

Directors' Report

Dear Members,

Your Directors are pleased to present their Board Report together with the Audited financial statements for the year ended March 31, 2020.

FINANCIAL SUMMARY

(₹ In Crores)

Particulars	Financial year ended March 31, 2020	Financial year ended March 31, 2019
Total Revenue	855.99	1,052.91
Profit before Interest, Depreciation and Tax	186.15	300.29
Less: Interest	1.32	0.63
Less: Depreciation	32.42	22.97
Profit before tax	152.41	276.69
Less: Tax Expenses	21.43	92.60
Net Profit after tax	130.98	184.09
Earning per share of face value of ₹ 10 each - Basic	7.91	11.14
Earning per share of face value of ₹ 10 each - Diluted	7.91	11.08

Performance of the Company

Your Directors wish to inform you that the Company recorded a turnover of ₹ 846 Crores for the year as against ₹ 1,043 Crores, a de-growth of 19%. This was on the back of de-growth in sales volume by 4% as against the domestic automobile sector de-growth of 15%.

Auto sector experienced a recessionary situation from October, 2018 and the trend continued throughout the financial year under review. The US China trade tensions compounded the problem for your company as the Chinese competitors started dumping rubber chemicals into India (third largest market) on account of their exports becoming difficult in US markets. Further, the cessation of anti-dumping duty post end July, 2019 added pressure on margins of six (6) of our products.

Your Company continues to practice its ethical business strategy and all regular customers were served in a timely manner with the best quality and services at competitive prices.

Domestic Market

Your Company has recorded a Net Domestic turnover of ₹ 560 Crores for the year under review. In view of the reasons mentioned in the previous para, the domestic sales volume reported a de-growth of 9% as compared to the previous Financial Year 2018-19.

As stated in the previous annual report, the Domestic tire industry got impacted by the slowdown in the OEM industry which started from August 2018 onwards and the trend continued throughout the year. The slowdown led to a drop in capacity utilisation at the major tire companies. In view of the BS VI auto emission introduction, auto sales were expected to witness a growth due to pre-buying which did not materialise on account of COVID-19.

On the other hand, rubber chemicals prices which started softening from October, 2018 in view of the slow down, better availability and drop in corresponding CIF levels marked a drop of 15% for the year under review.

Reductions were also witnessed in the input prices though disproportionate to the finished goods price reductions.

Though China accounts for about 75% of world's rubber chemical production, it only consumes about 35% of the rubber chemicals, resulting in exportable surplus, which makes it possible to dump it into neighboring markets, including India. The Company made necessary applications before the Director General of Trade Remedies (DGTR) for anti-dumping duty in respect of its main product. The matter has been initiated by DGTR in May, 2020. Any positive findings will benefit the company in the form of additional protection which will enable to get a level playing field.

Exports

Despite the above challenges, for the year under review, Exports showed a volume growth of 6%. In view of our expanded presence in the international market, your Company is hopeful to participate more fruitfully in certain key accounts and the exports business activity is not likely to experience any major setbacks from the current level of ₹ 286 Crores.

Your Company strategically continues to promote some high quality and high value speciality products in the export market which contribute significantly to our export turnover and margins. In case of other products, where competition is acute from China/Korea/EU/USA and pricing unattractive,

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your Company continues to maintain only a strategic presence in certain select key accounts, focusing on long term business strategy as well as to ensure better capacity utilisation.

Operations

The production of all products was aligned in line with the market conditions in view of the auto industry slowdown. As a result, some production cuts had to be undertaken to manage the inventories.

On the input front, the reduction in Benzene prices have resulted in some favorable downward movements in prices of all major inputs. Crude Oil witnessed a stable price range in most part of the year in the range of USD 55 - 60 per barrel. Increased availability of Aniline due to slow down in Methylene Diphenyl Di-isocyanate (MDI) demand resulted in the spreads dropping significantly lower over Benzene spot price. As a result, your company managed a long-term contractual arrangements with its vendors in respect of Aniline at an attractive fixed spread over spot Benzene price.

Project

It may be recalled that the Board of Directors of your company had approved a capital expenditure of ₹ 450 Crore in financial year 2017-18. In terms of the said plan, the second leg capex towards finished goods was completed by October, 2019. There is some capex on intermediates and infrastructure which is likely to be commissioned by October, 2020. Currently, the finished products manufactured out of the Dahej expansion projects have started receiving customer approvals and capacity utilisation will be scaled up in line with the commercial orders.

In view of the company's comfortable liquidity position the entire capex got financed through internal accruals.

Finance Rating

During the year under review, the Company has utilised its resources judiciously and consequently, the Company generated cash profits and did not utilise any working capital facilities for the whole year. The Company has remained debt free.

