation technique and key inputs

##### Level 1

Quoted prices (unadjusted) in an active markets for similar assets or liabilities.

##### 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).

Quantitative disclosures of fair value measurement hierarchy-Level 2 for financial instruments:

Particulars	As at March 31, 2021	As at March 31, 2020
Financial Assets		
Derivative financial asset	-	121
Financial Liabilities		
Derivative financial liability	110	174

The Company enters into derivative financial instruments with various counterparties principally, banks with investment grade credit ratings. Foreign exchange forward contracts and interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, etc. As at March 31, 2021 the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had insignificant impact on the hedge effectiveness assessment for derivatives designated in hedge relationships.

##### Level 3

Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Quantitative disclosures of fair value measurement hierarchy-Level 3 for financial instruments:

Particulars	As at March 31, 2021	As at March 31, 2020
Financial Assets		
Unquoted equity shares	9	9

The fair values of the unquoted equity shares have been estimated using a Discounted Cash Flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, earnings growth, discount rate, and probabilities of the various estimates within the range used in management's estimate of fair value for these unquoted equity investments.

#### Valuation inputs and relationships to fair value:

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Particulars	Significant-unobservable inputs	Valuation process	Sensitivity of the inputs to fair value
Investment in unquoted equity shares	Earnings growth rate	i) Earnings growth factor for unlisted equity shares are estimated based on the market information of similar type of companies and also considering the economic environment impact.	Any increase in earnings growth rate would increase the fair value.
	Discount rate	ii) Discount rates are determined using a capital asset pricing model, i.e., a borrowing rate at which the Company would be able to borrow funds on similar terms.	Any increase in discount rate would result in decrease in fair value.

### 33.4 Financial risk management

#### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company has adequate internal processes to assess, monitor and manage financial risks. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The liquidity risk is measured by the Company's inability to meet its financial obligations as they become due.

#### Market risk

The Company is exposed to foreign exchange risk through imports from overseas suppliers in various foreign currencies, exports to customers abroad, bill discounting, buyer's credit, packing credit. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

#### Foreign currency exposure

The Company monitors and manages its financial risks by analysing its foreign exchange exposures. The Company, in accordance with its Board approved risk management policies and procedures, enters into foreign exchange forward contracts to manage its exposure in foreign exchange rates.

The Company has applied the hedge accounting principles set out in Indian Accounting Standard – 109 "Financial Instruments" (Ind AS - 109) in respect of such derivative contracts, designated in a hedging relationship, used to hedge its risks associated with foreign currency fluctuations. Accordingly, in respect of all such outstanding forward contracts as at March 31, 2021 that were designated as fair value hedges, gain aggregating ₹ Nil lakhs (2020: 120 lakhs) have been recognised borrowing cost.

Derivative financial instruments:

Outstanding forward exchange contracts as on March 31, 2021:

Currency	Amount in foreign currency	Nos. of contracts	₹ (in lakhs)	Buy / Sell	Cross currency
Nil					

Outstanding forward exchange contracts as on March 31, 2020:

Currency	Amount in foreign currency	Nos. of contracts	₹ (in lakhs)	Buy / Sell	Cross currency
US Dollar	3,550,000	2	2,576	Buy	Rupees

All outstanding forward exchange contracts as at March 31, 2020 have maturity period of less than one year.

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2021:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	1,684,939	1,232	-	-	1,232
Trade receivables	10,758,081	7,865	149,532	128	7,993
Borrowings	(2,085,000)	(1,524)	-	-	(1,524)
Trade payables	(8,923,349)	(6,524)	-	-	(6,524)
Interest accrued but not due on borrowings	(9,014)	(7)	-	-	(7)
<b>Net assets</b>	<b>1,425,658</b>	<b>1,041</b>	<b>149,532</b>	<b>128</b>	<b>1,169</b>



(All amounts in ₹ lakhs, unless otherwise stated)

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2020:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	2,365,672	1,790	-	-	1,790
Trade receivables	9,684,952	7,328	-	-	7,328
Borrowings	(3,978,720)	(3,011)	-	-	(3,011)
Trade payables	(7,050,428)	(5,335)	-	-	(5,335)
Interest accrued but not due on borrowings	(11,094)	(8)	-	-	(8)
<b>Net assets</b>	<b>1,010,382</b>	<b>764</b>	<b>-</b>	<b>-</b>	<b>764</b>

#### Sensitivity analysis:

For the year ended March 31, 2021 and March 31, 2020, every increase / decrease of ₹ 1 in the respective foreign currencies compared to functional currency of the Company would impact profit before tax by ₹ 16 lakhs/ (₹ 16 lakhs) and (₹ 10 lakh)/ ₹ 10 lakhs respectively.

#### Interest rate risk:

The Company draws term loans, working capital demand loans, avails cash credit, foreign currency borrowings including buyer's credit, packing credit etc. for meeting its funding requirements. The Company manages the interest rate risk by maintaining appropriate mix/portfolio of borrowings having fixed and floating rate of interest. The borrowings are serviced on a timely manner and repayments of the principal and interest amounts are made on a regular basis.

#### Interest rate swap contract:

Under Interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amount. Such contract enables Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest is based on the outstanding balances at the end of the reporting period.

#### Details of the interest rate swap contracts:

Particulars	Loan amount (₹ in lakhs)	Fair Value of Interest Rate Swap as at March 31, 2021	Fair Value of Interest Rate Swap as at March 31, 2020	Coupon / Interest Rate	Fixed Interest Rate
US Dollar	3,550,000	1	1	Libor + 4%	7.50%

#### Sensitivity analysis:

For the year ended March 31, 2021, every increase / decrease of 1% in the respective interest rate compared to existing rate of interest of the Company would impact profit before tax by ₹ 190 lakhs/ (₹ 190 lakhs) respectively.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, deposits with banks, foreign exchange transactions and other financial instrument. Credit risk is managed through credit approvals, insurance of certain receivables, monitoring the creditworthiness and establishing credit limits of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

#### Other price risks

The Company is exposed to valuation of equity investment risks as the Company's equity investments are held for strategic rather than trading purposes.

#### Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company's principal sources of liquidity are cash & bank balances, credit facilities and cash generated from operations.

(All amounts in ₹ lakhs, unless otherwise stated)

The Company has unutilised credit limits from the banks of ₹ 14,637 lakhs and ₹ 6,607 lakhs as of March 31, 2021 and March 31, 2020 respectively.

#### The working capital position of the Company:

Particulars	As at March 31, 2021	As at March 31, 2020
Current assets	69,238	69,096
Current liabilities	45,271	55,329
<b>Working capital</b>	<b>23,967</b>	<b>13,767</b>

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021:

Particulars	Less than 1 year	1-2 years	2-3 years	3-5 years	above 5 years
Trade payables	27,406	-	-	-	-
Borrowings and interest thereon	14,161	2,763	2,576	2,806	-
Other current financial liabilities	3,006	-	-	-	-
Other non-current financial liabilities	-	1,176	-	-	-
<b>Total</b>	<b>44,573</b>	<b>3,939</b>	<b>2,576</b>	<b>2,806</b>	<b>-</b>

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020:

Particulars	Less than 1 year	1-2 years	2-3 years	3-5 years	above 5 years
Trade payables	26,817	-	-	-	-
Borrowings and interest thereon	26,322	812	762	712	170
Other current financial liabilities	2,592	-	-	-	-
Other non-current financial liabilities	-	1,264	-	-	-
<b>Total</b>	<b>55,732</b>	<b>2,077</b>	<b>762</b>	<b>712</b>	<b>170</b>

The Company's obligation towards payment of borrowings has been included in note 16 & 17.

#### 34. Earnings per share

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit for the year attributable to shareholders of the Company	5,029	1,577
<b>Basic:</b>		
Number of shares outstanding at the year end	196,217,758	192,605,261
Weighted average number of equity shares	193,646,705	168,024,466
<b>Earnings per share (₹)</b>	<b>2.60</b>	<b>0.94</b>
<b>Diluted:</b>		
Effect of potential equity shares on employee stock options outstanding	31,666	68,993
Weighted average number of equity shares outstanding	193,678,371	168,093,459
<b>Earnings per share (₹)</b>	<b>2.60</b>	<b>0.94</b>

**Note:** EPS is calculated based on profits excluding the other comprehensive loss.

#### 35. Research and development expense charged to Statement of Profit and Loss:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Employee benefits expense	48	30
Depreciation	4	13
Other expenses	51	44
<b>Total</b>	<b>103</b>	<b>87</b>

(All amounts in ₹ lakhs, unless otherwise stated)

### 36. Research and development expense capitalised:

Revenue Expenditure capitalised during the year under respective heads:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Employee benefits expense	180	160
Depreciation	80	70
Other expenses	143	133
<b>Total</b>	<b>403</b>	<b>363</b>

### 37. Leases:

#### Transition

i) The following is the movement in lease liabilities during the year ended:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance / Balance at the beginning (Impact of adoption of Ind AS 116)	695	886
Add: Lease liabilities recognised during the year	77	273
Less: Extinguishment of lease liabilities	-	(35)
Add: Interest cost accrued during the year	68	114
Less: Payment of lease liabilities including interest	(450)	(543)
<b>Balance at the end</b>	<b>390</b>	<b>695</b>

ii) The impact of change in accounting policy on account of adoption of Ind AS 116 is as given below:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on lease liability (Refer Note 27)	67	114
Depreciation on right-of-use assets (Refer Note 29)	324	402
Less: Lease rental expenses	448	543
<b>Impact on the statement of profit and loss</b>	<b>(57)</b>	<b>(27)</b>

iii) Maturity analysis of lease liabilities:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Less than one year	164	379
One to two years	107	164
More than two years	119	152
<b>Total lease liabilities</b>	<b>390</b>	<b>695</b>

### 38. Segment Reporting:

As the Company's business activities fall within a single primary segment viz-a-viz "sale of products - pesticides, insecticides etc.", therefore the disclosure requirements of Indian Accounting Standard 108 - Operating Segments are not applicable. The Company sells its products mainly within India where the conditions prevailing are uniform.

#### Geographical Information

The Company operates in India and makes certain sales to customers situated outside India. The revenue from external customers by location of customers is detailed below. All the non-current assets of the Company are situated within India.

(All amounts in ₹ lakhs, unless otherwise stated)

Revenue – Sale of products	For the year ended March 31, 2021	For the year ended March 31, 2020
India	83,535	73,034
Outside India	33,008	25,743
<b>Total</b>	<b>116,543</b>	<b>98,777</b>

The Company's revenue includes ₹ 18,865 lakhs (2020: ₹ 15,478 lakhs) which arose from sales to the Company's largest customer. No other single customer contributed 10 per cent or more to the Company's revenue in either 2020-21 or 2019-20.

**39.** With reference to the issue on the net consideration payable for transfer of certain capital assets in its favour, the Company has duly accounted for the total consideration in the books of account and engaged in dialogue with the Customer to address the matter constructively.

#### 40. COVID-19 assessment:

COVID-19 an infectious disease caused by the Coronavirus, SARS-CoV-2, was declared a pandemic by the World Health Organization. On March 24, 2020, the Indian Government announced a strict 21-day lockdown which was further extended across the country to contain the spread of virus. However, Government of India deemed agriculture related sectors including Pesticides as essential and permitted operations in a limited way, based on which the Company resumed activities in its production facilities. The Company adopted number of measures to protect the health of its employees while ensuring business continuity with minimal disruption. In assessing the recoverability of receivables, inventory and other financial assets, the Company has considered internal and external information up to the date of approval of these standalone financial statements. The impact of the global health pandemic may be different from that of estimates as at the date of approval of these standalone financial statements and the Company will continue to monitor closely any material changes in the emerging economic conditions.

#### 41. Insurance claim

An Appeal has been filed by the Insurance Company (The Oriental Insurance Company Limited) against the Arbitration Award in favour of the Company, before the Hon'ble High Court of Delhi. Pending final disposal of the above appeal, the Company has filed the Execution Petitions before Hon'ble High Court of Delhi for deposit of Awarded amount in Material Damage (MD) Claim of 1,048 lakhs (includes interest) and Business Interruption Policy claim of ₹ 1,352 lakhs (includes interest) with the Court. With respect to the execution petition filed by the Company in both the cases, the Hon'ble High Court of Delhi has passed an order vide its order dated March 19, 2021 & April 9, 2021 directed the Insurance Company to deposit the awarded amount towards Material Damage claim & Business Interruption Policy respectively together with the interest upto the date of deposit with Court. The Company has not recognized the said claims in the books of account.

#### 42. Social security code

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

#### 43. Approval of financial statements

The financial statements are approved for issue by the Board of Directors on May 28, 2021.

#### for and on behalf of the Board of Directors

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**N. Vijayaraghavan**  
Director  
(DIN:02491073)

**R.K.S. Prasad**  
Chief Financial Officer

**Satish Kumar Subudhi**  
Company Secretary

Place : Hyderabad  
Date : May 28, 2021

# INDEPENDENT AUDITOR'S REPORT

## To The Members of NACL Industries Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of **NACL Industries Limited** ("the Parent") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group") which includes the Group's share of profit in its associate, which comprise the Consolidated Balance Sheet as at March 31, 2021, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, and based on the separate financial statements of the subsidiaries and associate referred to in the other matters section below, 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these

requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Auditor's Response
<b>Timing of revenue recognition</b>  The Parent recognises revenue from sale of farm inputs based on the terms and conditions of transactions which varies with different customers.  For sale transactions occurring close to the year end, it is essential to ensure that the control of goods have transferred to the customers.  As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we considered the risk of such sales transactions recorded in wrong financial period (cut-off) as a key audit matter.  Refer notes 2.4 and 22 to the consolidated financial statements	<b>Principal audit procedures performed:</b> <ul style="list-style-type: none"> <li>• We obtained an understanding of the revenue recognition process including a sample of sales contracts.</li> <li>• We tested the Parents' key controls around the timely and accurate recording of the sales transactions.</li> <li>• We tested the access and change management controls of the relevant information technology system in which shipments are recorded.</li> <li>• We performed testing for a sample of sales invoices recorded immediately before the year-end and obtained evidences to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

The Parent's Board of Directors is responsible for the other information. The other information comprises

the information included in the Director's Report and Management Discussion & Analysis, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon. The Director's Report and Management Discussion & Analysis are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available, compare with the financial statements of the subsidiaries and associate, to the extent it relates to these entities and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to subsidiaries, and associate, is traced from their financial statements.

