

Annexures to Directors' Report (Contd..)

Annexure III

Management Discussion And Analysis Report

GLOBAL ECONOMY OVERVIEW

Global prospects remain highly uncertain one year into the pandemic. New virus mutations and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. The outlook depends not just on the outcome of the battle between the virus and vaccines—it also hinges on how effectively economic policies deployed under high uncertainty can limit lasting damage from this unprecedented crisis. Global GDP contracted by 3.5% in 2020 as governments in both developed and emerging economies took measures to contain the spread of the COVID-19 virus. While the decline was sharper than the global financial crisis in 2009, but the scale of the fiscal response to the COVID-19 crisis was unprecedented and three times bigger than 2008-09 financial crisis. The response by policy makers prevented a collapse that would have been at least three times worse, and the medium-term losses for the global economy are expected to be smaller than the global financial crisis. Global growth is projected at 6 percent in 2021, moderating to 4.4 percent in 2022. The projections for 2021 and 2022 are stronger than in the October 2020. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions. While China is forecasted to continue its rapid growth in 2021, Latin America and the Eurozone is expected to lag behind. US saw overall GDP decline of 3.5%. India's economy rebounded quickly from one of the world's longest and most stringent lockdowns, which also came with steepest fall in GDP in Q2. Real GDP grew by 0.4% in Q3FY2021 after a contraction in the previous two quarters. Real GDP is estimated to have contracted by ~8% in FY 2020-21. (Source: IMF, World Bank)

INDIAN ECONOMY OVERVIEW

India witnessed a gradual resumption of economic activity from Q2FY2021. The initial recovery was driven by government spending on infrastructure, exports and rural economy. Reserve Bank of India (RBI) announced various measures to support liquidity provision to micro, small and medium firms, and loosened regulatory requirements on the provisioning for non-performing loans. The recovery gained momentum since August 2020 with pickup in consumption demand driven by festive buying and return of urban consumption. However, the growth projections for FY 2021-22 have been revised to be below 11% due to the acute resurgence of the virus in the country, as many cities and states went into lockdown. While the growth will depend upon the trajectory of the pandemic, the overall impact on the economy is expected to be less severe than last year. The fiscal policy 2021-22 budgeted towards higher expenditure target at healthcare and infrastructure to boost the post-pandemic recovery. The renewed outbreak, however, may require further targeted policy support to address the health and economic cost. India is expected to witness a full economic recovery in H2FY2022 driven by (a) ongoing vaccination supporting the current recovery momentum; (b) restart of investment cycle with significant spending on infrastructure and (c) continued recovery in consumption supported by urban demand, accentuated by work-from-home and preferences for personal mobility along with rising rural income and affordability. However, normal growth levels would be seen in FY 2022-23 only, provided no further economic disruption occurs and success of the ongoing vaccination drive (Source: World Bank & RBI)

GLOBAL CHEMICAL INDUSTRY:

The COVID-19 pandemic had an unprecedented impact on the chemicals industry, which experienced a significant demand decline in 2020. While the industry was already facing cyclical pressures such as overcapacity, pricing pressures, and trade uncertainty before 2020, many post-COVID-19 changes have a structural or disruptive character. End market demand structure has shifted due to supply chain disruption and demand decline in significant end markets such as automotive, manufacturing, and construction. Consequently, chemical companies should focus on new value streams and applications associated with future growth markets, such as materials for microelectronics, advanced materials for construction applications, recycling technologies, and new solvent cleaning technologies. Changing public perception and preference toward sustainable consumption will likely drive chemical companies to develop new sustainable products and business models. Unlike the recent downturns that were primarily cyclical in nature, chemical companies are now experiencing significant changes in how they operate and serve their customers. As online sales become more prevalent, companies can leverage digital tools and e-commerce solutions to offer a simplified ordering process and enhance their customers' digital experiences.