The Credit ratings Agencies CARE and CRISIL Limited have reaffirmed ratings as CARE AA (Double A) (Stable) and CRISIL AA for long term Bank Facilities (Term loans as well as Fund Based facilities) and CARE A1+ (A One plus) and

CRISIL A1+ (stable) rating for short term Non-Fund Bank facilities respectively.

Dividend Policy

Your company forms part of the List of top 500 listed entities based on Market Capitalisation as on March 31, 2018 and top 1000 listed entities as on March 31, 2019. In view thereof, pursuant to the provisions of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended, at its meeting held on May 04, 2018, the Board of Directors have approved the Dividend Distribution Policy effective from the Financial Year 2018-19. The said Policy is attached as Annexure "H" and is also available on the Company's website, the weblink of which is

<http://www.nocil.com/images/fckeditor/file/Dividend-Distribution-Policy-2018.pdf>.

Dividend Payout

During the year under review, the company discharged dividend obligations to the tune of ₹ 99.56 crores (inclusive of dividend distribution tax) consisting of the final dividend approved by the members in July, 2019 and the interim dividend approved by the Board of Directors at its meeting held on March 06, 2020. On both the occasions, Dividend of ₹ 2.50/- (25%) per Equity share of the face value of ₹ 10/- each was paid to those shareholders whose names appeared in the Register of Members of the Company or in the records of Depositories as beneficial owners of Equity Shares as on the record date.

Your Directors recommend that the Interim Dividend of ₹ 2.50/- per Equity Share declared on March 06, 2020 and already paid to the shareholders, be considered as final dividend for the Financial Year ended March 31, 2020, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Transfer of Unpaid Dividend and corresponding Equity Shares to the Investor Education and Protection Fund (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("the IEPF Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF; established by the Government of India, after completion of seven years. Further, according

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to the IEPF Rules, the shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account of the IEPF Authority.

The total amount lying in the Unclaimed Dividend Account of the company as on March 31, 2020 in respect of the last seven years from FY 2012-13 to FY 2018-19 is ₹ 3.22 Crores.

During the year, all unclaimed / unpaid dividend up to FY 2011-12 amounting to ₹ 0.21 Crores has been transferred to the Investor Education and Protection Fund and unclaimed / unencashed dividend for the FY 2012-13 paid on July 29, 2013 is due for transfer to IEPF on September 04, 2020. As per the IEPF Rules, as amended, the due date for transfer of Equity Shares in respect of Dividend pertaining to the Financial Year 2011-12 was September 06, 2019. The Company had intimated individually to concerned shareholders and published necessary notice in the newspapers intimating the shareholders about the impending transfer and the modus operandi for the same.

In compliance with the Amended Rules, during the year, the Company has transferred 1,96,711 Equity shares to the designated demat account opened by IEPF Authority with NSDL through Punjab National Bank, belonging to those shareholders holding shares both in dematerialised form as well as physical form, who had not encashed their Dividend for a period of 7 years or more beginning from the Financial Year 2011-12. The shares held in demat / physical mode were transferred in October, 2019.

The Company has also uploaded the details of the shareholders whose shares were liable to be transferred to IEPF on its website viz., www.nocil.com.

The nodal officer for the purpose of IEPF is Mr. Amit K. Vyas, Assistant Vice-President (Legal) & Company Secretary of the Company. The details of the same are mentioned on the website of the Company. The web link is:

<http://www.nocil.com/detail/investors/transfer-of-unclaimed-shares-to-iepf/75>

Fixed Deposits

Since, the Company no longer accepts deposits from public, there are no outstanding/unclaimed deposits as at March 31, 2020.

Insurance

The Company has taken all the necessary steps to insure its properties and insurable interests, as deemed appropriate and as required under the various legislative enactments. There were no major incidents or accidents to warrant Insurance claims during the year under review.

Health, Safety and Environment (HSE)

Health, Safety and Environment forms a core theme for long term sustainability of your company. HSE is an essential feature of your company's business module which ensures clean environment and safety of all employees, community around all manufacturing locations and all the stakeholders.

High emphasis is placed on laid down policies, systems and procedures, collective learning, and continuous improvement by encouraging all employees including contract employees to report no "near miss accidents". "Safe Attitude Encouragement" is a humane interactive approach, which is initiated by the Senior Management on weekly basis to strengthen the safety culture of your organisation.

Management of process safety is an essential part of risk assessment and even the smallest change incorporated in the Plant undergoes risk assessment study before implementation. Extensive process safety is incorporated through automatic control system, and training is imparted to all the concerned employees.

Work areas are regularly monitored to check the concentration of chemicals, noise level, illumination and quality of ambient air to ensure safe and healthy work environment. Safe practices in the Company are encouraged by conducting various annual competitions and rewarding the employees for proposing novel safety messages.

