Atul Bioscience Ltd

Annual Report 2020-21

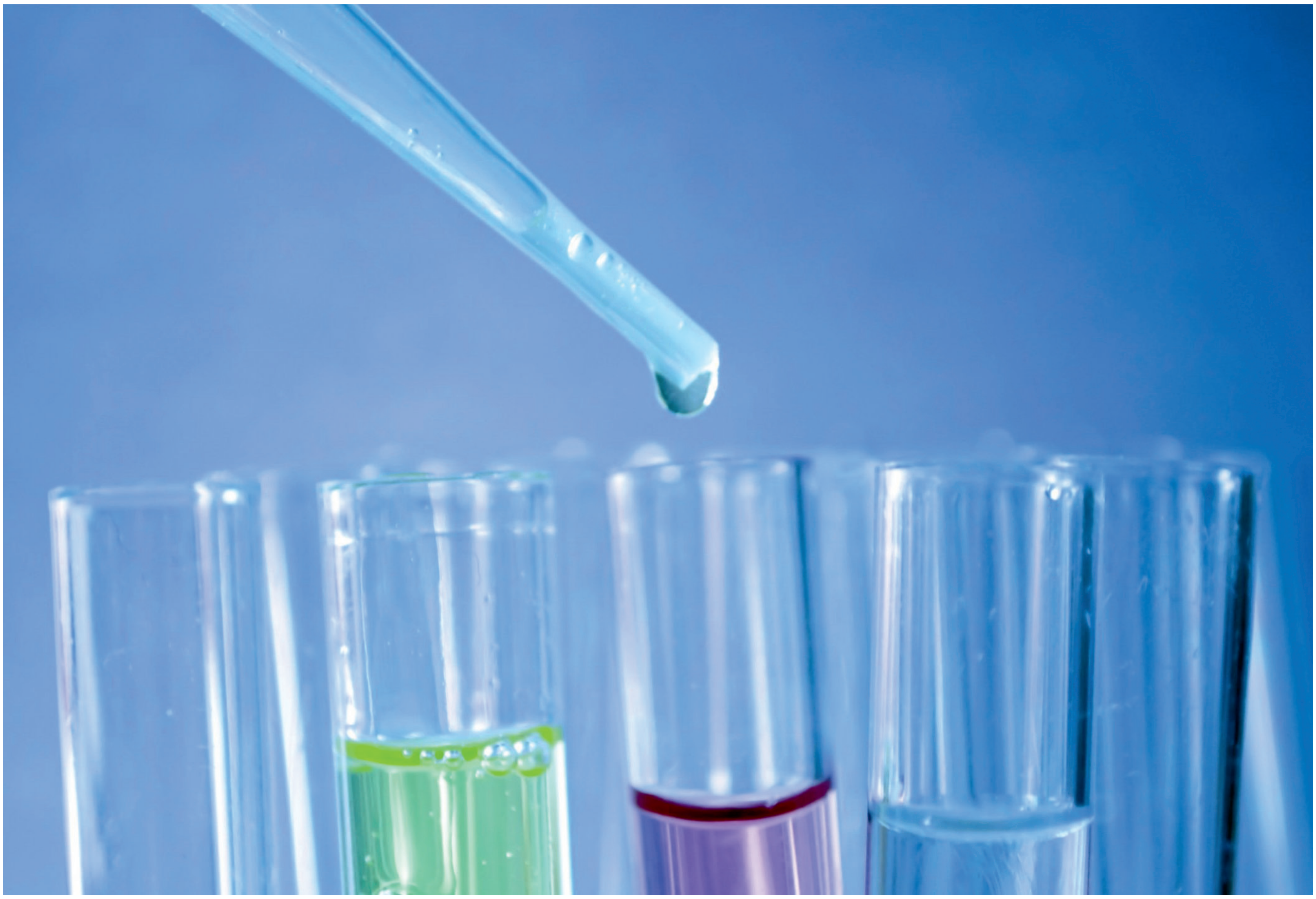
The logo of Atul Bioscience Ltd signifies our commitment to make available high quality life science chemicals - its double helix wherein two strands wind around each other like a twisted ladder reflect our aspiration to grow based on research and technology and serve customers across the world. The colours signal our core - a Company based out of India working with Values.

Contents

Innovation is created as a result of constructive conflict.
~ Jeff DeGraff

Forward looking statements

In this annual report, we have shared information and made forward looking statements to enable investors to know our product portfolio, business logic and direction and thereby comprehend our prospects. Such statements that we make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'believe', 'estimate', 'intend', 'plan', 'project' or words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised although we believe we have been prudent in our assumptions. The actual results may be affected because of uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialise or if underlying assumptions prove inaccurate, actual results may vary materially from those anticipated, believed, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



Atul Bioscience Ltd (ABL) is engaged in the manufacturing and marketing of active pharmaceutical ingredient (API) and their intermediates and serves customers belonging to the Pharmaceutical industry.

ABL is a wholly-owned subsidiary company of Atul Ltd, a member of Lalbhai Group, one of the oldest business houses in India.

The Company manufactures APIs and their intermediates for different therapeutic areas, particularly, antiasthmatic, antidepressant, antidiabetic, antifungal, anti-infective, anti-inflammatory, antineoplastic, antiretroviral and cardiovascular. It is consistently adding to its manufacturing capacity to fulfil the growing demand of its customers.

Purpose

We are committed to significantly enhancing value for our stakeholders by:

fostering a spirit of continuous learning and innovation

adopting developments in science and technology

providing high quality product and services, thus becoming the most preferred partner

having people who practice Values and exemplify a high standard of behaviour

seeking sustained, dynamic growth and securing long-term success

taking responsible care of the surrounding environment

improving the quality of life of the communities we operate in

Values

In an environment where change is a way of life, continuity of Values provides stability and is fundamental to us. We have therefore formalised key Values and are committed to institutionalising them. We will seek to create an environment wherein these Values are consistently practised and nurtured and ensured that they are not compromised.

INTEGRITY

Working with honesty, following the highest standards of professionalism. Integrity is when our decisions and actions remain consistent with our thoughts and words, written or spoken.

UNDERSTANDING

How well we work with others depends on our ways to connect and this in turn is based on our level of Understanding of human relationships. This certainly does not mean that we accept poor performance, but that we do it the right way. Understanding is the external manifestation of internal realisation.

UNITY

Working together and taking advantage of synergy while harnessing unique abilities of each of us to achieve a larger goal. Unity is the realisation that though we may work in different areas, we are finally interconnected and that interdependence is a higher order of living than independence. Though we may be many, we share a common purpose.

RESPONSIBILITY

Delivering value and taking ownership of actions. Responsibility must also give us the realisation that what is good for the business must be in the overall good. In essence, we must work with a spirit of trusteeship for the shareholders and other stakeholders. What comes to us must be returned many times over.

EXCELLENCE

A drive that is more from inside than outside; it is about us seeking to continuously improve and develop an eye for innovation even in day to day work. Excellence is about excelling in everything we do and not giving up. Excellence is also a journey, not simply a destination in itself.

Board of Directors

Sunil Lalbhai

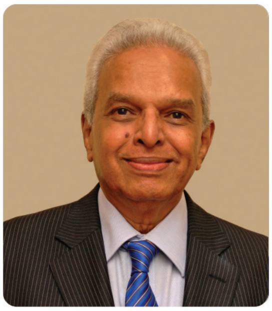
Prabhakar Chebiyyam

Gopi Kannan Thirukonda

Sharat Tripathi

Pramod Lele

Rangaswamy Iyer



Ajit Dangi

Astha Lalbhai

Dear Members,

The Board of Directors (Board) presents the annual report of Atul Bioscience Ltd together with the audited Financial Statements for the year ended March 31, 2021.

01. Financial results

(₹ lakhs)

	2020-21	2019-20
Sales	14,231	10,488
Revenue from operations	14,335	10,679
Other income	30	24
Total revenue	14,365	10,703
Profit | (Loss) before tax	675	(201)
Provision for tax	191	73
Profit | (Loss) for the year	484	(128)
Balance brought forward	1,686	1,909
Transfer from comprehensive income	-	(3)
Disposable surplus	2,170	1,778
Less:		
Dividend	-	76
Dividend distribution tax (net)	-	16
Balance carried forward	2,170	1,686

02. Performances

Sales increased by 35.69% from to ₹10,488 lakhs to ₹ 14,231 lakhs. Sales in India increased by 28% from ₹ 8,813 lakhs to ₹ 11,236 lakhs. Sales outside India increased by 28% from ₹1,675.67 lakhs to ₹ 2,146.97 lakhs. Profit before tax increased more than 100% from ₹ (201) lakhs to ₹ 675 lakhs. The earnings per share increased from ₹ (0.45) to ₹ 1.67 while the operating profit before working capital increased by 71% from ₹ 1,292 lakhs to ₹ 2,214 lakhs, the net cash flow from operating activities increased by 315% from ₹ 312 lakhs to ₹ 1,294 lakhs.

The borrowings of the Company increased (including current maturities of long-term borrowings) by 14% from ₹ 6,879 lakhs to ₹ 7,833 lakhs.

03. Dividend

The Board does not recommend dividend for the period in order to conserve the profit for future growth.

04. Conservation of energy, technology absorption, foreign exchange earnings and outgo

Information required under Section 134 (3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, as amended from time to time, forms part of this report, which is given at page number 10.

05. Insurance

The Company has taken adequate insurance to cover the risks to its employees, property (land and building), plant, equipment, other assets and third parties.

06. Risk management

The Company has developed and implemented a comprehensive risk management system to ensure that risks to the continued existence of the Company as a going concern and to its growth are identified and remedied on a timely basis. The Board periodically reviews the risk management framework.

07. Internal financial controls

The Management assessed the effectiveness of the internal financial controls over financial reporting as of March 31, 2021, and the Board believes that the controls are adequate.

08. Fixed deposits

During 2020-21, the Company did not accept any fixed deposits.

09. Loans, guarantees, investments and security

Particulars of loans, guarantees, investments and security provided during 2020-21 are given at page number 59.

10. Subsidiary, associate and joint venture company

The Company does not have any subsidiary, associate or joint venture company.

11. Related party transactions

All the transactions entered into with the related parties were in ordinary course of business and on arm's length basis. Details of such transactions are given at page number 63. No transactions were entered into by the Company which required disclosure in Form AOC-2.

12. Corporate social responsibility

Composition of the Corporate Social Responsibility (CSR) Committee, the CSR Policy and the CSR Report are given at page number 11.

13. Annual return

Annual return for 2020-21 is available on the website of the Company at www.atulbio.co.in

14. Auditors

Statutory Auditors

Deloitte Haskins & Sells LLP, Chartered Accountants were appointed as the Statutory Auditors of the Company at the 20th Annual General Meeting (AGM) held on June 07, 2017 until the conclusion of the 25th AGM.

The Auditors' Report for the financial year ended March 31, 2021 does not contain any qualification, reservation or adverse remark. The report is enclosed with the financial statements in this annual report.

Cost Auditors

The shareholders ratified the appointment of R Nanabhoy & Co as the Cost Auditors for 2020-21 on July 21, 2020.

15. Directors' responsibility statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Directors confirm that, to the best of their knowledge and belief:

15.1 In preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards have been followed and there are no material departures.

15.2 The accounting policies were selected and applied consistently and judgements and estimates were made that were 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 and loss of the Company for that period.

15.3 Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

15.4 The attached annual accounts for the year ended March 31, 2021 were prepared on a going concern basis.

15.5 Adequate internal financial controls to be followed by the Company were laid down and they were adequate and operating effectively.

15.6 Proper systems were devised to ensure compliance with the provisions of all applicable laws and the same were adequate and operating effectively.

16. Directors

16.1 Appointments | Reappointments | Cessations

16.1.1 According to Article 153 of the Articles of Association of the Company, Mr Sharat Tripathi (Director identification number: 01504237) who retires by rotation, and being eligible, offers himself for reappointment at the forthcoming AGM scheduled on July 26, 2021.