When we read these reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

### **Management's Responsibility for the Consolidated Financial Statements**

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its associate in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its associate 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 for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant

to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are also responsible for overseeing the financial reporting process of the Group and of its associate.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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 financial 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 Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 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 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 entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements.

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

We communicate with those charged with governance of the Parent 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

We did not audit the financial statements of four subsidiaries whose financial statements reflect total assets of ₹ 3,271 lakhs as at March 31, 2021, total revenues of ₹ 48 lakhs and net cash inflows amounting to ₹ 137 lakh 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 net profit of ₹ 57 lakhs for the year ended March 31, 2021, as considered in the consolidated financial statements, in respect of one associate, 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 these subsidiaries and associate, 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 above 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 financial statements certified by the Management.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our

audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit 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.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the 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 for the purpose of preparation of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the IndAS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Parent Company as on March 31, 2021 taken on record by the Board of Directors of the Parent, none of the directors of the Parent as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of Parent.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associate;
  - ii. The Group and its associate, did not have any material foreseeable losses on long-term contracts including derivative contracts ;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent and its subsidiary companies and associate company companies incorporated in India.

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

**Ganesh Balakrishnan**

Partner

(Membership No. 201193)

(UDIN: 21201193AAAADU2229)

Place: Hyderabad

Date: May 28, 2021

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

## **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of NACL Industries Limited (hereinafter referred to as “Parent”).

### **Management’s Responsibility for Internal Financial Controls**

The Board of Directors of the Parent, is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Companies Act, 2013.

### **Auditor’s Responsibility**

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

maintained and if such controls operated effectively in all material respects.

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

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

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

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

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

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

### **Opinion**

In our opinion to the best of our information and according to the explanations given to us, the Parent, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting 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**

The Parent has consolidated financial statements of 4 subsidiary and an associate company which are companies incorporated in India on the basis of unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, such subsidiary and associate company are not material to the Group.

Our opinion is not modified in respect of the above matters.

### **For Deloitte Haskins & Sells LLP**

Chartered Accountants  
(Firm's Registration No.117366W/W-100018)

### **Ganesh Balakrishnan**

Partner  
(Membership No. 201193)  
(UDIN: 21201193AAAADU2229)

Place: Hyderabad  
Date: May 28, 2021

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2021

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
<b>I ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Property, plant and equipment	4	18,572	18,291
(b) Right-of-use assets	4A	3,249	597
(c) Capital work-in-progress	4	2,846	3,482
(d) Intangible assets	5	149	174
(e) Intangible assets under development	5	799	751
(f) Financial assets			
(i) Investments	6	1,559	1,503
(ii) Other financial assets	7	401	482
(g) Income tax assets (net)		467	407
(h) Other non-current assets	8	257	663
<b>Total non-current assets</b>		<b>28,299</b>	<b>26,350</b>
<b>2 Current assets</b>			
(a) Inventories	9	22,830	16,450
(b) Financial assets			
(i) Trade receivables	10	33,582	35,939
(ii) Cash and cash equivalents	11	6,805	8,358
(iii) Other bank balances	12	821	3,415
(iv) Other financial assets	7	392	394
(c) Income tax assets (net)	13	-	267
(d) Other current assets	8	4,830	4,278
<b>Total current assets</b>		<b>69,260</b>	<b>69,101</b>
<b>Total assets</b>		<b>97,559</b>	<b>95,451</b>
<b>II EQUITY AND LIABILITIES</b>			
<b>1 Equity</b>			
(a) Equity share capital	14	1,962	1,926
(b) Other equity	15	39,898	33,770
<b>Total equity</b>		<b>41,860</b>	<b>35,696</b>
<b>2 Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	16	7,149	2,175
(ii) Lease liabilities	37	226	316
(ii) Other financial liabilities	17	1,176	1,264
(b) Provisions	18	749	563
(c) Deferred tax liabilities (net)	19	1,076	101
<b>Total non-current liabilities</b>		<b>10,376</b>	<b>4,419</b>
<b>3 Current Liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	16	11,263	22,724
(ii) Lease liabilities	37	164	379
(iii) Trade payables	20		
(a) total outstanding dues of micro enterprises and small enterprises		1,108	533
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		26,343	26,293
(iv) Other financial liabilities	17	4,405	3,767
(b) Provisions	18	243	154
(c) Income tax liabilities (net)	13	452	245
(d) Other current liabilities	21	1,345	1,241
<b>Total current liabilities</b>		<b>45,323</b>	<b>55,336</b>
<b>Total liabilities</b>		<b>55,699</b>	<b>59,755</b>
<b>Total equity and liabilities</b>		<b>97,559</b>	<b>95,451</b>

See accompanying notes forming part of the consolidated financial statements

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(F. R. No.117366W/W-100018)

**Ganesh Balakrishnan**  
Partner

Place : Hyderabad  
Date : May 28, 2021

for and on behalf of the Board of Directors

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**R.K.S. Prasad**  
Chief Financial Officer

Place : Hyderabad  
Date : May 28, 2021

**N. Vijayaraghavan**  
Director  
(DIN:02491073)

**Satish Kumar Subudhi**  
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>I INCOME</b>			
Revenue from operations	22	119,137	101,489
Other income	23	1,466	750
<b>Total income</b>		<b>120,603</b>	<b>102,239</b>
<b>II EXPENSES</b>			
Cost of materials consumed	24	81,479	60,450
Purchases of stock-in-trade		4,719	4,564
Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(2,708)	6,319
Employee benefits expense	26	9,428	8,664
Finance costs	27	2,792	2,916
Depreciation and amortisation expense	28	2,530	2,397
Other expenses	29	14,954	14,633
<b>Total expenses</b>		<b>113,194</b>	<b>99,943</b>
<b>III Profit before share of profit of associate (I - II)</b>		<b>7,409</b>	<b>2,296</b>
IV Share of profit from associate		57	95
<b>V Profit before tax (III + IV)</b>		<b>7,466</b>	<b>2,391</b>
<b>VI Tax expense</b>			
(i) Current tax	13.1	2,606	423
(ii) Deferred tax	13.1	(239)	294
<b>Total tax expense</b>		<b>2,367</b>	<b>717</b>
<b>VII Profit for the year (V - VI)</b>		<b>5,099</b>	<b>1,674</b>
<b>VIII Other comprehensive income</b>			
Items that will not be reclassified subsequently to statement of profit and loss			
(a) Remeasurement of defined benefit obligation	18	(93)	(31)
(b) Income tax expense on remeasurement above	13.1	23	11
Items that will be reclassified subsequently to statement of profit and loss			
(a) Effective portion of loss on designated portion of hedging instrument in a cash flow hedge		64	(174)
(b) Income tax expense on above	13.1	(16)	60
<b>Total other comprehensive loss</b>		<b>(22)</b>	<b>(134)</b>
<b>IX Total Comprehensive Income for the year (VII + VIII)</b>		<b>5,077</b>	<b>1,540</b>
<b>X Earnings per equity share of ₹ 1 each</b>			
Basic (₹)	34	2.63	1.00
Diluted (₹)	34	2.63	1.00

See accompanying notes forming part of the consolidated financial statements

**In terms of our report attached  
For Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(F. R. No.117366W/W-100018)

**Ganesh Balakrishnan**  
Partner

Place : Hyderabad  
Date : May 28, 2021

**for and on behalf of the Board of Directors**

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**R.K.S. Prasad**  
Chief Financial Officer

Place : Hyderabad  
Date : May 28, 2021

**N. Vijayaraghavan**  
Director  
(DIN:02491073)

**Satish Kumar Subudhi**  
Company Secretary



# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2021

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	7,466	2,391
<b>Adjustments for:</b>		
Depreciation and amortisation expense	2,530	2,397
Finance costs	2,792	2,916
Interest income	(282)	(53)
Unrealised forex gain	(182)	(43)
Share of profit from associate	(57)	(95)
Excess provisions, no longer required, written back	(99)	(68)
Provision for credit impaired trade receivables and advances	758	811
Loss on sale of property, plant and equipment (net)	54	28
Intangible assets and intangible assets under development written off	343	138
Share-based payments	71	44
Credit impaired trade receivables and advances written off (net)	933	583
<b>Operating profit before working capital changes</b>	<b>14,327</b>	<b>9,049</b>
<i>Changes in working capital:</i>		
<i>Adjustment for (increase)/decrease in operating assets:</i>		
Inventories	(6,380)	5,951
Trade receivables	1,097	(10,065)
Other financial assets	(165)	35
Other assets	(639)	79
<i>Adjustment for increase/(decrease) in operating liabilities:</i>		
Trade payables	712	5,696
Provisions	275	162
Other financial liabilities	(24)	137
Other liabilities	104	(549)
<b>Cash generated from operations</b>	<b>9,307</b>	<b>10,495</b>
Income taxes paid (net)	(971)	(191)
<b>Net cash flow from operating activities (A)</b>	<b>8,336</b>	<b>10,304</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment including capital advances	(1,596)	(6,993)
Proceeds from sale of property, plant and equipment	9	4
Investments made in others	-	(3)
Movement in other deposits and margin money (net)	2,704	(2,707)
Interest income received	288	46
<b>Net cash flow from / (used in) investing activities (B)</b>	<b>1,405</b>	<b>(9,653)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from allotment of share warrants	154	-
Proceeds from allotment of shares under ESOP	15	15
Proceeds on conversion of share warrants to equity shares	1,334	6,000
Proceeds from non-current borrowings	6,439	2,971
Repayment of non-current borrowings	(1,159)	(2,353)
Movement in current borrowings (net)	(11,472)	3,985
Payment of lease liabilities	(3,350)	(543)
Dividend paid including tax thereon	(487)	(232)
Finance costs paid	(2,768)	(2,820)
<b>Net cash (used in) / flow from financing activities (C)</b>	<b>(11,294)</b>	<b>7,023</b>
<b>Net (decrease)/increase in cash and cash equivalents (D) = (A+B+C)</b>	<b>(1,553)</b>	<b>7,674</b>
<b>Cash and cash equivalents at the beginning of the year (E)</b>	<b>8,358</b>	<b>684</b>
<b>Cash and cash equivalents at the end of the year (F) = (D)+(E) (Refer Note 11)</b>	<b>6,805</b>	<b>8,358</b>

(All amounts in ₹ lakhs, unless otherwise stated)

**Notes:**

**1. Reconciliation of liabilities from financing activities March 31, 2021**

Particulars	As at March 31, 2020	Proceeds/ Additions	Repayments	Foreign currency translation	As at March 31, 2021
Long term borrowings (including current portions)	3,350	6,439	1,159	(82)	8,548
Short-term borrowings	22,724	-	11,472	11	11,263
Lease liabilities	695	145	450	-	390
<b>Total liabilities from financing activities</b>	<b>26,769</b>	<b>6,584</b>	<b>13,081</b>	<b>(71)</b>	<b>20,201</b>

**Reconciliation of liabilities from financing activities March 31, 2020**

Particulars	As at March 31, 2019	Proceeds/ Additions	Repayments	Foreign currency translation	As at March 31, 2020
Long term borrowings (including current portions)	2,517	2,971	2,353	215	3,350
Short-term borrowings	18,574	3,985	-	165	22,724
Lease liabilities	-	1,238	543	-	695
<b>Total liabilities from financing activities</b>	<b>21,091</b>	<b>8,194</b>	<b>2,896</b>	<b>380</b>	<b>26,769</b>

2. Cash Flow Statement has been prepared under the indirect method as set out in the Indian Accounting Standard 7 on cash flow statements. Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and cash equivalents which are short-term and held for the purpose of meeting short-term cash commitments.

