

BOARD'S REPORT

Dear Members,

The Board of Directors are pleased to submit its report on the performance of the Company along with the audited Standalone as well as Consolidated financial statements for the financial year ended March 31, 2020.

FINANCIAL SUMMARY AND STATE OF AFFAIRS:

(₹ in lakhs)

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
REVENUE & PROFITS				
Total Revenue from operations	1,02,622.30	1,04,397.20	1,03,807.97	1,06,033.28
Profit before Interest, Tax & Depreciation	25,659.14	24,248.17	25,559.83	25,007.04
Less : Interest & Finance Charges	478.12	179.05	482.11	183.92
Less : Depreciation	3,465.07	1,744.84	3,465.53	1,745.37
Profit for the year before Tax	21,715.95	22,324.28	21,612.19	23,077.75
Less : Provision for Taxation				
- Current	5,609.49	8,000.00	5,666.23	8,089.35
- Deferred	(543.71)	696.68	(534.05)	636.64
Short (Excess) provision for earlier years	-	726.23	-	726.23
Net Profit/(Loss) after Tax	16,650.17	12,901.37	16,480.01	13,625.53
Other Comprehensive Income	(351.58)	(318.88)	(351.58)	(318.88)
Total Comprehensive Income	16,298.59	12,582.49	16,128.43	13,306.65
RETAINED EARNINGS				
Opening Balance of Retained Earnings	48,508.64	38,190.39	48,016.17	36,978.32
Add: Profit for the year	16,650.17	12,901.37	16,480.01	13,625.53
Less: Appropriations:				
Final Dividend	3,372.60	2,146.20	3,372.60	2,146.20
Corporate Dividend Tax on Dividend	693.25	436.92	693.25	436.92
Transferred to Other Reserve/Non-Controlling Interest	-	-	1.88	4.56
Balance as at end of the Year	61,092.96	48,508.64	60,428.45	48,016.17

The financial results and the results of operations have been further discussed in detail in the Management Discussion and Analysis section.

The Standalone as well as the Consolidated financial statements have been prepared in accordance with the Indian Accounting Standards ('Ind AS').

SHARE CAPITAL

During the year under review, there was no change in the share capital of the Company. The Paid up share capital of the Company as on March 31, 2020 is ₹ 1,533.00/- lakhs divided into 3,06,59,976 equity shares of ₹ 5/- each.

DIVIDEND

Your Directors are pleased to recommend a Final Dividend of ₹ 3/- per equity share of the face value of ₹ 5/- each as the final dividend for the financial year 2019-20. The Final Dividend, subject to the approval of Members at the Annual General Meeting on Friday, September 18, 2020, will be paid to those members whose name appears in the register of beneficial owners/register of members as at the close of business hours on September 11, 2020. Pursuant to the approval of the Board on February 11, 2020, your Company paid an interim dividend of ₹ 4/- per equity share of face value of ₹ 5/- each, to shareholders whose names appeared in the register of beneficial owners/register of members as on February 21, 2020, being the record date fixed for this purpose.

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The total dividend for the financial year, including the proposed Final Dividend, amounts to ₹ 7/- per equity share of the face value of ₹ 5/- each and will absorb ₹ 2,398.29 Lakhs (including Dividend Distribution Tax of ₹ 252.09 Lakhs on Interim Dividend). 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. Your Company shall, accordingly, make the payment of the Final Dividend after deduction of tax at source, as applicable.

TRANSFER TO RESERVES

The closing balance of the retained earnings of the Company for the financial year 2019-20, after all appropriation and adjustments was ₹ 61,092.96 Lakhs.

SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES

As on March 31, 2020, the Company has two subsidiaries i.e. Fine Organics (USA), Inc. and Fine Organics Europe BV and two joint venture companies i.e. Fine Zeelandia Private Limited and FineADD Ingredients GmbH. Pursuant to the provisions of Section 129(3) of the Act, a statement containing the salient features of financial statements of the Company's subsidiaries and joint ventures in Form AOC-1 is attached to the financial statements of the Company.

The separate financial statements of the subsidiaries are also available on the website of the Company at www.fineorganics.com and will also be made available for inspection by the Members at the Registered Office of the Company during business hours on all working days as required under Section 136 of the Act. Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134 (3) (c) read with Section 134 (5) of the Companies Act, 2013, the Board of Directors, to the best of its knowledge and ability, confirm that:

- a) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards have been followed and there are no material departures for the same;
- b) the directors have 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 on March 31, 2020 and of the profit of the Company for that period;

- c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the directors have prepared the annual accounts on a going concern basis;
- e) the directors have 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) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Board of Directors of the Company comprises 5 (five) Executive Directors and 5 (five) Non – Executive - Independent Directors including one woman Independent Director. During the period under review, there has been no change in the Board of Directors.

Mr. Tushar Shah retires by rotation and being eligible offers himself for re-appointment. A resolution seeking shareholders' approval for his re-appointment forms part of the Notice. The brief details of Mr. Tushar Shah, who is proposed to be re-appointed as required under Secretarial Standard 2 (“**SS-2**”) and Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, (the “**Listing Regulations**”) is being provided in the Notice convening the Annual General Meeting of the Company.