16.2 Policies on appointment and remunerations

16.2.1 Appointment

While recommending appointment of the Directors, the Nomination and Remuneration Committee considers the following factors:

i) Qualification: well-educated and experienced in senior leadership positions in industry | profession

ii) Traits: positive attributes and qualities

iii) Independence: criteria prescribed in Section 149(6) of the Companies Act, 2013 for the Independent Directors, including no pecuniary interest and conflict of interest

16.2.2 Remuneration of the Non-executive Directors

i) Sitting fees: up to ₹ 20,000 for attending a Board, Committee and any other meeting

ii) Commission: up to 1% of net profit as may be decided by the Board based on the following factors:

a. Membership of committee(s)

b. Profit

c. Attendance

d. Category (Independent or Non-independent)

16.2.3 Remuneration of Managing Director

This is given under para number 17.2.

16.3 Criteria and method of annual evaluation

16.3.1 The criteria for evaluation of performance of

a) the Non-independent Directors (Executive), b) the Non-independent Directors (Non-executive), c) the Independent Directors, d) the Chairman, e) the Committees of the Board and, f) the Board as a whole are summarised in the table given below:

16.3.2 The Independent Directors have carried out annual:

i) review of performance of the Non-independent Directors – Executive, ii) review of performance of the Non-independent Directors – Non executive, iii) review of performance of the Chairman, iv) assessment of quality, quantity and timeliness of the flow of information to the Board and v) review of performance of the Board as a whole.

16.3.3 The Board has carried out annual evaluation of performance of:

i) its Committees namely Audit, Nomination and Remuneration, Corporate Social Responsibility

ii) the Independent Directors

The templates for the above purpose were circulated in advance for feedback of the Directors.

17. Key Managerial Personnel and other employees

17.1 Appointments and cessations of Key Managerial Personnel

There were appointments | cessations of the Key Managerial Personnel during 2020-21. Mr Pranav Pophali ceased to be the Chief Financial officer effective April 24, 2020. Mr Pranesh Mallaya was appointed as the Chief Financial officer of the Company effective April 24, 2020 in place of Mr Pranav Pophali.

17.2 Remuneration

The Remuneration Policy of the Key Managerial Personnel and other employees consists the following:

17.2.1 Components:

i) Fixed pay

a) Basic salary

b) Allowances

c) Perquisites

d) Retirals

ii) Variable pay

17.2.2 Factors for determining and changing fixed pay:

i) Existing compensation

ii) Education

iii) Experience

iv) Salary bands

v) Performance

vi) Market benchmark

17.2.3 Factors for determining and changing variable pay:

i) Business performance

ii) Individual performance

iii) Grade

18. Analysis of remuneration

There is no employee who falls within the criteria provided in Sections 134(3)(q) and 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Thus, the disclosure of the information in respect thereof is not applicable.

19. Management Discussion and Analysis

The Management Discussion and Analysis covering performance of the Company is given at page number 15.

20. Corporate Governance Report

20.1 Statement of declaration given by the Independent Directors.

The Independent Directors have given declarations under Section 149(6) of the Companies Act, 2013.

20.2 Report

The Corporate Governance Report is given at page number 17. Details about the number of meetings of the Board held during 2020-21 are given at page number 20. The composition of the Audit Committee is given at page number 23.

All the recommendations given by the Audit Committee were accepted by the Board.

20.3 Secretarial standards

Secretarial standards as applicable to the Company were followed and complied with during 2020-21.

21. COVID-19

The COVID-19 pandemic is a worldwide crisis and has meant that the economies will have to operate alongside the disease.

The Company strictly followed the guidelines issued by the local, state and central governments and also went beyond to protect the health and well-being of its workforce and ensured minimum disruption to its customers. Despite this, the sales of the Company in the first quarter were affected due to the pandemic.

The Company provided support to its employees and their families to undergo vaccination.

22. Acknowledgements

The Board expresses its sincere thanks to all the employees, customers, suppliers, investors, lenders, regulatory and government authorities for their support.

For and on behalf of the Board of Directors

Atul
July 16, 2021

(Sunil Siddharth Lalbhai)
Chairman

Evaluation of	Evaluation by	Criteria
Non-independent Directors (Executive)	Independent Directors	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Transparency, Communication, Business leadership, Investor relations
Non-independent Directors (Non-executive)	Independent Directors	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Transparency, Communication, Preparedness, Participation and Value addition
Independent Directors	All other Board Members	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Transparency, Communication, Preparedness, Participation and Value addition
Chairman	Independent Directors	Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Transparency, Communication, Business leadership and Meeting conduct
Committees	Board Members	Composition, Process and Dynamics
Board as a whole	Independent Directors	Composition, Process and Dynamics

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1. Conservation of energy, technology absorption and foreign exchange earnings and outgo

1.1 Conservation of energy

1.1.1 Measures taken:

i) optimisation of operations of chilled water pumps during reactions

ii) monitoring and maintaining optimum level of temperatures

1.1.2 Additional investments and proposals, if any, being implemented: nil

1.2 Technology absorption

1.2.1 Research and Development

i) Specific areas in which Research and Development (R&D) was carried out by the Company:

The Company focused its R&D efforts on process improvement of its existing products, recovery of products from pollutants and process development of new products. The R&D department also helped in troubleshooting in manufacturing departments.

ii) Benefits derived from R&D:

The Company was able to increase yield, decrease consumption of raw materials and solvents, recover products from pollutants and introduce new products.

iii) Future plan:

The Company plans to invest further in people and equipment so as to strengthen its R&D initiatives and thereby enhance its capability to sustain future growth.

iv) R&D expenditure: nil

1.2.2 Technology absorption, adaptation and innovation

i) Efforts in brief, made towards technology absorption, adaptation and innovation:

The Company upgraded many of its processes and operations by imbibing new technology using more efficient equipment and introducing automation.

ii) Benefits derived as a result of the above efforts, for example, product improvement, cost reduction, product development and import substitution:

The above efforts have resulted in improvement in quality, increase in yields, increase in throughput and decrease in manpower.

iii) Technology, if any, imported during the last three years reckoned from the beginning of the financial year: The Company did not import any technology.

1.3 Foreign exchange earnings and outgo

1.3.1 Export sales: activities, development initiatives and future plan

The Company has started exploring the export market and sold its products in 18 countries. Sales outside India* increased by 28% from ₹ 1,675.67 lakhs from ₹ 2,146.97 lakhs of the previous year, mainly due to the Ambernath facility. The Company is taking further steps to strengthen its international marketing network.

*Free On Board (FOB) values

1.3.2 Total foreign exchange earnings and outgo

(₹ lakhs)

Particulars	2020-21	2019-20
Earnings		
Exports - FOB value	2,146.97	1,675.67
Outgo		
Payment for raw materials and capital goods	230.00	1,149.93
Payment for commission and others	18.00	18.41

2. Corporate social responsibility

2.1 Brief outline on CSR Policy of the Company

Policy, programs and scope

2.1.1 Policy

The Company will help enhance the quality of life of people belonging to the marginalised sections of the society and volunteer its resources to the extent it can reasonably afford to Atul Foundation and (or) other entities under its umbrella. The Foundation will particularly undertake projects in and around the locations where the Company operates.

2.1.2 Programs and scope

Atul Foundation will take up projects and | or carry out activities under three broad programs: i) Education and Empowerment, ii) Health and Relief and iii) Infrastructure and Conservation with varied scope of work.

i) Education and Empowerment

a) Establish and | or support schools

b) Establish and | or support colleges

c) Establish and | or support vocational institutes

d) Encourage sports

e) Promote integrated development of tribal areas

ii) Health and Relief

a) Enhance rural hygiene and sanitation

b) Establish mobile medical care facilities

c) Organise medical camps

d) Establish medical care centers

e) Assist during natural calamities

iii) Infrastructure and Conservation

a) Protect environment

b) Develop and | or maintain rural utilities

c) Develop and | or maintain rural amenities

d) Restore sites of historical importance

e) Promote use of renewable resources

2.2 Composition of the CSR Committee:

No.	Name of Directors	Designation | Nature of Directorship	Number of meetings held during the year	Number of meetings attended during the year
1	Mr Pramod Lele	Chairman | Independent	1	1
2	Mr Gopi Kannan Thirukonda	Member | Non-independent	1	1
3	Mr Sharat Tripathi	Member | Non-independent	1	1

2.3 Provide the URL where the composition of CSR Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company.

www.atulbio.co.in/investors/CSR.pdf

2.4 Impact assessment

not applicable

2.5 Details of the amount available for set-off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set-off for the financial year, if any: NA

Financial year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
-	-	-

2.6 Average net profit of the company as per Section 135(5):

₹ 16.60 lakhs

2.7 CSR obligation:

(₹ lakhs)

a)	Two percent of average net profit of the Company as per Section 135(5)	16.60
b)	Surplus arising out of the CSR projects or programs or activities of the previous financial years	Nil
c)	Amount required to be set-off for the financial year, if any	Nil
d)	Total CSR obligation for the financial year (a+b-c)	16.60

2.8 a) CSR amount spent or unspent for the financial year

(₹ lakhs)

	Amount unspent				
Total amount spent for the financial year	Total amount transferred to the Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount	Date of transfer	Name of the fund	Amount	Date of transfer
16.60	-	-	-	-	-

b) Details of CSR amount spent against ongoing projects for the financial year:

(₹ lakhs)

No.	Name of the project	Item from the list of activities in Schedule VII to the Act	Local area (yes | no)	Location of the project		Project duration	Amount allocated for the project	Amount spent in the current financial year	Amount transferred to the Unspent CSR Account for the project as per Section 135 (6)	Mode of implementation - direct (yes | no)	Mode of implementation - through implementing agency	
				State	District						Name	CSR Registration number
-	-	-	-	-	-	-	-	-	-	-	-	-

c) Details of CSR amount spent other than the ongoing projects for the financial year:

(₹ lakhs)

No.	Name of the project	Item from the list of activities in Schedule VII to the Act	Local area (yes | no)	Location of the project		Amount spent for the project	Amount transferred to the Unspent CSR Account for the project as per Section 135 (6)	Mode of implementation - Direct (yes | no)	Mode of implementation - through implementing agency	
				State	District				Name	CSR registration number
1	Renovation of anganwadi infrastructure (Model Anganwadi project)	Schedule VII(ii) promoting education	Yes	Gujarat	Valsad	16.60	NA	No	Atul Foundation	CSR00000635
	Total					16.60				

d) Amount spent in administrative overheads:
nil

e) Amount spent on impact assessment, if applicable:
NA

f) Total amount spent for the financial year (b+c+d+e):
₹16.60 lakhs

g) Excess amount for set-off, if any:
nil

(₹ lakhs)

No.	Particular	Amount
(i)	Two percent of average net profit of the Company as per Section 135(5)	16.60
(ii)	Total amount spent for the financial year	16.60
(iii)	Excess amount spent for the financial year [(ii)-(i)]	-
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous financial years, if any	-
(v)	Amount available for set-off in succeeding financial years [(iii)-(iv)]	-

2.9 (a) Details of the unspent CSR amount for the preceding three financial years:

(₹ lakhs)

Preceding financial year	Amount transferred to the Unspent CSR Account under Section 135 (6)	Amount spent in the reporting financial year	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any			Amount remaining to be spent in succeeding financial years
			Name of the fund	Amount	Date of transfer	
-	-	-	-	-	-	-

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(₹ lakhs)

Project ID	Name of the project	Financial year in which the project was commenced	Project duration	Total amount allocated for the project	Amount spent on the project in the reporting financial year	Cumulative amount spent at the end of the reporting financial year	Status of the project - completed | ongoing
-	-	-	-	-	-	-	-

