

Board's Report

TO THE MEMBERS OF TATA CHEMICALS LIMITED

The Directors hereby present their Eighty-First Annual Report on the performance of the Company together with the Audited Financial Statements for the Financial Year ('FY') ended March 31, 2020.

Financial Results

₹ in crore

Particulars	Standalone		Consolidated	
	Year ended March 31, 2020	Year ended March 31, 2019*	Year ended March 31, 2020	Year ended March 31, 2019*
Revenue from continuing operations	2,920.29	3,121.25	10,356.75	10,336.72
Profit before depreciation and finance costs	1,027.19	1,086.96	2,260.29	2,189.92
Depreciation and amortisation expense	149.50	140.34	666.47	568.50
Profit before finance costs	877.69	946.62	1,593.82	1,621.42
Finance costs	43.37	86.14	341.91	353.70
Profit before exceptional items	834.32	860.48	1,251.91	1,267.72
Exceptional gain (net)	-	-	-	70.33
Profit before share of profit of joint ventures and tax	834.32	860.48	1,251.91	1,338.05
Share of profit of joint ventures	-	-	(3.85)	99.21
Profit before tax	834.32	860.48	1,248.06	1,437.26
Tax expense	162.50	229.67	219.65	274.44
Profit from continuing operations after tax	671.82	630.81	1,028.41	1,162.82
Profit from discontinued operations after tax	6,168.40	224.03	6,199.74	224.03
Profit for the year	6,840.22	854.84	7,228.15	1,386.85
Attributable to:				
- Equity shareholders of the Company	6,840.22	854.84	7,006.33	1,155.91
- Non-controlling interests	-	-	221.82	230.94
Other comprehensive income ('OCI')	(542.44)	232.99	(406.30)	586.13
Total comprehensive income	6,297.78	1,087.83	6,821.85	1,972.98
Balance in Retained earnings at the beginning of the year	5,742.38	6,435.12	5,192.86	4,626.08
Changes on account of merger	-	(877.97)	-	-
Profit for the year (attributable to equity shareholders of the Company)	6,840.22	854.84	7,006.33	1,155.91
Remeasurement of defined employee benefit plans	(37.59)	(1.93)	(26.97)	82.14
Transition impact of Ind AS 116	(0.21)	-	(14.95)	-
Transfer from OCI - sale of non-current investment	-	2.98	-	4.39
Dividends including tax on dividend	(378.90)	(670.66)	(383.89)	(675.66)
Deemed dividend on demerger	(6,307.97)	-	(6,307.97)	-
Refund of tax on dividend	1.65	-	1.65	-
Acquisition of non-controlling interests	-	-	718.30	-
Others	-	-	0.44	-
Balance in Retained earnings at the end of the year	5,859.58	5,742.38	6,185.80	5,192.86

* Previous year figures have been recast/restated.

Dividend

For FY 2019-20, the Board of Directors has recommended a dividend of ₹ 11.00 per share i.e. 110% (previous year ₹ 12.50 per share i.e. 125%) on the Ordinary Shares of the Company. If declared by the Members at the ensuing Annual General Meeting ('AGM'), the total dividend outgo during FY 2020-21 would amount to ₹ 280.23 crore (previous year ₹ 378.90 crore including dividend distribution tax).

Dividend Distribution Policy

In accordance with Regulation 43A of the Listing Regulations, the Board of Directors of the Company has adopted a Dividend Distribution Policy ('Policy') which endeavours for fairness, consistency and sustainability while distributing profits to the shareholders. The Policy is attached to this Report as **Annexure 1** and same is available on the Company's website at <https://www.tatachemicals.com/DividendDistPolicy.htm>.

Covid-19 pandemic

The Covid-19 pandemic is the defining global health crisis of our time and is spreading very fast across the continents. But it is much more than a health crisis and is having an unprecedented impact on people and economies worldwide.

The Company is taking all necessary measures in terms of mitigating the impact of the challenges being faced in the business. Though the long-term directional priorities of the Company remain firm, in light of Covid-19 and its expected impact on the operating environment, the key priorities of the Company would be to closely monitor supply chain, conserve cash and control fixed costs, while continuing to invest in some of the growth areas. During this period, the Company has also initiated digital interventions to honour its commitment to suppliers and partners.

The Ministry of Home Affairs, Government of India on March 24, 2020 notified the first ever nationwide lockdown in India to contain the outbreak of Covid-19. Towards the end of the quarter ended March 2020, the operations were disrupted at certain manufacturing facilities of the Company. The manufacturing operations at Mithapur (Gujarat) for the production of soda ash and cement were scaled down temporarily. In spite of such scale down, the Company took efforts to ensure normalcy in the production and movements of Tata Salt and sodium bicarbonate which are essential inputs for food and pharma products. The plants located at Mambattu, Nellore (Andhra Pradesh) and Sriperumbudur (Tamil Nadu) producing Fructooligosaccharide ('FOS') and Cuddalore (Tamil Nadu) producing Silica resumed operations towards the end of April 2020 after a shutdown for around four weeks.

The Company has taken various initiatives towards financial, medical and community support in the fight against Covid-19 pandemic. This included financial support towards the relief funds

of State Governments, providing sodium hydrochloride, hand sanitizers, medical infrastructure, supply of dry ration, driver kit, hygiene kit, distribution of masks, awareness drives, etc. In addition to this, voluntary contributions by the Company as well as its employees were also made to the Tata Community Initiatives Trust for contribution towards the said purpose.

In view of the outbreak of the pandemic, the Company undertook timely and essential measures to ensure the safety and well-being of all its employees at all its plant locations, various branch offices and the head office. The Company observed all the government advisories and guidelines thoroughly and in good faith.

Demerger of the Consumer Products Business

With a view to enable the Company to focus on its Basic Chemistry and Specialty Products Business and to integrate the Consumer Products Business activities undertaken by both, the Company and Tata Consumer Products Limited (formerly known as Tata Global Beverages Limited), under a single entity, the Board of Directors of the Company at its Meeting held on May 15, 2019 approved the Scheme of Arrangement amongst Tata Consumer Products Limited ('TCPL') and the Company and their respective shareholders and creditors ('the Scheme') for the demerger of the Consumer Products Business of the Company ('CPB') to TCPL. The CPB consisted of the business of sourcing, packaging, marketing, distribution and sales of (i) vacuum evaporated edible common salt for human consumption, (ii) spices, (iii) protein foods and (iv) certain other food and other products.

Pursuant to the Order dated September 11, 2019 passed by the Hon'ble National Company Law Tribunal ('NCLT'), Mumbai Bench, and in terms of Sections 230 to 232 of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, the Members of the Company at a duly convened meeting held on October 30, 2019 approved the Scheme by a requisite majority. Thereafter, the NCLT, Mumbai Bench and Kolkata Bench, vide their respective Orders dated January 10, 2020 and January 8, 2020, sanctioned the Scheme. The Scheme became effective on February 7, 2020 upon filing of the certified copies of the Orders of NCLT sanctioning the Scheme with the respective jurisdictional Registrar of Companies. Pursuant to the Scheme becoming effective, CPB is demerged from the Company and transferred to and vested in TCPL with effect from April 1, 2019 i.e. the Appointed Date. Accordingly, the operations of CPB have been classified as discontinued operations. Further, Members may refer to note 34 of the Standalone Audited Financial Statements for the impact on the Financial Statements pertaining to the Scheme.