**See accompanying notes forming part of the consolidated financial statements**

**In terms of our report attached  
For Deloitte Haskins & Sells LLP**

Chartered Accountants  
(F. R. No.117366W/W-100018)

**Ganesh Balakrishnan  
Subudhi**

Partner

Place : Hyderabad

Date : May 28, 2021

**for and on behalf of the Board of Directors**

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**N. Vijayaraghavan**  
Director  
(DIN:02491073)

**R.K.S. Prasad**

Chief Financial Officer

Place : Hyderabad

Date : May 28, 2021

**Satish Kumar**

Company Secretary

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2021

### A. Equity share capital

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	Note	Number of shares	Amount
<b>Balance as at March 31, 2019</b>		<b>167,420,260</b>	<b>1,674</b>
Add: Issue of equity shares under Company's employee stock option plan	14.1	185,001	2
Add: Issue of equity shares upon conversion of share warrants	14.6	25,000,000	250
<b>Balance as at March 31, 2020</b>		<b>192,605,261</b>	<b>1,926</b>
Add: Issue of equity shares under Company's employee stock option plan	14.1	192,497	2
Add: Issue of equity shares upon conversion of share warrants	14.6	3,420,000	34
<b>Balance as at March 31, 2021</b>		<b>196,217,758</b>	<b>1,962</b>

### B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
<b>Balance as at March 31, 2019</b>	37	3,567	4,175	17,459	(499)	-	2,000	26,739
Profit for the year	-	-	-	1,674	-	-	-	1,674
Other comprehensive loss for the year net of income tax	-	-	-	(134)	-	-	-	(134)
Impact on account of adoption of Ind AS 116 Lease	-	-	-	(84)	-	-	-	(84)
Stock option on vesting of employee stock options	-	-	-	-	-	44	-	44
Stock option on exercise of employee stock options	-	-	-	-	-	(21)	-	(21)
Amount received on exercise of employee stock options & conversion of outstanding warrants to equity shares	-	7,784	-	-	-	-	-	7,784
Reversal of equity share warrants on exercise	-	-	-	-	-	-	(2,000)	(2,000)
Payment of dividends including tax thereon	-	-	-	(232)	-	-	-	(232)
<b>Balance as at March 31, 2020</b>	<b>37</b>	<b>11,351</b>	<b>4,175</b>	<b>18,683</b>	<b>(499)</b>	<b>23</b>	<b>-</b>	<b>33,770</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
Profit for the year	-	-	-	5,099	-	-	-	5,099
Other comprehensive loss for the year net of income tax	-	-	-	(22)	-	-	-	(22)
Stock option on vesting of employee stock options	-	-	-	-	-	71	-	71
Stock option on exercise of employee stock options	-	-	-	-	-	(23)	-	(23)
Amount received on exercise of employee stock options Allotment	-	13	-	-	-	-	-	13
Amount transferred on exercise of employee stock option	-	23	-	-	-	-	-	23
Amount received on allotment of share warrants	-	1,300	-	-	-	-	154	1,454
Payment of dividends including tax thereon	-	-	-	(487)	-	-	-	(487)
<b>Balance as at March 31, 2021</b>	<b>37</b>	<b>12,687</b>	<b>4,175</b>	<b>23,273</b>	<b>(499)</b>	<b>71</b>	<b>154</b>	<b>39,898</b>

See accompanying notes forming part of the consolidated financial statements

### In terms of our report attached For Deloitte Haskins & Sells LLP

Chartered Accountants  
(F. R. No.117366W/W-100018)

### Ganesh Balakrishnan Subudhi

Partner

Place : Hyderabad  
Date : May 28, 2021

### for and on behalf of the Board of Directors

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**N. Vijayaraghavan**  
Director  
(DIN:02491073)

### R.K.S. Prasad

Chief Financial Officer

Place : Hyderabad  
Date : May 28, 2021

### Satish Kumar

Company Secretary

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. General Information

NACL Industries Limited ("the Company") is a Public Limited Company listed with the BSE Limited and National Stock Exchange of India Limited. The Company and four of its subsidiaries (the Company and its subsidiaries together referred to as 'the Group') are in the business of crop protection and manufactures both Technicals (Active Ingredient) and Formulations. It manufactures all kinds of pesticides, insecticides, acaricides, herbicides, fungicides and other plant growth chemicals. The Group's formulation business is mainly in the Indian market and sells through its large retail dealer network spread across India. The Group has a range of branded formulations. It also exports technicals and formulations and does toll manufacture for certain multinational companies.

### List of subsidiaries and associate considered for consolidation:

Name of the Company	Relationship	Country of incorporation	Percentage of voting power as at March 31, 2021	Percentage of voting power as at March 31, 2020
LR Research Laboratories Private Limited	Subsidiary	India	100%	100%
Nagarjuna Agrichem (Australia) Pty Limited	Subsidiary	Australia	100%	100%
NACL Spec-Chem Limited	Subsidiary	India	100%	-
NACL Multichem Private Limited	Subsidiary	India	100%	-
Nasense Labs Private Limited	Associate	India	26%	26%

## 2. Significant accounting policies

### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

### 2.2 Basis for preparation and presentation

The consolidated financial statements have been prepared on accrual basis the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 another 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 value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements 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 inputs are quoted prices (unadjusted) in active markets for similar assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Based on the nature of activities of the Group and the average time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

The principal accounting policies are set out below.

### 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Entities controlled by the Company are consolidated from the date control commences until the date control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the group expects to receive in exchange for those goods. Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch. Revenue is also recognised where goods are ready as per customer request and pending dispatch at the instance of the customer. In such cases, the products are separately identified as belonging to the customer and the group does not hold the right to redirect the product to another customer. On satisfaction of all performance obligations, invoice is raised on the customer in accordance with customer request at regular payment terms. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers.

At contract inception, since for most of the contracts it is expected that the period between the transfer of the promised goods or services to a customer and payment for these goods or services by the customer will be one year or less, practical expedient in Ind AS 115 have been applied and accordingly the Group does not adjust the promised amount of consideration for the effects of any significant financing component.

Revenue from operations includes "Other Operating Revenue" which consists of export benefits, net interest on receivables, scrap sales and conversion charges etc. Export benefits, interest on receivables (net) and conversion charges are recognised on accrual basis.

### 2.5 Other income

- Dividend income from investments is recognised in the year in which the right to receive the payment is established.
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 that asset's net carrying amount on initial recognition.

## 2.6 Leasing

The group's lease asset classes primarily consist of leases for warehouses and vehicles. The group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether: (i) the contract involves the use of an identified asset (ii) the group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the group has the right to direct the use of the asset.

At the date of commencement of the lease, the group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose

of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

## 2.7 Insurance claims

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

## 2.8 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which entity operates (i.e. "functional currency"). The financial statements are presented in Indian Rupee (₹), the national currency of India, which is the functional currency of the Group.

## 2.9 Foreign currencies transactions and translations

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are

measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit and loss in the period in which they arise.

## **2.10 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in consolidated statement of profit and loss in the period in which they are incurred.

## **2.11 Employee benefits**

Employee benefits include Provident fund, Employee's State Insurance scheme, Gratuity fund and compensated absences.

### **2.11.1 Defined contribution plans**

Contributions in respect of Employees Provident Fund and Pension Fund which are defined contribution schemes, are made to a fund administered through Regional Provident Fund Commissioner and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

### **2.11.2 Defined benefit plans**

The Group's Gratuity scheme for its employees is a defined benefit retirement benefit plan. Obligations under the gratuity scheme is covered under a Scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognised in the consolidated statement of profit and loss. The liability as at the Consolidated Balance Sheet date is provided for using the projected unit credit method, with actuarial valuations being carried out as at the end of the year.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets

(excluding net interest), is reflected immediately in the consolidated balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to consolidated statement of profit and loss.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement

The Group presents the first two components of defined benefit costs in the consolidated statement of profit and loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

### **2.11.3 Compensated absences**

The employees of the Group are entitled to compensated absences. The employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence. The Group records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Group measures the expected cost of compensated absence based on actuarial valuation made by an independent actuary as at the consolidated balance sheet date on projected unit credit method. Compensated absences expected to be maturing after 12 months from the date of balance sheet are classified as non-current.

## **2.12 Share based payment arrangement**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the

vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### **2.13 Earnings per share**

The Group presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit attributable to equity shareholders by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

### **2.14 Taxation**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in consolidated statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

#### **2.14.1 Current Tax**

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income-tax Act, 1961.

#### **2.14.2 Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which

those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### **2.14.3 Current tax and deferred tax for the year**

Current and deferred tax are recognised in the consolidated statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### **2.15 Cash flow statements and Cash and cash equivalents**

Cash comprises cash on hand and in bank. The Group considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents. Such cash equivalents are subject to insignificant risk of changes in value.

Cash flows are reported using indirect method, whereby profit / (loss) before tax is adjusted for the effects of transaction of non - cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

### **2.16 Property, plant and equipment**

Property, plant and equipment are stated in the Consolidated Balance Sheet at cost, less accumulated depreciation and impairment losses, if any. Cost includes purchase price, attributable expenditure incurred in bringing the asset to its working condition for the intended use and cost

of borrowing till the date of capitalisation in the case of assets involving material investment and substantial lead time.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of following categories of assets in whose case the life of certain assets has been assessed based on technical advice taking into account the nature of the asset, the estimated usage of the asset, the operating condition of the asset, past history of replacement, maintenance support etc.

Asset	Useful life (in years)	Useful life (in years)
Particulars	For the year ended	For the year ended
	March 31, 2021	March 31, 2020
Plant and equipment	15 - 20	15 - 20

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets costing ₹ 5,000 and below are depreciated over a period of one year. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit and loss.

## 2.17 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortized over their respective individual estimated useful lives on a

straight-line basis, from the date that they are available for use.

The estimated useful life of an identifiable intangible asset is as under:

- Goodwill is amortised over a period of 10 years
- Computer software is amortised over a period of 3 years
- Developed products are amortised over a period of 3 years

The estimated useful life and amortisation method are reviewed periodically at the end of each reporting period.

Intangible assets under development are carried at cost, comprising direct cost and related incidental expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit and loss when the asset is derecognized.

## 2.18 Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use the asset and the costs can be measured reliably. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis for preparing the asset for its intended use.

## 2.19 Impairment of assets

### 2.19.1 Non-financial assets - property, plant and equipment and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset/cash generating unit may be impaired. If any indication exists the Group estimates the recoverable amount of such assets and if carrying amount exceeds the recoverable amount, impairment is recognised. The recoverable amount is the higher of the fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using

an appropriate discount factor. When there is indication that previously recognised impairment loss no longer exists or may have decreased such reversal of impairment loss is recognised in the consolidated statement of profit and loss.

### 2.19.2 Financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as an impairment gain or loss in the consolidated statement of profit and loss.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. As a practical expedient, the Group uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL loss allowance (or reversal) during the year is recognised in the consolidated statement of profit and loss.

### 2.20 Inventories

Inventories are valued at lower of cost (on weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Net realisable value represents the estimated selling price of inventories less all the estimated costs of completion and the costs necessary to make the sale.

The method of determination of cost of various categories of inventories is as follows:

- i. **Raw Materials** - Weighted average cost. Cost includes the purchase cost and other attributable expenses;
- ii. **Work-in-progress** - Weighted average cost.

Cost includes the purchase cost and other attributable expenses;

- iii. **Finished Goods** - Weighted average cost of production which comprises of direct material costs, direct wages and applicable overheads. Excise duty is included in the value of finished goods;
- iv. **Stores and Spares, Packing Material** - Weighted average cost;
- v. **Stock-in-trade** - Weighted average cost.

### 2.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reasonable estimate of the amount of obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities are disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Group or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are neither recognised nor disclosed in the consolidated financial statements.

### 2.22 Financial Instruments

#### (i) Initial recognition

Financial assets and financial liabilities are recognised when a Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs

directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit and loss.

**(ii) Subsequent Recognition**

**Non-derivative financial instruments:**

**a. Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held with in 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.

**b. Financial assets at fair value through other comprehensive income**

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. The Group has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

**c. Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

**d. Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through consolidated statement of profit and loss. 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.

**Effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value Through Profit or Loss (FVTPL). Interest income is recognised in consolidated statement of profit and loss and is included in the "other income" line item.

**Investment in subsidiaries and associates**

On initial recognition, these investments are recognized at fair value plus any directly attributable transaction cost. Subsequently, they are measured at cost.

**Derecognition of financial assets and financial liabilities**

**Financial asset:**

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the



asset to another party. If the Group retains substantially all the rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of profit and loss if such gain or loss would have otherwise been recognised in consolidated statement of profit and loss on disposal of that financial asset.

### **Financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit and loss.

### **Foreign exchange gains and losses**

For foreign currency denominated financial assets measured at amortised cost and fair value through profit or loss, the exchange differences are recognised in consolidated statement of profit and loss.

Changes in the carrying amount of investments in equity instruments at Fair Value Through Other Comprehensive Income (FVTOCI) relating to changes in foreign currency rates are recognised in other comprehensive income. For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in consolidated statement of profit and loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting

period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated statement of profit and loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in consolidated statement of profit and loss.

## **2.23 Fair value measurement**

In determining the fair value of its financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

## **2.24 Exceptional Items**

Significant gains/losses or expenses incurred arising from external events that is not expected to recur are disclosed as 'Exceptional item'.

## **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## **3.1 Critical Judgements**

The following are the critical judgements, apart from those involving estimations, that the



directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **Contingencies and commitments**

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Group. Where the potential liabilities have a low probability of crystallizing or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the consolidated financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

### **3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Estimation of net realisable value of inventories**

Inventories are stated at the lower of cost and net realisable value. In estimating the net realisable value of inventories the Group makes an estimate of future selling prices and costs necessary to make the sale.

#### **Revenue recognition**

The Group accepts sales returns and provides various rebates & incentives as per the policy. Various estimates are made to recognise the impact of sales return provision, rebates & incentives on revenue. These estimates are made based on historical and forecasted data, contractual terms and market conditions.

#### **Provision for doubtful receivables**

The Group makes provision for doubtful receivables based on a provision matrix which takes into account historical credit loss experience and adjusted for current estimates.

#### **Provision for employee benefits**

The Group uses actuarial assumptions to determine the obligations for employee benefits at each reporting period. These assumptions

include discount rate, expected long-term rate of return on plan assets, rate of increase in compensation levels and mortality rates.

#### **Useful lives of Property, plant and equipment**

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by Management at the time the asset is acquired and is reviewed at the end of each reporting period. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

#### **Claims, provisions and contingent liabilities**

If any ongoing litigations against the Group with various regulatory authorities and third parties, where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made based on management's assessment of specific circumstances of each dispute and relevant external advice, management provides for its best estimate of the liability. Such accruals are by nature complex and can take number of years to resolve and can involve estimation uncertainty. Information about such litigations is disclosed in notes to the financial statements.

