

INDEPENDENT AUDITORS' REPORT

To,
**The Members of
Fine Organic Industries Limited**

(Formerly known as 'Fine Organic Industries Private Limited')

REPORT ON THE AUDIT OF THE IND AS FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Ind AS Financial Statements of **Fine Organic Industries Limited** (herein referred to as the "Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended and notes to the Financial Statements including a summary of the 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 Ind AS Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit (including other comprehensive income), statement of changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Ind AS Financial Statements under the provisions of the Companies Act, 2013 and the Rules made there under, 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 opinion on Ind AS Financial Statements.

Emphasis of Matters

We draw attention to Note no. 44 of the Ind AS Financial Statements, as regards the management's evaluation of COVID-19 impact on the future performance of the Company. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS Financial Statements of the current period. These matters were addressed in the context of our audit of the Ind AS 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. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS Financial Statements.

1 Revenue Recognition

For the year ended March 31, 2020 the Company has recognised revenue from contracts with customers amounting to ₹ 1,02,621.08 Lakhs.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company has generally concluded that as principal, it typically controls the goods or services before transferring them to the customer.

Independent Auditors' Report (Contd.)

The variety of terms that define when controls are transferred to the customer, as well as the high value of the transactions, give rise to the risk that revenue is not recognised in the correct period.

Revenue is measured net of returns and allowances, cash discounts, trade discounts and volume rebates (collectively 'discount and rebates'). There is a risk that these discount and rebates may be incorrectly recorded as it also requires a certain degree of estimation, resulting in understatement of the associated expenses and accrual.

Revenue is also an important element of how the Company measures its performance. The Company focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognised before the risk and rewards have been transferred.

Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers', it was determined to be a key audit matter in our audit of the Ind AS Financial Statements.

Auditors' Response

Our audit procedures included the following:

- Assessed the Company's revenue recognition procedure as per Ind AS 115 'Revenue from contracts with customers'.
 - Assessed the design and tested the operating effectiveness of internal controls related to revenue recognition, discounts and rebates.
 - Performed sample tests of individual sales transaction and traced to sales invoices, sales orders and other related documents. Further, in respect of the samples checked that the revenue has been recognised as per the terms.
 - To test cut off selected sample of sales transactions made pre and post-year end, agreeing the period of revenue recognition to third party support, such as transporter invoice and customer confirmation of receipt of goods.
 - Tested the provision calculations related to discounts and rebates by agreeing a sample of amounts recognised to underlying arrangements with customers and other supporting documents.
- Performed analytical procedures of revenue by streams to identify any unusual trends.
 - The Company has provided confirmations from customers on sample basis to support existence assertion of trade receivables and assessed the relevant disclosures made in the financial statements; to ensure revenue from contracts with customers are in accordance with the requirements of relevant accounting standards.

2 Evaluation of uncertain tax imposition

The Company has material uncertain tax position including matters under dispute which involves significant judgment to determine the possible outcome of these disputes.

{Refer to note no. 40 of the Ind AS Financial Statements}

Auditors' Response

We have obtained details of all pending assessments and demands for the year ended March 31, 2020 from the management. We have evaluated the possible outcome of pending assessments and disputed matters under litigations.

3 Capitalisation of property, plant and equipment

During the year ended March 31, 2020, the Company has incurred significant capital expenditure. Further, out of the total additions of ₹ 17,260.02 Lakhs to property, plant and equipment, amount of ₹ 16,625.87 Lakhs in the current year, significant part of the capitalisation pertains to the new plant namely N-42 located at Ambernath, to expand company's production capacity. Entire plant has been successfully commissioned and capitalised during the year in phased manner.

Significant level of judgement is involved to ensure that the aforesaid capital expenditure / additions meet the recognition criteria of Ind AS 16 - Property, Plant and Equipment, specifically in relation to determination of trial run period and costs associated with trial runs for it to be ready for intended use. As a result, the aforesaid matter was determined to be a key audit matter

{Refer to note no. 4 of the Ind AS Financial Statements}

Independent Auditors' Report (Contd.)

Auditors' Response

Performed walk-through of the capitalisation process and tested the design and operating effectiveness of the controls in the process.

Assessed the nature of the additions made to property, plant and equipment and capital work-in-progress on a test check basis to test that they meet the recognition criteria as set out in para 16 to 22 of Ind AS 16, including any such costs incurred specifically for trial run.

Assessed that the borrowing cost capitalised (including foreign exchange loss to the extent it is considered as an adjustment to interest cost) is in accordance with the accounting policy of the Company.

Reviewed the project completion/handover certificate provided by the management to determine whether the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the management

INFORMATION OTHER THAN THE IND AS FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Company's Management & Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report. For example, Corporate Overview, Key Highlights, Board's Report, Report on Corporate Governance, Management Discussion & Analysis Report, Business Responsibility Report, etc., but does not include the Ind AS Financial Statements and our auditors' report thereon.