Pursuant to the provisions of Section 149 of the Act, the Independent Directors have submitted declarations that each of them meet the criteria of independence as provided in Section 149(6) of the Act along with Rules framed there under and Regulation 16(1)(b) of the Listing Regulations.

During the year under review, the non-executive Independent Directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board/Committee of the Company.

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Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of the Company as on March 31, 2020 are: Prakash Kamat - Chairman and Whole Time Director, Mukesh Shah - Managing Director, Jayen Shah - Whole Time Director and Chief Executive Officer, Tushar Shah - Whole Time Director and Chief Financial Officer, Bimal Shah - Whole Time Director and Pooja Lohor - Company Secretary.

NUMBER OF BOARD MEETINGS

The Board met four times during the year under review. The maximum gap between two Board meetings did not exceed 120 days. The details of the Board meetings and the attendance of Directors thereat are provided in the Corporate Governance Report forming part of the Annual Report.

COMMITTEES OF THE BOARD

As required pursuant to the Act and the Listing Regulations, the Company has formed all the statutory committees, namely, the Audit Committee, the Nomination and Remuneration Committee, the Stakeholders' Relationship Committee, the Corporate Social Responsibility Committee and the Risk Management Committee. In addition, the Company has an Executive Committee.

There have been no instances where the Board did not accept the recommendations of the Audit Committee.

Detailed information of these Committees and relevant information for the year under review are set out in the Corporate Governance Report.

ANNUAL EVALUATION OF DIRECTORS, COMMITTEES AND BOARD

The annual evaluation of Directors, Committees and Board as a whole was carried out on the basis of various criteria as recommended by the Nomination and Remuneration Committee of the Company ('NRC').

The performance of the Board and individual Directors was evaluated after seeking inputs from all the Directors. The criteria for performance evaluation of the Board was based on the Guidance Note issued by SEBI on Board Evaluation which included aspects such as Board composition and structure, effectiveness of Board processes, contribution in the long term strategic planning, etc.

In a separate meeting of independent directors, performance of non-independent directors, the board as a whole and the Chairman of the Company was evaluated by the Independent Directors.

The NRC reviewed the performance of the Board, its Committees and of the Directors. The same was discussed in the Board Meeting that followed the meeting of the Independent Directors and NRC, at which the feedback received from the Directors on the performance of the Board and its Committees, was also discussed. The Board was satisfied with the performance of the Board, Board Committees, and individual directors.

NOMINATION REMUNERATION POLICY

The Company has in place a Nomination Remuneration Policy for the Directors, KMP and other employees pursuant to the provisions of the Act and the Listing Regulations which is available on website of the Company i.e. <https://www.fineorganics.com/investor-relations/corporate-governance/policies>

INTERNAL FINANCIAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has an adequate system of internal financial controls that is commensurate with the size, scale and nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable accounting standards, safeguarding of its assets, prevention and detection of errors and frauds, timely preparation of reliable financial informations. The Company uses an Enterprise Resource Planning (ERP) system that connects all parts of the organization, to record day to day transactions for accounting and financial reporting. The Company has an internal audit function to assess effectiveness of its internal controls across multiple functions and locations. The internal audit plan is approved by the Audit Committee at the beginning of every year. Every quarter, the Audit Committee is presented with key control issues and the actions taken on issues highlighted in the previous reports.

Your Company has adopted the policies and procedures for ensuring the orderly and efficient conduct of business.

AUDITORS

I. Statutory Auditors

M/s. B Y & Associates, Chartered Accountants, Mumbai (Firm Registration No. 123423W) were appointed as the Statutory Auditors of the Company to hold office for a term of 5 years from the conclusion of the 15th Annual General Meeting held on July 10, 2017 until the conclusion of the 20th Annual General Meeting

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of the Company to be held in the year 2022. As per the provisions of Section 139 of the Act, they have confirmed that they are not disqualified from continuing as Auditors of the Company. Further, the report of the Statutory Auditors along with notes to Schedules is a part of the Annual Report.

The Auditors' Report does not contain any qualification, reservation or adverse remark.

II. Cost Auditors:

M/s Y. R. Doshi & Associates, Cost Accountants in practice were appointed as the Cost Auditors of the Company to audit the cost records for the Financial Year 2020-21. In terms of Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is required to be ratified by the shareholders. Accordingly, a resolution seeking ratification by the members for the remuneration is listed as Item No. 4 of the AGM Notice as an Ordinary Resolution.

III. Secretarial Auditors:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s KS & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company for Financial year 2020-21. Further the report of the Secretarial Auditor for the Financial Year 2019-20 is appended as **"Annexure A"** to this report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

DETAILS IN RESPECT OF FRAUDS REPORTED BY AUDITORS UNDER SUB-SECTION (12) OF SECTION 143 "OTHER THAN THOSE WHICH ARE REPORTABLE TO THE CENTRAL GOVERNMENT"

Pursuant to provisions of Section 143 (12) of the Companies Act, 2013, the Statutory Auditors have not reported any incident of fraud to the Audit Committee during the year under review.