In accordance with the provisions of the Scheme, shareholders of Tata Chemicals Limited holding 100 shares of ₹ 10 each as on the Record Date i.e. March 5, 2020, were allotted 114 Equity Shares of

₹ 1 each of Tata Consumer Products Limited, which are listed on BSE Limited, the National Stock Exchange of India Limited and the Calcutta Stock Exchange Limited.

Merger of Bio Energy Venture-1 (Mauritius) Pvt. Ltd.

The Board of Directors of the Company at its Meeting held on March 22, 2019 approved the Scheme of Merger by Absorption between the Company and Bio Energy Venture-1 (Mauritius) Pvt. Ltd. ('Bio-1'), a wholly owned subsidiary of the Company ('Scheme'). The NCLT, Mumbai Bench, on April 23, 2020, sanctioned the Scheme, with the Appointed Date of April 1, 2019. The Scheme is subject to the approval of the regulatory authorities at Mauritius.

In accordance with Ind AS 103, the Financial Statements of the Company for the previous periods have been restated with effect from April 1, 2018, being the earliest period presented. Further, the impact of merger of Bio-1 on the Financial Statements of the Company as on March 31, 2020 is immaterial.

Transfer to Reserves

The Board of Directors has decided to retain the entire amount of profits for FY 2019-20 in the Retained Earnings.

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.

Performance Review & State of Company's Affairs

Standalone:

The Standalone revenue from Continuing Operations was ₹ 2,920.29 crore for FY 2019-20 as against ₹ 3,121.25 crore for FY 2018-19, down by 6%. Earnings before interest, tax, depreciation and amortisation ('EBITDA') from Continuing Operations increased from ₹ 686.64 crore in FY 2018-19 to ₹ 718.04 crore in FY 2019-20, an increase of 5%. Profit before tax from Continuing Operations decreased from ₹ 860.48 crore in FY 2018-19 to ₹ 834.32 crore in FY 2019-20, decrease of 3%. Profit after tax from Continuing Operations increased from ₹ 630.81 crore in FY 2018-19 to ₹ 671.82 crore in FY 2019-20, an increase of 7%. Profit for the year (Continuing Operations and Discontinued Operations) increased from ₹ 854.84 crore in FY 2018-19 to ₹ 6,840.22 crore in FY 2019-20 (includes exceptional post-tax gain of ₹ 6,168.40 crore relating to Discontinued Operations).

Consolidated:

The Consolidated revenue from Continuing Operations was ₹10,356.75 crore for FY 2019-20 as against ₹10,336.72 crore for FY 2018-19, up by 0.2%. EBITDA from Continuing Operations

increased from ₹1,780.46 crore in FY 2018-19 to ₹1,949.17 crore in FY 2019-20, an increase of 9%. Profit before tax from Continuing Operations decreased from ₹1,437.26 crore in FY 2018-19 to ₹1,248.06 crore in FY 2019-20, decrease of 13%. Profit after tax from Continuing Operations decreased from ₹1,162.82 crore in FY 2018-19 to ₹1,028.41 crore in FY 2019-20, decrease of 12%. Profit for the year (Continuing Operations and Discontinued Operations) increased from ₹1,386.85 crore in FY 2018-19 to ₹7,228.15 crore in FY 2019-20 (includes exceptional post-tax gain of ₹6,168.40 crore relating to Discontinued Operations). Profit for the year attributable to equity shareholders of the Company increased from ₹1,155.91 crore in FY 2018-19 to ₹7,006.33 crore in FY 2019-20 (includes exceptional post-tax gain of ₹6,168.40 crore relating to Discontinued Operations).

Business Segments

In view of the demerger of CPB, the Company now has two business segments: (i) Basic Chemistry Products and (ii) Specialty Products.

1. Basic Chemistry Products

1.1 India Operations

For FY 2019-20, revenues from the Basic Chemistry Products business dropped by 7.65% to ₹ 2,836.91 crore as against ₹ 3,071.92 crore in the previous year. Profit before tax (PBT) for FY 2019-20 was ₹ 819.20 crore as against ₹ 762.48 crore in the previous year, which is higher by 7.44%.

In FY 2019-20, despite economic headwinds, Indian Chemicals operations achieved noteworthy performance. The economic slowdown which had begun at the beginning of the year exacerbated with the unfortunate outbreak of the Covid-19 pandemic in India and around the globe. However, the demand for salt and its volumes were not affected and continued its growth journey. The extended monsoon and consequent flooding in FY 2019-20 affected the salt production and kept the detergent demand muted. Increase in volume from domestic and imports amidst slowing demand from end segments led to a little overhang in the market and put pressure on prices. Profitability was maintained as lower realisation on sales was supported by savings in fuel costs, specific raw material consumption and relentless focus on cost and operational excellence.

The Company achieved record production volume for salt and sodium bicarbonate. Domestic sales of soda ash were under pressure due to the muted demand scenario which resulted in a marginal drop in sales volume compared to the previous year. Cement production and sales were affected due to market demand and maintenance issues of the cement mill motor.

1.1.1 Soda Ash

In FY 2019-20, the domestic soda ash market remained almost flat compared to the previous year's growth of about 3%. The soda ash market was largely oversupplied with increased imports and higher availability coming from domestic manufacturers. Higher production through most of the year and lower demand from key consuming industries led to increase in the pipeline inventories. The production volume of soda ash at Mithapur was marginally lower by 3% and the sales volume declined by 9% over the previous year to 6.34 lakh Metric Tonne (MT). During the year, the Company increased the availability of the product to customers through imports from its subsidiaries viz. Tata Chemicals North America Inc. and Tata Chemicals Magadi Limited to fulfill the requirements of the domestic market.

1.1.2 Sodium Bicarbonate

Sodium bicarbonate volumes maintained a robust growth of 7% in FY 2019-20 over the previous year. The demand was adequately supported with improved availability in domestic supplies. Overall demand and supplies were balanced during the year. The Company maintained its volumes and value growth of sodium bicarbonate in line with the strategy of continuously increasing value proposition through differentiation and focus on bicarb brands that are customised and targeted towards consuming sectors. Sodium bicarbonate production and sales registered levels of 1.13 lakh MT and 1.09 lakh MT respectively.

The sales of sodium bicarbonate brands registered a record 23% volume growth. With the growth in food and feed segments, the Company's 'Sodakarb' and 'Alkakarb' brands gained further traction and are well established and 'Medikarb', the pharma-grade sodium bicarbonate brand has increased its penetration during the year.

1.1.3 Salt

During the year under review, the Company entered into a Long Term Supply Agreement ('LTSA') with TCPL for supply of vacuum evaporated edible salt as a take or pay arrangement for an initial period of 25 years, with an option to extend further on mutual agreement. The LTSA provides a Minimum Offtake volume, which factors the expected salt business volumes. In case of shortfall in offtake, TCPL shall suitably compensate the Company and in case of shortfall in supply, the Company shall suitably compensate TCPL. TCPL is now one of the Company's key strategic customers. The Company recorded the highest production of salt at 10.78 lakh MT during the year compared to the previous year high of 10.68 lakh MT.