#### **Hedge Accounting**

Significant judgments are made in determining the hedge effectiveness of the forward and option contracts entered by the Company

#### **Other estimates**

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

(All amounts in ₹ lakhs, unless otherwise stated)

#### 4. Property, plant and equipment and capital work-in-progress

##### 4.1 Carrying amounts of:

Particulars	As at March 31, 2021	As at March 31, 2020
Land	2,508	2,508
Buildings	4,056	3,787
Plant and equipment	11,642	11,590
Furniture and fixtures	103	144
Vehicles	96	64
Office equipment	51	58
Computers	116	140
<b>Total</b>	<b>18,572</b>	<b>18,291</b>
Capital work-in-progress	2,846	3,482

##### 4.2 Movement of property, plant and equipment:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
<b>Cost or deemed cost</b>								
<b>Balance as at March 31, 2019</b>	<b>2,508</b>	<b>5,078</b>	<b>32,476</b>	<b>617</b>	<b>152</b>	<b>247</b>	<b>593</b>	<b>41,671</b>
Add: Additions	-	808	5,485	5	9	20	65	6,392
Less: Disposals	-	-	210	-	24	-	15	249
<b>Balance as at March 31, 2020</b>	<b>2,508</b>	<b>5,886</b>	<b>37,751</b>	<b>622</b>	<b>137</b>	<b>267</b>	<b>643</b>	<b>47,814</b>
Add: Additions	-	443	1,921	7	45	11	34	2,461
Less: Disposals	-	-	777	-	10	6	53	846
<b>Balance as at March 31, 2021</b>	<b>2,508</b>	<b>6,329</b>	<b>38,895</b>	<b>629</b>	<b>172</b>	<b>272</b>	<b>624</b>	<b>49,429</b>

##### 4.3 Accumulated depreciation:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
<b>Balance as at March 31, 2019</b>	<b>-</b>	<b>1,944</b>	<b>24,911</b>	<b>425</b>	<b>69</b>	<b>192</b>	<b>457</b>	<b>27,998</b>
Add: Depreciation expense	-	155	1,449	53	11	17	57	1,742
Less: Disposals	-	-	199	-	7	-	11	217
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>2,099</b>	<b>26,161</b>	<b>478</b>	<b>73</b>	<b>209</b>	<b>503</b>	<b>29,523</b>
Add: Depreciation expense	-	174	1,813	48	12	18	52	2,117
Less: Disposals	-	-	721	-	9	6	47	783
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>2,273</b>	<b>27,253</b>	<b>526</b>	<b>76</b>	<b>221</b>	<b>508</b>	<b>30,857</b>

(All amounts in ₹ lakhs, unless otherwise stated)

#### 4.4 Carrying amounts:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Balance as at March 31, 2021	2,508	4,056	11,642	103	96	51	116	18,572
Balance as at March 31, 2020	2,508	3,787	11,590	144	64	58	140	18,291

#### Notes:

- Above includes opening gross block of ₹ 2,013 lakhs (2020: ₹ 2,004 lakhs), additions amounting to ₹ 1 lakhs (2020: ₹ 29 lakhs) and net block amounting to ₹ 868 lakhs (2020: ₹ 968 lakhs) in respect of in-house research and development.
- Refer Note 16 for detail of Property, plant and equipment hypothecated or pledged.

#### 4A. Right-of-use assets

##### 4A.1 Carrying amounts of:

Particulars	As at March 31, 2021	As at March 31, 2020
Lease hold Land	2,900	-
Buildings	137	246
Vehicles	212	351
<b>Total</b>	<b>3,249</b>	<b>597</b>

##### 4A.2 Movement of Right of use of assets:

Particulars	Lease hold Land	Buildings	Vehicles	Total
<b>Cost</b>				
Balance as at March 31, 2019	-	497	260	757
Add: Additions	-	32	241	273
Less: Disposals/adjustments	-	31	-	31
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>498</b>	<b>501</b>	<b>999</b>
Add: Additions	2,914	76	-	2,990
Less: Disposals/adjustments	-	-	-	-
<b>Balance as at March 31, 2021</b>	<b>2,914</b>	<b>574</b>	<b>501</b>	<b>3,989</b>

##### 4A.3 Accumulated depreciation:

Particulars	Lease hold Land	Buildings	Vehicles	Total
Balance as at March 31, 2019	-	-	-	-
Add: Depreciation expense	-	252	150	402
Less: Disposals/adjustments	-	-	-	-
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>252</b>	<b>150</b>	<b>402</b>
Add: Depreciation expense	14	185	139	338
Less: Disposals/adjustments	-	-	-	-
<b>Balance as at March 31, 2021</b>	<b>14</b>	<b>437</b>	<b>289</b>	<b>740</b>

##### 4A.4 Carrying amounts:

Particulars	Lease hold Land	Buildings	Vehicles	Total
Balance as at March 31, 2021	2,900	137	212	3,249
Balance as at March 31, 2020	-	246	351	597

(All amounts in ₹ lakhs, unless otherwise stated)

## 5. Other Intangible assets and intangible assets under development

### 5.1 Carrying amounts of:

Particulars	As at March 31, 2021	As at March 31, 2020
Goodwill	-	-
Computer software	-	18
Developed products	149	156
Technical knowhow	-	-
<b>Total</b>	<b>149</b>	<b>174</b>
Intangible assets under development	799	751

### 5.2 Movement of intangible assets:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
<b>Cost or deemed cost</b>					
<b>Balance as at March 31, 2019</b>	<b>121</b>	<b>379</b>	<b>1,200</b>	<b>65</b>	<b>1,765</b>
Add: Additions	-	-	40	-	40
Less: Disposals	-	-	25	-	25
Less: written off	121	-	-	-	121
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>379</b>	<b>1,215</b>	<b>65</b>	<b>1,659</b>
Add: Additions	-	-	142	-	142
Less: Disposals	-	-	-	-	-
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>379</b>	<b>1,357</b>	<b>65</b>	<b>1,801</b>

### 5.3 Accumulated amortisation:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
<b>Balance as at March 31, 2019</b>	<b>121</b>	<b>343</b>	<b>766</b>	<b>65</b>	<b>1,295</b>
Add: Amortisation expense	-	18	305	-	323
Less: Disposals	-	-	12	-	12
Less: Reversal on written off assets	121	-	-	-	121
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>361</b>	<b>1,059</b>	<b>65</b>	<b>1,485</b>
Add: Amortisation expense	-	18	149	-	167
Less: Disposals	-	-	-	-	-
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>379</b>	<b>1,208</b>	<b>65</b>	<b>1,652</b>

### 5.4 Carrying amounts:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
<b>Balance as at March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>149</b>	<b>-</b>	<b>149</b>
<b>Balance as at March 31, 2020</b>	<b>-</b>	<b>18</b>	<b>156</b>	<b>-</b>	<b>174</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 6. Non-current investments

Particulars	Nominal value	Number of shares	As at March 31, 2021	Number of shares	As at March 31, 2020
<b>Trade</b>					
<b>Unquoted equity investments (all fully paid)</b>					
<b>(a) Investment in associate at cost</b>					
Nasense Labs Private Limited	₹ 10	6,127,513	1,550	6,127,513	1,494
<b>(b) Other equity investment at fair value through other comprehensive income</b>					
New India Co-operative Bank Limited	₹ 10	81,875	8	81,875	8
SVC Co-operative Bank Limited*	₹ 25	100	-	100	-
<b>Total equity investments (A)</b>			<b>1,558</b>		<b>1,502</b>
<b>Investment in preference shares at fair value through other comprehensive income</b>					
Nagaarjuna Shubho Green Technologies Private Limited					
10% cumulative redeemable preference shares	₹ 100	500,000	1	500,000	1
<b>Total other investments (B)</b>			<b>1</b>		<b>1</b>
<b>Total unquoted investments (A) + (B)</b>			<b>1,559</b>		<b>1,503</b>
*less than a lakh					
<b>Aggregate carrying value of unquoted non-current investments</b>			<b>1,559</b>		<b>1,503</b>

## 7. Other financial assets

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non-current</b>		
Derivative asset	-	121
Security deposits (refer note below)	401	361
<b>Total</b>	<b>401</b>	<b>482</b>
<b>Current</b>		
Interest accrued on deposits and others	13	19
Insurance claims receivable	379	362
Others	-	13
<b>Total</b>	<b>392</b>	<b>394</b>

### Note:

Security deposits include rental deposit aggregating ₹ 72 lakhs (2020: ₹ 67 lakhs) with Smt. K. Lakshmi Raju, Director of the Company.

## 8. Other assets

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non-current</b>		
Capital advances	141	568
Balance with government authorities	77	92
Prepaid expenses	39	3
<b>Total</b>	<b>257</b>	<b>663</b>
<b>Current</b>		
Advance to suppliers	972	1,015
Balance with government authorities	2,450	2,023
Prepaid expenses	296	279
Export Incentive receivable	1,108	957
Advance to employees	4	4
<b>Total</b>	<b>4,830</b>	<b>4,278</b>

## 9. Inventories

Particulars	As at March 31, 2021	As at March 31, 2020
Raw materials (refer note (i) below)	9,845	6,386
Work-in-progress	2,245	1,574
Finished goods (refer note (ii) below)	8,483	6,305
Traded goods	660	801
Packing materials	626	591
Stores and spares	971	793
<b>Total</b>	<b>22,830</b>	<b>16,450</b>

### Notes:

- (i) Raw materials includes goods in transit ₹ 1,767 lakhs (2020: ₹ 952 lakhs).
- (ii) Finished goods written off during the year on account of expired stock aggregated ₹ 80 lakhs (2020: ₹ 191 lakhs).
- (iii) Refer Note 16 for detail of Inventories hypothecated or pledged.

## 10. Trade receivables

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Current</b>		
(a) Considered good - Secured	635	727
(b) Considered good - Unsecured	32,947	35,212
(c) Which have significant increase in Credit risk	-	-
(d) Credit impaired	293	489
	<b>33,875</b>	<b>36,428</b>
Less: Impairment loss on trade receivables	293	489
<b>Total</b>	<b>33,582</b>	<b>35,939</b>

### Note:

#### Expected credit loss (ECL):

- (i) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to whom the Group grants credit terms in the normal course of business. The credit period on sale of goods varies with seasons and markets and generally ranges between 30 to 180 days. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.  
As a practical expedient, the Group uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL allowance (or reversal) during the year is recognised in the statement of profit and loss.



(All amounts in ₹ lakhs, unless otherwise stated)

(ii) Movement in the Impairment loss on trade receivables

Particulars	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	491	224
Provision for impairment loss made during the year	758	811
Provision reversed against trade receivables write-off / recovery	(956)	(546)
<b>Balance at the end of the year</b>	<b>293</b>	<b>489</b>

(iii) The concentration of risk with respect to trade receivables is reasonably low, as Company's customers are located in several jurisdictions representing large number of minor receivables operating in independent markets. Of the trade receivable balance ₹ 8,361 lakhs (2020: ₹ 7,824 lakhs) is due from customers who represent more than 5% of total trade receivables.

## 11. Cash and cash equivalents

Particulars	As at March 31, 2021	As at March 31, 2020
Cash on hand	5	7
Balances with banks		
- in Current accounts	2,168	6,561
- in EEFC accounts	1,232	1,790
- in demand deposit accounts with original maturity of less than 3 months	3,400	-
<b>Total</b>	<b>6,805</b>	<b>8,358</b>

## 12. Other bank balances

Particulars	As at March 31, 2021	As at March 31, 2020
In other deposit accounts		
- Term deposits with original maturity of more than 3 months	500	-
In earmarked accounts		
Unpaid dividend accounts (refer note (i) below)	320	210
Margin money / deposit (refer note (ii) below)	1	3,205
<b>Total</b>	<b>821</b>	<b>3,415</b>

### Notes:

#### (i) Unpaid dividend accounts

If the dividend has not been claimed within 30 days from the date of declaration, the Company is required to transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the Company in a scheduled bank to be called "Unpaid Dividend Account". The unclaimed dividend lying in such account is required to be transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government after a period of seven years from the date of declaration.

#### (ii) Margin money / deposit

Amounts in margin money represents deposit with bank against the letter of credit and bank guarantees issued by them.

## 13. Income tax asset/liability

Particulars	As at March 31, 2021	As at March 31, 2020
Advance tax [net of provision ₹ Nil (2020: ₹ Nil)]	-	267
Provision for tax [net of advance tax ₹ 1,433 lakhs (2020: ₹ 653 lakhs)]	452	245

(All amounts in ₹ lakhs, unless otherwise stated)

### 13.1 Tax expense

#### A. Income tax expense recognised in the statement of profit and loss

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current tax		
In respect of current year	2,606	423
<b>Total (A)</b>	<b>2,606</b>	<b>423</b>
Deferred tax credit:		
In respect of current year	(239)	294
<b>Total (B)</b>	<b>(239)</b>	<b>294</b>
<b>Total tax expense (A)+(B)</b>	<b>2,367</b>	<b>717</b>

#### B. Income tax expense recognised in the other comprehensive income

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Income tax expense recognised directly in equity consists of:</b>		
Tax effect on actuarial gains/losses on defined benefit obligations	23	11
Tax effect on effective portion of profit / loss on designated portion of hedging instrument in a cash flow hedge	(16)	60
<b>Total</b>	<b>7</b>	<b>71</b>

#### C. Reconciliation of effective tax rate

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Profit before tax</b>	<b>7,409</b>	<b>2,296</b>
Enacted rate in India	34.94%	34.94%
<b>Computed expected tax expense</b>	<b>2,589</b>	<b>802</b>
<b>Adjustments:</b>		
Weighted deduction under section 35(2AB) of the Income Tax Act, 1961	-	(165)
Effect of expenses that are not deductible in determining taxable profit	132	51
Disallowances under section 43 B of the Income Tax Act, 1961	-	35
Effect of change in tax rate (Refer note below)	(402)	-
Effect of deferred tax adjustments	67	-
Others	(19)	(6)
<b>Income tax expense</b>	<b>2,367</b>	<b>717</b>

#### Note:

During the quarter ended March 31, 2021, the Company has decided to exercise the option permitted under section 115BAA of the Income tax Act, 1961, from financial year 2021-22, as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its deferred tax liabilities (net) based on the rate prescribed in the said Ordinance. The full impact of this change relating to deferred tax liabilities, amounting to ₹ 402 lakhs, has been recognised in the statement of profit and loss and other comprehensive income, during the quarter ended March 31, 2021.