Mitigation Actions are undertaken through weekly planned emergency drills to train the employees for systematic communication and planned actions. Your company is also a member of "mutual aid group" in which all the neighbouring industries participate in the mock drills to ensure all time preparedness for emergencies.

Research Centre of your company has a core team which focuses on developing and implementing the technologies which ensures continuous improvement in the environment standards of all manufacturing locations. Highest emphasis is placed on the environment standards by your company

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management and substantial capital expenditure is allocated to implement new technologies developed by the Research Centre.

Conservation of natural resources is a major initiative as a part of HSE. Capital expenditure is encouraged and reviewed periodically by the board of your company to ensure continuous reduction in consumption of natural resources.

Your company has occupational health centers at all locations which not only undertake the mandatory periodical health check ups of employees but also counsel the employees on the life style health hazards. Based on the health statistics of the community, collective counselling by experts is organised to increase the health awareness of employees.

HSE performance of your company is reviewed by your board every quarter and valuable suggestions by the board members are incorporated in policies/ work practices to further strengthen the HSE standards of the Company.

In view of the recent pandemic COVID-19, the company has issued strict work instructions to all its employees, contractors, business associates etc. on the precautions to be followed and the safety protocols including banners, hoardings at its locations. Further, adequate health screenings are conducted at regular intervals and compulsory social distancing norms are followed.

All manufacturing activities came to halt during last week of March, 2020 as per the Government directive of nationwide lockdown. Closing a chemical plant at a short notice and lack of supervision post stoppage due to restriction on employee movement posed a safety challenge. This was an unprecedented event for which there was no standard operating procedure. Your company quickly sought permission for supervision of the plant by senior technical team and ensured the safety of the site through continuous supervision by senior management team.

Total Quality Management (TQM)

Total Quality Management in your company has ensured harmonisation of business processes and systems across all the locations in the organisation. Total Quality management has increased the customer satisfaction by boosting quality. It does this by motivating the work force and improving the way the company operates. In an increasingly competitive market, your company with a continuous improvement culture and external focus is always on the growth path.

The Company's Plants situated at Navi Mumbai and Dahej and also PIL Chemicals Limited, a wholly owned subsidiary of the Company continue to be certified for ISO 9001:2015, ISO 14001:2015, ISO45001:2018. Navi Mumbai Plant and PIL chemicals continues to be certified for prestigious IATF 16949:2016. Your company is also certified as a member of Responsible Care and enjoys the privilege of using Responsible Care Logo. Quality Assurance laboratory of your company, Navi Mumbai location is accredited in accordance with ISO 17025:2017 standard. A well-equipped ISO 17025:2017 accredited inhouse laboratory of your company reduces external dependency and plays a vital role in achieving quality improvement goals.

TQM has given your company a competitive edge over other manufacturers.

Research and Development

The vision of Research and Development team of your company is to focus towards long-term supplier of Rubber Chemicals in the global arena and maintain sustainable business advantage, R&D team's effort is continued towards manufacturing process optimisation & development of greener manufacturing processes in order to make them cost-effective and environment friendly. In this endeavor, R&D team is regularly strengthened with adequate resources and adding talented manpower to ensure focus in development of innovative process technologies and to meet business challenges in line with company's goal to be world class innovative organisation in the field of Rubber Chemicals. Your Company's R&D's laudable effort towards development of Greener Process technologies and adoption of innovative effluent treatment strategies viz. 3Rs (Reduce, Reuse & Recycle) approaches and new generation treatment methods, was recognised by Indian Chemical Council (ICC), by conferring ICC Award for Excellence in Management of Environment for the year 2018, for newly expanding Dahej site.

Company's R & D focus is on the following key areas:

- Continuous improvement in current manufacturing processes and meeting Customer's quality needs;
- Development of Greener Processes and adoption of 3R strategies for environmental sustainability;
- Pursuing differentiation through development of niche Products and Processes;

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- Continued focus on increase in plant capacities by process/ plant debottlenecking through process optimisation;
- Conservation of natural resources with focus on reduction of Water and carbon footprint.

Research and Development efforts in the above areas resulted in increase in Plant capacities, cost reduction through lower raw material usage and energy consumption, recovery of value-added products from process streams, significant reduction in environmental load and in the development of speciality products. Your Company's R&D center at Navi Mumbai is approved by DSIR (Department of Scientific and Industrial Research), Government of India and some of its outcome is acknowledged by national and international customers. Successful implementation of in-house technologies and continued encouragement from top management, provided enhanced motivation in the research team to perform better in development of innovative technologies and ensure long term business sustainability in rubber chemicals and also explore new business segment.