1.1.4 Caustic Soda and Marine Chemicals

The caustic soda production and sales were low during FY 2019-20 as compared to the previous year. Caustic soda market witnessed strong competition and lower prices due to oversupply. Bromine production was impacted due to extended monsoons and the resultant dilution of bittern, the key raw material used in the manufacturing of bromine. It was lower by 13% at 2,120 MT during FY 2019-20. Though this resulted in lower sales at 2,095 MT, the profitability was maintained due to better market prices and improved realisation.

1.1.5 Cement

During FY 2019-20, the sales of cement and clinker were marginally lower by 2% at 3.95 lakh MT, while the production volumes were lower by 11% at 3.62 lakh MT, in comparison with the previous year. Higher acceptability and deeper penetration of the newly launched Ordinary Portland Cement ('OPC'), with an additional value proposition of high one-day strength along with volume stabilisation of the newly launched Portland Pozzolana Cement ('PPC') improved the realisation from the cement business. Though the Gujarat cement market saw an overall decline of 9% in demand, the improvement in the prices kept the revenues intact.

1.2 Overseas Operations

1.2.1 Tata Chemicals North America Inc.

During the year under review, Valley Holdings Inc., a step-down wholly-owned subsidiary of the Company, has acquired the remaining 25% partnership interest in Tata Chemicals (Soda Ash) Partners Holdings from The Andover Group, Inc., a subsidiary of Owens-Illinois Inc. for US\$ 195 million. With this acquisition, the Company, through its subsidiaries in the United States, has increased its ownership in Tata Chemicals (Soda Ash) Partners, the soda ash producing entity, to 100%.

The production volumes at Tata Chemicals North America Inc. ('TCNA') were higher by 3.4% as compared to the previous year, mainly on account of improved efficiency in the plant resulting from significant investment in maintenance projects. There is a short-term oversupply of soda ash worldwide that has reduced current demand, in addition to the impact of the Covid-19 pandemic, which has resulted in a reduction of production volumes in the latter part of the financial year to largely match sales demand. Production volumes in FY 2020-21 will again need to be scaled to match sales demand which is expected to decline by 5% to 10% in comparison with FY 2019-20, consistent with projected GDP regression in the primary markets.

During FY 2019-20, sales volumes were essentially flat as compared to the previous year (up by 0.60%). In spite of increased production levels, a temporary over-supply of soda ash worldwide, compounded by the Covid-19 pandemic, resulted in the unusual position of not being able to sell the entire product produced during this period. Due to the slightly higher sales volume, TCNA posted revenue of US\$ 480.00 million (₹ 3,402.14 crore) for the year ended March 31, 2020 as compared to US\$ 481.60 million (₹ 3,366.19 crore) in the previous year, in spite of slightly lower American Natural Soda Ash Corporation (ANSAC) pricing and a market mix reflecting an increased supply to lower priced export markets relative to the US.

For FY 2019-20, EBITDA at TCNA was US\$ 104.80 million (₹ 742.80 crore) against US\$ 97.90 million (₹ 684.28 crore) in the previous year due to improved production, reduced selling, general & administration (SG&A) costs resulting from realising nearly a full year's benefit of relocating the corporate offices from New Jersey to Utah and a new US GAAP accounting standard that changed the accounting for operating leases, treating those costs as depreciation as against operating expenses in prior years. These favourable impacts more than offset increased spending on plant costs, particularly in maintenance and labour.

Profit before tax and profit after tax and non-controlling interest for FY 2019-20 were at US\$ 64.15 million (₹ 454.68 crore) and US\$ 35.96 million (₹ 251.35 crore) respectively against US\$ 82.30 million (₹ 575.24 crore) and US\$ 54.60 million (₹ 381.63 crore) respectively in the previous year, which included a one-time unusual gain of US\$ 16.43 million (₹ 114.86 crore) from writing back, upon dismissal by a court, a liability acquired with the purchase of the company in 2008.

1.2.2 TCE Group Limited and British Salt Limited

TCE Group Limited's business consists of Soda Ash, Sodium Bicarbonate and Energy units and British Salt Limited manufactures and sells food grade and industrial salt. Together, they are referred as UK Operations of the Company.

The turnover of the UK Operations for FY 2019-20 was £148.5 million (₹ 1,338.43 crore) against £157.9 million (₹ 1,448.79 crore) in the previous year. The reduction was mainly due to the planned reduction in sales of low margin, imported soda ash and a reduction in the price of electricity sold to the national grid.

Sodium bicarbonate sales were strong throughout the year, especially from the Winnington plant. While demand in the

home market of UK increased, the company also witnessed a strong demand from the exports markets, especially from Europe.

The combined heat and power facility at Winnington performed well throughout the year, helped by the reinstatement of capacity market payments which had been unexpectedly withdrawn part way through FY 2018-19.

In the Salt business, sales volumes were steady through the year, but with a better mix towards higher margin products.

EBITDA for FY 2019-20 for the UK Operations was £21.2 million (₹ 191.08 crore) as against £14.5 million (₹ 133.02 crore) for FY 2018-19. The profit after tax for FY 2019-20 was £1.1 million (₹ 9.91 crore) as against loss after tax of £4.2 million (₹ 38.53 crore) for FY 2018-19.

1.2.3 Tata Chemicals Magadi Limited

During the year under review, the production volumes at Tata Chemicals Magadi Limited (TCML) were lower by 9% and sales volumes were lower by 12% against the previous year.

TCML achieved total sales of US\$ 67.89 million (₹ 481.19 crore) for FY 2019-20 as against the sales of US\$ 73.79 million (₹ 515.76 crore) in the previous year, a decrease of 8%.

For FY 2019-20, TCML registered an EBITDA of US\$ 8.34 million (₹ 59.11 crore) as against the EBITDA of US\$ 9.87 million (₹ 68.99 crore) in the previous year, lower by 16%. Decline in EBITDA was on account of lower sales volume and higher rail haulage charges. Fixed cost was lower than previous year.

TCML made a net loss of US\$ 0.13 million (₹ 0.92 crore) as against the net profit of US\$ 2.66 million (₹ 18.59 crore) in the previous year due to higher finance costs (rising LIBOR), foreign exchange loss due to weakening of Kenya Shilling to US Dollar, fuel hedge swaps loss and other costs.

The county government had issued a demand during FY 2018-19 for an arbitrary increase in land rates which was subsequently struck down by the Hon'ble High Court. The Hon'ble High Court had suggested for a mediation which TCML had duly submitted to. Nevertheless, TCML has filed an appeal for reconsideration of the other issues raised in the petition before the Hon'ble High Court while the appeal is pending. TCML is still open to work with the appropriate national authorities and the county government to arrive at a fair, transparent and appropriate resolution through legal means.

1.2.4 Tata Chemicals International Pte. Limited

The primary activities of Tata Chemicals International Pte. Limited ('TCIPL'), a wholly owned subsidiary of the Company, constitutes trading, procurement and holding investments in overseas subsidiaries. TCIPL engages in trading of soda ash in South East Asia, Middle East and India, trading of agro chemicals, and also manages procurement of some key raw materials. TCIPL is also exploring opportunities in allied products in these markets.

For FY 2019-20, TCIPL's revenue was US\$ 165.74 million (₹ 1,174.73 crore) as against US\$ 118.07 million (₹ 825.26 crore) and the other income representing dividend from its wholly owned subsidiaries was US\$ 21.90 million (₹ 155.22 crore) as against US\$ 18.40 million (₹ 128.61 crore) for the previous year. For FY 2019-20, the profit after tax was US\$ 13.91 million (₹ 98.59 crore) as against US\$ 1.24 million (₹ 8.67 crore) for FY 2018-19.