(All amounts in ₹ lakhs, unless otherwise stated)

#### 14. Equity share capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
<b>Authorised share capital:</b>	250,000,000	2,500	250,000,000	2,500
Fully paid up equity shares of ₹ 1 each				
<b>Issued, subscribed and fully paid up capital</b>	196,217,758	1,962	192,605,261	1,926
Fully paid up equity shares of ₹ 1 each				
	<b>196,217,758</b>	<b>1,962</b>	<b>192,605,261</b>	<b>1,926</b>

#### Notes:

#### 14.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year:

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of shares	Amount	Number of shares	Amount
<b>Balance at the beginning of the year</b>	192,605,261	1,926	167,420,260	1,674
Add: Issue of equity shares under Company's employee stock option plan	192,497	2	185,001	2
Add: Issue of equity shares upon conversion of share warrants (Refer Note 14.6 below)	3,420,000	34	25,000,000	250
<b>Balance at the end of the year</b>	<b>196,217,758</b>	<b>1,962</b>	<b>192,605,261</b>	<b>1,926</b>

#### 14.2 Rights, preferences and restrictions attached to equity shares:

The Company has only one class of issued, subscribed and fully paid up equity shares having a face value of ₹ 1 each per share. Each holder of equity shares is entitled to one vote per share. The dividend (other than interim dividend) proposed, if any, by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to number of equity shares held by the shareholders.

#### 14.3 Details of shares held by each shareholder holding more than 5% of the aggregate shares in the Company:

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	% of shareholding	Number of shares held	Number of shares	Amount
KLR Products Limited (Holding Company)	57.91%	113,623,500	58.99%	113,623,500
Mrs. K Lakshmi Raju	5.67%	11,125,860	1.57%	3,018,360
Krishi Rasayan Exports Private Limited	7.96%	15,625,000	8.11%	15,625,000
Rajesh Kumar Agarwal and Atul Churiwal (jointly representing Agro Life Science Corporation, a registered Partnership Firm)	7.96%	15,625,000	8.11%	15,625,000

#### 14.4 "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015"

- The Company set up the "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015" (hereinafter referred to as "ESOS-2015") and earmarked 11,50,000 number of equity shares of ₹ 1 each for issue to employees. The plan was approved in financial year 2015-16 and is administered by the Compensation Committee of the Board of Directors.
- Under the ESOS-2015 scheme, options are granted to eligible employees at an exercise price, which shall not be less than the market price as on the date of the grant. These options vest over a period of one to five years and exercisable by the employees within two years of vesting.

(All amounts in ₹ lakhs, unless otherwise stated)

iii) Summary of stock option:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
	Number of stock options	Number of stock options
Options outstanding at the beginning of the year	324,997	508,748
Options granted during the year	75,718	20,000
Options forfeited / lapsed during the year	6,968	18,750
Options exercised during the year*	192,497	185,001
Options outstanding at the end of the year**	201,250	324,997
Options vested but not exercised at the end of the year	4,000	-
* options exercised by employees of subsidiary companies	10,500	10,500
** options outstanding with employees of subsidiary companies	-	10,500

iv) Fair value of shares granted during the year:

The weighted average fair value of the share options granted during the year is ₹ 31 - ₹ 32. Options were priced using Black Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past years.

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2021	As at March 31, 2020
Risk free Interest Rate (%)	3.93 - 6.31	4.90 - 6.50
Expected life (years)	6	6
Expected volatility (%)	62.94 - 68.69	61.80 - 71.00
Dividend yield (%)	0.41	0.40
Price of the underlying share in market at the time of the option grant (₹)		
-Grant 1	17	17
-Grant 2	18	18
-Grant 3	29	29
-Grant 4	28	28
-Grant 5	26	26
-Grant 6	40	-
-Grant 7	39	-
Weighted average share price at the date of exercise	39	28

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2021	As at March 31, 2020
Weighted average remaining contractual life		
-Grant 1	1 - 2 years	2 - 3 years
-Grant 2	-	0 - 1 year
-Grant 3	2 - 3 years	3 - 4 years
-Grant 4	3 - 4 years	4 - 5 years
-Grant 5	3 - 4 years	5 years
-Grant 6	1 year	-
-Grant 7	1 year	-

(All amounts in ₹ lakhs, unless otherwise stated)

#### 14.5 “Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2020”

- i) The Company set up the “NACL Industries Limited-Employee Stock Option Scheme-2020” (hereinafter referred to as “ESOS-2020”) and earmarked 20,00,000 number of equity shares of ₹ 1 each for issue to employees. The plan was approved in financial year 2020-21 and is administered by the Compensation Committee of the Board of Directors.
- ii) Under the ESOS-2020 scheme, options are granted to eligible employees at an exercise price, which shall not be less than the market price as on the date of the grant. These options vest over a period of one to four years and exercisable by the employees within two years of vesting.
- iii) Summary of stock option:

Particulars	For the year ended March 31, 2021
Options outstanding at the beginning of the year	-
Options granted during the year	1,735,000
Options forfeited / lapsed during the year	85,000
Options exercised during the year	-
Options outstanding at the end of the year	1,650,000
Options vested but not exercised at the end of the year	-

- iv) Fair value of shares granted during the year:

“The weighted average fair value of the share options granted during the year is ₹ 15 - ₹ 17. Options were priced using Black Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management’s best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past years.

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2021
Risk free Interest Rate (%)	3.93 - 5.59
Expected life (years)	4
Expected volatility (%)	62.94 - 65.16
Dividend yield (%)	0.41
Price of the underlying share in market at the time of the option grant (₹)	
-Grant 1	39
-Grant 2	39
Weighted average share price at the date of exercise	-
Weighted average remaining contractual life	
-Grant 1	1 - 4 years
-Grant 2	1 - 4 years

(All amounts in ₹ lakhs, unless otherwise stated)

#### 14.6 Allotment of equity shares upon conversion of share warrants:

- (i) The Board of Directors and the Shareholders, in their meetings held on August 12, 2020 and September 07, 2020 respectively, approved inter-alia issuance of 5,000,000 share warrants (of face value of ₹ 1 each) on preferential basis to Mrs. K Lakshmi Raju, Promoter (hereinafter referred to as "Investor") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Consequently, the Company allotted 5,000,000 Warrants to the aforesaid Investor against receipt of 25% of Issue price of ₹ 39 per Warrant. i.e ₹ 9.75 per Warrant aggregating ₹ 488 lakhs

During the year, warrant holder have exercised their options of converting 3,420,000 warrants by submitting the necessary Warrant Exercise Application Form along with paying the balance consideration amount of ₹ 29.25 per warrant (i.e. 75% of the issue price) aggregating ₹ 1,000 lakhs. Accordingly, the Company has allotted 3,420,000 equity shares in the ratio of one Equity Share for each Warrant exercised, on December 18, 2020.

The total amount aggregating ₹ 1,488 lakhs has been utilised by the Company before the year end for the purposes for which the funds were raised.

- (ii) The Board of Directors and the Shareholders, in their meetings held on February 08, 2019 and March 07, 2019 respectively, approved inter-alia issuance of 25,000,000 share warrants (of face value of ₹ 1 each) on preferential basis to M/s. Krishi Rasayan Exports Private Limited, Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation and Mrs. K Lakshmi Raju, Promoter (collectively referred to as "Investors") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Consequently, the Company allotted 25,000,000 Warrants to the aforesaid Investors against receipt of 25% of Issued price of ₹ 32 per Warrant. i.e ₹ 8 per Warrant aggregating ₹ 2,000 lakhs.

During the financial year 2019-20, warrant holders have exercised their options of converting the warrants by submitting the necessary Warrant Exercise Application Form along with paying the balance consideration amount of ₹ 24 per warrant (i.e. 75% of the issue price) aggregating ₹ 6,000 lakhs. Accordingly, the Company has allotted 25,000,000 equity shares in the ratio of one Equity Share for each Warrant exercised, on March 24, 2020.

The total amount aggregating ₹ 8,000 lakhs has been deposited in current accounts and cash credit facilities of the Company as at March 31, 2020 and has been utilised subsequently in the financial year 2020-21 for the purposes for which the funds were raised.

#### 15. Other equity

Particulars	As at March 31, 2021	As at March 31, 2020
General reserve	4,175	4,175
Capital reserve	37	37
Securities premium	12,687	11,351
Reserve for equity instruments through other comprehensive income	(499)	(499)
Share warrants	154	-
Stock option reserve	71	23
Retained earnings	23,273	18,683
<b>Total</b>	<b>39,898</b>	<b>33,770</b>

## 15.1 Other equity

(All amounts in ₹ lakhs, unless otherwise stated)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Capital reserve</b>	<b>37</b>	<b>37</b>
<b>Securities premium</b>		
Balance at beginning of year	11,351	3,567
Add: Amount received on exercise of employee stock options Allotment	13	13
Add: Amount transferred on exercise of employee stock option	23	21
Add: Premium on allotment of equity shares upon conversion of warrants	1,300	7,750
<b>Closing balance</b>	<b>12,687</b>	<b>11,351</b>
<b>Share options outstanding account</b>		
Opening balance	23	-
Add: Stock options on vesting of employee stock options	71	44
Less: Amount transferred on exercise of employee stock option	23	21
<b>Closing balance</b>	<b>71</b>	<b>23</b>
<b>General reserve</b>	<b>4,175</b>	<b>4,175</b>
<b>Reserve for equity instruments through other comprehensive income</b>	<b>(499)</b>	<b>(499)</b>
<b>Share warrants (Refer Note 14.6)</b>		
Opening balance	-	2,000
Add: Received on allotment	154	-
Less: Utilised on exercise	-	(2,000)
<b>Closing balance</b>	<b>154</b>	<b>-</b>
<b>Retained earnings</b>		
Opening balance	18,683	17,459
Less: Impact on account of adoption of Ind AS 116 Lease (Refer Note 37)	-	(84)
Add: Profit for the year	5,099	1,674
Add: Other comprehensive income arising from remeasurement of defined benefit obligation (net of taxes)	(22)	(134)
	23,760	18,915
Less: Dividends including corporate dividend tax (refer note below)	487	232
<b>Closing balance</b>	<b>23,273</b>	<b>18,683</b>
<b>Total</b>	<b>39,898</b>	<b>33,770</b>

### Nature of reserves:

- Security premium:** Security premium reserve represents the amount received in excess of the face value of the equity shares. The utilisation of the security premium reserve is governed by the Section 52 of the Companies Act, 2013 ("Act").
- Share options outstanding accounts:** Share options outstanding account relates to share options granted by the Company to its employees under its employee share option plans. These will be transferred to retained earnings after the exercise of the underlying options.
- General Reserves:** The general reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.
- Reserve for equity instruments through other comprehensive income:** This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, net of amounts reclassified to retained earnings when those assets have been disposed off.
- Share warrants:** This represents the moneys received against the share warrants.
- Retained earnings:** Retained earnings represents the Company's undistributed earnings after taxes.

### Notes:

- In respect of the year ended March 31, 2021, the directors proposed that a dividend of ₹ 0.15 per share be paid on fully paid equity shares. The proposed equity dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated amount to be paid with respect to dividend is ₹ 294 lakhs
- The Board of Directors in its meeting held on November 4, 2020 and on March 23, 2021 approved interim dividend of ₹ 0.10 and ₹ 0.15 per Equity Share of ₹ 1 each respectively.  
FY 2019-20: The Board of Directors in its meeting held on March 26, 2020 approved an interim dividend of ₹ 0.10 per Equity Share of ₹ 1 each.



(All amounts in ₹ lakhs, unless otherwise stated)

## 16. Borrowings

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non current</b>		
<b>Secured - at amortised cost</b>		
Term loans		
from banks (refer note (a) below)	4,899	2,175
from financial institution (refer note (a) below)	2,250	-
<b>Total - non current</b>	<b>7,149</b>	<b>2,175</b>
<b>Current</b>		
<b>Secured - at amortised cost</b>		
Repayable on demand from banks (refer note (b) below)	11,263	21,293
<b>Unsecured - at amortised cost</b>		
from banks (refer note (c) below)		
Others	-	1,431
<b>Total - current</b>	<b>11,263</b>	<b>22,724</b>

### Notes

#### (a) Terms of repayment of term loans

##### SVC Co-Operative Bank Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Term loan - Rupee	-	674	Repaid during the year

Secured by: first ranking pari-passu charge on Property, plant and equipment of the Company, second ranking pari-passu charge on current assets of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Repayable in 18 quarterly instalments. Rate of interest 13.05% p.a. (2020: 13.05% p.a.)

##### RBL Bank Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Term loan - External Commercial Borrowing	2,109	2,686	Repayable over next 3.50 years

Secured by: first ranking pari-passu charge on present and future Property, plant and equipment of the Company, second ranking pari-passu charge on present and future inventory and trade receivables of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Loan is denominated in foreign currency - USD 2,884,375 (2020: USD 3,550,000)

Repayable in 16 quarterly instalments.

Interest rate is determined based on 6 months LIBOR plus 400 basis points and is payable monthly. The same is hedged against variable to fixed rate swap contract for a fixed rate of 7.50% p.a. (2020: 7.50% p.a.) with RBL Bank Limited.

(All amounts in ₹ lakhs, unless otherwise stated)

#### Bajaj Finance Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Term Loan - Rupee	3,000	-	Repayable over next 4 years

Secured by: first ranking pari-passu charge on present and future Property, plant and equipment of the Company, second ranking pari-passu charge on present and future inventory and trade receivables of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Repayable in 16 quarterly instalments from the date of each disbursement.

Rate of interest 10.75% p.a. (1 year MCLR plus 3.50% p.a.)

#### RBL Bank Limited

Particulars	As at March 31, 2021	As at March 31, 2020	Payment Terms
Working Capital Term loan - Rupee	3,439	-	Repayable over next 5 years

Secured by: 100% guaranteed by National Credit Guarantee Trustee Company Limited (NCGTC), second ranking pari-passu charge on current assets and fixed assets of the Company, both present and future.