Risk Assessment and Management

Your Company has a well-defined Risk Management System in place, as a part of its good Corporate Governance practices. Your Company has assigned the ownership of key risks to various Risk Owners and has made the concerned departments and officials responsible for mitigation plans and review of these risks from time to time. The risks are identified at various departmental levels and suitable mitigation measures are thereafter adopted. These are further subjected to a quarterly review by the Risk Co-ordination Committee as well as the Board. The Business plans are devised and approved by the Board keeping in mind risk factors which can significantly impact the performance of the business. All major capital expenditure commitments are subjected to thorough scrutiny by the Board and investments are permitted only on being satisfied about their return or utility to the Company. Expansion projects are subject to detailed risk assessment and sensitivity tests and approved only after found to pass eligibility criteria.

As mentioned in the Annual Report of the previous Financial Year 2018-19, your company formed part of top 500 listed entities based on market capitalisation calculated as on March 31, 2018. In view of this, in addition to the above, the Board

has constituted the Risk Management Committee (RMC) w.e.f. April 01, 2019 as required under Regulation 21(4) of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018. RMC will specifically cover inter alia the risk factors related to Cyber Security. The composition of the Risk Management Committee, terms of reference and number of committee meetings held during the year are given in the Corporate Governance Report. The Company has also approved a Risk Management Policy in order to mitigate such risk factors.

Internal Control Systems and their Adequacy

Adequate internal controls, systems, and checks are in place, commensurate with the size of the Company and the nature of its business. The management exercises financial control on the Company's operations through a well-defined budget monitoring process and specifying standard operating procedures. Your Company has appointed an external professional agency M/s. Aneja Associates, Chartered Accountants, to conduct the internal audit, and the findings and recommendations of the Internal Auditors are placed before the Audit Committee of your Board regularly.

The Internal Auditors monitor and evaluate the efficacy and adequacy of internal controls in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal auditors, the management undertakes corrective action in the respective areas and thereby further strengthens the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board. The Audit committee of the Board ensures that necessary corrective actions suggested are put in place. In addition, during the year under report, the Audit Committee and the Board have specifically reviewed the Internal Financial Controls with reference to the Financial Statements and process prevalent in the Company. On a case to case basis, the Board also engages the services of professional experts in the said field, to ensure that adequate financial controls and systems are in place. At the end of a period, the CEO/CFO gives a declaration in the prescribed format to certify that the financial statements prepared are accurate and complete in all aspects and that there are no significant issues that can impair the financial performance of the Company. Over all the Internal as well Statutory Auditors were satisfied with the Internal Control Systems including Compliances and SAP – IT related security.

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Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil Mechanism Policy to deal with an instance of fraud or mismanagement, if any. It is heartening to note that no untoward or fraud case was reported. The details of the Policy are explained in the Corporate Governance Report and are also posted on the website of the Company. The link of the same is mentioned as below:

http://www.nocil.com/images/fckeditor/file/NOCIL_Vigil_Mechanism.pdf

Policy on Prevention of Sexual Harassment of Women at Workplace

As per the requirement under the provisions made under section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, an appropriate Committee has been formed to attend to the complaints of the sexual harassment at workplace, if any, made by female employees. The Committee of 4 members consists of two women employees, Vice President-Human Resource and a practicing Advocate in the field of labour laws and regulations. The Company has in place a Policy on the Prevention of Sexual Harassment. During the year under review, no complaints were received.

DIRECTORS

- **Number of Board Meetings**
The Board of Directors met six times during the financial year under review as per details stated in the report on Corporate Governance.
- **Number of Committee Meetings**
- **Audit Committee Meeting**
The members of Audit Committee met five times during the financial year under review as per the details stated in the Corporate Governance report.
- **Nomination and Remuneration Committee Meeting**
The members of Nomination and Remuneration Committee met twice during the financial year under review as per the details stated in the Corporate Governance report.
- **Stakeholders Relationship and Investors' Grievance Committee**
The members of Stakeholders Relationship and Investors' Grievance Committee met once during the financial year under review as per the details stated in

the Corporate Governance report.

- **Risk Management Committee**
The members of Risk Management Committee met three times during the financial year under review as per the details stated in the Corporate Governance report.
- **Corporate Social Responsibility Committee**
The members of Corporate Social Responsibility Committee met four times during the financial year under review as per the details stated in the Corporate Governance report.
- **Composition of Audit Committee:**
The total strength of the Audit Committee is 5 out of which, 4 members fall under the Independent Category. The norms require 2/3rd of the members to be Independent Directors.