2. Specialty Products

2.1 Agri Sciences (Rallis India Limited)

During the year under review, Rallis India Limited, listed subsidiary of the Company ('Rallis'), achieved a consolidated revenue from operations of ₹ 2,251.82 crore compared to ₹ 1,983.96 crore in the previous year, an increase of 13.5%. Net profit after tax of ₹ 183.69 crore, higher by 18.7% as against a net profit after tax of ₹ 154.78 crore in the previous year.

During the year under review, the Domestic business of Rallis achieved a revenue of ₹ 1,167 crore as against ₹ 998 crore during FY 2018-19, an increase of 17%. The Indian crop protection market for insecticides was projected to witness a growth of approximately 8% during FY 2019-20. Insecticides remain the most used crop protection chemical with around 55% share followed by fungicides and herbicides contributing 20% and 18% share, respectively, of the crop protection market in India. Increase in new pests like fall army worm is driving the need for adoption of insecticides in niche crops like maize. This, coupled with the increased emphasis on food safety, is creating a shift towards the adoption of safer and more expensive crop protection chemicals. With good climatic conditions prevailing throughout the major crop seasons in the country, the usage level of insecticides has been low to moderate. Crops such as paddy, cotton, pulses, maize, chilly and vegetables are key contributors for insecticides market in the country. Rallis introduced two new products Zygant (Paddy-Stemborer) and Cameo (Paddy-BPH) during the year. The key products like Zygant, Cameo, Summit, Takumi, Rilon, Tafgor, etc. were the main contributors towards the growth of Rallis in this category.

The driver of growth has segments like Stem Borer, BPH, Thrips and lepidopteran insects.

In the Fungicides category, Rallis registered 9% top line revenue growth and major contributors included brands like Ayaan, Sarthak, Contaf Plus, Taqat and Master. The segments where Fungicide portfolio registered good growth were grain shine segment of Paddy, Blight and Anthracnose of Chilli and Downey Mildew and Powdery Mildew of Grapes. Rallis introduced two new products - Ayaan (Paddy-Sheathblight/Grain shine) and Sarthak (Chilli and vegetables).

Rallis introduced two new herbicides namely Trimbo in maize and Impeder in wheat crop to strengthen its herbicide portfolio. With a strong presence in pre-emergent segment and crops like sugarcane and paddy, the herbicide portfolio registered a growth at 7% over the previous year.

During the year, the International business of Rallis achieved a revenue growth of 11% over the previous year at ₹ 721 crore as against ₹ 650 crore during FY 2018-19. Significant growth was recorded in North America, Latin America particularly in Brazil and USA. The business also gained 6 new registrations in strategic overseas markets. Partnership models with strategic customers that were adopted during the year helped Rallis in its growth journey through leveraging each others' strengths. It continues its focus on developmental activities in key geographies in Latin America, South East Asia, Europe and African markets.

During the year, Metahelix Life Sciences Limited ('Metahelix'), a step-down subsidiary of the Company, merged with Rallis. Accordingly, Metahelix ceased to be a subsidiary of Rallis with effect from February 1, 2020 and has been classified as the Seeds division of Rallis. Consequent to the strategy of consolidating all seeds sales through Metahelix since the beginning of the FY 2019-20, the Seeds business was carried out only by Metahelix. During the year under review, the Seeds division of Rallis achieved a revenue of ₹ 364 crore as against ₹ 336 crore during FY 2018-19, an increase of 8.3%. Rallis continued to focus on its cotton business. The scale up of new launches in millet allowed it to regain its position from the setback experienced in the last two years. Vegetable business was restructured as a separate line of business with a dedicated sales and marketing team and Rallis is focussed on driving business growth in future. Additionally, it also progressed well in its genetically modified traits development activity in targeted crops.

2.2 Nutritional Sciences

Tata NQ

The nutritional science division of the Company, under the brand Tata NQ, offers nature-inspired and science-backed ingredient and formulation solutions catering to human and animal health. The flagship product lines of Tata NQ – FOSSENCE® and GOSENCE® are Prebiotic dietary fibres that promote the growth of gut microbiome and improve digestive & immune health.

FY 2019-20 has been a phenomenal year for the nutritional science business, wherein the state-of-the-art greenfield Nellore plant in Andhra Pradesh was made operational. This has substantially increased the production capacity, thereby significantly increasing the Company's capacity to serve customers across the globe. There has been a wide acceptance of the product quality from the new plant, and as a result the revenues grew to ₹ 65.15 crore, while the customer base grew to more than 250 customers.

The business had earlier established global distribution network and initiated customer engagement in South East Asia, China and USA. This engagement also started bearing fruits, with supplies made across South East Asia, after product qualification from the new facility. There has been a considerable progress in the qualification process by global major consumers of FOS and the feedback has been encouraging. The qualification is in progress and is expected to be favourably concluded soon.

Due to Covid-19 pandemic, many of the customers are likely to put on hold the new product introduction, particularly the Food & Beverage customers, while additional sales opportunities are expected from Nutraceuticals companies, particularly in the area of immunity and gut health. The Company is constantly re-calibrating plans as the situation evolves.

2.3 Material Sciences

Silica

During FY 2018-19, the Company had successfully completed the acquisition of a precipitated silica plant at Cuddalore, Tamilnadu marking its entry into the Silica business. FY 2019-20 turned out to be a critical milestone in the growth journey of this new business. Several key initiatives related to upgradation of the Cuddalore plant's infrastructure and systems were completed. These initiatives have helped demonstrate the plant's ability to produce at its rated capacity; multiple grades of silica (including HDS for high performance green tyre applications) meeting customer

quality expectations while upholding required safety and environmental compliance standards.

During FY 2019-20, the Company enhanced its product portfolio in Silica by launching several new grades to cater to the needs of different application segments and customers. The Company also expanded its TAVERSIL range of products for non-rubber applications by launching new variants to meet the unique needs of customers manufacturing salt and toothpaste. The Company also customised its TYSIL portfolio of conventional silica products to meet the varying needs of tyres and non-tyre rubber goods manufacturers. The Company expanded its market reach by strengthening its channel partner and distributor network across India to serve customers, in both the rubber and non-rubber segments.

On the HDS front, the TREADSIL products received customer approval from tyre customers that the Company has been working with in the past. The Company has also significantly deepened its techno-commercial engagement with leading tyre companies to ensure ramp-up of commercial supplies of existing products in FY 2020-21 and co-development of next-gen HDS portfolio to meet the evolving needs of the tyre industry. Additionally, the Company launched TAFOSIL, its new brand of functionalised silica for high-performance non-tyre rubber applications.

Nano Zinc Oxide

Under the Specialty Products portfolio, the Company has also entered into the production of Nano Zinc Oxide (nZnO), which was developed at the Innovation Centre in Pune and finds multiple applications for its anti-microbial, anti-fungus and UV blocking properties. The Company collaborated with a customer to harness the anti-microbial and anti-viral properties of nZnO amidst the pandemic. Currently, it is finding use in face masks as an added layer of protection against Covid-19. The Company is presently working with Paints, Coatings & Adhesives, Plastics & Polymers and Personal Care & Cosmetics industries to build the portfolio. The Company would be focussing around nano-materials linked to nano-adhesives and nano formulations aimed at anti-viral and anti-microbial application.