Chemical companies can use the COVID-19-driven economic crisis as an opportunity to build lasting business strength by making informed and deliberate strategic choices about which end markets they focus on. In the coming year, chemical companies should keep an eye on these larger trends shaping consumer preferences and the end-market environment in order to focus on new growth opportunities and extract more value from current resources and assets. The global chemical industry is stable, according to the report, as the industry's recovery is uneven across the globe. Europe is reportedly most at risk, while in China fast demand recovery happened this year, and continued growth is expected in 2021. Recovery has stalled in Europe and the Americas following rising coronavirus infection rates, and we expect that chemical demand will be down in the first half of 2021. This will be followed by improved growth, however, as the benefits of a vaccine will allow more consistent growth in chemical demand. As forecasted by the American Chemistry Council (ACC), global chemical output volume is expected to grow by 3.9% in 2021, following a decline of

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2.6% in 2020, which was the largest decline in the last 40 years. Chemical performance in 2021 among different regions will vary but all are expected to recover. China and India will lead the recovery in global chemical output, with expectations for strong growth prospects of 5.4% and 7.5% in 2021, respectively. Overall, chemical output in the Asia region is set to rise by 4.4% next year, followed by North America, with 4.1%, and Latin America, with 4.6%. (Source: Survey Report of Moody & Deloitte)

INDIAN CHEMICAL INDUSTRY:

The Indian chemical industry has a huge role to play to make India a \$5 trillion economy by contributing around \$300 billion to the GDP by 2025. India holds a strong position in exports and imports of chemicals at a global level and ranks 14th in exports and 8th in imports at global level. India’s chemical industry contributes 2.11% to the economy’s GDP. The chemical industry is the third-largest in Asia. The exports are very strong and almost 34% of the country’s earnings actually come from the chemical industry. The demand for petrochemicals in India is forecasted to grow at 5% CADGR from FY 19-23. The Indian agrochemicals market is forecasted to grow at 8% CAGR. It is expected to reach \$ 3.7 billion by FY22 and \$ 4.7 billion by FY25. The total market size of specialty chemicals in India is around \$ 35 billion. The demand for specialty chemical is forecasted to grow at 12% CAGR from FY 2019-22. The environment becomes crucial in the chemical industry. The market is shifting to a more environmentally aware R&D process. Therefore, it takes into account all the factors while investing in R&D. This is a big opportunity to explore. Because a lot of different aspects and products are yet to be invented and introduced into the market. Besides, the sector allows 100% FDI and this makes the markets open for investments. The Indian Government supports the Industry in Research & Development, reduced the basic customs duty on several products and offers support through the ‘Make in India’ campaign. India also holds a large pool of skilled and cheap workforce in the sector. Therefore, foreign companies coming to India benefit from this. Moreover, the polymer and agrochemical industries present huge growth opportunities. Following global supply-chain disruptions and the government’s lockdown measures to restrict the spread of COVID-19, Indian chemical markets experienced a significant decline in business. Even before COVID-19, global chemical manufacturing operations had already increasingly relocated to India from China, which will continue after COVID-19 as more companies evaluate alternative supply chain solutions. (Source: Maier Vidorno Report)

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INDUSTRY STRUCTURE AND DEVELOPMENT:

The Indian chemical industry operates in a highly competitive and dynamic business environment. The industry is highly diverse. It has players who are small and medium dealing in various chemical products. It has players who are large multinationals with high-priced new generation products. FY 20-21 had been a challenging year for mankind impacting the society, business and life across the globe while changing the way we think or work. The same has been true for us too where it got impacted at the beginning of the financial year due to nationwide lockdown and operations were shut. However, due to our unique position as largest manufacturer of specialty chemicals in India, serving pharmaceutical companies, we were allowed to commence after few weeks and continued our operations for the remaining year. The customers also trusted us by offering contracts to ensure their supply chains in these difficult times and your company fulfilled those expectations by timely delivery of the products and maintained its market leadership in majority of its product portfolio. Your Company is one of the leading players in the industry which has a balanced portfolio of technical along with backward integration for some products. Availability of technically trained manpower, seasonal domestic demand and production capacities for generics built to cater to overseas markets are the other reasons for strong exports. Exports account for more than 50% of the company production. Your Company is a leading manufacturer of Specialty Chemicals with diversified end-uses into Agrochemicals, Pharmaceuticals, High Performance Polymers, Paints, Pigments, Printing Inks, Rubber Chemicals, Additives, Surfactants, Dyes, Flavors & Fragrances, Home & Personal Care applications, etc. Your Company makes continuous efforts to explore and innovate new products & processes in all segments. This diversified end-user base helps the Company to reduce its risk from downturn in any individual business segment and also to capitalize on the growth opportunities in each of the end-user segments. With setting up new manufacturing facilities in Dhule (Maharashtra) your company will be able to expand its market share in the specialty chemicals. The Company had upgraded its various manufacturing units into Zero Liquid Discharge Units (ZLD) and also has put in place various processes to control/limit generation of effluents and improve the treatment of the same. As part of the Risk Management policy, the relevant parameters for all manufacturing sites are analyzed to minimize risk associated with protection of environment, safety of operations and health of people at work and monitored regularly with reference to statutory regulations and guidelines defined by the Company. The Company fulfills its legal requirements concerning emission, waste water and waste disposal. Improving work place safety continued to be top priority at all manufacturing sites.