Repayable in 16 quarterly instalments after moratorium of 12 months from the date of first disbursement.

Rate of interest 8.65% p.a. (3 months MCLR plus 4.50% p.a.)

Current maturities of non-current borrowings have been disclosed under the head other current financial liabilities. (Refer Note 17)

#### (b) Loans repayable on demand

Loans repayable on demand from banks (includes Cash Credit Facilities, Working capital demand loan and packing credit foreign currency facilities, along with non fund based limits of letters of credit and bank guarantees) from HDFC Bank Limited, SVC Co-operative Bank Limited, RBL Bank Limited, Karnataka Bank Limited, Shinhan Bank Limited, Axis Bank Limited, Bandhan Bank Limited, Bank of Bahrain and Kuwait B.S.C. and SBM Bank (India) Limited are secured by way of hypothecation of current assets comprising stock in trade, book debts and stores and spares, both present and future. The aforesaid facilities are further secured by second charge on the Company's immovable and movable properties, both present and future, ranking pari-passu with other working capital lenders. These facilities are guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

Rate of interest on loans repayable on demand is in the range of 7.50% to 12.50%

#### (c) Unsecured short term loan

Unsecured others comprise of export bill discounting facilities availed from HDFC Bank Limited. As at March 31, 2021, the balance outstanding is ₹ Nil (2020: ₹ 1,431 lakhs).

#### (d) Moratorium availed from banks

As per RBI Circulars DOR.No.BP.BC.47/21.04.048/2019-20 and DOR.No.BP.BC.63/21.04.048/2019-20 dated March 27, 2020 and April 17, 2020 respectively, relating to the COVID-19 Regulatory Package, the Company availed moratorium of three months on the payment of interest on cash credit accounts, falling due between March 1, 2020 and May 31, 2020 from State Bank of India and IDBI Bank Limited. Further, the Company also availed moratorium of three months on the payment of instalment and interest on term loan falling due between March 1, 2020 and May 31, 2020 from SVC Co-operative Bank Limited. These were fully repaid during first quarter of FY 2020-21. From there onwards, Company has not availed any further moratorium from banks.

(All amounts in ₹ lakhs, unless otherwise stated)

## 17. Other financial liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non current</b>		
Trade deposits from dealers	1,066	1,090
Derivative liabilities	110	174
<b>Total - non current</b>	<b>1,176</b>	<b>1,264</b>
<b>Current</b>		
Current maturities of long-term borrowings	1,399	1,175
Payable on purchase of property, plant and equipment	2,677	2,342
Interest accrued but not due	9	40
Unclaimed dividend (refer note below)	320	210
<b>Total - current</b>	<b>4,405</b>	<b>3,767</b>

### Note:

As at March 31, 2021: ₹ Nil (March 31, 2020: ₹ Nil) there are no amounts of unclaimed dividend due for remittance to the Investor Education & Protection Fund.

## 18. Provisions

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non current</b>		
Gratuity liability	351	220
Compensated absences	398	343
<b>Total - non current</b>	<b>749</b>	<b>563</b>
<b>Current</b>		
Gratuity liability	103	55
Compensated absences	140	99
<b>Total - current</b>	<b>243</b>	<b>154</b>

### Notes:

#### a) Defined benefit plans

##### Gratuity

In accordance with the 'Payment of Gratuity Act, 1972' of India, the Company, provides for Gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity plan are determined by an independent actuarial valuation and are charged to the Statement of Profit and Loss for the period determined. The Gratuity fund is administered through a scheme of Life Insurance Corporation of India.

The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

Amounts recognised in statement of profit and loss in respect of these defined benefit i.e. Gratuity plans are as follows:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current service cost	78	69
Net interest expense	18	14
<b>Components of defined benefit costs recognised in statement of profit or loss</b>	<b>96</b>	<b>83</b>
Re-measurement on the net defined benefit liability:		
- Return on plan assets (greater)/less than discount rate	-	30
- Actuarial losses / (gains) arising from experience adjustments	102	(49)
- Actuarial (gains) / losses arising from changes in financial assumptions	(10)	47
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>92</b>	<b>28</b>
<b>Total</b>	<b>188</b>	<b>111</b>

(All amounts in ₹ lakhs, unless otherwise stated)

#### Change in Defined Benefit Obligation (DBO) during the year

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Present value of DBO at the beginning of the year	647	634
Current service cost	78	70
Interest cost	41	45
Actuarial (gains) / losses arising from changes in financial assumptions	(10)	46
Actuarial (gains) / losses arising from changes in financial assumptions	102	(49)
Benefits paid	(54)	(99)
<b>Present value of DBO at the end of the year</b>	<b>804</b>	<b>647</b>

#### Change in fair value of plan assets during the year

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Fair value of plan assets at the beginning of the year	372	463
Interest income	23	33
Employer contributions	9	6
Benefits paid	(54)	(99)
Return on plan assets (greater)/less than discount rate	-	(31)
<b>Present value of plan assets at the end of the year</b>	<b>350</b>	<b>372</b>

#### Amounts recognised in the Balance Sheet

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of DBO at the end of the year	804	647
Fair value of plan assets at the end of the year	350	372
<b>Funded status of the plans – liability</b>	<b>454</b>	<b>275</b>
<b>Liability recognised in the Balance Sheet</b>	<b>454</b>	<b>275</b>

#### Nature and extent of investment details of the plan assets

Particulars	As at March 31, 2021	As at March 31, 2020
Insurer managed funds	100%	100%

#### Assumptions

Particulars	Gratuity plan	
	As at March 31, 2021	As at March 31, 2020
Discount rate	6.87%	6.70%
Estimated rate of return on plan assets	6.87%	6.70%
Expected rate of salary increase	3.00%	3.00%
Attrition rate	1% to 3%	1% to 3%
Retirement age	58 years	58 years
Mortality table	Mortality Rate (as % of IALM (2012-14) Ult. Mortality Table)	

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

(All amounts in ₹ lakhs, unless otherwise stated)

### Sensitivity analysis

Scenario	DBO	Percentage Change
Under base scenario	804	-
Salary escalation - up by 1%	874	8.70%
Salary escalation - down by 1%	742	(7.70%)
Attrition rate - up by 1%	821	2.20%
Attrition rate - down by 1%	784	(2.40%)
Discount rate - up by 1%	747	(7.10%)
Discount rate - down by 1%	869	8.10%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

### Expected cash flows

Particulars	As at March 31, 2021	As at March 31, 2020
Maturity profile of Defined Benefit Obligations		
Within 1 year	103	55
Year 2	41	63
Year 3	65	34
Year 4	86	52
Year 5	74	70
> 5 years	385	320

### b) Actuarial assumptions for compensated absences

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	6.87%	6.70%
Salary escalation	3%	3%
Attrition rate	1% to 3%	1% to 3%

The accrual for unutilised compensated absences is determined for the entire available compensated absences balance standing to the credit of the employees at year-end as per Company's policy. The value of such compensated absences balance eligible for carry forward, is determined by an independent actuarial valuation and charged to Statement of Profit and Loss in the period determined.

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

### 19. Deferred tax liabilities (net)

Particulars	As at March 31, 2021	As at March 31, 2020
Deferred tax liability (net)	1,076	1,322
MAT credit entitlement	-	(1,221)
<b>Total</b>	<b>1,076</b>	<b>101</b>

(All amounts in ₹ lakhs, unless otherwise stated)

**The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:**

Particulars	As at March 31, 2021	As at March 31, 2020
Property, plant and equipment	1,623	2,008
Employee related provisions	(316)	(304)
Provisions for credit impaired balances	(74)	(172)
MAT credit entitlement	-	(1,221)
Lease Liabilities	(10)	(35)
Others	(147)	(175)
<b>Deferred tax liabilities (net)</b>	<b>1,076</b>	<b>101</b>

**Movement in deferred tax assets and liabilities**

2020-21	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availability)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment & Intangible assets under development	2,008	(385)	-	-	1,623
Employee related provisions	(304)	11	(23)	-	(316)
Provisions for credit impaired balances	(172)	98	-	-	(74)
Minimum alternate tax (MAT) credit entitlement	(1,221)	-	-	1,221	-
Lease liabilities	(35)	25	-	-	(10)
Others	(175)	12	16	-	(147)
<b>Total</b>	<b>101</b>	<b>(239)</b>	<b>(7)</b>	<b>1,221</b>	<b>1,076</b>

**Movement in deferred tax assets and liabilities**

2019-20	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availability)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment	2,001	7	-	-	2,008
Employee related provisions	(248)	(46)	(10)	-	(304)
Provisions for credit impaired balances	(79)	(93)	-	-	(172)
Carry forward losses	(422)	422	-	-	-
Minimum alternate tax (MAT) credit entitlement	(1,247)	-	-	26	(1,221)
Lease liabilities	-	11	-	(46)	(35)
Others	(108)	(7)	(60)	-	(175)
<b>Total</b>	<b>(103)</b>	<b>294</b>	<b>(70)</b>	<b>(20)</b>	<b>101</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 20. Trade payables

Particulars	As at March 31, 2021	As at March 31, 2020
Total outstanding dues to micro enterprises and small enterprises (refer note (a) below)	1,108	533
Total outstanding dues of creditors other than micro enterprises and small enterprises [refer note (c) below]	26,342	26,293
<b>Total</b>	<b>27,450</b>	<b>26,826</b>

### Notes:

(a) Based on the information available with the management, the balance due to micro, small and medium enterprises as defined under "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006", is ₹ 1,108 lakhs (2020: ₹ 533 lakhs) and no interest has been paid or is payable under the terms of MSMED Act, 2006. Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of the information collected by the Management.

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Principal amount due to suppliers under MSMED Act, as at end of the year	1,108	533
(ii) Interest accrued and due to suppliers under MSMED Act on the above amount as at the year end	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)"	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) +(iv)	-	-

(b) The average credit period on purchases ranges from 90 days - 120 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed credit terms.

(c) The dues above include acceptances against the letter of credit issued to bank amounting to ₹ 3,383 lakhs as at March 31, 2021 (March 31, 2020: ₹ 2,901 lakhs).

## 21. Other current liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Advances from customers	781	733
Statutory payables	564	508
<b>Total</b>	<b>1,345</b>	<b>1,241</b>



(All amounts in ₹ lakhs, unless otherwise stated)

## 22. Revenue from operations

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale of products	116,543	98,777
Other operating revenue (refer note below)	2,594	2,712
<b>Total</b>	<b>119,137</b>	<b>101,489</b>

### Notes:

#### (A) Revenue for the year ended March 31, 2021 and March 31, 2020 includes:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Sale of manufactured products	112,605	90,837
Sale of traded products	3,938	7,940
<b>Total</b>	<b>116,543</b>	<b>98,777</b>

#### Disaggregation of revenue information:

The tables below presents disaggregated revenues from contracts with customers by customers and geography. The company believes that the this disaggregation best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Manufactured products</b>		
Domestic		
Dealer sales	51,559	42,496
Institutional sales	28,038	22,598
Exports		
Institutional sales	33,008	25,743
<b>Total manufactured products</b>	<b>112,605</b>	<b>90,837</b>
<b>Traded products</b>		
Domestic		
Dealer sales	3,938	7,940
<b>Total Traded Products</b>	<b>3,938</b>	<b>7,940</b>
<b>Total sales</b>	<b>116,543</b>	<b>98,777</b>

#### (B) Other operating revenue

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on trade receivables	1,364	1,751
Export incentives and others (scrap sales, conversion charges etc.,)	1,230	961
<b>Total</b>	<b>2,594</b>	<b>2,712</b>

## 23. Other income

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest income earned on financial assets that are not designated as fair value through profit and loss	12	9
Interest income	270	44
Unwinding of discount on 0.01% cumulative convertible debentures	-	-
Insurance claims	408	172
Credit impaired trade receivables recovered	106	151
Liabilities / provisions no longer required written back	99	68
Net gain on foreign currency transactions and translations	370	-
Miscellaneous income	201	306
<b>Total</b>	<b>1,466</b>	<b>750</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 24. Cost of materials consumed

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Raw material consumption	76,249	56,125
Packing material consumption	5,230	4,325
<b>Total</b>	<b>81,479</b>	<b>60,450</b>

## 25. Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Opening balance</b>		
Work-in-progress	1,574	1,342
Finished goods	6,305	10,447
Stock-in-trade	801	3,210
<b>Total opening balance</b>	<b>8,680</b>	<b>14,999</b>
<b>Closing balance</b>		
Work-in-progress	2,245	1,574
Finished goods	8,483	6,305
Stock-in-trade	660	801
<b>Total closing balance</b>	<b>11,388</b>	<b>8,680</b>
<b>Net (increase) /decrease in inventories</b>	<b>(2,708)</b>	<b>6,319</b>

## 26. Employee benefits expense

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, wages and bonus	8,194	7,404
Contribution to provident and other funds (Refer note below)	617	567
Employee stock compensation expense	71	44
Staff welfare expenses	546	649
<b>Total</b>	<b>9,428</b>	<b>8,664</b>

### Notes:

#### Contribution to provident fund and other funds

##### - Provident fund:

The Company makes provident fund contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the fund administered and managed by the Government of India. The Company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. Total expense recognised during the year aggregated ₹ 521 lakhs (2020 ₹ 484 lakhs).

##### - Gratuity (funded):

Amount recognised in statement of profit and loss in respect of gratuity ₹ 96 lakhs (2020 ₹ 83 lakhs).