2.4 Energy Sciences

In line with the Company's strategy to grow its Specialty Products Business, the Company is exploring entry into the Lithium-ion battery sector with cell chemistries optimised to meet Indian applications. The Government of India has been promoting the use of Electric Vehicles (EV) in the country through incentives, policy changes and own consumption with a view to achieve a major shift to EVs by 2030.

As initial steps in this direction, the Company intends to set up pilot plants for Li-ion Batteries, Cathode Actives and Li-Recycling, primarily for the EV transformation in India. Through established collaborations with Central Electro Chemical Research Institute ('CECRI'), Indian Space Research Organisation ('ISRO') and Centre for Materials for Electronics Technology ('CMET'), the Company has made its own indigenous active materials, cylindrical cells and recycled material from spent Lithium-ion batteries. It has invested in a site measuring 127 acres at Dholera, Gujarat, to house its future manufacturing facilities. The Company has also started its engineering centre at Pune, focussed on e-mobility and stationary applications for the Indian market. It is exploring tie ups with global majors for state-of-the-art cell manufacturing technologies and also with leading technology startups to co-develop next chemistries suited for India.

Finance

During the year, the Company continued to pay close attention to the security and liquidity of its cash surplus investments. Earnings from the cash surplus investments during the year amounted to ₹ 162.20 crore (FY 2018-19: ₹ 254.41 crore) amid a softening interest rate scenario and the partial utilisation of the available cash pool. The working capital management was given focus throughout the year.

In July 2019, 10% Unsecured Non-Convertible Debentures of ₹ 250 crore were redeemed and repaid in full along with accrued interest on the due date. During October 2019, the Company repaid, upon maturity, the final instalment of US\$ 63.46 million for the US\$ 190 million external commercial borrowings raised during FY 2013-14.

The gross outstanding balance of subsidy receivables from the Government of India pertaining to the erstwhile fertilisers business of the Company, as on March 31, 2020 was ₹ 120.09 crore (March 31, 2019: ₹ 282.45 crore).

During the year under review, Valley Holdings, Inc., the US based subsidiary of the Company, raised an external bridge loan of US\$ 175 million to partly fund the acquisition of the remaining 25% partnership interest in Tata Chemicals (Soda Ash) Partners Holdings.

Dividends from subsidiaries/joint ventures

During FY 2019-20, Rallis India Limited, a subsidiary of the Company and IMACID, a joint venture, paid dividends of ₹ 24.34 crore (FY 2018-19: ₹ 24.34 crore) and ₹ 72.24 crore (FY 2018-19: ₹ 58.43 crore) respectively to the Company. Tata Chemicals North America Inc., a step-down overseas subsidiary of the Company, paid a dividend of US\$ 30.14 million (FY 2018-19: US\$ 20 million), which was used towards the operational requirements and external

finance costs at Tata Chemicals International Pte. Ltd, Singapore and other group companies.

Another step-down overseas subsidiary of the Company, Tata Chemicals South Africa (Proprietary) Limited paid a dividend equivalent to US\$ 1.28 million (FY 2018-19: US\$ 1.42 million) during the year.

Credit Ratings

Upon redemption of Non-Convertible Debentures of ₹ 250 crore, the related credit rating is not required by the Company. There being no other change in the credit ratings, the Company as on March 31, 2020 had the following credit ratings:

- Long Term Corporate Family Rating of Ba1/Stable from Moody's Investors Service
- Long Term Issuer Default Rating (IDR) of BB+ with Stable outlook from Fitch Ratings
- Long Term bank facilities (fund-based limits) of ₹ 1,897 crore and short term bank facilities (non-fund based limits) of ₹ 2,448 crore are rated at CARE AA+ (Outlook: Stable) and CARE A1+, respectively, by CARE Ratings
- Commercial Paper of ₹ 600 crore is rated at CRISIL A1+ by CRISIL Ratings

As on March 31, 2020, the credit ratings of Tata Chemicals North America, Inc. were as under:

- A Corporate Family Rating and rating on proposed US\$ 380 million senior secured term loan & US\$ 25 million senior secured revolving credit facility: Ba3/Stable from Moody's Investors Service
- Issuer Credit Ratings of B+/Stable and issue-level rating of 'BB' on proposed US\$ 380 million term loan B & US\$ 25 million revolving credit facility from S&P Global

Management Discussion and Analysis

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Management Discussion and Analysis is presented in a separate section forming part of this Annual Report. As required under the provisions of the Listing Regulations, the Audit Committee of the Company has reviewed the Management Discussion and Analysis report of the Company for the year ended March 31, 2020.

Business Responsibility Report

Pursuant to Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report initiatives taken from an

environmental, social and governance perspective in the prescribed format is available as a separate section of this Annual Report.

Related Party Transactions

The Company has formulated a Policy on Related Party Transactions and manner of dealing with related party transactions which is available on the Company's website at the link: <https://www.tatachemicals.com/RPTPolicy.htm>.

All related party transactions entered into during FY 2019-20 were on an arm's length basis and in the ordinary course of business. No material related party transactions were entered into during the financial year by the Company. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Act in Form AOC-2 is not applicable to the Company for FY 2019-20.

All transactions with related parties were reviewed and approved by the Audit Committee. Prior omnibus approval is obtained for related party transactions which are of repetitive nature and entered in the ordinary course of business and on an arm's length basis. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the internal audit team. Thereafter, a statement giving details of all related party transactions, entered pursuant to omnibus approval so granted, is placed before the Audit Committee on a quarterly basis for its review.

The details of the transactions with related parties are provided in the accompanying Financial Statements.

Risk Management Policy

The Risk Management Policy of the Company provides the framework of Enterprise Risk Management by describing mechanisms for the proactive identification and prioritisation of risks based on the scanning of the external environment and continuous monitoring of internal risk factors. Analysis of the risks identified is carried out by way of focussed discussion at the meetings of the empowered Risk Management Group (Senior Leadership Team), respective Business level/Subsidiary level Committee and Risk Management Committee ('RMC') of the Board.

The robust governance structure has also helped in the integration of the Enterprise Risk Management process with the Company's strategy and planning processes where emerging risks are used as inputs in the strategy and planning process. Identified risks are used as one of the key inputs in the strategy and business plan. The risk management process has been implemented across geographies and businesses.

The Company has a RMC of the Board in place to oversee the risk management process in the Company. The RMC meets quarterly to review key strategic and operational risks and assess the status of mitigation measures. RMC assists the Audit Committee and the Board of Directors in overseeing the Company's risk management processes and controls.

Some of the risks identified are set out in the Management Discussion and Analysis which forms part of this Annual Report.

Corporate Social Responsibility

The Corporate Social Responsibility ('CSR') activities of the Company are governed by the Corporate Social Responsibility Committee (erstwhile CSR, Safety and Sustainability Committee) of the Board. The Corporate Social Responsibility Policy ('CSR Policy') approved by the Board guides in designing CSR activities for improving quality of life of society and conserving the environment and biodiversity in a sustainable manner.