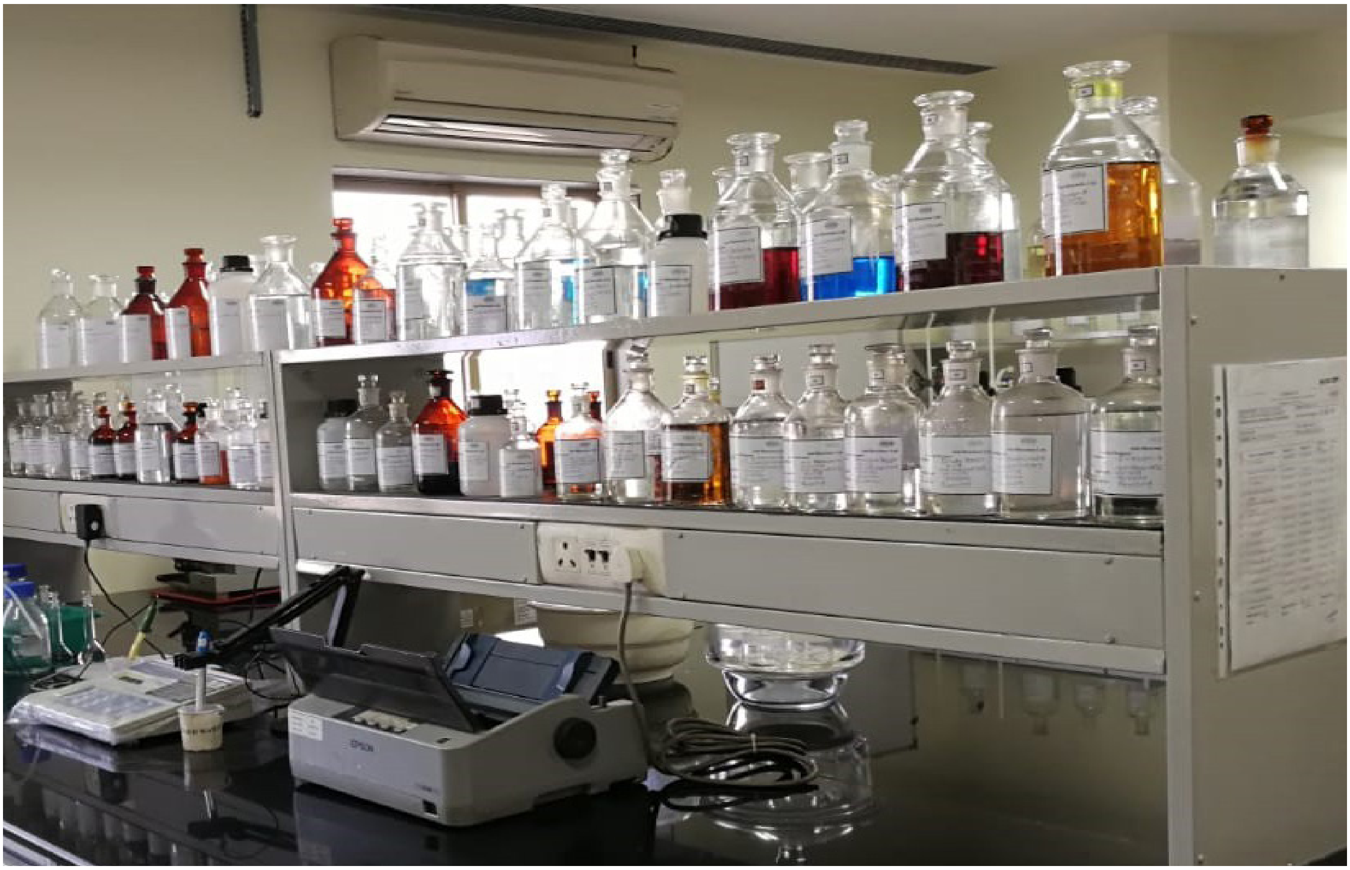
2.10 In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:

Detail		Name of the asset
a)	Date of creation or acquisition of the capital asset(s)	-
b)	Amount of CSR spent for creation or acquisition of the capital asset	-
c)	Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address, etc	-
d)	Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset)	-

2.11 Specify the reason(s), if the Company has failed to spend two percentage of the average net profit as per Section 135(5):

not applicable

Managing Director	Chairman CSR Committee
Prabhakar Chebiyyam	Pramod Lele



The business of Atul Bioscience Ltd (ABL) mainly comprises manufacturing and marketing of active pharmaceutical ingredient (API) and their intermediates. The products manufactured at *Atul* and Ambernath are used by customers belonging to the Pharmaceutical industry, under six broad therapeutic categories, namely, antidepressant, antidiabetic, anti-infective, antifungal, antiretroviral and cardiovascular. The portfolio of the Company comprises 20 products, five of which are relatively new.

During 2020-21, the Company has focused on the production of APIs and advanced API intermediates, sales of which increased by 36% from ₹ 10,488 lakhs to ₹ 14,231 lakhs.

The size of the world Pharmaceutical industry is estimated at US$ 1.75 tn, of which the conventional pharmaceutical segment is estimated to be US$ 1.3 tn. Of this, the size of the world API industry is estimated to be US$ 160 bn. There are about 20 major companies that share 55% of the world market of prescription drugs and the major 20 generic companies dominate the generic drug space with a share of about 83%. Five of these top 20 generic companies are Indian.

The main user industry, namely, Pharmaceutical, is growing well due to the increasing awareness about lifestyle and age related diseases, increasing prevalence of cancer across the world, technological advancements in API manufacturing, emerging markets for biosimilars and increasing scope for highly potent active ingredients. On the other hand, stringent regulatory requirements and global economic recession may restrict market growth. The Company will participate in this growth by i) widening its market reach, ii) increasing its manufacturing efficiencies, iii) generating and adding capacities, iv) introducing new products and v) forming long-term strategic alliances with other companies.

The prices of some products may vary wildly over the short-term. Fluctuations in foreign exchange may also impact input prices and sales realisations. The uncertainties associated with the COVID-19 pandemic may have adverse impact on the demand and supply chain in the short-term, and the Company is working to minimise the impact of such aberrations to sustain the operations and identify new opportunities to grow.

Internal control systems

Internal control systems of the Company are commensurate with the nature of its business and size and complexity of its operations. These are routinely tested, certified and upgraded wherever required by Statutory as well as Internal Auditors covering all key areas of business. Significant audit observations and follow-up actions and recommendations thereon are reported to the senior management and Audit Committee for their review.

The Company is working with reputed firms specialising in Internal Audit function. The efforts are helping to introduce best practices required to manage its growing business.

Human Resources

The Company considers its people to be its biggest asset. People processes are continually assessed and refined so as to keep the HR function dynamically aligned to the business needs and the changing environment. During 2020-21, succession planning was institutionalised and the performance management process was further refined to foster a performance oriented culture. The Company has taken significant initiatives to simplify and automate various HR processes. The Company remains committed to further strengthen its HR processes and leverage technology to enhance their effectiveness and end user experience. Employee relations remained cordial and progressive.

The way we experience the world around us is a direct reflection of the world within us.

~ Swami Vivekananda

1. Philosophy

Transparency and accountability are the two basic tenets of Corporate Governance. Atul Bioscience Ltd is proud to belong to a Group whose Founder lived his life with eternal values and built the business enterprises on the foundation of good governance.

The Company is committed to conducting business the right way which means taking decisions and acting in a way that is ethical and in compliance with the applicable legal requirements. It endeavours to continuously improve its Corporate Governance performance with a view to earn trust and respect of all its stakeholders.

The Board of Directors (Board) is responsible for and is committed to good Corporate Governance and plays a critical role in overseeing how the Management serves the short and long-term interests of the shareholders and other stakeholders.

2. Board

2.1 Board business

The normal business of the Board comprises:

2.1.1 Approving:

i) appointment of Cost Auditors
ii) capital expenditure and operating budgets
iii) commission payable to the Directors within the limit set by the shareholders
iv) contracts in which the Director(s) are deemed to be interested
v) cost audit reports
vi) creation of charge on assets in favour of lenders
vii) declaration of interim dividend
viii) joint ventures, collaborations, mergers and acquisitions
ix) loans and investments
x) matters requiring statutory | Board consent
xi) sale of investments and assets
xii) short, medium and long-term borrowings
xiii) unaudited quarterly financial results and audited annual accounts, including segments revenue, results and capital employed

2.1.2 Monitoring:

i) potential conflicts of interest of the Management, the Board Members and the shareholders, including misuse of corporate assets and abuse in related party transactions
ii) implementation of performance objectives and corporate performance
iii) effectiveness of the governance practices and making desirable changes
iv) the Board nomination process such that it is transparent and results in diversity of experience, gender, knowledge, perspective and thoughts in the Board
v) the Management and providing strategic guidance while ensuring that encouraging positive thinking does not result in over-optimism that either leads to significant risks not being recognised or exposes the Company to excessive risk

2.1.3 Noting:

i) general notices of interest of the Directors
ii) minutes of the meetings of the Board and its committees and also the resolution(s) passed by circulation

2.1.4 Recommending:

i) appointment of the Statutory Auditors

ii) final dividend

2.1.5 Reviewing:

i) corporate strategy, major plans of action, Risk Policy, annual budgets and business plans

ii) default in payment of statutory dues

iii) fatal or serious accidents, dangerous occurrences and material environmental matters

iv) foreign exchange exposure and exchange rate movement, if material

v) the integrity of the accounting and financial reporting systems, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards

2.1.6 Setting:

i) a corporate culture and the Values

ii) a well-defined mandate, composition and working procedures of the committees

2.1.7 Others:

i) Acting on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the shareholders

ii) Aligning remuneration of the key executives and the Board Members with the long-term interests of the Company and the shareholders

iii) Applying high ethical standards

iv) Assigning sufficient number of the Non-executive Board Members capable of exercising independent judgement to items where there is a potential for conflict of interest

v) Assisting the Executive Management by challenging the assumptions underlying strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of focus of the Company

vi) Encouraging training of the Directors on a continuous basis to ensure that the Board Members are kept up-to-date

vii) Exercising objective and independent judgement on corporate affairs

viii) Facilitating the Independent Directors to perform their role effectively as the Board Members and also as the Members of Committees

ix) Meeting the expectations of operational transparency of the stakeholders while maintaining confidentiality of information in order to foster a culture of good decision making

2.2 Appointment and tenure

2|3rd of the Directors (other than the Independent Directors) are rotational Directors. 1|3rd of rotational Directors retire in every Annual General Meeting (AGM) and, if eligible, offer themselves for reappointment. The Managing Director is appointed by the Members for a period up to five years.

2.3 Composition, name, other directorships | committee memberships

The Board comprises experts drawn from diverse fields | professions. At this time, it consists of eight Members comprising seven Non-executive Directors (three Independent and four Non-independent and one Executive Director). The Independent Directors account for 37.5% of the strength of the Board, against a minimum requirement of 33.33% as per the Companies Act, 2013. The Non-executive Directors are eminent professionals, drawn from amongst persons with skill, experience and knowledge in one or more fields of finance, law, management or any other discipline related to the business of the Company.

No.	Name	Directorship(s) in other company(ies)[1]	Membership(s) of the Committee(s) of the Board(s)[2]	Chairmanship(s) of the Committee(s) of the Board(s)[2]
	Chairman			
1.	Sunil Lalbhai	6	3	1
	Managing Director			
2.	Prabhakar Chebiyyam	1	–	–
	Non-executive Directors			
3.	Gopi Kannan Thirukonda	8	4	–
4.	Sharat Tripathi	2	–	–
5.	Pramod Lele	2	–	2
6.	Rangaswamy Iyer	1	–	–
7.	Ajit Dangi	–	1	–
8.	Astha Lalbhai	–	–	–

[1]This excludes Directorships in foreign companies and private limited companies.

[2]Memberships | Chairmanships of only the Audit Committees and Stakeholders Relationship Committees of all public limited companies including the Company were considered.

Mr Pramod Lele, Mr Rangaswamy Iyer and Dr Ajit Dangi are Independent Directors.

Mr Sunil Lalbhai, Mr Gopi Kannan Thirukonda, Mr Sharat Tripathi and Ms Astha Lalbhai are promoter Directors.

2.4 Board meetings

The Board meeting dates were normally determined well in advance. During 2020-21, the Board met four times.

No.	Day	Date	Venue*
1.	Thursday	April 23, 2020	Atul
2.	Friday	July 17, 2020	Atul
3.	Friday	October 16, 2020	Atul
4.	Friday	January 22, 2021	Atul

*All meetings were held through video conference.

2.5 Attendance at the Board meetings and the AGM

No.	Name	Board meetings		AGM on July 21, 2020
		Total	Attended	
1.	Sunil Lalbhai	4	4	Present
2.	Prabhakar Chebiyyam	4	4	Present
3.	Gopi Kannan Thirukonda	4	4	Present
4.	Sharat Tripathi	4	4	Present
5.	Pramod Lele	4	4	–
6.	Rangaswamy Iyer	4	3	–
7.	Ajit Dangi	4	3	–
8.	Astha Lalbhai	4	4	–

2.6 Appointment | Cessation

» Appointed: nil

» Ceased: nil

» Resigned: nil

2.7 Remuneration

(₹)

No.	Name	Remuneration during 2020-21			
		Sitting fees	Salary and perquisites[2]	Commission	Total
	Chairman				
1.	Sunil Lalbhai	–	–	–	–
	Managing Director				
2.	Prabhakar Chebiyyam	–	47,13,744	–	47,13,744
	Non-executive Directors[1]				
3.	Gopi Kannan Thirukonda	–	–	–	–
4.	Sharat Tripathi	–	–	–	–
5.	Pramod Lele	1,80,000	–	1,00,000	2,80,000
6.	Rangaswamy Iyer	1,60,000	–	1,00,000	2,60,000
7.	Ajit Dangi	1,60,000	–	1,00,000	2,60,000
8.	Astha Lalbhai	–	–	–	–

[1] Mr Pramod Lele, Mr Rangaswamy Iyer and Mr Ajit Dangi are Independent Directors.