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FINANCIAL PERFORMANCE & RATIOS:

Sr No	Particulars	F.Y. 2020-21	F.Y. 2019-20	Change	% Change
1	Revenue from operations (net)	53,935.43	47,230.02	6,705.41	14.20
2	EBIDTA	6343.58	4,808.05	1,535.53	31.94
3	Profit before Tax	4331.53	1,800.34	2,531.19	140.60
4	Profit after tax	3,328.81	1,311.82	2,016.99	153.75
5	Net worth	16072.97	13,245.11	2,827.86	21.35

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Sr No	Particulars	F.Y. 2020-21	F.Y. 2019-20	Change	% Change
6	Debt	15,843.35	14,167.16	1,676.19	11.83
7	Trade Receivables	13,292.94	10,727.88	2,565.06	23.91
8	Inventory	7,720.58	7,610.25	110.34	1.45
9	Debt Equity Ratio	0.99	1.07	(0.08)	(7.84)
10	Current Ratio	1.11	1.11	-	-
11	Receivables Turnover Ratio	4.06	4.40	(0.35)	(7.84)
12	Inventory Turnover Ratio	6.99	6.21	0.78	12.57
13	EBIDTA Margin (%)	11.76	10.18	1.58	15.53
14	PBT Margin (%)	8.03	3.81	4.22	110.68
15	PAT Margin (%)	6.17	2.78	3.39	122.21
16.	Interest coverage ratio	8.06	8.23	(0.17)	(2.07)
17.	Operating profit margin	0.10	0.08	0.02	25
18.	Net Profit Margin	0.06	0.05	0.01	20

OPPORTUNITIES & THREATS:

The Chemical Industry is critical for the economic development of our country providing products and enabling technical solutions in virtually all sectors of the economy. The demand for our products is steadily increasing both in India and abroad. Key drivers for success in the chemical sector include proximity to strong growth markets, greater ease in doing business and the continue investment. Your Company is ready to take the challenges of increased demand by continuously adding capacities, adding new products and investing in upgradation of its manufacturing capacities. The in-house R&D Department has been developing quality products and is also striving for achieving cost efficiencies. The industries in which our products have application, like pharmaceuticals, agrochemicals, rubber chemicals etc. are growing at a reasonable pace. We have a fair chance of improving our position as a reliable supplier of good quality chemicals to these industries. Our Core Competence in chemical handling and manufacturing supported by an able technical team, should provide a lot of opportunities and scope to the company to improve its performance. We enjoy leadership position in some of the products in both domestic as well as in International market, driven by strong in-house technology, diversified product portfolio and customer base. The commodity nature of some of our products makes them susceptible to fluctuations in raw material prices and exchange rates. Petroleum based raw materials are subject to international gas/crude oil price fluctuation. Being a global player, we are also exposed to competition not only from domestic players but also large international players. Cheap imports have posed problems, which are being addressed by consistency in quality of the products and improving production efficiencies.

SPECIALITY CHEMICALS:

The chemical industry is pivotal in the industrial and agricultural development of a country. Speciality chemicals are particular chemical products which provide a wide variety of effects on which many other industry sectors rely. Top speciality chemical companies are engaged in sustainability and green chemistry, such as reduced carbon footprint and improved raw material supply. The speciality chemicals market has been on the increase in various applications, and this has helped in boosting the total market in multiple regions. The major driving factors for the market growth are growing demand from the end-user industries such as food, textiles and automobiles. Globally, the specialty chemicals industry grew at 5.7% CAGR over the last 5 years, reaching USD 805 billion in 2019. It is estimated to grow at 6.4% over the next 5 years to reach ~USD 1.2 trillion by 2025. The past couple of decades have seen a significant shift in the manufacturing of chemicals from Europe and North America, to Asia. One of the most prominent trends in the global chemicals industry has been the emergence of China as a dominant player. This is reflected in an increase in China's share in the global chemicals industry from 6% in 2000 to around 25% in 2020. Indian speciality chemicals industry has grown with a CAGR of around 11% from 2014-2019 period and is expected to grow with a 12% CAGR in the next 5 years. It is too fragmented with only a few players present in specialty chemical business. With the government allowing 100% FDI, this sector has seen a good inflow of investments with a fair bit of M&A in the last few years. Governing bodies, as well as the stakeholders in India, are actively considering a shift towards adoption of sustainable methods of manufacturing chemicals. The Chinese Blue-sky policy has also contributed to this growth where even if one factory was not in compliance with their policy, then the whole park was shut off. This led to supply chain disruption, which helped Indian players to set up. India's specialty chemicals market is expected to grow to \$40 billion by 2025 from \$ 28 billion in 2018. India is the fastest growing major specialty chemicals market in the world. Today, owing to the Covid-19 crisis, the specialty chemicals market is expected to shrink by 5-8% against FY19. However, given strong fundamentals the market is expected to recover between 2021-22. Overall, there could be a delay of 1-2 years, with market expected to grow by \$110-130 billion between FY18-25. (Source: McKinsey & Company)