The Company has adopted a participatory approach in designing need based CSR programmes which are implemented through Tata Chemicals Society for Rural Development ('TCSRSD'), Okhai Centre for Empowerment, Uday Foundation, Ncourage Social Enterprise Foundation and in partnership with various government and non-government institutions. The Company carried out its CSR activities in Gujarat, Uttar Pradesh, West Bengal, Tamil Nadu, Andhra Pradesh, Maharashtra, Madhya Pradesh, North Eastern states, etc.

The Company has an integrated approach to community development which helps in touching all aspects of society such as livelihood, education, health, environment and empowerment of the weaker section of the society especially women, scheduled caste and scheduled tribes. The Company's programme framework linked to UN SDGs (Sustainability Development Goals) 1, 2, 3, 4, 5, 6, 7, 10, 13, 14, 15 & 17 has the following elements viz. building economic capital, ensuring environmental integrity, enablers for social, economic and environmental development and building social capital.

To further our efforts and reach to a larger community, the Company has created two centres of excellence – Centre for Sustainable Agriculture & Farm Excellence (C-SAFE) through its subsidiary Rallis and Centre for Sustainable Conservation Action for Protection of Ecosystems of the Seas (C-SCAPES), which focus on scientific research, piloting models, advocacy, capacity building and field implementation through multi stakeholder engagement.

To create self-sustaining models of development, the Company has set up social enterprises, Okhai and Ncourage Social Enterprise Foundation to help in creating livelihood options for the communities.

Building economic capital: The Company focusses on poverty alleviation and creating livelihoods, both linked to farm and non-farm activities.

Farm based livelihoods: The Company focusses on promoting livelihood opportunities and enhancing the quality of life of the rural households dependent on agriculture and allied activities. The programme has been designed to improve the land and introduce improved agriculture development initiatives and livestock management systems. The key initiatives include Unnati and Kasturi programmes. The Kasturi initiative helps in developing women farmers in self-leadership, family management and ability to serve as community catalyst in Agripreneurship.

Non-Farm based livelihoods: The Company encourages and helps build functional education and skills necessary for sustainable socio-economic development of individuals. The Company also runs skill development programmes in different locations to train unemployed youths to facilitate in their employment or entrepreneurial development. The Company has set up Technical Training Institute at Mithapur and also supports the Tata Strive Centre in running the skill development centre at Aligarh and the Industrial Training Institute (ITI) at Dwarka.

Okhai & cluster development programme focusses on promoting livelihood of the rural artisans by enhancing their skills and establishing market linkage to the handicraft and other products produced locally in the rural areas. The programme started from Mithapur, Gujarat and has been scaled up in other states of India like Uttar Pradesh, Maharashtra, Kerala, etc. Okhai is the flagship programme which at present is working with more than 2,360 artisans across India. The Company works with more than 240 women self-help groups and facilitate women participation in different economic activities.

Ensuring Environmental Integrity: The Company's main focus is on Natural Resource Management & Environmental Conservation. Key programmes include land and water management activities, waste management, preservation of biodiversity and mitigation of climate change impacts. During FY 2019-20, under the Swachh Bharat Abhiyan, the Company set up a dry waste processing plant at Mithapur. The Company also initiated activities through the Centre for Sustainable Conservation Action for Protection of Ecosystems of the Seas (C-SCAPES), which was established in the 150th year of the Tata Group.

Enablers for social, economic and environmental development: The enablers for social, economic and environmental development are good health and well-being, education, safe water and sanitation. The Company's key

programme is the Holistic Nutrition Programme which targets the first 1,000 days of a child. Additionally in the neighbourhood, the Company conducts regular health and nutrition camps that also promote herbal kitchen garden for overall wellness.

The education programme focusses on students starting from primary to the post-graduation level. Education support is provided for 100% enrolment of children and improving quality of education through e-library, Learning Enhancement Programme (LEP), teacher training, scholarships, SNTD (Shreemati Nathibai Damodar Thackersey Women's University) Centre, etc.

An important intervention is the Company's effort to promote clean and safe drinking water and good sanitation. The Company helps to provide clean water through roof rainwater harvesting structures, repair of hand pumps, supporting households with water purifier systems through Samridhhi and Swachh Tarang Project.

Building Social Capital: Building the Social Capital for long term sustainability is a key cross-cutting theme in all these programmes. Women empowerment, reducing inequality of marginalised communities (through Affirmative Action), partnerships for achieving goals and setting up sustainable social enterprise models (Okhai and Ncourage) are key methods for achieving the same. The Company undertakes Affirmative Action programme, which focusses on improving the lives of the marginalised population through its employment, employability, entrepreneurship development, education and essential amenities initiatives.

The international presence of the Company also helps raise funds for charities that support health care, education and biodiversity conservation.

The Company also responds to disasters that hit any part of India.

CSR initiatives in the wake of Covid-19

Towards the end of the financial year, the Company took various initiatives towards financial, medical and community support in the fight against Covid-19 pandemic. This included financial support towards the relief funds of state governments, providing sodium hydrochloride, hand sanitizers, medical infrastructure, supply of dry ration, driver kit, hygiene kit, distribution of masks, awareness drives, etc. In addition to this, voluntary contributions by the Company as well as its employees were also made to the Tata Community Initiatives Trust for contribution towards the said purpose.

The Annual Report on CSR activities is annexed as **Annexure 2** to this Report.

Whistleblower Policy and Vigil Mechanism

The Company has adopted a Whistleblower Policy and Vigil Mechanism to provide a formal mechanism to the Directors, Employees and its Stakeholders to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. Protected disclosures can be made by a whistleblower through several channels. The Policy provides for adequate safeguards against victimisation of employees who avail of the mechanism and also provides for direct access to the Chairperson of the Audit Committee. No personnel of the Company has been denied access to the Audit Committee. The Whistleblower Policy also facilitates all employees of the Company to report any instance of leak of Unpublished Price Sensitive Information.

The Policy is also posted on the website of the Company at: <https://www.tatachemicals.com/WhistleblowerPolicy.htm>.

Prevention of Sexual Harassment ('POSH')

As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('POSH Act') and Rules made thereunder, the Company has formed Internal Complaints Committee ('ICC') for its workplaces to address complaints pertaining to sexual harassment in accordance with the POSH Act. The Company has a policy for prevention of Sexual Harassment, which ensures a free and fair enquiry process with clear timelines for resolution.

This year, one concern was reported which was investigated and appropriate action was taken.

To build awareness in this area, the Company has been conducting awareness sessions during induction, periodically through classroom sessions and online modules. It includes regular employees, third-party employees, and contract workmen. A special awareness programme was organised for the recently re-constituted ICC members and POSH champions in March 2020.

Particulars of Loans, Guarantees and Investments

The Company has not given any loans during the year under review. The Company has not made any investments during the year. During the year, the Company has provided additional corporate guarantee of US\$ 57.60 million to Tata Chemicals Magadi Limited, a wholly owned subsidiary of the Company.

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Act are given in the notes to the Financial Statements.

Consolidated Financial Statements

The Consolidated Financial Statements of the Company and its subsidiaries for FY 2019-20 are prepared in compliance with the applicable provisions of the Act and as stipulated under Regulation 33 of the Listing Regulations as well as in accordance with the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015. The Audited Consolidated Financial Statements together with the Auditor's Report thereon forms part of this Annual Report.

Pursuant to the provisions of Section 136 of the Act, the Financial Statements of the Company, Consolidated Financial Statements along with relevant documents and separate annual accounts in respect of subsidiaries are available on the website of the Company.