[2] Represents lower of % of the remuneration paid by Atul Ltd to the Managing Director (being an employee of Atul Ltd) or an amount allowable under Section I or Section II of Part II of the Schedule V of the Companies Act, 2013. Accordingly, an amount of ₹ 47,13,744 was paid to Atul Ltd for the year 2020-21.

Sitting fees of up to ₹ 20,000 per meeting constitute fees paid to the Independent Directors for attending the Board, Committee and other meetings.

3. Committees of the Board

The Board has constituted the following Committees:

» Audit Committee

» Nomination and Remuneration Committee

» Corporate Social Responsibility Committee

3.1 Audit Committee

3.1.1 Role

i) Approving:

» appointment of the Chief Financial Officer

» transactions with related parties and subsequent modifications thereof

ii) Conducting:

» pre-audit discussions with the Auditors regarding nature and scope of the audit and post-audit discussion to ascertain any areas of concern

» valuation of undertakings or assets, wherever necessary

iii) Formulating:

- scope, functioning, periodicity and methodology for conducting the internal audit in consultation with the Internal Auditor
- Code of Conduct and related matters

iv) Reviewing:

- adequacy of the internal audit function, including the structure of Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit
- significant transactions and arrangements entered into by the unlisted subsidiary companies
- the Auditors' independence, performance and effectiveness of the audit process
- periodically with the Auditors, the internal control systems, the scope of audit including the observations of the Auditors and the Financial Statements before submission to the Board
- the annual Financial Statements and Auditor's Report with the Management before submission to the Board for approval with particular reference to:
  - any changes in accounting policies and practices
  - compliance with accounting standards
  - disclosure of any related party transactions
  - going concern assumption
  - major accounting entries involving estimates based on exercise of judgement by the Management
  - matters required to be included in the Directors' Responsibility Statement for the Directors' Report
  - qualifications in the draft Audit Report
  - significant adjustments made in the Financial Statements arising out of audit findings
- with the Internal Auditors any significant findings and follow-up thereon, including findings of any internal investigations into matters where there is suspected fraud or irregularity or failure of the internal control systems of material nature and reporting such matters to the Board
- financial reporting process and the disclosure of financial information to ensure that the Financial Statements are correct, credible and sufficient
- compliance reports of all applicable laws as well as steps taken to rectify instances of non-compliances periodically
- reasons for substantial defaults, if any, in the payment to the depositors, the debenture holders, the Members (in case of non-payment of declared dividends) and creditors
- the Financial Statements, in particular, investments made by unlisted subsidiary companies
- the following information mandatorily:
  - appointment, removal and terms of remuneration of the Chief Internal Auditor
  - Internal Audit Reports relating to weaknesses in the internal control systems
  - Management Discussion and Analysis of financial condition and results of operations
  - management letters | letters of internal control weaknesses issued by the Statutory Auditors
  - statement of related party transactions submitted by the Management
- with the Management the statement of uses | applications of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilised for the purposes other than those stated

v) Others

- » determining procedures for risk assessment and minimisation, and reviewing them periodically to ensure that the Senior Management controls risks through means of a properly defined framework
- » evaluating internal financial controls and risk management system
- » remuneration and terms of appointment of the Auditors and approval for payment for any other services
- » scrutinising inter-corporate loans and investments
- » carrying out any other function as mentioned in the terms of reference of the Audit Committee

3.1.2 Composition

The Committee comprises following Members, all having relevant experience in financial matters:

No.	Name	Designation
1.	Pramod Lele	Chairman
2.	Gopi Kannan Thirukonda	Member
3.	Rangaswamy Iyer	Member
4.	Ajit Dangi	Member

3.1.3 Meetings and attendance

During 2020-21, four meetings were held.

No.	Name	Total	Attended
1.	Pramod Lele	4	4
2.	Gopi Kannan Thirukonda	4	4
3.	Rangaswamy Iyer	4	4
4.	Ajit Dangi	4	4

The Statutory Auditors, the Chairman, the Managing Director, the Chief Financial Officer, the Company Secretary and the Internal Auditors are permanent invitees to the meetings. The Board notes the minutes of the Audit Committee meetings.

3.2 Nomination and Remuneration Committee

3.2.1 Role

i) Devising a policy on the Board diversity

ii) Formulating criteria for evaluation of the Independent Directors and the Board

iii) Formulating criteria for determining qualifications, traits and independence of a Director and recommending to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees

iv) Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommending to the Board their appointment and removal and carrying out evaluation of performance of every Director

v) Recommending | determining remuneration of the Executive Director as per the policy

3.2.2 Composition

The Committee comprises following Members:

No.	Name	Designation
1.	Ajit Dangi	Chairman
2.	Sunil Lalbhai	Member
3.	Pramod Lele	Member
4.	Rangaswamy Iyer	Member

3.2.3 Meetings and attendance

During 2020-21, no meeting was held.

3.3 Corporate Social Responsibility Committee

3.3.1 Role

i) Formulating and recommending the Corporate Social Responsibility (CSR) Policy to the Board

ii) Indicating reasons to the Board in case the amount of expenditure is less than 2% of the average net profit in a given year

iii) Monitoring the CSR Policy from time to time

iv) Recommending the amount of expenditure to be incurred on the CSR initiatives which may not be less than 2% of the average net profits of the last three financial years

3.3.2 Composition

The Committee comprises the following Members:

No.	Name	Designation
1.	Pramod Lele	Chairman
2.	Gopi Kannan Thirukonda	Member
3.	Sharat Tripathi	Member

3.3.3 Meetings and attendance

During 2020-21, one meeting was held.

No.	Name	Total	Attended
1.	Pramod Lele	1	1
2.	Gopi Kannan Thirukonda	1	1
3.	Sharat Tripathi	1	1

4. Company policies

4.1 Compliance

Compliance certificates confirming due compliance with statutory requirements are placed at the Board meeting for review by the Directors. A system of ensuring material compliance with the laws, orders, regulations and other legal requirements concerning the business and affairs of the Company is in place. Instances of non-compliance, if any, are also separately reported to the Board and subsequently rectified.

4.2 Code of Conduct

The Code of Conduct is available on the website of the Company at www.atulbio.co.in/investors

All the Directors and the Senior Management Personnel have affirmed their compliance with the Code of Conduct. A declaration to this effect signed by the Managing Director forms part of this report.

4.3 Prevention of sexual harassment of women at workplace

Pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013, the Company has framed a policy on prevention of sexual harassment of women at workplace and constituted Internal Complaints Committee. Status of complaints received during 2020-21 are as under:

Filed during 2020-21	Nil
Disposed of during 2020-21	Nil
Pending as on end of 2020-21	Nil

4.4 Related party transactions

The Company has formulated a Related Party Transactions Policy and the same is disclosed on the website of the Company at www.atulbio.co.in/investors

4.5 Credit ratings

CARE Ratings Ltd retained its credit rating with suitable outlook at CARE A2+ (A two plus) for short-term borrowings and CARE A- (A minus) for long-term borrowings.

5. Affirmation and disclosure

There were no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or the Management and their subsidiary companies or relatives, amongst others, during 2020-21 that may have a potential conflict with the interests of the Company at large. All details relating to financial and commercial transactions where the Directors may have a pecuniary interest are provided to the Board and the interested Directors neither participate in the discussion nor vote on such matters.

The Company complied with the statutory provisions, rules and regulations and in the last three years no strictures or penalties were imposed on the Company by any statutory authority.

6. Shareholders' information

6.1 General Body meetings

6.1.1 Location and time, where last three AGMs were held:

Year	Location	Date	Time
2017-18	Atul 396 020, Gujarat, India	June 06, 2018	10:30 am
2018-19	Atul 396 020, Gujarat, India	July 23, 2019	10:30 am
2019-20	Atul 396 020, Gujarat, India	July 21, 2020	10:00 am

6.1.2 Special resolutions passed in the previous three AGMs: yes

6.1.3 Resolutions passed through postal ballot: nil

6.2 Annual General Meeting 2021

Details of the 24th AGM are as under:

Year	Location	Date	Time
2020-21	Atul 396 020, Gujarat, India	July 26, 2021	10:00 am

As required, particulars of the Directors seeking reappointment | appointment are given in the Notice of the AGM.

6.3 Financial year

April 01 to March 31

6.4 Location of plant

6.4.1 Atul 396 020, Gujarat, India

6.4.2 Plot no. N-37, Additional Ambernath MIDC area, Ambernath 421 506, Maharashtra, India

6.5 Address for correspondence

Secretarial and Legal department, Atul Bioscience Ltd, Atul 396 020, Gujarat, India
E-mail address: sec@atulbio.co.in

6.6 Tentative Board meeting dates for consideration of results for 2021-22

No.	Particulars	Date
1.	First quarter results	July 16, 2021
2.	Second quarter and half-yearly results	October 22, 2021
3.	Third quarter results	January 21, 2022
4.	Fourth quarter and annual results	April 22, 2022

6.7 Role of the Company Secretary in overall governance process

The Directors have access to the suggestions and services of the Company Secretary in ensuring an effective functioning of the Board and its Committees. The Company Secretary administers, attends and prepares minutes of the Board and the Committee proceedings in accordance with the statutory requirements as well as the norms of Corporate Governance.

6.8 Certification by the Chief Executive Officer and the Chief Financial Officer

Dr Prabhakar Chebiyyam, Managing Director and Mr Pranesh Mallaya, Chief Financial Officer, issued certificates to the Board. The certificates were placed before the Board at the meeting held on July 16, 2021 in which the accounts for the year ended March 31, 2021 were considered and approved by the Board.

For Atul Bioscience Ltd

Atul
July 16, 2021

(Prabhakar Chebiyyam)
Managing Director

NOTICE is hereby given that the 24th Annual General Meeting of the Members of Atul Bioscience Ltd will be held on Monday, July 26, 2021, at 10:00 am at Atul 396 020, Gujarat, India to transact the following businesses:

Ordinary business:

1. To receive, consider and adopt the audited Financial Statements of the Company for the financial year ended March 31, 2021 and the Reports of the Directors and the Auditors thereon.

2. To appoint a Director in place of Mr Sharat Tripathi (Director identification number: 01504237) who retires by rotation and being eligible, offers himself for reappointment.

Special business:

3. To consider and, if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

   "RESOLVED THAT pursuant to Section 148(3) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, the remuneration of ₹ 24,000 plus taxes as applicable and reimbursement of actual travel and out of pocket expenses for the financial year ending March 31, 2022, as approved by the Board of Directors of the Company, to be paid to R Nanabhoy & Co, Cost Accountants, (Firm registration number: 000010) for conducting Cost Audit of the applicable products in the category of Drugs and Pharmaceuticals be and is hereby ratified and confirmed."

4. To consider and, if though fit, to pass with or without modifications, the following resolution as a Special Resolution:

   RESOLVED THAT pursuant to Article 138 of the Article of Association of the Company and in accordance with the provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013, the Non-executive Independent Directors of the Company be paid remuneration by way of commission over and above the sitting fees up to 1% of the net profit of the Company, computed in the manner laid down in Section 197 of the Act, for each of the five financial years commencing from April 01, 2021, in such proportion and manner as the Board of Directors may from time to time.

Notes:

1. A Member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself | herself and the proxy need not be a Member. A person can act as proxy on behalf of not more than 50 members and holding in aggregate not more than 10% of the total share capital of the Company. In order that the appointment of a proxy is effective, the instrument appointing the proxy must be received at the registered office of the Company not later than 48 hours before the commencement of the meeting, that is, by 10:00 am on July 26, 2021.