During the year under review, the following changes took place in the composition of the Audit Committee, upon approval of the Board:

- a. Mr. D. N. Mungale has been appointed as the Chairman of the Audit Committee effective from May 10, 2019 in place of Mr. C. L. Jain who continued to be a Member of the Audit Committee up to June 29, 2019.
- b. Mr. N. Sankar ceased to be a Member of the Committee effective May 10, 2019.
- c. Mr. P. V. Bhide and Mr. Debnarayan Bhattacharya have been appointed as Members of the Committee effective May 10, 2019

The composition of the re-constituted Audit Committee is given below:

Name of Members	Category
Mr. D.N. Mungale – Chairman	Independent Director
Mr. Rohit Arora	Independent Director
Mr. Vilas R. Gupte	Non-Executive Director
Mr. P. V. Bhide	Independent Director
Mr. Debnarayan Bhattacharya	Independent Director

During the year under review, all the recommendations made by the Audit Committee were accepted by the Board.

- **Board Evaluation**
Pursuant to the provisions of the Companies Act, 2013, as amended from time to time and Regulations 17 and 25 of the SEBI (Listing Obligations and Disclosure

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Requirements), Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, of individual Directors as well as the evaluation of the working of its Audit, Nomination and Remuneration and other Committees. The various criteria considered for evaluation of Whole Time / Executive Directors included qualification, experience, knowledge, commitment, integrity, leadership, engagement, transparency, analysis, decision making, governance etc. The Board commended the valuable contributions and the guidance provided by each Director in achieving the desired levels of growth. This is in addition to evaluation of Non-Independent Directors and the Board as a whole by the Independent Directors in their separate meeting being held every year.

- Declaration by Independent Directors

As required under Section 149(7) of the Companies Act, 2013, read with SEBI (Listing Obligations and Disclosure Requirements), (Amendment) Regulations, 2018, the Independent Directors have placed the necessary declaration of their independence in terms of the conditions laid down under Section 149(6) of the Companies Act, 2013, as amended in the Board Meeting held on Monday, June 29, 2020. Further, pursuant to the Companies (Appointment and Qualification of Directors), Rules, 2014 as amended, the said declaration also includes a confirmation to the effect that the Independent Directors have included their names in the Database maintained by the Indian Institute of Corporate Affairs and they have paid the necessary fees for the said registration and will pay the fees for the renewal.

- Familiarisation Programme to Independent Directors

The Company provides suitable familiarisation programme to Independent Directors to help them familiarise themselves with the nature of the industry in which the company operates and the business model of the Company in addition to regular presentation on expansion plans and their updates, technical operations, marketing and exports and financial statements. In addition to the above, Directors are periodically advised about the changes effected in the Corporate Law, Listing Regulations, about their roles,

rights and responsibilities as Directors of the company. There is a regular interaction of Directors with the Key Management Personnel of the Company. The details of the familiarisation programme have been disclosed and updated from time to time on the company's website and its web link is:

<http://www.nocil.com/images/fckeditor/file/Familiarization-Programme-for-IDS.pdf>

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134 (3)(c) of the Companies Act, 2013:

- (a) That in the preparation of the annual financial statements for the year ended March 31, 2020, the Indian Accounting Standards (Ind AS), the provisions of the Companies Act, 2013, as applicable and guidelines issued by the Securities and Exchange Board of India (SEBI) have been followed along with proper explanations relating to material departures, if any;
- (b) That such accounting policies as mentioned in Note 2 forming part of the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent to give a true and fair view of state of affairs of the Company as at March 31, 2020;
- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) That the annual financial statements have been prepared on a going concern basis;
- (e) That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- (f) That proper systems are devised to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.
- (g) That all the applicable Secretarial Standards have been complied with by the Company during the year under review.

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The above assessment of the Board was further strengthened by periodic review of internal controls by both internal as well as external auditors.

Remuneration policy

During the Financial Year 2014-15, based on the recommendations of the Nomination and Remuneration committee, the Board of Directors approved a Policy for selection and appointment of Directors, Senior Management and their remuneration.

There has been no change in the said Policy for the financial year under review. However, the revised remuneration policy has been recommended by the Nomination and Remuneration Committee in their meeting held on June 18, 2020 to the Board of Directors to bring it in line with the amendments in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Salient features of Remuneration Policy are given in the Corporate Governance Report and criteria for remuneration to independent directors / non-executive directors is also available on the Company's website. Necessary amendments to the policy have been carried out in line with the regulatory requirements.

The weblink of the Policy is:

<http://www.nocil.com/images/fckeditor/file/Remuneration-Policy.pdf>.

