

Independent Auditor's Report

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **Gujarat Fluorochemicals Limited**, ("the Company"), earlier known as Inox Fluorochemicals Limited, which comprise the Standalone Balance Sheet as at 31 March 2020, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information ("the standalone financial statements").

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 ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, the profit and total comprehensive income, 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. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities 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 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

- As described in the Note 2.2 of the standalone financial statements, in preparation of these standalone financial statements, the Company has considered the effect of uncertainties due to COVID-19 pandemic on the operations of the Company. The actual impact of COVID-19 pandemic may be different from that estimated as on the date of approval of the Statement.
- Commission of ₹ 417.46 lakhs to a non-executive director and payment of capital advance of ₹ 70,439.60 lakhs to a related party requires approval of the shareholders in the forthcoming Annual General Meeting as per the requirements of SEBI (Listing Obligations and Disclosure Requirements), Regulations.

Our report is not modified in respect of these matters.

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.

Sr.	Key Audit Matter	Auditor's Response
1.	Business combination	<p>To address this key audit matter, our audit procedures included the following:</p> <ul style="list-style-type: none"> Examination of the Scheme of Arrangement pursuant to which the demerger was carried out along with the regulatory approvals required for the Scheme of Arrangement to take effect; Evaluation of the appropriateness of the accounting treatment followed by the Company in this regard, including the adjustments given in the reserves and surplus, with reference to the Scheme, Ind AS 103: Business Combinations and the requirements of the accounting principles generally accepted in India; Testing the adjustment given in the reserves and surplus for net assets transferred to the Company; and Examination the disclosures given in the standalone financial statements for adequacy and appropriateness, including disclosure of comparative figures.
<p>As described in Note 1 and 50 to the standalone financial statements, the Chemical Business Undertaking of GFL Ltd. is demerged and vested with the Company w.e.f. 1st April 2019 as per the Scheme of Arrangement approved by NCLT and became effective on 16th July 2019.</p> <p>This has been identified as a key audit matter since it is a significant event, requiring compliances of the terms of the Scheme, accounting as per the relevant Ind AS and also complexities involved in the presentation in financial statements</p>		

Sr.	Key Audit Matter	Auditor's Response
2.	<p>Evaluation of direct tax position</p> <p>Pursuant to the aforesaid demerger, the Company has recognized MAT credit entitlement of ₹ 66,720.12 lakhs pertaining to the demerged undertaking. Further, the Company has also recognised incremental tax benefits of ₹ 3,712.97 lakhs for earlier periods in respect of the demerged Chemical Business Undertaking vested with the Company on receipt of the ITAT orders during the year and interest of ₹ 11,969.46 lakhs on the resulting income-tax refunds.</p> <p>This has been identified as a key audit matter due to magnitude of the amount involved, significant judgement and estimation required by the management and critical tax position taken.</p>	<p>To address this key audit matter, our audit procedures included the following:</p> <ul style="list-style-type: none"> • Review of the ITAT orders and the Scheme as approved by NCLT • Discussion on the matter with the senior management and understanding of the tax position taken by the Company; • Assessment of the management's judgement of the possible outcome of the tax position with reference to the judicial pronouncements available in this regard; • Checking of the calculations made by the management in this regard for mathematical accuracy; and • Assessment of the relevant disclosures made within the financial statements to ensure they appropriately reflect the facts and the position taken by the Company.

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report, including Annexures to Board's Report, Management Discussion and Analysis, Business Responsibility Report, Corporate Governance Report and Shareholder Information, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information 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. 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.

Responsibilities of Management and Those Charged with Governance 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, 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 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 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 statements 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 Responsibilities 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 judgement 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 controls 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 with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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 the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. 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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss including Other Comprehensive Income, the Standalone Statement of Changes in Equity, and the Standalone Statement of Cash Flows 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 Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure II. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to financial statements.
 - (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, 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, 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 has made provision, as required under the applicable law or accounting standards, for material foreseeable losses 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.

Other matters

Due to the COVID-19 related lockdown, we were not able to attend the year end physical verification of inventory. Consequently, we have performed alternate procedures to audit the existence of

inventory as per the guidance provided in SA 501 “Audit Evidence - Specific Considerations for Selected Items” and have obtained sufficient appropriate audit evidence to issue our opinion on the standalone financial statements. Our report on the standalone financial statements is not modified in respect of this matters.

For Patankar & Associates,
Chartered Accountants
Firm’s Registration No. 107628W

S S Agrawal

Partner
Membership No. 049051

Place: Pune
Date: 30th July 2020
UDIN: 20049051AAAAAV1431



Annexure I to Independent auditor's report to the members of Gujarat Fluorochemicals Limited (earlier known as Inox Fluorochemicals Limited) on the standalone financial statements for the year ended 31 March 2020 – referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date

In term of the Companies (Auditor's Report) Order, 2016 (“the Order”), on the basis of information and explanation given to us and the books and records examined by us in the normal course of audit and such checks as we considered appropriate, to the best of our knowledge and belief, we state as under:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed on such verification.