2. Copies of the Balance Sheet, the Statement of Profit and Loss, the Directors' Report, the Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ending March 31, 2021 are annexed | attached.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from July 19, 2021 to July 26, 2021 (both days inclusive).

4. The physical copies of the documents which are referred in this Notice and not attached will also be available at the registered office of the Company for inspection during normal business hours on working days. The Members are entitled to receive communication in physical form (upon making a request for the same) by post, free of cost.

5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under the Companies Act, 2013, will be available for inspection by the Members at the Annual General Meeting.

6. The Members, desiring any information relating to the accounts, are requested to write to the Company at least seven days before the date of Annual General Meeting (AGM) so as to enable the Management to keep the information ready and provide at the AGM.

7. At the ensuing Annual General Meeting, Mr Sharat Tripathi (Director identification number: 01504237) retires by rotation and being eligible offers himself for reappointment. The information or details pertaining to him are as under:

Name	**Mr Sharat Tripathi**
Date of birth	October 27, 1958
Brief résumé	Mr Sharat Tripathi is the Member of the Board since 2008. Mr Tripathi has 40 years of experience in various capacities and is currently President, Human Resources of Atul Ltd. Mr Tripathi holds a graduate degree in Electrical Engineering from Indian Institute of Technology, Kanpur.
Directorship in other companies	**Public companies** Atul Crop Care Ltd Lapox Polymer Ltd
Membership in committees of other companies	**Chairman of committees:** Nil **Member of committees:** Nil
Relationship with other Directors	None
Number of shares held in the Company	Nil

8. Route map for the venue of the Annual General Meeting is given separately.

Explanatory statement

The following explanatory statement, as required by Section 102 of the Companies Act, 2013, sets out material facts, including the nature and concern or interest of the Directors in relation to the item of special business under item number 4 in the accompanying Notice dated July 16, 2021.

Item number 4

Pursuant to the Article 138 of the Articles of Association read with Section 197 of the Companies Act, 2013, the Non-executive Directors are entitled to receive commission up to 1% of the net profit of the Company in financial year, with the authorisation of the Members by way of Special Resolution, which shall not remain in force for a period of more than 5 years. Earlier, during the 20th Annual General Meeting, payment of such commission for a period of five years commencing effective April 01, 2021 had been authorised.

In view of the time and attention which the Non-executive Directors are called upon to give for the purpose of the business of the Company, it is considered that the payment of such commission to the Non-executive Directors as permitted by the Article 138 aforesaid, may be made for a period of five years effective April 01, 2021.

The Independent Directors may be deemed to be interested in this Special Resolution. None of the other Directors or Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the said Resolution.

Registered office:
Atul 396 020, Gujarat
India
Corporate identification number: U24230GJ1997PLC032369
July 16, 2021

By order of the Board of Directors

(Rajeev Kumar)
Company Secretary

Performance trend

Particulars	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Operating results								
Net sales	13,397	10,500	10,431	7,645	5,728	5,475	4,737	3,448
Revenue	14,335	10,679	10,510	7,685	5,771	5,536	4,944	4,017
PBIDT	2,349	1,287	1,910	1,815	1,562	1,272	1,108	890
Interest	660	496	171	124	155	203	227	266
PBDT*	1,689	791	1,739	1,691	1,408	1,070	881	624
Depreciation	1,014	991	471	321	243	242	287	230
PBT from operations*	675	(201)	1,268	1,370	1,165	828	594	394
Exceptional | non-recurring items	-	-	-	-	-	-	-	-
PBT	675	(201)	1,268	1,370	1,165	828	594	394
Tax	191	(73)	462	441	412	281	191	132
Net profit	483	(128)	806	929	753	547	403	262
Dividends (Including DDT)**	-	92.740	-	848	783	-	-	-
Financial position								
Gross block***	11,789	10,954	9,041	3,867	3,529	2,186	2,894	2,972
Net block***	9,415	9,185	7,854	3,068	3,047	1,946	2,080	2,389
Other assets (net)	(1,990)	(2,244)	(91)	574	378	1,829	1,534	728
Capital employed	7,425	6,941	7,764	3,642	3,425	3,776	3,614	3,117
Equity share capital	2,902	2,902	1,539	1,084	1,084	1,084	799	799
Other equity	4,523	4,039	4,626	1,275	1,196	1,224	747	559
Shareholders' fund	7,425	6,941	6,165	2,359	2,280	2,308	1,546	1,358
Borrowings	7,156	6,200	1,386	1,283	1,145	1,468	2,068	1,759
Per equity share: (₹)								
Dividend	-	0.50	-	6.50	6.00	-	-	-
Book Value	26	24	40	22	21	21	19	17
EPS	1.67	(0.45)	6.77	8.57	4.89	5.92	4.80	3.04
Key indicators								
PBDIT %	17.53	12.25	18.31	23.74	27.27	23.24	23.40	25.84
PBDT %	12.61	7.53	16.67	22.12	24.57	19.54	18.60	18.12
PBT %	5.04	(1.91)	12.16	17.92	20.34	15.13	12.54	11.44
Interest cost %	4.93	4.72	1.64	1.62	2.70	3.70	4.80	7.72
Debt-equity ratio	0.96	0.89	0.22	0.54	0.50	0.64	1.34	1.30
Interest coverage ratio	3.56	2.59	11.19	14.66	10.10	6.28	4.87	3.35
Asset turnover ratio****	1.18	1.16	1.19	2.01	2.38	2.59	1.64	1.16
RoCE %	21.31	4.55	25.01	48.52	42.49	27.59	23.86	25.47
RoNW %	6.73	(1.95)	18.92	40.05	32.80	28.37	27.75	21.35

Notes:

* Excluding exceptional items

** Dividend distribution tax (DDT)

*** Including capital work in progress

**** Including capital work in progress

Figures for the year prior to 2015-16 are as per IGAAP

To the Members of Atul Bioscience Ltd

Report on the audit of the Financial Statements

Opinion

01. We have audited the accompanying Financial Statements of Atul Bioscience Ltd (the Company), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

02. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 (the Act) in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (Ind AS) and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for opinion

03. We conducted our audit of the Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules made thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

Information other than the Financial Statements and Auditor's Report thereon

04. The Board of Directors of the Company is responsible for the other information. The other information comprises the information included in the Directors' Report and its annexure, Management Discussion and Analysis, Corporate Governance Report and performance trend, but does not include the Financial Statements and our Auditor's Report thereon.

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

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

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

Management's responsibility for the Financial Statements

08. The Board of Directors of the Company is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgements and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair

view and are free from material misstatement, whether due to fraud or error.

09. In preparing the Financial Statements, the Management is responsible for assessing the ability of Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility for the audit of the Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

    a) Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    b) Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

    c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

    d) Conclude on the appropriateness of use of the going concern basis of accounting by the Management and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    e) Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

    f) Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the Financial Statements.

    Materiality is the magnitude of misstatements in the Financial Statements that individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in i) planning the scope of our audit work and in evaluating the results of our work; and ii) to evaluate the effect of any identified misstatements in the Financial Statements.

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

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

Report on other legal and regulatory requirements

13. As required by Section 143(3) of the Act, based on our audit we report that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Cash Flow and the Statement of changes in equity dealt with by this Report are in agreement with the books of account.

    d) In our opinion, the aforesaid Financial Statements comply with the Ind AS specified under Section 133 of the Act.

    e) On the basis of the written representations received from the Directors as on March 31, 2021 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2021 from being appointed as a Director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Company.

    g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its Directors during the year is in accordance with the provisions of Section 197 of the Act.

    h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company has disclosed the impact of pending litigations on its financial position in its Financial Statements.

        ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

14. As required by the Companies (Auditor's Report) Order, 2016 (the Order) issued by the Central Government in terms of Section 143(11) of the Act, we give in Annexure B, a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's registration number: 117366W|W-100018

Samir R. Shah
Partner

Mumbai
July 23, 2021

Membership number: 101708
UDIN: 21101708AAAADW2555

Referred to in para 1(f) under 'Report on other legal and regulatory requirements' section of our report of even date.

Report on the internal financial controls over financial reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the Act)

1. We have audited the internal financial controls over financial reporting of Atul Bioscience Ltd (the Company) as of March 31, 2021 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

2. The Management of the Company is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the Guidance Note) issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the policies of the Company, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's responsibility

3. Our responsibility is to express an opinion on the internal financial controls of the Company financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company.

Meaning of internal financial controls over financial reporting

6. The internal financial control over financial reporting of a Company is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Generally Accepted Accounting Principles. Internal financial control over financial reporting of a Company includes those policies and procedures that i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with Generally Accepted Accounting Principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of the Management and Directors of the Company; and iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the assets of the

Company that can have a material effect on the Financial Statements.

Inherent limitations of internal financial controls over financial reporting

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

Opinion

8. In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's registration number: 117366W|W-100018

Samir R. Shah
Partner
Membership number: 101708
UDIN: 21101708AAAADW2555

Mumbai
July 23, 2021

Annexure B to the Independent Auditor's Report

Referred to in para 2 under 'Report on other legal and regulatory requirements' section of our report of even date

01. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

    b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regards to size of the Company and the nature of its fixed assets. Pursuant to the program, no fixed assets were physically verified by the Management during the year.

    c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered deed provided to us, we report that, the title deeds, comprising the immovable properties of buildings which are freehold, are held in the name of the Company as at the Balance Sheet date. In respect of immovable properties of land that have been taken on lease and disclosed as property, plant and equipment in the Financial Statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.

02. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

03. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.

04. The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.

05. According to the information and explanations given to us, the Company has not accepted any deposit during the year and there are no unclaimed deposits hence reporting under clause (v) of the Order is not applicable.

06. The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Company's Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under Sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

07. According to the information and explanations given to us, in respect of statutory dues:

    a) The Company has generally been regular in depositing undisputed statutory dues of the year, including provident fund, employees' state insurance, income-tax, customs duty, cess, goods and services tax and other material statutory dues applicable to it to the appropriate authorities.

    b) There were no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, customs duty, cess, goods and services tax and other material statutory dues in arrears as at March 31, 2021, for a period of more than six months from the date they became payable.

c) Details of dues of sales tax and value added tax which have not been deposited as on March 31, 2021, on account of disputes are given below:

Name of statute	Nature of dues	Forum where dispute is pending	Period for which the amount relates	Amount unpaid (₹ In lakh)
The Gujarat Sales Tax Act, 1969	Interest and penalty	Gujarat Sales Tax Tribunal, Ahmedabad	2014-15	4.74
The Gujarat Value Added Tax, 2003	Tax, interest and penalty	Commissioner Appeal, Surat	2017-18	7.85

08. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company has not taken any loan or borrowing from financial institutions and government or has not issued any debentures.

09. In our opinion and according to the information and explanations given to us, money raised by way of the term loans have been applied by the Company during the year for the purposes for which they were raised.

10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

11. In our opinion and according to the information and explanations given to us, the Company has paid | provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

12. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

13. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Financial Statements, etc as required by the applicable accounting standards.

14. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under Clause (xiv) of the Order is not applicable to the Company.

15. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or Directors of its holding or associate company or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's registration number: 117366W|W-100018

Samir R. Shah
Partner
Membership number: 101708
UDIN: 21101708AAAADW2555

Mumbai
July 23, 2021

Balance Sheet as at March 31, 2021

(₹ lakhs)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
A ASSETS			
1 **Non-current assets**			
a) Property, plant and equipment	2	9,021.01	7,263.99
b) Capital work-in-progress	2	394.24	1,921.25
c) Goodwill	3	856.13	856.13
d) Other intangible assets	3	1,144.39	1,554.59
e) Financial assets			
i) Investments	4	0.70	0.70
ii) Other financial assets	5	45.70	45.70
f) Income tax assets (net)	6	193.06	207.51
g) Other non-current assets	7	112.79	-
Total non-current assets		**11,768.02**	**11,849.87**
2 **Current assets**			
a) Inventories	8	3,013.60	2,409.27
b) Financial assets			
i) Trade receivables	9	2,317.96	1,857.98
ii) Cash and cash equivalents	10	393.16	366.40
iii) Bank balances other than cash and cash equivalents	11	24.69	13.75
iv) Other financial assets	5	4.42	4.15
c) Other current assets	7	941.35	733.10
Total current assets		**6,695.18**	**5,384.65**
Total assets		**18,463.20**	**17,234.52**
B EQUITY AND LIABILITIES			
Equity			
a) Equity share capital	12	2,902.19	2,902.19
b) Other equity	13	4,523.16	4,039.28
Total equity		**7,425.35**	**6,941.47**
Liabilities			
1 **Non-current liabilities**			
a) Financial liabilities			
i) Borrowings	14	7,156.46	4,800.29
ii) Other financial liabilities	15	148.57	24.16
b) Provisions	16	49.86	29.98
c) Deferred tax liabilities (net)		279.11	195.69
Total non-current liabilities		**7,634.00**	**5,050.12**
2 **Current liabilities**			
a) Financial liabilities			
i) Borrowings	14	-	1,400.00
ii) Trade payables			
Total outstanding dues of			
a) Micro-enterprises and small enterprises	17	81.59	11.90
b) Creditors other than micro-enterprises and small enterprises	17	2,174.01	1,655.07
iii) Other financial liabilities	15	1,058.04	2,136.19
b) Other current liabilities	18	85.24	35.01
c) Provisions	16	4.97	4.76
Total current liabilities		**3,403.85**	**5,242.93**
Total liabilities		**11,037.85**	**10,293.05**
Total equity and liabilities		**18,463.20**	**17,234.52**

The accompanying Notes 1-26 form an integral part of the Financial Statements

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells LLP
Chartered Accountants

Pranesh Mallaya
Chief Financial Officer

Sharat Tripathi
Director

Sunil Lalbhai
Chairman

Samir R. Shah
Partner

Rajeev Kumar
Company Secretary

Prabhakar Chebiyyam
Managing Director

Mumbai
July 23, 2021

Atul
July 16, 2021

Statement of Profit and Loss For the year ended March 31, 2021

(₹ lakhs)

Particulars	Note	2020-21	2019-20
INCOME			
Revenue from operations	19	14,335.57	10,679.27
Other income	20	29.53	23.51
Total Income		**14,365.10**	**10,702.78**
EXPENSES			
Cost of materials consumed	21	8,189.92	7,319.35
Purchase of stock-in-trade		638.22	66.73
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	(131.45)	(916.51)
Employee benefit expenses	23	981.37	850.67
Finance costs	24	659.81	496.10
Depreciation and amortisation expenses	2,3	1,014.39	991.37
Other expenses	25	2,338.04	2,095.79
Total expenses		**13,690.30**	**10,903.50**
Profit | (Loss) before tax		**674.80**	**(200.72)**
Tax expense			
Current tax		108.12	-
Deferred tax		83.26	(72.88)
Total tax expense		191.38	(72.88)
Profit | (Loss) for the year		**483.42**	**(127.84)**
Other comprehensive income			
Items that will not be reclassified to profit | (loss)			
i) Remeasurement gains on defined benefit plans		0.61	(3.36)
ii) Income tax on above item		(0.15)	0.85
Other comprehensive income, net of tax		**0.46**	**(2.51)**
Total comprehensive income for the year		**483.88**	**(130.35)**
Earning per equity share			
Basic and diluted earnings ₹ per equity share of ₹ 10 each		1.67	(0.45)
The accompanying Notes 1-26 form an integral part of the Financial Statements			

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells LLP
Chartered Accountants

Pranesh Mallaya
Chief Financial Officer

Sharat Tripathi
Director

Sunil Lalbhai
Chairman

Samir R. Shah
Partner

Rajeev Kumar
Company Secretary

Prabhakar Chebiyyam
Managing Director

Mumbai
July 23, 2021

Atul
July 16, 2021

Statement of changes in equity for the year ended March 31, 2021

A. Equity share capital

(₹ lakhs)

Particulars	Note	Amount
As at March 31, 2019		**1,538.55**
Changes in equity share capital during the year	12	1,363.64
As at March 31, 2020		**2,902.19**
Changes in equity share capital during the year	12	-
As at March 31, 2021		**2,902.19**

B. Other equity

(₹ lakhs)

Particulars	Capital contribution from Atul Ltd	Shares pending allotment	Reserves and surplus		Total
			Securities premium	Retained earnings	
As at March 31, 2019	**167.17**	**1,832.83**	**716.43**	**1,909.57**	**4,626.00**
Profit | (Loss) for the year				(127.84)	(127.84)
Other comprehensive income, net of tax				(2.51)	(2.51)
Total comprehensive income for the year	**-**	**-**	**-**	**(130.35)**	**(130.35)**
Issue of equity share	-	(1,832.83)	1,469.20	-	(363.63)
Dividend paid (including dividend distribution tax)				(92.74)	(92.74)
As at March 31, 2020	**167.17**	**-**	**2,185.63**	**1,686.48**	**4,039.28**
Profit | (Loss) for the year				483.42	483.42
Other comprehensive income, net of tax				0.46	0.46
Total comprehensive income for the year	**-**	**-**	**-**	**483.88**	483.88
Dividend paid (including dividend distribution tax)				-	-
As at March 31, 2021	**167.17**	**-**	**2,185.63**	**2,170.36**	**4,523.16**

The accompanying Notes 1-26 form an integral part of the Financial Statements

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells LLP
Chartered Accountants

Pranesh Mallaya
Chief Financial Officer

Sharat Tripathi
Director

Sunil Lalbhai
Chairman

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Company Secretary

Prabhakar Chebiyyam
Managing Director

Mumbai
July 23, 2021

Atul
July 16, 2021

(₹ lakhs)

	Particulars		2020-21	2019-20
A.	**Cash flow from operating activities**			
	Profit | (Loss) before tax		674.80	(200.72)
	Adjustments for:			
	Depreciation and amortisation expenses		1,014.39	991.37
	Finance costs		659.81	496.10
	Unrealised exchange rate difference (net)		(2.44)	6.73
	Interest received		(7.92)	(1.04)
	Operating profit change in operating assets and liabilities		**2,338.64**	**1,292.44**
	Adjustments for:			
	(Increase) | Decrease in inventories		(604.33)	(735.30)
	(Increase) | Decrease in trade receivables		(454.97)	1,411.41
	(Increase) | Decrease in other current financial assets		(0.27)	1.39
	(Increase) | Decrease in other current assets		(208.25)	(481.34)
	(Increase) | Decrease in other non-current assets		(112.79)	2.11
	(Increase) | Decrease in other non-current financial assets		-	(18.95)
	Increase | (Decrease) in trade payables		586.06	(729.11)
	Increase | (Decrease) in other current financial liabilities		(351.74)	(92.19)
	Increase | (Decrease) in non-current financial liabilities		124.41	15.63
	Increase | (Decrease) in other current liabilities		50.23	(265.61)
	Increase | (Decrease) provisions		20.70	11.22
	Cash generated from operations		1,387.70	411.70
	Income tax paid (net of refund)		(93.66)	(100.07)
	Net cash flow from operating activities	A	**1,294.04**	**311.63**
B.	**Cash flow from investing activities**			
	Payments for property, plant and equipment (including capital advances)		(658.20)	(1,716.08)
	Acquisition of manufacturing facility		-	(3,367.26)
	Non-compete fee paid		(900.00)	(557.00)
	Bank deposits matured | (placed)		(10.94)	(0.76)
	Interest received		7.92	1.04
	Net cash used in investing activities	B	**(1,561.22)**	**(5,640.06)**

(₹ lakhs)

	Particulars		2020-21	2019-20
C.	**Cash flow from financing activities**			
	Proceeds from issue of preference shares		-	1,000.02
	(Repayments) of borrowings		(976.20)	(46.08)
	Proceeds from borrowings		1,929.96	5,325.97
	Interest paid		(659.81)	(496.10)
	Dividend on equity shares (including dividend distribution tax)		-	(92.74)
	Net cash from financing activities	**C**	**293.95**	**5,691.07**
	Net increase | (decrease) in cash and cash equivalents	**A+B+C**	**26.77**	**362.64**
	Cash and cash equivalents at the beginning of the financial year		366.40	3.76
	Cash and cash equivalents at the end of the financial year		393.17	366.40

The accompanying Notes 1-26 form an integral part of the Financial Statements

i) The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in the Ind AS 7 on the Statement of Cash flow as notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended.

ii) Cash flow from operating activities includes ₹ 16.60 lakhs (March 31, 2020: ₹ 25.36 lakhs) being expenditure towards Corporate Social Responsibility initiatives

iii) Refer Note 14 for a reconciliation of changes in liabilities arising form financing activities

In terms of our report attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells LLP
Chartered Accountants

Pranesh Mallaya
Chief Financial Officer

Sharat Tripathi
Director

Sunil Lalbhai
Chairman

Samir R. Shah
Partner

Rajeev Kumar
Company Secretary

Prabhakar Chebiyyam
Managing Director

Mumbai
July 23, 2021

Atul
July 16, 2021

Background

Atul Bioscience Ltd (the Company) is a public company limited by shares, incorporated and domiciled in India. Its registered office at E-12, East Site, Atul 396 020, Gujarat, India and the places of manufacturing are located at Atul, Gujarat and Ambernath, Maharashtra, India.

The Company is in the business of active pharmaceutical ingredient (API) and their intermediates and caters to the needs of customers belonging to the Pharmaceutical industry, under 6 broad therapeutic categories namely antidepressant, antidiabetic, anti-infective, antifungal, antiretroviral and cardiovascular.

Note 1 Significant accounting policies

This Note provides a list of the significant accounting policies adopted by the Company in preparation of these Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Statement of compliance

The Financial Statements comply in all material respects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act, as amended.

b) Basis of preparation

i) Historical cost convention:

The Financial Statements have been prepared on a historical cost basis except for the following:

a) Certain financial assets and liabilities (including derivative instruments): measured at fair value

b) Defined benefit plans: plan assets measured at fair value

ii) The Financial Statements have been prepared on accrual and going concern basis.

iii) The accounting policies are applied consistently to all the periods presented in the Financial Statements. All assets and liabilities have been classified as current or non-current as per the normal operating cycle of the Company and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

iv) New and amended standards adopted by the Company:

The Company has applied the following amendments to Ind AS for the first time for their annual reporting period commencing April 01, 2020:

- Definition of material – amendments to Ind AS 1 and Ind AS 8
- Definition of a business – amendments to Ind AS 103
- The COVID-19 pandemic related concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

v) Recent accounting pronouncements:

Ministry of Corporate Affairs (MCA) notifies new standards or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2021.

c) Foreign currency transactions

i) Functional and presentation currency:

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (‘functional currency’). The Financial Statements of the Company are presented in Indian currency (₹), which is also the functional currency of the Company.

ii) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gain | (loss) resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the Statement of Profit and Loss except that they are deferred in other equity if they relate to qualifying cash flow hedges. Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Statement of Profit and Loss, within finance costs. All other foreign exchange gain | (loss) presented in the Statement of Profit and Loss are on a net basis within other income.

Non-monetary items that are measured at fair value and denominated in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain | (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are not revalued.

d) Revenue recognition

i) Revenue from operations:

Revenue is recognised when control of goods is transferred to a customer in accordance with the terms of the contract. The control of the goods is transferred upon delivery to the customers either at factory gate of the Company or specific location of the customer or when the goods are handed over to the freight carrier, as per the terms of the contract. A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from services including those embedded in contract for sale of goods namely freight and insurance services mainly in case of export sales, is recognised upon completion of services.

Revenue is measured based on the consideration to which the Company expects to be entitled as per contract with a customer. The consideration is determined based on the price specified in the contract, net of the estimated variable consideration. Accumulated experience is used to estimate and provide for the variable consideration, using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Contracts with customers are for short-term, at an agreed price basis having contracted credit period ranging up to 180 days. The contracts do not grant any rights of return to the customer. Returns of goods are accepted by the Company only on an exception basis. Revenue excludes any taxes or duties collected on behalf of the government which are levied on sales such as goods and services tax.

Eligible export incentives are recognised in the year in which the conditions precedent are met and there is no significant uncertainty about the collectability.

ii) Other income:

Interest income from financial assets is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

e) Income tax

Income tax expense comprises current tax and deferred tax. Current tax is the tax payable on the taxable income of the current period based on the applicable income tax rates. Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit / (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Company considers reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making the assessment of deferred tax liabilities and realisability of deferred tax assets. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, the Management believes that the Company will realise the benefits of those deductible differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The Company considered whether it has any uncertain tax positions based on past experience pertaining to income taxes including those related to transfer pricing as per Appendix C to Ind AS 12. The Company has determined its tax position based on tax compliance and present judicial pronouncements and accordingly expects that its tax treatments will be accepted by the taxation authorities.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments.

f) Government grants

i) Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

ii) Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss in proportion to depreciation over the expected lives of the related assets and presented within other income.

iii) Government grants relating to income are deferred and recognised in the Statement of Profit and Loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

iv) Government grants relating to export incentives refer Note 1 (d)

g) Leases

As a lessee

The Company assesses whether a contract is, or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: i) the contract involves the use of an identified asset ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and iii) the Company has the right to direct the use of the asset.