The annual accounts of the subsidiaries and related detailed information will be made available to investors seeking information till the date of the AGM.

Subsidiary Companies and Joint Ventures

As on March 31, 2020, the Company had 35 (direct and indirect) subsidiaries (4 in India and 31 overseas) and 5 joint ventures.

With a view to reduce the number of subsidiaries and rationalising the Tata Chemicals group structure, there were following changes pertaining to subsidiaries during the year:

- During the year, the Company through its wholly-owned subsidiary, Valley Holdings Inc., acquired the remaining 25% partnership interest in Tata Chemicals (Soda Ash) Partners Holdings in the United States. With this acquisition, the Company has increased its ownership to 100% on December 19, 2019.
- The NCLT, Mumbai Bench, and NCLT, Bengaluru Bench vide their Orders dated December 20, 2019 and November 11, 2019 respectively, sanctioned the Scheme of Merger by absorption of Metahelix with Rallis and their respective shareholders. The certified copies of the Orders were filed with the jurisdictional Registrar of Companies and accordingly, Metahelix, a step-down subsidiary of the Company, has merged with Rallis India Limited and ceased to be a subsidiary of the Company effective February 1, 2020.
- The NCLT Mumbai Bench, on April 23, 2020, sanctioned the Scheme of Merger by Absorption between the Company and Bio Energy Venture-1 (Mauritius) Pvt. Ltd. ('Bio-1'), a wholly owned subsidiary of the Company ('Scheme'), with an Appointed Date of April 1, 2019. The Scheme is subject to the approval of the regulatory authorities at Mauritius.

- NCLT Mumbai, vide its Order dated February 20, 2020, sanctioned the Scheme of Amalgamation of Zero Waste Agro Organics Limited with Rallis ('Scheme'). The certified copy of the Order of NCLT sanctioning the Scheme is awaited. The Scheme will be made effective upon filing of the certified copy of the Order with the Registrar of Companies, Maharashtra.
- Rallis Chemistry Exports Limited, wholly owned subsidiary of Rallis, had made an application to the Registrar of Companies for removal of its name from the register of companies, for which approval is awaited.

The Company's Policy on determining material subsidiaries, as approved by the Board, is uploaded on the Company's website at <https://www.tatachemicals.com/MaterialSubsPolicy.htm>.

A report on the financial position of each of the subsidiaries and joint ventures as per the Act is provided in Form AOC-1 attached to the Financial Statements.

Details of Significant and Material Orders

No significant and material orders were passed by the regulators or the courts or tribunals impacting the going concern status and Company's operations in future.

Internal Financial Controls

Internal financial control systems of the Company are commensurate with its size and the 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 and relevant statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The Company has a well-defined delegation of authority with specified limits for approval of expenditure, both capital and revenue. The Company uses an established ERP system to record day-to-day transactions for accounting and financial reporting.

The Audit Committee deliberated with the members of the management, considered the systems as laid down and met the internal auditors and statutory auditors to ascertain, their views on the internal financial control systems. The Audit Committee satisfied itself as to the adequacy and effectiveness of the internal financial control system as laid down and kept the Board of Directors informed. However, the Company recognises that no matter how the internal control framework is, it has inherent limitations and accordingly, periodic audits and reviews ensure that such systems are updated on regular intervals.

Details of internal control system are given in the Management Discussion and Analysis Report, which forms part of this Annual Report.

Governance and Compliance

The Secretarial and Legal functions of the Company ensure maintenance of good governance within the organisation. They assist the business in functioning smoothly by being compliant at all times and providing strategic business partnership in the areas including legislative expertise, corporate restructuring, regulatory changes and governance.

The Company has in place an online compliance management system for monitoring the compliances across its various plants and offices which gets reviewed at the Audit Committee once in a year.

Directors and Key Managerial Personnel

Directors

Appointment

Pursuant to the recommendations of the Nomination and Remuneration Committee ('NRC'), the Board of Directors appointed Dr. C. V. Natraj and Mr. K. B. S. Anand as Additional Directors of the Company with effect from August 8, 2019 and October 15, 2019 respectively, in accordance with Article 133 of the Company's Articles of Association and Section 161(1) of the Act. They hold office upto the date of the forthcoming AGM and a Notice under Section 160(1) of the Act has been received from a Member signifying the intention to propose their appointment as Directors. Further, based on the recommendations of NRC, the Board also appointed Dr. C. V. Natraj and Mr. K. B. S. Anand as Independent Directors of the Company for a period of five consecutive years w.e.f. August 8, 2019 and October 15, 2019 respectively subject to approval of the Members at the ensuing AGM.

The Board recommends the appointment of Dr. C. V. Natraj and Mr. K. B. S. Anand as Independent Directors of the Company by way of an Ordinary Resolution.

Cessation

During the year under review, Mr. Nasser Munjee and Dr. Y. S. P. Thorat, Independent Directors of the Company, who were appointed at the 75th Annual General Meeting of the Company held on August 21, 2014 for a period of 5 years, completed their tenure as Independent Directors of the Company on August 20, 2019. The Board places on record its appreciation for their invaluable contribution and guidance during their tenure as Independent Directors.

Re-appointment

In accordance with the provisions of Section 152 of the Act and the Articles of Association of the Company, Mr. R. Mukundan, Managing Director & CEO of the Company, retires by rotation at the ensuing AGM and being eligible, has offered himself for re-appointment.

During the year under review, the Members re-appointed Ms. Vibha Paul Rishi as an Independent Director of the Company for a second term of five years from September 1, 2019 to August 31, 2024, by passing a Special Resolution.

Independent Directors

In terms of Section 149 of the Act, Ms. Vibha Paul Rishi, Ms. Padmini Khare Kaicker, Dr. C. V. Natraj and Mr. K. B. S. Anand are the Independent Directors of the Company. The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1) (b) of the Listing Regulations and are independent from the management. The Independent Directors of the Company hold office for a term of five years or until completion of 75 years, whichever is earlier. They are not liable to retire by rotation in terms of Section 149(13) of the Act.

The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise in the fields of science and technology, digitalisation, human resources, strategy, auditing, tax and risk advisory services, financial services, corporate governance, etc. and that they hold highest standards of integrity.

The Independent Directors of the Company have undertaken requisite steps towards the inclusion of their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

Details of Familiarisation Programme for the Independent Directors are provided separately in the Corporate Governance Report which forms a part of this Annual Report.

Key Managerial Personnel ('KMP')

In terms of the provisions of Section 2(51) and Section 203 of the Act, the following are the KMP of the Company:

- Mr. R. Mukundan, Managing Director & CEO
- Mr. Zarir Langrana, Executive Director
- Mr. John Mulhall, Chief Financial Officer
- Mr. Rajiv Chandan, General Counsel & Company Secretary

Governance Guidelines

The Company has adopted the Governance Guidelines on Board Effectiveness to fulfill its corporate governance responsibility

towards its stakeholders. The Governance Guidelines cover aspects relating to composition and role of the Board, Chairman and Directors, Board diversity, definition of independence, Director term, retirement age and Committees of the Board. It also covers aspects relating to nomination, appointment, induction and development of Directors, Director's remuneration, subsidiary oversight, code of conduct, review of Board effectiveness and mandates of Committees of the Board.