## 27. Finance cost

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expenses		
Interest on working capital and term loans (gross)	1,941	2,522
Less: Interest cost capitalised	(143)	(494)
Interest on working capital and term loans (net)	1,798	2,028
Other interest expenses	486	377
Interest on lease liabilities	67	114
Interest cost on amortised assets	9	11
Bank and finance charges	432	386
<b>Total</b>	<b>2,792</b>	<b>2,916</b>

(All amounts in ₹ lakhs, unless otherwise stated)

## 28. Depreciation and amortisation expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation of property, plant and equipment (Refer Note 4)	2,117	1,742
Less: Depreciation capitalised during the year	80	70
	2,037	1,672
Add: Depreciation on right-of-use assets (Refer Note 4A)	325	402
Add: Amortisation of intangible assets (Refer Note 5)	167	323
<b>Total</b>	<b>2,530</b>	<b>2,397</b>

## 29. Other expenses

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Consumption of stores and spare parts	755	653
Repairs and maintenance		
Buildings	68	49
Plant and machinery	307	279
Others	28	36
Other manufacturing costs	1,495	1,129
Power and fuel	3,147	2,961
Rent	52	20
Rates and taxes	60	75
Communication expenses	70	81
Travel and conveyance	459	987
Legal and professional charges	351	479
Insurance	459	522
Directors' sitting fees	30	14
Auditors' remuneration (refer note (i) below)	52	33
Product development expenses	117	82
Credit impaired trade receivables written off	1,889	1,129
Reversal of provision for credit impaired trade receivables	(956)	(546)
Allowances for credit impaired receivables and advances	758	811
Royalty	1,029	957
Marketing expenses	1,002	2,389
Freight outward	2,551	1,922
Net loss on disposal of property, plant and equipment	54	28
Intangible assets and intangible assets under development written off	343	138
Goodwill written off	-	121
Reversal of accumulated amortization on goodwill	-	(121)
Loss / (gain) on foreign currency transactions and translations	-	(230)
Corporate social responsibility expenses (refer note (ii) below)	19	32
Miscellaneous expenses	815	601
<b>Total</b>	<b>14,954</b>	<b>14,633</b>

(All amounts in ₹ lakhs, unless otherwise stated)

**Notes:**

**(i) Auditors' remuneration (net of applicable taxes) comprises of:**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
For statutory audit	25	21
For tax audit	4	4
For others	23	8
<b>Total</b>	<b>52</b>	<b>33</b>

**(ii) Corporate social responsibility (CSR):**

As per Section 135 of the Companies Act, 2013 ('Act'), a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. The focus areas of Company's CSR activities are Education, Health & Wellness and Community Engagement. The CSR activities of the Company are in line with the Schedule VII of the Companies Act, 2013. A CSR committee has been formed by the company as per the Act. The funds were primarily allocated to a corpus and utilized through the year on these activities which are specified in Schedule VII of the Companies Act, 2013.

a. Gross amount required to be spent by the company during the year is ₹ 19 lakhs (2020: ₹ 32 lakhs)

b. Amount spent during the year on:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	19	32

c. Details of amount unspent ₹ Nil (2020: ₹ Nil)

(All amounts in ₹ lakhs, unless otherwise stated)

### 30. Related party disclosures :

#### (A) Names of the related parties and their relationship :

##### (i) Details of subsidiaries & associates :

Names	Nature of relationship	Country of incorporation	Percentage of holding as at	
			March 31, 2021	March 31, 2020
LR Research Laboratories Private Limited (LRLPL)	Subsidiary	India	100%	100%
NACL Spec-Chem Limited (NSCL) *	Subsidiary	India	100%	-
NACL Multi-Chem Private Limited (NMCPL) **	Subsidiary	India	100%	-
Nagarjuna Agrichem (Australia) Pty Limited, Australia (NAPL)	Subsidiary	Australia	100%	100%
Nasense Labs Private Limited (NLPL)	Associate	India	26%	26%

\* Incorporated on April 27, 2020

\*\* Incorporated on May 18, 2020

##### (ii) Details of other related parties :

Name	Nature of relationship
KLR Products Limited (KLRPL)	Parent Company
Nagaarjuna Shubho Green Technologies Private Limited (NSGTPL)	Entity with common director (upto December 2, 2019)
Krishi Rasayan Exports Private Limited (KREPL)	Entity with common director (w.e.f. May 29, 2019)
Agro Life Sciences Corporation (ALSC)	Entity with common director (w.e.f. May 29, 2019)
Agma Energy Private Limited (AEPL)	Entity with common director (w.e.f. May 29, 2019)

##### (iii) Key Managerial Personnel (KMP) :

Name	Designation
Mr. M Pavan Kumar	Managing Director and Chief Executive Officer
Mr. RKS Prasad	Chief Financial Officer (CFO)
Mr. Satish Kumar Subudhi	Company Secretary (CS)
Mrs. K Lakshmi Raju	Chairperson (Director)
Mr. Sudhakar Kudva	Independent Director
Mr. Raghavender Mateti	Independent Director
Mr. N. Vijayaraghavan	Non- Executive Director
Mr. Ranvir Sain Nanda	Independent Director @
Mr. K Raghuraman	Independent Director ***
Mr. Ramkrishna Mudholkar	Independent Director
Mr. Dorairaj Kuppurangam	Independent Director
Mr. Sambasiva Rao Nannapaneni	Independent Director
Ms. Veni Mocherla	Independent Director
Mr. Atul Churiwal	Investor Nominee Director
Mr. Rajesh Kumar Agarwal	Investor Nominee Director

@ Ceased to be Independent Director of the Company with effect from February 26, 2020

\*\*\* Ceased to be Independent director of the company with effect from August 9, 2019

(All amounts in ₹ lakhs, unless otherwise stated)

**(B) Transactions during the year :**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>(i) Sales</b>		
a. Associate (NLPL)	-	1,160
b. Other related party (KREPL)	6,759	3,278
c. Other related party (ALSC)	158	1,355
<b>(ii) Purchases</b>		
a. Associate (NLPL)	2	1,166
b. Other related party (NSGTPL)	-	8
c. Other related party (KREPL)	6,382	6,687
d. Other related party (ALSC)	2,109	1,189
e. Other related party (AEPL)	157	289
<b>(iii) Dividend paid</b>		
a. Parent Company (KLRPL)	263	114
b. Other related party (KREPL)	36	16
c. Other related party (ALSC)	36	16
<b>(iv) Proceeds on conversion of share warrants to equity shares</b>		
a. Other related party (KREPL)	-	1,875
b. Other related party (ALSC)	-	3,000
<b>(v) Transaction with Key Managerial Personnels</b>		
a. Rent paid	139	135
b. Sitting fees	30	14
c. Dividend paid	20	8
d. Proceeds on conversion of share warrants to equity shares	1,334	1,125
e. Proceeds from allotment of share warrants	154	-

\* less than a lakh

**(C) Outstanding balances as at the year end**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>(i) Share warrants</b>		
a. Key Managerial Personnels	154	-
<b>(ii) Trade receivables</b>		
a. Associate (NLPL)	542	1,068
b. Other related party (KREPL)	1,046	837
<b>(iii) Trade payables</b>		
a. Associate (NLPL)	-	484
b. Other related party (KREPL)	1,399	1,981
c. Other related party (ALSC)	510	369
d. Other related party (AEPL)	13	168
<b>(iv) Security deposits</b>		
a. Key Managerial Personnels	72	67
<b>(v) Investments</b>		
a. Associate (NLPL)	816	816
b. Other related party (NSGTPL)	-	1

\* less than a lakh

(All amounts in ₹ lakhs, unless otherwise stated)

**(D) Managerial remuneration to key management personnel**

Nature of transaction	Party name	For the year ended March 31, 2021	For the year ended March 31, 2020
Short-term employee benefits	MD & CEO, CFO and CS	268	236
Share based payments	MD & CEO, CFO and CS	2	3
<b>Total</b>		<b>270</b>	<b>239</b>

Short term employee benefits does not include expenses for gratuity and compensated absences.

**31. Contingent liabilities**

S. No.	Particulars	As at	
		March 31, 2021	March 31, 2020
(i)	Claims against the Company not acknowledged as debts in respect of the matters under dispute:		
	Excise duty (refer note (a) below)	29	33
	Service tax (refer note (b) below)	15	66
	Income tax (refer note (c) below)	521	478
	Sales tax (refer note (d) below)	106	106
	Goods and Service tax (refer note (e) below)	31	6
(ii)	Counter guarantees given to bankers (refer note (f) below)	95	193
(iii)	Others (refer note (g) below)	141	125
	<b>Total</b>	<b>938</b>	<b>1,007</b>

**Notes:**

- The Company has disputed various demands raised by excise duty authorities for the Financial years 2004-05 to 2006-07 and 2008-09 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- The Company has disputed various demands raised by service tax authorities for the Financial years 2006-07 to 2010-11, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- The Company has disputed various demands raised by income tax authorities for the assessment years 2004-05 to 2007-08; 2009-10, 2017-18 and 2018-19 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- The Company has disputed various demands raised by sales tax authorities for the financial years 2009-10 to 2016-17, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- The Company has disputed various demands raised by Goods and Service Tax authorities for the financial year 2017-2018 and 2019-20, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.
- The Company has given certain counter guarantees to bank for guarantees given by the bank to third parties in ordinary course of business.
- Other contingent liability majorly pertains to demand for payment of alleged deficit of stamp duty, registration fees and penalty in respect of a sales deed. The Company is confident that the case will be decided in its favour.

**32. Commitments**

Particulars	As at	
	March 31, 2021	March 31, 2020
Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advance)	562	299
<b>Total</b>	<b>562</b>	<b>299</b>



(All amounts in ₹ lakhs, unless otherwise stated)

### 33. Financial instruments

#### 33.1 Capital management

The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Company ensures optimal credit risk profile to maintain/enhance credit rating. The Company determines the amount of capital required on the basis of annual operating plan and long-term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Company monitors the capital structure on the basis of net debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

#### Gearing ratio

Particulars	As at March 31, 2021	As at March 31, 2020
Non-current borrowings	7,149	2,175
Current borrowings and current maturities of non-current borrowings	12,662	23,899
Cash and cash equivalents	(6,805)	(8,358)
Net debt (Refer note (i) below)	13,006	17,716
Equity (Refer note (ii) below)	41,860	35,696
<b>Net debt to equity ratio</b>	<b>0.31</b>	<b>0.50</b>

#### Notes:

- (i) Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.  
(ii) Equity includes issued equity capital, securities premium and all other reserves.

#### 33.2 Financial instruments by category

Particulars	As at March 31, 2021			As at March 31, 2020		
	Amortised Cost	FVTOCI	FVTPL	Amortised Cost	FVTOCI	FVTPL
<b>Financial assets</b>						
Investments in equity instruments / preferential shares	-	9	-	-	9	-
Derivative financial asset	-	-	-	-	-	121
Other financial assets	793	-	-	755	-	-
Trade receivables	33,582	-	-	35,939	-	-
Cash and cash equivalents	6,805	-	-	8,358	-	-
Other bank balances	821	-	-	3,415	-	-
<b>Total</b>	<b>42,001</b>	<b>9</b>	<b>-</b>	<b>48,467</b>	<b>9</b>	<b>121</b>
<b>Financial liabilities</b>						
Borrowings (refer note (i) below)	18,412	-	-	24,899	-	-
Lease liabilities	390	-	-	695	-	-
Derivative financial liability	-	110	-	-	174	-
Other financial liabilities	5,471	-	-	4,857	-	-
Trade payables	27,451	-	-	26,826	-	-
<b>Total</b>	<b>51,724</b>	<b>110</b>	<b>-</b>	<b>57,277</b>	<b>174</b>	<b>-</b>

#### Notes:

- (i) Borrowings include non-current and current borrowings (Refer Note 16)  
(ii) The management assessed that fair value of cash and cash equivalents, trade receivables, other current financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments, and hence these are carried at amortised cost.  
(iii) Investments (unquoted) are measured at fair value through initial designation in accordance with Ind-AS 109.

### 33.3 Fair Value by hierarchy

#### Valuation technique and key inputs

##### Level 1

Quoted prices (unadjusted) in an active markets for similar assets or liabilities.

##### 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).

Quantitative disclosures of fair value measurement hierarchy-Level 2 for financial instruments:

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Financial Assets</b>		
Derivative financial asset	-	121
<b>Financial Liabilities</b>		
Derivative financial liability	110	174

The Company enters into derivative financial instruments with various counterparties principally, banks with investment grade credit ratings. Foreign exchange forward contracts and interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, etc. As at March 31, 2021 the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had insignificant impact on the hedge effectiveness assessment for derivatives designated in hedge relationships.

##### Level 3

Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Quantitative disclosures of fair value measurement hierarchy-Level 3 for financial instruments:

Particulars	As at March 31, 2021	As at March 31, 2020
Financial Assets		
Unquoted equity shares	9	9

The fair values of the unquoted equity shares have been estimated using a Discounted Cash Flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, earnings growth, discount rate, and probabilities of the various estimates within the range used in management's estimate of fair value for these unquoted equity investments.

#### Valuation inputs and relationships to fair value:

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Particulars	Significant-unobservable inputs	Valuation process	Sensitivity of the inputs to fair value
Investment in unquoted equity shares	Earnings growth rate	i) Earnings growth factor for unlisted equity shares are estimated based on the market information of similar type of companies and also considering the economic environment impact.	Any increase in earnings growth rate would increase the fair value.
	Discount rate	ii) Discount rates are determined using a capital asset pricing model, i.e., a borrowing rate at which the Company would be able to borrow funds on similar terms.	Any increase in discount rate would result in decrease in fair value.

(All amounts in ₹ lakhs, unless otherwise stated)

### 33.4 Financial risk management

#### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company has adequate internal processes to assess, monitor and manage financial risks. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The liquidity risk is measured by the Company's inability to meet its financial obligations as they become due.

#### Market risk

The Company is exposed to foreign exchange risk through imports from overseas suppliers in various foreign currencies, exports to customers abroad, bill discounting, buyer's credit, packing credit. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

#### Foreign currency exposure

The Company monitors and manages its financial risks by analysing its foreign exchange exposures. The Company, in accordance with its Board approved risk management policies and procedures, enters into foreign exchange forward contracts to manage its exposure in foreign exchange rates.