Scheme of Amalgamation

During the year under review, at its meeting held on January 30, 2020, your Directors, based on the recommendations of the Audit Committee, approved the draft Scheme of Amalgamation of Suremi Trading Private Limited ('Suremi') and Sushripada Investments Private Limited, ('Sushripada') being promoter group companies with the Company under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013. Upon this Scheme becoming effective, existing equity shares held by Suremi and Sushripada in the paid-up share capital of the Company shall stand cancelled. Pursuant to the Scheme, there will no change in the shareholding of Promoter Group and Public Shareholders of NOCIL. The Scheme would be subject to approval of the National Company Law Tribunal (Mumbai Bench) ['NCLT'], and such other competent authority, and various statutory approvals, shareholders and lenders/creditors of each of the companies as may be directed by the NCLT.

The amalgamation will ensure a streamlined group structure by reducing the number of legal entities in the group structure. There will be no adverse effect of the said Scheme on the equity shareholders (the only class of shareholders), key managerial personnel, promoter and non-promoter shareholders of the Company.

Pursuant to the provisions of Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended, your company has obtained 'No Objection' on the draft Scheme of Amalgamation from BSE Limited and National Stock Exchange of India Limited respectively. The Company is in the process of filing the requisite application for approval from NCLT, Mumbai.

Related Party Transactions

All related party transactions that were entered into during the financial year were at an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, and Key Managerial Personnel, wholly owned subsidiary company or other designated persons which may have a potential conflict with the interest of the Company at large except as stated in the Financial Statements / Directors' Report.

As per the Related Party Transactions Policy, approved by the Board of Directors of the Company, during the year under review, the Company has entered into related party transactions based upon the omnibus approval granted by the Audit Committee. On quarterly basis, the Audit Committee reviewed such transactions for which omnibus approval was given. The Related Party Transactions Policy was revised during the year in view of amendments in Rules.

Particulars of contracts or arrangements with related parties as referred to in Section 188(1) of the Companies Act, 2013 along with the disclosures as mentioned in Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the prescribed Form AOC-2 for FY 2019-20 are given in **Annexure "G"**.

The policy on Related Party Transactions as amended and approved by the Board is uploaded on the Company's website and its weblink is:

<http://www.nocil.com/images/fckeditor/file/Policy-on-Related-Party-Transaction.pdf>

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Loans, Guarantees or Investments

Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013, are given in the Notes forming part of Financial Statements for the year ended March 31, 2020.

Extract of Annual Return

Extract of Annual Return for the Financial Year ended on March 31, 2020 as required by Section 92 (3) of the Companies Act 2013, is annexed as **Annexure "E"**. The weblink of the same is <http://www.nocil.com/images/fckeditor/file/Extract-of-Annual-Return-2019-20.pdf>

Subsidiary Company, Associates and Joint Ventures

PIL Chemicals Limited, (PIL), Wholly Owned Subsidiary (WOS) has recorded a Turnover of ₹ 13.43 Crores and Profit before Tax of ₹ 0.92 Crores, for the year under review. The Board of Directors of PIL declared an Interim Dividend of ₹ 0.60/-per share. (Previous year Final Dividend was ₹ 0.60/- per share).

The Company does not have any material subsidiary, however, the Company has formulated a policy for determining material subsidiary(ies) and such policy has been disclosed on the Company's website and its weblink is <http://www.nocil.com/images/fckeditor/file/Policy-on-Material-Subsidiaries.pdf>

Pursuant to the requirements of Regulation 34 (3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the details of Loans/ Advances made to and investments made in the subsidiary have been furnished in Notes forming part of the Accounts.

A statement containing the salient features of the financial statement of the Company's wholly owned subsidiary under the provisions of section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 has been annexed in prescribed Form AOC - 1.

The audited accounts of the WOS company are placed on the Company's website and the members interested in obtaining copy of annual report of the WOS company are requested to get in touch with the Office of the Company Secretary.

Further, the Company does not have any joint venture or associate companies during the year or at any time after the closure of the year and till the date of the report.

Consolidated Financial Statements

Consolidated Financial Statements are prepared by your Company in accordance with the applicable Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs and the same together with Auditors' Report thereon form part of the Annual Report. The financial statements have been prepared as per Division II of Schedule III issued by the Ministry of Corporate Affairs vide its Notification dated April 06, 2016.

Personnel

The relations, during the year, between the employees and the management of your Company continued to be cordial. After successful negotiations, your company has renewed the Agreement with the Workers' Union during the year under review.

Your Directors wish to thank all the employees for their continued support and co-operation during the year under review.

Stock Options

In terms of your approval, read with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, the details required to be provided under the SEBI(Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, are set out in **Annexure "C"** to this Report.

Particulars of Employees

The information required under section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 in respect of employees of the Company is provided in **Annexure "F"**.

Appointment/Reappointment of Directors and Key Managerial Personnel

Directors

At the previous Annual General Meeting held on July 30, 2019, the Members accorded their approval by passing Special Resolution for appointment of Mr. Debnarayan Bhattacharya as an Independent Director for a period of 5 years. Further, in view of Regulation 17(1A) of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, approval was also obtained to continue the appointment of Mr. Bhattacharya

Directors' Report (Contd.)

as an Independent Director for five consecutive years not withstanding that on September 13, 2023 he would attain the age of 75 years during the said term of 5 years.