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INTERNAL CONTROL SYSTEMS:

The Company has comprehensive internal control systems commensurate with the nature of its business and size and complexity of its operations. They provide reasonable assurance on effectiveness and efficiency of its operations, reliability of financial reporting and compliance with the applicable laws and regulations. The system is helping the managers to advantageously assimilate information and make more knowledge-based and efficiency driven decisions. The internal control is supplemented by effective internal audit being carried out by group of Chartered Accountants internally as an independent Internal Audit department and also by an external firm of Chartered Accountants. The Internal audit team carries out extensive audits throughout all locations and across all functional area. Internal Auditor & Controller - Risk reports directly to the Chairman of the Audit Committee of the Board of Directors, which ensures process independence. The scope and authority of the Internal Audit department is derived from the Audit Charter approved by the Audit Committee. The Audit Committee of Directors regularly reviews the findings of internal auditors and take effective steps and measures to implement the suggestions / observations identified by the Internal Auditors. To supplement the reviews carried out by the Internal Audit teams, the Company follows an elaborate system of Control Self Assurance ('CSA') (self-audit) which was carried out during the year. The CSA coverage includes all critical departments in the organisation. The IT enabled CSA process provides a good bottom-up approach and build up for the CEO/CFO certification as required under Regulation 17(8) of the SEBI Listing Regulations, besides helping in awareness creation of controls across a wide segment of the Company employees. This complements the Internal Audits conducted to ensure total coverage during the year.

RESEARCH AND DEVELOPMENT (R&D):

Over the years, the company has launched several new products by establishing an DSIR approved In-House R&D unit that innovates products and helps to attain better production efficiencies. We have a dedicated team of experienced scientists who provide us with a strong base for introducing new products, and process development, quality, safety standards and environmental protection. We will continue to invest towards technological development that not only improves our product and process, but also helps us to minimize the impact of climate change

INDUSTRIAL RELATIONS:

The company maintains very cordial & healthy industrial relationship. Company undertakes various measures to get view of the employees on safety, performance improvements, employee benefit schemes etc. This ensures employees participation in the day to day operations of the company. Imparts training both internal & external to its employees which keeps them refresh with the new changes taking place & improves their efficiency

Your Company is continuously striving to create appropriate environment, opportunities and systems to facilitate identification, development, and utilization of their full potential and inculcating a sense of belongingness.

Your Company's industrial relations continued to be cordial & harmonious during the year under review.

HUMAN RESOURCES:

The year presented unique challenges and tested our outlook towards employees and stakeholders. Care and empathy towards employees were at the forefront of all our policies, initiatives and agendas. The year also tested our leadership's ability to carry the team along towards individual and organizational success. We acknowledge the need for employees to stay physically and mentally healthy, and stays committed to creating fulfilling lives for them. Through various remotely-conducted employee wellness programmes targeted at ensuring the physical, mental and financial wellness as well as controlling the spread of disease and ailments, we have strived to keep up the morale of its workforce during these difficult times. Health challenges, financial awareness sessions and safety campaigns were taken up. To support employees and their families, we strengthened the helpline, offering counselling services throughout the pandemic to help them cope with mental stress. A medical teleconsultation helpline was also launched to help employees with medical issues that may have otherwise required them to go to hospitals. We have taken a special insurance cover for our employees for COVID-19 related expenses incurred by them.