At the commencement date of the lease, the Company recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is lessee, except for short-term leases (leases with a term of twelve months or less), leases of low value assets and, for contract where the lessee and lessor has right to terminate a lease without permission from the other party with no more than an insignificant penalty. The lease expense of such short-term leases, low value assets leases and cancellable leases, are recognised as an operating expense on a straight-line basis over the term of the lease.

At commencement date, lease liability is measured at the present value of the lease payments to be paid during non-cancellable period of the contract, discounted using the incremental borrowing rate. The right-of-use assets is initially recognised at the amount of the initial measurement of the corresponding lease liability, lease payments made at or before commencement date less any lease incentives received and any initial direct costs.

Subsequently the right-of-use asset is measured at cost less accumulated depreciation and any impairment losses. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest rate method) and reducing the carrying amount to reflect the lease payments made. The right-of-use asset and lease liability are also adjusted to reflect any lease modifications or revised in-substance fixed lease payments.

As a lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Income from operating leases where the Company is a lessor is recognised as income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the Balance Sheet based on their nature.

Leases of property, plant and equipment where the Company as a lessor has substantially transferred all the risks and rewards are classified as finance lease. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rent receivables, net of interest income, are included in other financial assets. Each lease receipt is allocated between the asset and interest income. The interest income is recognised in the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the asset for each period.

Under combined lease agreements, land and building are assessed individually.

h) Property, plant and equipment

All items of property, plant and equipment are stated at acquisition cost net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the Statement of Profit and Loss during the period in which they are incurred. Gains or losses arising on retirement or disposal of assets are recognised in the Statement of Profit and Loss.

Spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment if they are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment which are not ready for intended use as on the date of Balance Sheet are disclosed as 'Capital work-in-progress'.

Depreciation methods, estimated useful lives and residual value

Depreciation is provided on the straight-line method to allocate the cost of assets net of their residual values, over their estimated useful lives.

Depreciation is provided on a pro-rata basis on the straight-line method from the date of acquisition | installation till the date the assets are sold or disposed of:

Asset category	Estimated useful life
Buildings	30 to 60 years
Plant and equipment[1]	6 to 20 years
Vehicles[1]	6 to 10 years
Office equipment and furniture	5 to 10 years

[1]The useful lives have been determined based on technical evaluation done by the Management | experts which are different from the useful life prescribed in Part C of Schedule II to the Act, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset. The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Land accounted under finance lease is amortised on a straight-line basis over the primary period of lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as own assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

i) Intangible assets

i) Goodwill:

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable net assets acquired. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

ii) Computer Software:

Computer software includes enterprise resource planning project and other cost relating to such software which provides significant future economic benefits. These costs comprise license fees and cost of system integration services.

Computer software cost is amortised over a period of three years using the straight-line method.

iii) Non-compete fees:

Non-compete fees represent future economic benefits arising out of potential business. Such assets are measured on initial recognition at cost. Following initial recognition, non compete fees are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

Amortisation methods, estimated useful lives and residual value

Intangible assets with finite lives are amortised over the useful economic life on straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed annually and adjusted prospectively, if appropriate.

Estimated useful lives of the intangible assets are as follows:

Asset category	Estimated useful life
Non-compete fees	upto 5 years
Computer software	upto 3 years

j) Impairment of assets

The carrying amount of assets are reviewed at each Balance Sheet date to assess if there is any indication of impairment based on internal | external factors. An impairment loss on such assessment is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of the assets is net selling price or value in use, whichever is higher. While assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital. A previously recognised impairment loss is further provided or reversed depending on changes in the circumstances and to the extent that carrying amount of the assets does not exceed the carrying amount that will be determined if no impairment loss had previously been recognised.

k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with bank and other short-term (three months or less from the date of acquisition), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

l) Trade receivables

Trade receivables are recognised when the right to consideration becomes unconditional. These assets are held at amortised cost, using the effective interest rate (EIR) method where applicable, less provision for impairment based on expected credit loss.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

n) Inventories

Inventories are stated at cost or net realisable value whichever is lower. Cost is determined on periodic moving weighted average basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to effect the sale.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to the present location and condition. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs.

Due allowances are made for slow | non-moving, defective and obsolete inventories based on estimates made by the Company.

o) Investments and other financial assets

Classification and measurement

The Company classifies its financial assets in the following measurement categories:

i) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss)

ii) Those measured at amortised cost

The classification depends on business model of the Company for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income.

Debt instruments

Initial recognition and measurement

Financial asset is recognised when the Company becomes a party to the contractual provisions of the instrument. Financial asset is recognised initially at fair value plus, in case the financial asset is not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in the Statement of Profit and Loss.

Subsequent measurement

Subsequent measurement of debt instruments depends on the business model of the Company for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Measured at amortised cost:

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortised cost using the EIR method less impairment, if any, the amortisation of EIR and loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

Measured at fair value through other comprehensive income (FVOCI):

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the OCI. Interest income measured using the EIR method and impairment losses, if any are recognised in the Statement of Profit and Loss. On derecognition, cumulative gain | (loss) previously recognised in OCI is reclassified from the equity to other income in the Statement of Profit and Loss.

Measured at fair value through profit or loss(FVPL):

A financial asset not classified as either amortised cost or FVOCI, is classified as FVPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised as other income in the Statement of Profit and Loss.

Equity instruments

The Company subsequently measures all investments in equity instruments other than subsidiary companies, associate company and joint venture company at fair value. The Company has elected to present fair value gains and losses on such equity investments in other comprehensive income and there is no subsequent reclassification of these fair value gains and losses to the Statement of Profit and Loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payment is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the Statement of Profit and Loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 26.8 details how the Company determines whether there has been a significant increase in credit risk.

Derecognition

A financial asset is derecognised only when the Company has transferred the rights to receive cash flows from the financial asset, the asset expires or the Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised through the Statement of Profit and Loss or other comprehensive income as applicable. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Company has neither transferred a financial asset nor retained substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Financial liabilities

i) Classification as debt or equity:

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

ii) Initial recognition and measurement:

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the fair value.

iii) Subsequent measurement:

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

iv) Derecognition:

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or it expires.

p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. If not, the fee is deferred until the draw down occurs.

Borrowings are removed from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income | (expense).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

s) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These are reviewed at each year end and reflect the best current estimate. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

t) Employee benefits

i) Defined benefit plan

a) Gratuity:

Gratuity liability is a defined benefit obligation and is computed on the basis of an actuarial valuation by an actuary appointed for the purpose as per projected unit credit method at the end of each financial year. The liability or asset recognised in the Balance Sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The liability so provided is paid to a trust administered by the Company, which in turn invests in eligible securities to meet the liability as and when it becomes due for payment in future. Any shortfall in the value of assets over the defined benefit obligation is recognised as a liability with a corresponding charge to the Statement of Profit and Loss.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows with reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate at the beginning of the period to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur directly in other comprehensive income. They are included in retained earnings in the Statement of changes in equity and in the Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

ii) Defined contribution plan

Contributions to defined contribution schemes such as contribution to provident fund, superannuation fund, employees' state insurance scheme, national pension scheme and labour welfare fund are charged as an expense to the Statement of Profit and Loss based on the amount of contribution required to be made as and when services are rendered by the employees. The above benefits are classified as defined contribution schemes as the Company has no further defined obligations beyond the monthly contributions.

iii) Short-term employee benefits

All employee benefits payable within 12 months of service such as salaries, wages, bonus, ex-gratia, medical benefits, etc are recognised in the year in which the employees render the related service and are presented as current employee benefit obligations. Termination benefits are recognised as an expense as and when incurred.

Short-term employee benefits are provided at undiscounted amount during the accounting period based on service rendered by employees.

iv) Other long-term employee benefits

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

u) Research and Development expenditure

Expenditure on research is recognised as an expense when it is incurred. Expenditure on development which does not meet the criteria for recognition as an intangible asset is recognised as an expense when it is incurred. Items of property, plant and equipment and acquired intangible assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for property, plant and equipment and intangible assets.

v) Earnings per share

Earnings per share (EPS) is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted EPS, the net profit for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

w) Ordinary shares

Ordinary shares are classified as equity share capital. Incremental costs directly attributable to the issuance of new ordinary shares, share options and buy-back are recognised as a deduction from equity, net of any tax effects.

Estimation of uncertainties relating to the COVID-19 pandemic

Manufacturing facilities of the Company which were shutdown in the last week of March 2020 due to countrywide lockdown, resumed operations in a phased manner from the last week of April 2020 after obtaining the requisite approvals. The Company has considered possible effects that may result from the COVID-19 pandemic in preparation of these Financial Statements including recoverability of inventories, trade receivables and other assets. In developing the assumptions relating to future uncertainties in the economic conditions due to the COVID-19 pandemic, it has, at the date of approval of these Financial Statements, used relevant internal and external sources of information including economic forecasts and expects that the carrying amounts of these assets are recoverable. The impact of the COVID-19 pandemic, including current wave, may be different from that estimated as at the date of approval of these Financial Statements.

Critical estimates and judgements

Preparation of the Financial Statements require use of accounting estimates, judgements and assumptions, which, by definition, will seldom equal the actual results. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the Financial Statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the Financial Statements. This Note provides an overview of the areas that involves a higher degree of judgements or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the Financial Statements.

The areas involving critical estimates or judgements are:

i) Estimation for income tax: Note 1 (e)

ii) Estimation of useful life of tangible assets: Note 1 (h)

iii) Estimation of provision for inventories: Note 1 (n)

iv) Allowance for credit losses on trade receivables: Note 1 (l)

v) Estimation of claims | liabilities: Note 1 (s)

vi) Estimation of defined benefit obligations: Note 1 (t)

vii) Fair value measurements: Note 26.7

viii) Impairment: Note 1 (j)

Note 2 Property, plant and equipment and capital work-in-progress

(₹ lakhs)

Particulars	Right - of - use leasehold land	Buildings[1]	Plant and equipment	Office Equipment and Furniture	Vehicles	Total	Capital work-in-progress
Gross carrying amount							
As at March 31, 2019	**2,578.59**	**1,987.72**	**4,123.03**	**85.07**	**0.08**	**8,774.49**	**266.75**
Additions	-	6.72	229.60	22.38	-	258.70	1,847.84
Deductions, transfer and adjustments	-	-	-	-	(0.06)	(0.06)	(193.34)
As at March 31, 2020	**2,578.59**	**1,994.44**	**4,352.63**	**107.45**	**0.02**	**9,033.13**	**1,921.25**
Additions	-	436.62	1,920.69	3.90	-	2,361.21	801.29
Deductions, transfer and adjustments	-	-	-	-	-	-	(2,328.30)
As at March 31, 2021	**2,578.59**	**2,431.06**	**6,273.32**	**111.35**	**0.02**	**11,394.34**	**394.24**
Depreciation | Impairment | Amortisation							
Upto March 31, 2019	**7.85**	**89.37**	**1,064.78**	**24.74**	**-**	**1,186.74**	**-**
For the year	31.85	61.02	471.29	18.24	-	582.40	-
Deductions, transfer and adjustments	-	-	-	-	-	-	-
Upto March 31, 2020	**39.70**	**150.39**	**1,536.07**	**42.98**	**-**	**1,769.14**	**-**
For the year	31.85	62.28	493.30	16.76	-	604.19	-
Deductions, transfer and adjustments	-	-	-	-	-	-	-
Upto March 31, 2021	**71.55**	**212.67**	**2,029.37**	**59.74**	**-**	**2,373.33**	**-**
Net carrying amount							
As at March 31, 2020	2,538.89	1,844.05	2,816.56	64.47	0.02	7,263.99	1,921.25
As at March 31, 2021	**2,507.04**	**2,218.39**	**4,243.95**	**51.61**	**0.02**	**9,021.01**	**394.24**

Notes:

[1]The premises of the Company is constructed on land leased by the holding company, Atul Ltd.