Pursuant to Rule 8 of the Companies (Accounts), Rules, 2014, as amended, in the opinion of the Board, Mr. Debnarayan Bhattacharya who was appointed as an Independent Director during the year, has integrity, expertise and experience (including the proficiency).

Pursuant to Section 152(6) of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Priyavrata H. Mafatlal, Non - Executive Director retires by rotation at the forthcoming Annual General Meeting. Being eligible, he offers himself for re-appointment.

Mr. C. L. Jain did not seek re-appointment as an Independent Director for the second term. Accordingly, in the month of March, 2019, the Company had also obtained Member's approval by passing Special Resolution through conduct of Postal Ballot for continuation of Mr. C. L. Jain as an Independent Director who was above 75 years for his residual term up to June 29, 2019. Therefore, the existing term of Mr. C. L. Jain as an Independent Director ended on June 29, 2019 and consequently, he has ceased to be a Director of the Company and Chairman of the Audit Committee and Member of the Corporate Social Responsibility Committee of the Company.

The Board takes the opportunity to sincerely thank Mr. C. L. Jain for the excellent contribution made as an Independent Director and Chairman of the Audit Committee and Member of the Corporate Social Responsibility and wish him very healthy and peaceful retired life.

The tenure of Ms. Dharmishta Raval as an independent director of the Company shall expire on July 23, 2020. She is aged 64 years and has given her consent for re-appointment for the second term beginning from July 23, 2020 to July 22, 2024. She is enrolled as an Advocate of the Gujarat Bar Association in 1980 and is a Partner of Raval and Raval, Advocates, Ahmedabad and also is in practice as an Advocate at Gujarat High Court since May, 2003. Ms. Raval does not hold any shares in the Company and is not related to any Director or Key Managerial Personnel of the Company. Pursuant to the Companies (Appointment and Qualification of Directors), Rules, 2014 and the amendments made thereto from time to time, Ms. Raval has also registered

herself in the Data Bank maintained by the Indian Institute of Corporate Affairs for a period of five years. In the opinion of the Board of Directors of the Company, Ms. Raval continues to fulfill the conditions of independence as specified in the Companies Act, 2013 and Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and the amendments made thereto, for re-appointment as an Independent Director.

Having regard to her qualifications, knowledge and vast experience, her re-appointment on the Board of the Company as an Independent Director will be in the interest of the Company and hence, the Company had proposed her reappointment for second term of 4 years from July 23, 2020 to July 22, 2024 as an independent director. In this regard, the Company has proposed to pass a special resolution through postal ballot, the notice of which is circulated as on June 08, 2020 with all the shareholders of the Company as on cut-off date, i.e. May 29, 2020. E-voting facility for the same shall be open till July 08, 2020 post which the special resolution shall be deemed to be passed on the basis of results declared by the scrutinisers.

Key Managerial Personnel

During the year under review, Mr. V. K. Gupte superannuated as Company Secretary effective from the close of business hours of December 31, 2019. In view of Mr. Gupte's superannuation, Mr. Amit K. Vyas (holding Membership No. FCS 3766) has been appointed as Assistant Vice President (Legal) and Company Secretary and Compliance Officer of the Company effective from January 01, 2020.

Further, Mr. R. M. Gadgil has superannuated as President Marketing effective from May 15, 2020.

The Board also extends its wishes to Mr. R.M. Gadgil and Mr. V. K. Gupte for their valuable contributions rendered to the Company in their capacity as the Key Managerial Personnel and wishes them very healthy and peaceful retired life.

Other than as stated above, there has not been any change in the Directors and Key Managerial Personnel of the Company.

Auditors

Pursuant to the requirement of Section 139(1) of the Companies Act, 2013, at the Annual General Meeting held on July 27, 2017, the Members had accorded their approval for the appointment of M/s. Kalyaniwalla & Mistry

Directors' Report (Contd.)

LLP, Chartered Accountants, Mumbai as the Statutory Auditors of the Company to examine and audit the accounts of the Company for the Financial Years 2017-18 to 2021-22. They have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed there under for re-appointment as Auditors of the Company. As required under Regulation 33(1) (d) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Auditors have also confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India. The amended provision of Section 139(1) of the Companies Act, 2013, has dispensed with the ratification of appointment of Statutory Auditors each year by the Members.

Explanations or comments on the qualification, reservation, adverse remark or disclaimer made by the statutory auditors or by Company Secretary in practice in their report

During the year under review, there is no qualification, reservation or adverse remark or disclaimer made by the Statutory Auditor appointed under section 139 of the Companies Act, 2013. Hence, the need for explanation or comments by the Board does not arise. The report of the Statutory Auditor forms part of the financial statements.