During the year, the Company has total number of 458 employees associate with Company. The Company believes that its employees are the key to driving sustainable performance and developing competitive advantage. The HR policies and procedures of your Company are geared towards nurturing and development of Human Capital. Your Company has transparent processes for rewarding performance and retaining talent.

We had conducted a survey among senior management staff to ascertain "What's working well in the Company" and "Areas of improvement". We have benchmarked our Company with some other organizations and outlined the challenges which the Company is facing along with proposed road maps. The Senior Management people had deliberations and drawn an execution plan based on priority suggested by the Group to work towards a Future Ready Organization.

Skill Gap Analysis and other systems are also in place to identify the training interventions required. Employee relations at all locations continued to remain cordial. Your Directors wish to acknowledge the sincere and dedicated efforts of the employees of the company and would like to thank them for the same.

SAFETY, HEALTH & ENVIRONMENT:

Industrial safety is being considered as very important aspect. At each location one person is specifically designated to see that proper rules of safety are observed & no compromise is made from safety angle. Periodically industrial safety seminar is organized to train

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employees on safety rules. We conduct safety audit both internal & external to trace out any loop holes from safety point of view and the changes, new measures recommend is implemented on priority. All safety equipments such as fire extinguisher, sparklers etc are always keep in proper condition. There were no major accidents during the year under review.

POLLUTION CONTROL MEASURES:

Your company is very sensitive towards environment & pollution control. R & D department of company is continuously undertaking projects to reduce the effluent discharge & implementing process with cleaner measures. We have in house ETP plant at all our major manufacturing sites. Wherever required company avails services of waste management services to dispose of its effluents and solid waste. We are also member of Common effluent treatment plant at all the locations. Wherever possible we ensure that process and products developed are free from any air or water pollutants.

RISKS & CONCERNS:

The business has put policies in place to mitigate risks from changes in the regulatory environment which might limit realizations. There are continuous efforts to improve efficiencies in the supply chain network, to mitigate rising costs of labour and fuel. Inventory and pricing controls are put in place to reduce the risk of fluctuations in raw material prices. The Company continues to digitally enable its processes across the value chain and bring in automation for greater transparency and better risk management. The Company has a risk management policy, which from time to time, is reviewed by the Audit Committee of Directors as well as by the Board of Directors. The Policy is reviewed quarterly by assessing the threats and opportunities that will impact the objectives set for the Company as a whole. The Policy is designed to provide the categorization of risk into threat and its cause, impact, treatment and control measures. As part of the Risk Management policy, the relevant parameters for all manufacturing sites are analyzed to minimize risk associated with protection of environment, safety of operations and health of people at work and monitored regularly with reference to statutory regulations and guidelines defined by the Company. The Company fulfills its legal requirements concerning emission, waste water and waste disposal. Improving work place safety continued to be top priority at all manufacturing sites.

CORPORATE SOCIAL RESPONSIBILITIES:

The Corporate Social Responsibility Committee was constituted as per Section 135 of the Companies Act, 2013 ("the Act") read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The average profit of the Company for last three years is ₹ 2,576.45 Lakh. Prescribed CSR expenditure is ₹ 51.53 Lakhs. Details of CSR spent during the financial year 2020-21 are as per Annexure V enclosed. The Corporate Social Responsibility (CSR) policy of the Company has been posted on website of the Company.

OUTLOOK:

Production and revenue is expected to be impacted in financial year 2021-22, given the non-availability of industrial oxygen amid the second wave of the Covid-19 pandemic. Increase in prices of certain raw materials also put pressure on contribution. However, we remain optimistic for the year 2021-22, our focus will continue on sustainable growth by taking measures for increasing our market share of existing products. However, with the global growth of chemicals focused more on Asia, it is expected that there will be further growth in chemical industry. With change in geopolitical situation, the demand from domestic as well as global customers will also open new avenues for us. During the year 2021-22, we expect our investments in various other projects to add to both our topline and bottom line. We will continue with our efforts for improving our bottom line by expanding our product-range, while re-looking at business strategies and models, wherever necessary. We will continue our efforts for improving efficiencies and margins. We will continue to invest & expand its capabilities & capacities to accelerate the growth of business in domestic as well international market.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the objectives, projections, estimates and expectations of the Company, its direct and indirect subsidiaries and its associates, may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply, price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

On behalf of the Board of Directors
For **Indo Amines Limited**

Sd/-

Dr. Deepak Kanekar
Chairman & Director
DIN: 02570268

Place: Dombivli
Date: 28th June, 2021