The Company has applied the hedge accounting principles set out in Indian Accounting Standard – 109 "Financial Instruments" (Ind AS - 109) in respect of such derivative contracts, designated in a hedging relationship, used to hedge its risks associated with foreign currency fluctuations. Accordingly, in respect of all such outstanding forward contracts as at March 31, 2021 that were designated as fair value hedges, gain aggregating ₹ Nil lakhs (2020: 120 lakhs) have been recognised borrowing cost.

Derivative financial instruments:

Outstanding forward exchange contracts as on March 31, 2021:

Currency	Amount in foreign currency	Nos. of contracts	₹ (in lakhs)	Buy / Sell	Cross currency
Nil					

Outstanding forward exchange contracts as on March 31, 2020:

Currency	Amount in foreign currency	Nos. of contracts	₹ (in lakhs)	Buy / Sell	Cross currency
US Dollar	3,550,000	2	2,576	Buy	Rupees

All outstanding forward exchange contracts as at March 31, 2020 have maturity period of less than one year.

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2021:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	1,684,939	1,232	-	-	1,232
Trade receivables	10,758,081	7,865	149,532	128	7,993
Borrowings	(2,085,000)	(1,524)	-	-	(1,524)
Trade payables	(8,923,349)	(6,524)	-	-	(6,524)
Interest accrued but not due on borrowings	(9,014)	(7)	-	-	(7)
<b>Net assets</b>	<b>1,425,658</b>	<b>1,041</b>	<b>149,532</b>	<b>128</b>	<b>1,169</b>

(All amounts in ₹ lakhs, unless otherwise stated)

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2020:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	2,365,672	1,790	-	-	1,790
Trade receivables	9,684,952	7,328	-	-	7,328
Borrowings	(3,978,720)	(3,011)	-	-	(3,011)
Trade payables	(7,050,428)	(5,335)	-	-	(5,335)
Interest accrued but not due on borrowings	(11,094)	(8)	-	-	(8)
<b>Net assets</b>	<b>1,010,382</b>	<b>764</b>	<b>-</b>	<b>-</b>	<b>764</b>

#### Sensitivity analysis:

For the year ended March 31, 2021 and March 31, 2020, every increase / decrease of ₹ 1 in the respective foreign currencies compared to functional currency of the Company would impact profit before tax by ₹ 16 lakhs/ (₹ 16 lakhs) and (₹ 10 lakh)/ ₹ 10 lakhs respectively.

#### Interest rate risk:

The Company draws term loans, working capital demand loans, avails cash credit, foreign currency borrowings including buyer's credit, packing credit etc. for meeting its funding requirements. The Company manages the interest rate risk by maintaining appropriate mix/portfolio of borrowings having fixed and floating rate of interest. The borrowings are serviced on a timely manner and repayments of the principal and interest amounts are made on a regular basis.

#### Interest rate swap contract:

Under Interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amount. Such contract enables Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest is based on the outstanding balances at the end of the reporting period.

#### Details of the interest rate swap contracts:

Particulars	Loan amount (₹ in lakhs)	Fair Value of Interest Rate Swap as at March 31, 2021	Fair Value of Interest Rate Swap as at March 31, 2020	Coupon / Interest Rate	Fixed Interest Rate
US Dollar	3,550,000	1	1	Libor + 4%	7.50%

#### Sensitivity analysis:

For the year ended March 31, 2021, every increase / decrease of 1% in the respective interest rate compared to existing rate of interest of the Company would impact profit before tax by ₹ 190 lakhs/ (₹ 190 lakhs) respectively.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, deposits with banks, foreign exchange transactions and other financial instrument. Credit risk is managed through credit approvals, insurance of certain receivables, monitoring the creditworthiness and establishing credit limits of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

#### Other price risks

The Company is exposed to valuation of equity investment risks as the Company's equity investments are held for strategic rather than trading purposes.

#### Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company's principal sources of liquidity are cash & bank balances, credit facilities and cash generated from operations.

The Company has unutilised credit limits from the banks of ₹ 14,637 lakhs and ₹ 6,607 lakhs as of March 31, 2021 and March 31, 2020 respectively.

(All amounts in ₹ lakhs, unless otherwise stated)

**The working capital position of the Company:**

Particulars	As at March 31, 2021	As at March 31, 2020
Current assets	69,260	69,101
Current liabilities	45,323	55,336
<b>Working capital</b>	<b>23,937</b>	<b>13,765</b>

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021:

Particulars	Less than 1 year	1-2 years	2-3 years	3-5 years	above 5 years
Trade payables	27,450	-	-	-	-
Borrowings and interest thereon	14,161	2,763	2,576	2,806	-
Other current financial liabilities	3,006	-	-	-	-
Other non-current financial liabilities	-	1,176	-	-	-
<b>Total</b>	<b>44,617</b>	<b>3,939</b>	<b>2,576</b>	<b>2,806</b>	<b>-</b>

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020:

Particulars	Less than 1 year	1-2 years	2-3 years	3-5 years	above 5 years
Trade payables	26,826	-	-	-	-
Borrowings and interest thereon	26,322	812	762	712	170
Other current financial liabilities	2,592	-	-	-	-
Other non-current financial liabilities	-	1,264	-	-	-
<b>Total</b>	<b>55,741</b>	<b>2,077</b>	<b>762</b>	<b>712</b>	<b>170</b>

The Company's obligation towards payment of borrowings has been included in note 16 & 17.

**34. Earnings per share**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit for the year attributable to shareholders of the Company	5,099	1,674
<b>Basic:</b>		
Number of shares outstanding at the year end	196,217,758	192,605,261
Weighted average number of equity shares	193,646,705	168,024,466
<b>Earnings per share (₹)</b>	<b>2.63</b>	<b>1.00</b>
<b>Diluted:</b>		
Effect of potential equity shares on employee stock options outstanding	31,666	68,993
Weighted average number of equity shares outstanding	193,678,371	168,093,459
<b>Earnings per share (₹)</b>	<b>2.63</b>	<b>1.00</b>

Note: EPS is calculated based on profits excluding the other comprehensive loss.

**35. Research and development expense charged to Statement of Profit and Loss:**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Employee benefits expense	48	30
Depreciation	4	13
Other expenses	51	44
<b>Total</b>	<b>103</b>	<b>87</b>

(All amounts in ₹ lakhs, unless otherwise stated)

### 36. Research and development expense capitalised:

Revenue Expenditure capitalised during the year under respective heads:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Employee benefits expense	180	160
Depreciation	80	70
Other expenses	143	133
<b>Total</b>	<b>403</b>	<b>363</b>

### 37. Leases:

#### Transition

Effective April 1, 2019, the Company has adopted Ind AS 116 'Leases' using the modified retrospective approach. On transition to Ind AS 116, the Company recognised right-of-use asset amounting to ₹ 757 lakhs and a lease liability of ₹ 886 lakhs. The cumulative effect of applying the standards, amounting ₹ 84 lakhs, was debited to retained earnings, net of taxes.

i) The following is the movement in lease liabilities during the year ended:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance / Balance at the beginning (Impact of adoption of Ind AS 116)	695	886
Add: Lease liabilities recognised during the year	77	273
Less: Extinguishment of lease liabilities	-	(35)
Add: Interest cost accrued during the year	68	114
Less: Payment of lease liabilities including interest	(450)	(543)
<b>Balance at the end</b>	<b>390</b>	<b>695</b>

ii) The impact of change in accounting policy on account of adoption of Ind AS 116 is as given below:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on lease liability (Refer Note 27)	67	114
Depreciation on right-of-use assets (Refer Note 29)	324	402
Less: Lease rental expenses	448	543
<b>Impact on the statement of profit and loss</b>	<b>(57)</b>	<b>(27)</b>

iii) Maturity analysis of lease liabilities:

Particulars	As at March 31, 2021	As at March 31, 2020
Less than one year	164	379
One to two years	107	164
More than two years	119	152
<b>Total lease liabilities</b>	<b>390</b>	<b>695</b>

### 38. Segment Reporting:

As the Group's business activities fall within a single primary segment viz-a-viz "sale of products - pesticides, insecticides etc.", therefore the disclosure requirements of Indian Accounting Standard 108 - Operating Segments are not applicable. The Group sells its products mainly within India where the conditions prevailing are uniform.

#### Geographical Information

The Group operates in India and makes certain sales to customers situated outside India. The revenue from external customers by location of customers is detailed below. All the non-current assets of the Group are situated within India.

(All amounts in ₹ lakhs, unless otherwise stated)

Revenue – Sale of products	For the year ended March 31, 2021	For the year ended March 31, 2020
India	83,535	73,034
Outside India	33,008	25,743
<b>Total</b>	<b>116,543</b>	<b>98,777</b>

The Group's revenue includes ₹ 18,865 lakhs (2020: ₹ 15,478 lakhs) which arose from sales to the Group's largest customer. No other single customer contributed 10 per cent or more to the Company's revenue in either 2020-21 or 2019-20.

**39.** With reference to the issue on the net consideration payable for transfer of certain capital assets in its favour, the Group has duly accounted for the total consideration in the books of account and engaged in dialogue with the Customer to address the matter constructively.

#### **40. COVID-19 assessment:**

COVID-19 an infectious disease caused by the Coronavirus, SARS-CoV-2, was declared a pandemic by the World Health Organization. On March 24, 2020, the Indian Government announced a strict 21-day lockdown which was further extended across the country to contain the spread of virus. However, Government of India deemed agriculture related sectors including Pesticides as essential and permitted operations in a limited way, based on which the Group resumed activities in its production facilities. The Group adopted number of measures to protect the health of its employees while ensuring business continuity with minimal disruption. In assessing the recoverability of receivables, inventory and other financial assets, the Group has considered internal and external information up to the date of approval of these consolidated financial statements. The impact of the global health pandemic may be different from that of estimates as at the date of approval of these consolidated financial statements and the Group will continue to monitor closely any material changes in the emerging economic conditions.

#### **41. Insurance claim**

An Appeal has been filed by the Insurance Company (The Oriental Insurance Company Limited) against the Arbitration Award in favour of the Company, before the Hon'ble High Court of Delhi. Pending final disposal of the above appeal, the Group has filed the Execution Petitions before Hon'ble High Court of Delhi for deposit of Awarded amount in Material Damage (MD) Claim of ₹ 1,048 lakhs (includes interest) and Business Interruption Policy claim of ₹ 1,352 lakhs (includes interest) with the Court. With respect to the execution petition filed by the Group in both the cases, the Hon'ble High Court of Delhi has passed an order vide its order dated March 19, 2021 & April 9, 2021 directed the Insurance Company to deposit the awarded amount towards Material Damage claim & Business Interruption Policy respectively together with the interest upto the date of deposit with Court. The Group has not recognized the said claims in the books of account.



(All amounts in ₹ lakhs, unless otherwise stated)

#### 42. Additional disclosure related to consolidated financial statements:

##### List of subsidiaries and associates considered for consolidation

Name of the Company	Relationship	Country of incorporation	Percentage of voting power as at March 31, 2021	Net assets		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
				March 31, 2021		March 31, 2021		March 31, 2021		March 31, 2021	
				% of consolidated net assets	Amount in lakhs	% of consolidated profit/(loss)	Amount in lakhs	% of consolidated other comprehensive income	Amount in lakhs	% of consolidated total comprehensive income	Amount in lakhs
NACL Industries Limited	Company	India	100%	96%	40,111	99%	5,042	95%	(21)	99%	5,021
LR Research Laboratories Private Limited	Subsidiary	India	100%	*	(2)	-	-	-	-	-	-
Nagarjuna Agrichem (Australia) Pty Limited	Subsidiary	Australia	100%	*	3	*	1	-	-	*	1
NACL Spec-Chem Limited	Subsidiary	India	100%	*	197	*	(2)	-	-	*	(2)
NACL Multichem Private Limited	Subsidiary	India	100%	*	1	*	1	-	-	*	1
Nasense Labs Private Limited	Associate	India	26%	4%	1,550	1%	57	5%	(1)	1%	56
<b>Total</b>					<b>41,860</b>		<b>5,099</b>		<b>(22)</b>		<b>5,077</b>

\* less than 1%

##### List of subsidiaries and associates considered for consolidation

Name of the Company	Relationship	Country of incorporation	Percentage of voting power as at March 31, 2020	Net assets		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
				March 31, 2020		March 31, 2020		March 31, 2020		March 31, 2020	
				% of consolidated net assets	Amount in lakhs	% of consolidated profit/(loss)	Amount in lakhs	% of consolidated other comprehensive income	Amount in lakhs	% of consolidated total comprehensive income	Amount in lakhs
NACL Industries Limited	Company	India	100%	96%	34,204	94%	1,577	99%	(132)	94%	1,445
LR Research Laboratories Private Limited	Subsidiary	India	100%	*	(4)	-	-	-	-	-	-
Nagarjuna Agrichem (Australia) Pty Limited	Subsidiary	Australia	100%	*	2	*	2	-	-	*	2
Nasense Labs Private Limited	Associate	India	26%	4%	1,494	6%	95	1%	(2)	6%	93
<b>Total</b>					<b>35,696</b>		<b>1,674</b>		<b>(134)</b>		<b>1,540</b>

\* less than 1%

#### 43. Social security code

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

#### 44. Approval of financial statements

The financial statements are approved for issue by the Board of Directors on May 28, 2021.

**for and on behalf of the Board of Directors**

**M Pavan Kumar**  
Managing Director & CEO  
(DIN:01514557)

**N. Vijayaraghavan**  
Director  
(DIN:02491073)

**R.K.S. Prasad**  
Chief Financial Officer

**Satish Kumar Subudhi**  
Company Secretary

Place : Hyderabad  
Date : May 28, 2021





## NACL Industries Limited

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