During the year under review, there were no material or serious instances of fraud falling within the purview of Section 143 (12) of the Companies Act, 2013 and rules made there under, by officers or employees reported by the Statutory Auditors of the Company during the course of the audit conducted and therefore no details are required to be disclosed under Section 134 (3)(ca) of the Act.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company are required to be audited.

M/s. Kishore Bhatia & Associates, the Cost Auditors have given a Certificate to the effect that the appointment, if made, will be within the prescribed limits specified under section 141 of the Companies Act, 2013.

The Audit Committee has obtained a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company. The Cost Audit Report in

respect of F.Y. 2018-19 was filed on August 19, 2019 and the Report for the Financial Year 2019-20 will be filed within the time limit as prescribed under the Companies (Cost Records and Audit), Rules, 2014.

Your Directors had, on the recommendation of the Audit Committee, appointed M/s Kishore Bhatia & Associates to audit the cost accounts of the Company for the financial year 2020-21 on a remuneration of ₹ 6.50 Lakhs.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is placed before the Members for their ratification.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors has appointed M/s. Makarand M. Joshi & Co., Company Secretaries, a firm of Company Secretaries in Practice to carry out the Secretarial Audit of the Company for FY 2019-20. The Report of the Secretarial Audit is annexed herewith as **Annexure "B"**.

The Secretarial Audit Report does not contain any qualifications, reservations or adverse remarks or disclaimer.

Further, PIL Chemicals Limited, is the only wholly owned subsidiary of the Company and is not a material unlisted subsidiary. Therefore, the provisions regarding the Secretarial Audit as mentioned in Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements), 2015 as amended, do not apply to PIL Chemicals Limited.

Report on Corporate Governance

As per Regulation 34 read with Schedule V (C) of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, a separate section on Report on Corporate Governance practices followed by the Company, together with a certificate received from the Company's Secretarial Auditor confirming compliance is attached.

Report on Management Discussion and Analysis

As required under Regulation 34 read with Schedule V(B) of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, report on "Management Discussion and Analysis" is attached and forms a part of this Report.

Directors' Report (Contd.)

Business Responsibility Report

The Company forms part of top 1000 listed entities based on market capitalisation calculated as on March 31, 2019. In view of this, as required under Regulation 34(2)(f) SEBI (Listing Obligations and Disclosure Requirements)(Amendment) Regulations, 2018, report on Business Responsibility is attached and forms a part of this report.

Corporate Social Responsibility

In line with the provisions of the Companies Act, 2013 and the rules framed thereunder with respect to the Corporate Social Responsibility (CSR), your company has formulated a Policy on CSR and has also constituted a CSR Committee to recommend and monitor expenditure on CSR. The details of CSR Expenditure are given in the prescribed format and forms part of this Report. The same is annexed as **Annexure "A"**.

The company continues to actively support deserving social causes for improvement and up-liftment of various sections of the society as has been its practice for past several years.

Other Particulars

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules 2014 is set out in **Annexure "D"** and forms a part of this Report.

Green Initiative

Your Directors would like to draw your attention to Section 20 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as may be amended from time to time, which permits paperless compliances and also service of notice/documents (including annual report) through electronic mode to its members. To support this green initiative of the Central Government in full measure, we hereby once again appeal to all those members who have not registered their e-mail addresses so far are requested to register their e-mail address in respect of electronic holdings with their concerned depository participants and / or with the Company.

Further, the Company shall also send the Annual Report for FY 2019-20 to all the shareholders through electronic means as per the relaxations provided by MCA Circular dated May 05, 2020 and SEBI Circular dated May 12, 2020 due to Covid-19 pandemic which shall also enhance the Green Initiative measures taken by the Company.

GENERAL:

Your Directors state that no disclosures or reporting is required in respect of the following items as there were no transactions on these items during the year under the review:

- a) No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future;
- b) Issue of Equity Shares with differential voting rights, dividend or otherwise as per Section 43(a)(ii) of the Companies Act, 2013;
- c) Issue of Shares including Sweat Equity Shares to the employees of the Company under any scheme as per provisions of Section 54(1)(d) of the Companies Act, 2013;
- d) No instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Companies Act, 2013;
- e) There was no revision to the financial statements for the year under review.

Acknowledgements

Your Directors would like to acknowledge the continued support and co-operation from its Bankers, Government Bodies, and Business Associates which has helped the company to sustain its growth during the year.

For and on behalf of the Board of Directors

Place : Mumbai
Date : June 29, 2020

Hrishikesh A. Mafatlal
Chairman