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

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

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

MANAGEMENT'S RESPONSIBILITY FOR THE IND AS FINANCIAL STATEMENTS

The Company's Management and Board of Directors are responsible for the matters specified in section 134(5) of the Act with respect to the preparation of these Ind AS Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE IND AS FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from

Independent Auditors' Report (Contd.)

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

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

- Identify and assess the risk of material misstatement of the Ind AS Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal 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 the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 Auditors' report to the related disclosures in the Ind AS 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 Auditors' 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 Ind AS Financial Statements, including the disclosures, and whether the Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditors' 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 of the aforesaid financial statements.

Independent Auditors' Report (Contd.)

- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid financial statements have been kept so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid Ind AS Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- e) On the basis of the written representations received from the Directors of the Company as on March 31, 2020 taken on record by the Board of Directors of the Company, none of the directors of the Company incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of 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 Auditors' 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 explanation given to us, the remuneration paid/provided by the Company to its director during the year is in accordance with the provision of section 197 of the Act.
- h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 Ind AS Financial Statements.
 - (ii) The Company has made Provision, as required under the applicable law or accounting standards for material foreseeable losses if any, on long-term contracts including derivative contracts.
 - (iii) There were no amounts which were 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 the '**Annexure – B**' a statement on the matters specified in paragraph 3 and 4 of the Order.

For **B Y & Associates**

Chartered Accountants

Firm's registration number: 123423W

CA Bhavesh Vora

Partner

Membership Number: 043908

Date : June 27, 2020

Place : Mumbai

ICAI UDIN: 20043908AAAABY7248

‘ANNEXURE – A’ TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the members of ‘Fine Organic Industries Limited’ 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 **Fine Organic Industries Limited** (‘the Company’) as of March 31, 2020 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

MANAGEMENT’S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The 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, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITOR’S RESPONSIBILITY

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

maintained and if such controls operated effectively in all material respects.

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

'Annexure – A' to the Independent Auditors' Report (Contd.)

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, 2020, based on the criteria for internal financial control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For B Y & Associates

Chartered Accountants

Firm's registration number: 123423W

CA Bhavesh Vora

Partner

Membership Number: 043908

Date : June 27, 2020

Place : Mumbai

ICAI UDIN: 20043908AAAABY7248

‘ANNEXURE – B’ TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the members of ‘Fine Organic Industries Limited’ of even date)

- (i) In respect of the Company’s Fixed Assets:
- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The Company has a program of verification to cover all the items of fixed assets in a phased manner 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, the records examined by us and based on our examination of the records provided to us, we report that, the title deeds, comprising immovable properties of land and buildings which are freehold, are held in the name of the Company as at the Balance Sheet date.
- (ii) In respect of the Company’s Inventories:
- a) The Inventories has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
 - b) The procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the records of inventories, we are of the opinion that Company is maintaining proper records of inventories. No material discrepancies were noticed on physical verification of stock as compared to book records.
- (iii) The Company has not granted any loans, secured or unsecured, other than advances for expenses, to
- i) companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
 - ii) 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 Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
 - iii) The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2020 as prescribed under the provision of the section 73 to 76 of the Companies Act, 2013 and rules framed there under.
 - iv) The Central Government has prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 148 of the Companies Act, 2013. As observed by us such accounts and records have been made and maintained by the Company. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
 - v) According to the information and explanations given to us, in respect of statutory dues:
 - a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
 - vi) Details of dues of Income Tax, Sales Tax, Goods & Service Tax, and Value Added Tax which have not been deposited as at March 31, 2020 on account of dispute are given below:

Sr. No.	Financial Year / Period	Nature of Demand	Appellate Authority where dispute is pending	Amounts (₹)
1	2015-2016	Income Tax	Commissioner of Income Tax (Appeal), Mumbai	150.30 Lakhs
2	2014- 2015	MVAT	Department of Sales tax	5.72 Lakhs

‘Annexure – B’ to the Independent Auditors’ Report (Contd.)

- (viii) According to records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government. The Company has not issued any debentures during the year.
- (ix) During the year; the Company has not raised moneys by way of Initial Public Offer or Further Public Offer (including Debt Instruments). According to the information and explanations given to us, the term loans raised 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 or 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 Act.
- (xii) The Company is not a Nidhi Company and hence, reporting under Clause 3 (xii) of the Order is not applicable to the Company.
- (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 Ind AS Financial Statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence, reporting under Clause 3 (xiv) of the Order is not applicable to the Company.
- (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 its subsidiary companies or persons connected with them and hence provisions of Section 192 of the Act 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 B Y & Associates

Chartered Accountants

Firm's registration number: 123423W

CA Bhavesh Vora

Partner

Membership Number: 043908

Date : June 27, 2020

Place : Mumbai

ICAI UDIN: 20043908AAAABY7248