RISK MANAGEMENT FRAMEWORK

Risk Management is an integral part of the Company's operations. Mechanisms for identification and prioritization of risks include scanning the business environment and

continuous monitoring of internal risk factors. The Board of Directors of the Company has formed a Risk Management Committee to frame, implement and monitor the risk management plan for the Company. The Audit Committee has additional oversight in the area of financial risks and control. Major risks identified by the Company's business and functions are systematically addressed through mitigating actions on a continuing basis. A detailed note on risk management is given under financial review section of the Management Discussion and Analysis of this Annual Report

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Particular of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013, form part of the notes to the Standalone Financial Statements provided in this Annual Report.

RELATED PARTY TRANSACTIONS

None of the transactions with related parties falls under the scope of Section 188(1) of the Act. The information on transactions with related parties pursuant to Section 134(3) (h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 are given in **"Annexure B"** in Form No. AOC-2 and the same forms part of this report.

CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors has constituted Corporate Social Responsibility Committee comprising members viz. Mr. Jayen Shah (Chairman), Mr. Prakash Apte, Mr. Kaushik Shah, Mr. Mukesh Shah, Mr. Tushar Shah. The Corporate Social Responsibility Policy of the Company is available at <https://www.fineorganics.com/investor-relations/corporate-governance/policies>.

The Report on Corporate Social Responsibility (CSR) including a brief outline of the CSR Policy and activities undertaken during the the financial year 2019-20 as per Rule 8 of Companies (CSR Policy) Rules, 2014 is enclosed as **"Annexure C"** to this Report.

EXTRACT OF ANNUAL RETURN

As per the requirements of Section 92(3) of the Act and Rules framed thereunder, the extract of the annual return for the financial year 2019-20 is given in **"Annexure D"** in the prescribed Form No. MGT-9, which is a part of this report. The same is available on <https://www.fineorganics.com/investor-relations>.

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PARTICULARS OF EMPLOYEES & MANAGERIAL REMUNERATION:

The information required under Section 197 (12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as “Annexure E” to this report.

The statement containing particulars of employees as required under section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, will be provided upon request. In terms of Section 136 of the Companies Act, 2013, this Report and accounts are being sent to the members and others entitled thereto, excluding the information on particulars of employees which is available for inspection by members at the registered office of the Company during business hours on all working days. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary in this regard.

CORPORATE GOVERNANCE

In compliance with Regulation 34 and other applicable provisions of the Listing Regulations, a separate report on Corporate Governance along with the Certificate of compliance from the Secretarial Auditor forms an integral part of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to Regulation 34 of the Listing Regulations, the Management Discussion and Analysis Report, capturing your Company's performance, industry trends and other material changes with respect to your Company and its subsidiaries, wherever applicable, is presented in a separate section forming an integral part of this Annual Report.

BUSINESS RESPONSIBILITY REPORT

A Business Responsibility Report pursuant to Regulation 34 (2) (f) of Listing Regulations is presented in a separate section forming an integral part of this Annual Report.

DIVIDEND DISTRIBUTION POLICY

Pursuant to Regulation 43A of the Listing Regulations, the Company has adopted a Dividend Distribution Policy which is annexed to this Report and also disclosed on the Company's website at <https://www.fineorganics.com/investor-relations/corporate-governance/policies>.

WHISTLE BLOWER POLICY AND VIGIL MECHANISM

In accordance with the provisions of Section 177(9) of the Companies Act, 2013 and requirements of Regulation 22 of the Listing Regulations, your Company has a vigil mechanism which has been incorporated in the Whistle Blower Policy for Directors and Employees to report genuine concerns about unethical behaviour, actual or suspected fraud or Violation of code of prevention of Insider Trading. The Whistle Blower Policy is uploaded on the website of your Company at <https://www.fineorganics.com/investor-relations/corporate-governance/policies>.

PREVENTION OF SEXUAL HARASSMENT

The Company has zero tolerance towards sexual harassment at the workplace and towards this end, has adopted prevention of Sexual Harassment Policy, in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules 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. All employees (permanent, contractual, temporary, trainees) are covered under the said policy. An Internal Complaints Committee has also been set up to redress complaints received on sexual harassment. The Company has not received any complaint of sexual harassment during the Financial Year 2019-20.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in “Annexure F” to this report.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

Information regarding potential impact of COVID-19 pandemic on your Company's business operations and financial position are provided as part of the Management Discussion and Analysis Report.

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DEPOSITS FROM PUBLIC

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

SIGNIFICANT OR MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS, WHICH WOULD IMPACT THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There are no significant or material orders passed by the Regulators or Courts or Tribunals, impacting the going concern status and Company's operations in future.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank for the continued support and co-operation by customers, vendors,

shareholders, government and regulatory authorities and stock exchanges during the year under review. The Board of Directors wish to place on record its deep sense of appreciation for the committed services by all the employees of the Company.

For and On Behalf of the Board

Mumbai, June 27, 2020

Prakash Kamat
Executive Chairman