Procedure for Nomination and Appointment of Directors

The NRC is responsible for developing competency requirements for the Board based on the industry and strategy of the Company. The Board composition analysis reflects in-depth understanding of the Company, including its strategies, environment, operations, financial condition and compliance requirements.

NRC conducts a gap analysis to refresh the Board on a periodic basis, including each time a Director's appointment or re-appointment is required. The Committee is also responsible for reviewing the profiles of potential candidates vis-à-vis the required competencies and meeting potential candidates, prior to making recommendations of their nomination to the Board. At the time of appointment, specific requirements for the position, including expert knowledge expected, is communicated to the appointee.

During FY 2018-19, the Board had also identified the list of core skills, expertise and competencies of the Board of Directors as are required in the context of the businesses and sectors applicable to the Company and those actually available with the Board. The Company has also mapped each of the skills, expertise and competencies against the names of the Board Members possessing the same.

Scientific Advisory Board

The Board has constituted a Scientific Advisory Board consisting of scientists with relevant domain expertise under the Chairmanship of Dr. C. V. Natraj, Independent Director of the Company with a view to synergise the Research & Development initiatives at the Company's Innovation Centre and Research & Development Centres (crop care and seeds respectively) of Rallis India Limited. Further details in this regard are provided in the Corporate Governance Report.

Criteria for determining Qualifications, Positive Attributes and Independence of a Director

The NRC has formulated the criteria for determining qualifications, positive attributes and independence of Directors in terms of provisions of Section 178 (3) of the Act and the Listing Regulations. The relevant information has been given in **Annexure 3** which forms part of this Report.

Board Evaluation

The Board has carried out the annual evaluation of its own performance and that of its Committees and individual Directors for the year pursuant to the provisions of the Act and the corporate governance requirements prescribed under the Listing Regulations.

The performance of the Board and individual Directors was evaluated by the Board 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. The performance of the Committees was evaluated by the Board after seeking inputs from the Committee Members. The criteria for performance evaluation of the Committees was based on the Guidance Note issued by SEBI on Board Evaluation which included aspects such as structure and composition of committees, effectiveness of committee meetings, etc.

In a separate meeting, the Independent Directors evaluated the performance of Non-Independent Directors and performance of the Board as a whole. They also evaluated the performance of the Chairman (as elected by the Board for each meeting of the Board of Directors) taking into account the views of Executive Directors and Non-Executive 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.

Significant highlights, learning and action points with respect to the evaluation were discussed by the Board. Appropriate actions are taken on the suggestions made by the Board during the Annual Evaluation process and presented to the Board.

Remuneration Policy

The Company has in place a Remuneration Policy for the Directors, KMP and other employees pursuant to the provisions of the Act and the Listing Regulations which is set out in **Annexure 4** forming part of this Report.

Directors' Responsibility Statement

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s), including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by the Management and the relevant Board Committees, including the Audit Committee, the Board is

of the opinion that the Company's internal financial controls were adequate and effective during FY 2019-20.

Accordingly, pursuant to Section 134(5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that for the year ended March 31, 2020:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed pursuant to the provisions of Section 134 of the Act read with the Companies (Accounts) Rules, 2014, are provided in **Annexure 5** to this Report.

Particulars of Employees

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ('Rules') are enclosed as **Annexure 6** to this Report.

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Rules forms part of this Report. Further, the Report and the Accounts are being sent to the Members excluding the aforesaid

statement. In terms of Section 136 of the Act, the said statement will be open for inspection upon request by the Members. Any Member interested in obtaining such particulars may write to the Company Secretary at investors@tatachemicals.com.

Auditors

I. Statutory Auditors

At the AGM held on August 9, 2017, B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022) were appointed as Statutory Auditors of the Company for a period of five consecutive years.

Further, the report of the Statutory Auditors along with notes to Schedules is a part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report.

II. Cost Auditors

As per Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014, the Company is required to prepare, maintain as well as have the audit of its cost records conducted by a Cost Accountant and accordingly it has made and maintained such cost accounts and records. The Board on the recommendation of the Audit Committee has appointed D. C. Dave & Co., Cost Accountants (Firm Registration No. 000611) as the Cost Auditors of the Company for FY 2020-21 under Section 148 and all other applicable provisions of the Act.

D. C. Dave & Co. have confirmed that they are free from disqualification specified under Section 141(3) and proviso to Section 148(3) read with Section 141(4) of the Act and that the appointment meets the requirements of Section 141(3) (g) of the Act. They have further confirmed their independent status and an arm's length relationship with the Company.

The remuneration payable to the Cost Auditors is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a resolution for seeking Members' ratification for the remuneration payable to D. C. Dave & Co. is included at Item No. 7 of the Notice convening the AGM.

III. Secretarial Auditor

In terms of Section 204 of the Act and Rules made thereunder, Parikh & Associates, Practicing Company Secretaries, have been appointed as Secretarial Auditors of the Company to carry out the secretarial audit for FY 2020-21. The report of the Secretarial Auditors for FY 2019-20 is enclosed as **Annexure 7** to this Report.

There has been no qualification, reservation, adverse remark or disclaimer given by the Secretarial Auditor in their Report.

Reporting of Fraud

During the year under review, the Statutory Auditors, Cost Auditors and Secretarial Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees, to the Audit Committee under Section 143(12) of the Act details of which needs to be mentioned in this Report.

Other Disclosures

I. Details of Board Meetings

During the year under review, nine (9) Board Meetings were held, details of which are provided in the Corporate Governance Report.

II. Composition of Audit Committee

During the year under review, the Audit Committee comprised four (4) Members out of which three (3) were Independent Directors and one (1) was a Non-Executive Director. During the year, ten (10) Audit Committee meetings were held, details of which are provided in the Corporate Governance Report. During the year under review, there were no instances when the recommendations of the Audit Committee were not accepted by the Board.

III. Composition of CSR, Safety and Sustainability Committee

A Meeting of CSR Safety and Sustainability Committee was held once during FY 2019-20 on June 4, 2019. Thereafter, the Board of Directors decided to split the said committee into two viz. CSR Committee and Safety, Health, Environment and Sustainability Committee with effect from August 8, 2019. Each of the two committees comprises four (4) Members out of which one (1) is an Independent Director. In addition to one meeting of CSR Safety and Sustainability Committee, two separate meetings of CSR Committee and Safety, Health, Environment and Sustainability Committee were held during the year under review, details of which are provided in the Corporate Governance Report.

IV. Secretarial Standards

The Directors have devised proper systems and processes for complying with the requirements of applicable Secretarial Standards issued by the Institute of Company Secretaries of India and that such systems were adequate and operating effectively.

Extract of Annual Return

Pursuant to Section 92(3) of the Act read with the applicable Rules, the extract of Annual Return in Form MGT-9 is attached as **Annexure 8** to this Report.

Further, the extract to the Annual Return of the Company can also be accessed on the Company's website at <https://www.tatachemicals.com/Investors/AGM-documents>.

Acknowledgements

The Directors wish to place on record their appreciation for the continued support and co-operation by Financial Institutions, Banks, Government Authorities and other stakeholders. Your Directors also acknowledge the support extended by the Company's Unions and all the employees for their dedicated service.

On behalf of the Board of Directors

Bhaskar Bhat
Director

Bengaluru, May 15, 2020

R. Mukundan
Managing Director & CEO

Mumbai, May 15, 2020