Particulars of immovable properties where the title deeds are not in the name of the Company are as under:

(₹ in Lakhs)

Particulars	No. of cases	Original cost	Carrying amount	Remarks
Freehold land	8	46.86	46.86	These immovable properties are transferred and vested with the Company on demerger as per the Scheme of Arrangement, as described in Note 1, and are in the process of being registered in the name of the Company.
Building	7	31,235.22	21,001.73	
Leasehold land	14	4,963.53	4,409.98	
Investment property (building)	3	1,258.70	1,010.73	
Building	1	2,580.18	2,580.06	As per the purchase agreement, the property will be registered in the name of the Company after payment of the final installment of the deferred purchase consideration.

2. The inventories were physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on physical verification of inventories as compared to book records.
3. The Company has not granted any loan, 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 and hence the provisions of clause 3(iii) of the Order are not applicable to the Company.
4. The Company has complied with the provisions of section 185 and section 186 of the Act in respect of investments made or loans given or guarantee or security provided.
5. The Company has not accepted any deposits within the meaning of section 73 to 76 of the Companies Act, 2013 and the Rules framed thereunder and hence the provisions of clause 3(v) of the Order are not applicable to the Company.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under section 148(1) of the Companies Act, 2013 for activities of the Company to which the said Rules are made applicable, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
7. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, Goods & Service Tax, duty of customs, cess and other material statutory dues applicable to it. There are no undisputed amounts payable in respect of such statutory dues which were in arrears as at 31 March 2020 for a period of more than six months from the date they become payable.

Particulars of dues of income tax, service tax, duty of customs, duty of excise and value added tax which have not been deposited on account of disputes are as under:

Name of the Statute	Nature of dues and the period to which the amount relates	Amount (₹ in Lakh)	Forum where dispute is pending
Central Excise Act, 1944	Cenvat Credit availed on various items, including interest and penalty		Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad
	a) April 2007 to November 2007	363.34	
	b) April 2011 to June 2017	2.53	
	c) April 2012 to December 2012	154.88	
	d) April 2013 to March 2017	375.54	
Central Excise Act, 1944	e) June 2016 to June 2017	9.97	Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad
	Cenvat Credit on inter unit transactions	845.98	
Central Excise Act, 1944	Cenvat Credit availed on various items, including interest and penalty July 2015 to March 2017	3.52	Commissioner (Appeals-II), Central Excise, Customs and Service tax, Vadodara
Customs Act, 1962	Differential duty on high seas import March 2012 to May 2013	973.57	Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad
Gujarat Value Added Tax Act, 2003	Proportionate ITC on Capital goods. - F.Y. 2011-2012	52.33	Gujarat Value Added Tax, Tribunal, Ahmedabad
	Proportionate ITC on Capital goods F.Y. 2013-2014	21.36	Joint Commissioner of Commercial Tax (Appeal)
Income tax Act, 1961	Disallowance u/s 14A and reductions in tax incentives claim – F.Y. 2015-2016 – A.Y. 2016-2017	66.85 (settled after the year end)	Commissioner of Appeals – 1, Vadodara

All the above liabilities are vested with the Company on demerger of the Chemical Business Undertaking as per the Scheme of Arrangement (See Note 1 and 50 of the Notes to the Standalone Financial Statements.)

8. The Company has not defaulted in repayment of dues to banks or financial institutions and the Company did not have any borrowings from Government or by way of debentures.
9. The Company has applied the moneys raised by way of term loans for the purpose for which these loans were raised. The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments).
10. No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. The Company has complied with the provisions of section 197 of the Companies Act, 2013 regarding payment of managerial remuneration.
12. The Company is not a Nidhi Company and hence the provisions of clause 3(xii) of the Order are not applicable to the Company.
13. All transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 and the details have been disclosed in the standalone financial statements etc. as required by the applicable accounting standards.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence the provisions of clause 3(xiv) of the Order are not applicable to the Company.
15. The Company has not entered into any non-cash transactions with directors or persons connected with them and hence the provisions of clause 3(xv) of the Order are not applicable to the Company.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence the provisions of clause 3(xvi) of the Order are not applicable to the Company.

For Patankar & Associates,
Chartered Accountants
Firm's Registration No. 107628W

S S Agrawal

Partner
Membership No. 049051

Place: Pune
Date: 30th July 2020

Annexure II to Independent auditor's report to the members of Gujarat Fluorochemicals Limited (earlier known as Inox Fluorochemicals Limited) on the standalone financial statements for the year ended 31 March 2020 - referred to in paragraph 2(f) under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of **Gujarat Fluorochemicals Limited**, earlier known as Inox Fluorochemicals Limited, ("the Company") as of 31 March 2020 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 controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("the 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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls, and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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 with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility

of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

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 with reference to financial statements and such internal financial controls with reference to financial statements were operating

effectively as at 31 March 2020 based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Patankar & Associates,
Chartered Accountants
Firm's Registration No. 107628W

S S Agrawal

Partner
Membership No. 049051

Place: Pune
Date: 30th July 2020