Refer Note 14 for information on property, plant and equipment pledged as security by the Company.

Refer Note 26.2 for disclosure of contractual commitment for acquisition of property, plant and equipment.

The premises of Ambernath plant is constructed on land leased by MIDC.The same is subject to restrictions as per applicable MIDC rules.

Property, plant and equipment was tested for impairment using DCF method. Estimates and assumptions were adjusted for the COVID-19 pandemic impact based on assessment of the management and there was no requirement for impairment of any property, plant and equipment.

(₹ lakhs)

Note 3 Intangible assets and goodwill	Computer software	Non-compete fees	Total	Goodwill
Gross carrying amount				
As at March 31, 2019	**20.90**	**2,000.00**	**2,020.90**	**856.13**
Addition	12.45	**-**	12.45	**-**
As at March 31, 2020	**33.35**	**2,000.00**	**2,033.35**	**856.13**
Addition	-	-	-	-
As at March 31, 2021	**33.35**	**2,000.00**	**2,033.35**	**856.13**
Amortisation				
Up to March 31, 2019	**3.12**	**66.67**	**69.79**	**-**
Amortisation charged for the year	8.97	400.00	408.97	-
Up to March 31, 2020	**12.09**	**466.67**	**478.76**	**-**
Amortisation charged for the year	10.20	400.00	410.20	-
Upto March 31, 2021	**22.29**	**866.67**	**888.96**	**-**
Net carrying amount				
As at March 31, 2020	21.26	1,533.33	1,554.59	856.13
As at March 31, 2021	**11.06**	**1,133.33**	**1,144.39**	**856.13**

Significant estimate - impairment of goodwill

The Company has carried out impairment assessment as at March 31, 2021, for its all intangible assets. For this purpose, goodwill acquired in business combination is allocated to the CGU, which benefits from the synergies of the acquisition. The Company internally reviews the goodwill for impairment at the CGU level.

The goodwill of ₹ 856.13 lakhs pertains to the Ambernath manufacturing facility, active pharmaceutical ingredients business of Polydrug Laboratories Pvt Ltd, which was acquired by the Company effective January 01, 2019. The recoverable amount of this Ambernath manufacturing facility is determined based on value in use, which is derived by using five years cash flow projections with following key assumptions:

Particulars	Assumptions
Annual growth rate	Based on the estimated market share
Terminal growth rate	1%
Weighted average cost of capital % (WACC) before tax	13.5%
Expected gross margins	Baesd on prior experience

Cash flow projections, as approved by the Board, are based on the expected market shares, gross margins, and prior experience and are reflective of past experience throughout the period. As at March 31, 2021, the estimated recoverable amount of the CGU exceeded its carrying amount. Reasonable sensitivities in key assumptions consequent to the change in estimated future economic conditions on account of possible effects relating to the COVID-19 pandemic is unlikely to cause the carrying amount to exceed the recoverable amount of the CGU.

(₹ lakhs)

Note 4 Non-current investments	Face Value	As at March 31, 2021		As at March 31, 2020	
		Number of shares	Amount	Number of shares	Amount
Investment in equity instruments fully paid-up unquoted in foreign fellow subsidiary company measured at cost					
Atul Brasil Quimicos Ltda	R$ 1	2,188.00	0.70	2,188.00	0.70
			0.70		**0.70**

(₹ lakhs)

Note 5 Other financial assets		As at March 31, 2021		As at March 31, 2020	
		Current	Non-current	Current	Non-current
a)	Security deposits	-	45.06	-	45.06
b)	Advances recoverable in cash or kind	4.42	-	4.15	-
c)	Balance with banks in fixed deposits, with maturity beyond 12 months*	-	0.64	-	0.64
		4.42	**45.70**	**4.15**	**45.70**

* Bank deposits above are held as lien in favour of various government agencies

(₹ lakhs)

Note 6 Income tax assets (net)	As at March 31, 2021	As at March 31, 2020
Tax paid in advance, net of provisions	193.06	207.51
	193.06	**207.51**

(₹ lakhs)

Note 7 Other assets		As at March 31, 2021		As at March 31, 2020	
		Current	Non-current	Current	Non-current
a)	Balances with the statutory authorities	763.29	112.79	651.55	-
b)	Prepaid expenditure	29.71	-	39.49	-
c)	Export incentive receivable	62.60	-	20.28	-
d)	Capital advances	15.69	-	15.80	-
e)	Prepayment				
	i) Related parties	5.97	-	3.19	-
	ii) Others	64.09	-	2.79	-
		941.35	**112.79**	**733.10**	**-**

(₹ lakhs)

Note 8 Inventories		As at March 31, 2021	As at March 31, 2020
a)	Raw materials and packing materials	1,124.24	694.66
	Less: Provision for inventories	(29.47)	(20.12)
		1,094.77	**674.54**
b)	Work-in-progress	921.35	512.11
	Less: Provision for inventories	(12.20)	-
		909.15	**512.11**
c)	Finished goods	874.64	1,124.58
	Less: Provision for inventories	(15.65)	-
		858.99	**1,124.58**
d)	Stores, spares and fuel	150.69	98.04
		150.69	**98.04**
		3,013.60	**2,409.27**

(i) Amounts recognised in the Statement of Profit and Loss provision for slow and non-moving inventories has been made during the year ₹ 25.00 lakhs (previous year: ₹ 20.01 lakhs)

(ii) The mode of valuation of inventory has been stated in Note 1(g).

(iii) The Company determines the realisable value of inventory based on the latest selling prices, customer orders on hand and margins, adjusted to reflect current and estimated future economic conditions also taking into account estimates of possible effect from the COVID-19 pandemic.

(₹ lakhs)

Note 9 Trade receivables		As at March 31, 2021	As at March 31, 2020
Considered good - unsecured			
a)	Related parties (refer Note 26.3)	6.85	80.04
b)	Others	2,335.11	1,801.94
	Less: Allowance for doubtful debt	24.00	24.00
c)	Intercompany	-	-
	Trade receivables	**2,317.96**	**1,857.98**

(i) Amount of provision is recognised in the Statement of Profit and Loss of of ₹ Nil (Previous year: ₹ 24.00 lakhs)

(ii) Trade receivables are valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit losses, we have considered the likelihood of increased credit risks, subsequent recoveries, insurance and consequential default considering emerging situations due to COVID-19. This assessment is considering the nature of industries, impact immediately seen in the demand outlook of these industries and the financial strength of the customers in respect of whom amounts are receivable.

(₹ lakhs)

Note 10 Cash and cash equivalents		As at March 31, 2021	As at March 31, 2020
a)	Balances with banks		
	In current accounts	393.07	366.27
b)	Cash on hand	0.09	0.13
		393.16	**366.40**

There are no repatriations restrictions with regard to cash and cash equivalents .

(₹ lakhs)

Note 11 Bank balances other than cash and cash equivalents above	As at March 31, 2021	As at March 31, 2020
Short-term bank deposit with original maturity between 3 to 12 months*	24.69	13.75
	24.69	**13.75**

*Bank deposits above include deposits lien marked in favour of various government agencies.

(₹ lakhs)

Note 12 Equity share capital	As at March 31, 2021	As at March 31, 2020
Authorised		
3,00,00,000 (March 31, 2021: 3,00,00,000) equity shares of ₹ 10 each	3,000.00	3,000.00
30,00,000 (March 31, 2021: 30,00,000) 8% redeemable optionally convertible cumulative preference shares of ₹ 100 each	3,000.00	3,000.00
	6,000.00	6,000.00
Issued		
2,90,21,868 (March 31, 2021: 2,90,21,868) equity shares of ₹ 10 each	2,902.19	2,902.19
	2,902.19	**2,902.19**
Subscribed		
2,90,21,868 (March 31, 2021: 2,90,21,868) equity shares of ₹ 10 each	2,902.19	2,902.19
	2,902.19	**2,902.19**

a) Movement in equity share capital

(₹ lakhs)

Particulars	Number of shares	Equity share capital
As at March 31, 2019	**15,385,505**	**1,538.55**
Increase during the year	13,636,363	1,363.64
As at March 31, 2020	**29,021,868**	**2,902.19**
Increase during the year	-	-
As at March 31, 2021	**29,021,868**	**2,902.19**

b) Terms and rights attached to equity shares

The Company has one class of shares referred to as equity shares having a par value of ₹ 10.

i) Equity shares:

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts and preference shares. The distribution will be in proportion to the number of equity shares held by the shareholders. Each holder of equity shares is entitled to one vote per share.

ii) Dividend:

The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

c) Details of shareholders holding more than 5% of equity shares:

(₹ lakhs)

Name of the shareholder	As at March 31, 2021		As at March 31, 2020	
	Holding %	Number of shares	Holding %	Number of shares
Atul Ltd, holding company	**100%**	**29,021,868**	**100%**	**29,021,868**

(₹ lakhs)

	Note 13 Other equity	As at March 31, 2021	As at March 31, 2020
a)	Capital contribution from Atul Ltd[1]	167.17	167.17
b)	Securities premium	2,185.63	2,185.63
c)	Retained earnings	2,170.36	1,686.48
	Balance as at the end of the year	**4,523.16**	**4,039.28**

Refer Statement of changes in equity for detailed movement in other equity balance.

[1]Capital contribution from Atul Ltd represents equity component of 8% redeemable optionally convertible cumulative preference shares as at March 31, 2020.

Nature and purpose of reserves

a) Capital reserve

The fair value of the assets received free of cost in the past, was credited to capital reserve; it represents amount equivalent to the depreciation of the respective assets charged to the Statement of Profit and Loss.

a) Securities premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

b) Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, any transfers from or to other comprehensive income, dividends or other distributions paid to shareholders.

c) Other comprehensive income

Other comprehensive income is remeasurement gains | losses till date on defined benefit plans, net of tax

(₹ lakhs)

Note 14 Borrowings		As at March 31, 2021		As at March 31, 2020	
		Current	Non-current	Current	Non-current
a)	**Secured:**				
	i) Rupee term loan from a bank	-	3,682.91	-	3,278.55
b)	**Unsecured:**				
	i) Rupee term loan from a bank	-	-	-	450.60
	ii) Loan from related parties (refer Note 26.3)	-	4,150.00	1,400.01	1,750.00
		-	**7,832.91**	**1,400.01**	**5,479.15**
	Less:				
	Current maturities of long-term debts disclosed under the head Other financial liabilities (refer Note 15)	-	(676.45)	-	(678.86)
	Interest accrued disclosed under the head Other financial liabilities (refer Note 15)	-	**-**	(0.01)	-
		-	**7,156.46**	**1,400.00**	**4,800.29**

a)	Type of loan	Nature of security	Terms of repayment
i)	Rupee term loan from a bank:		
	Secured:		
	Rupee term loan from bank amounting to ₹ 3,682.91 lakhs (including interest accrued ₹ Nil)	Exclusive charge on the movable and immovable fixed assets at Ambernath and first pari-passu charge on movable and immovable fixed assets except leasehold land at Valsad	Quarterly installments beginning from March 2020 till June 2025. Interest rate as at Balance Sheet date is 9% per annum. Payable within one year ₹ 676.45 lakhs. Payable within two to three years ₹ 1,753.77 lakhs. Payable within four to six years ₹ 1,252.69 lakhs.
ii)	Working capital loan:		
	Working capital loan of ₹ Nil: at base rate of bank plus 1.5% that is 8.80% per annum as at Balance Sheet date (As at March 31, 2021: ₹ Nil: 9.15% per annum.)	Hypothecation of current assets, namely, inventories and book debts of the Company as a whole and also secured by extension of charge on all non-current assets of the Company.	Fully repaid as per the sactioned terms.
iii)	Loans from related parties:		
	Interest of 8% to 9.15% per annum is charged on the outstanding balances (As at March 31, 2020: 9% to 9.50% per annum).		

b) Net debt reconciliation:

Particulars	Liabilities from financing activities		
	Non-current borrowings	Current borrowings	Total
Net debt as at March 31, 2019	**1,072.40**	**540.40**	**1,612.80**
(Repayments) | Disbursements	4,412.44	867.45	**5,279.89**
Interest expense	368.81	112.81	**481.62**
Interest paid	(374.50)	(120.65)	**(495.15)**
Net debt as at March 31, 2020	**5,479.15**	**1,400.01**	**6,879.16**
(Repayments) | Disbursements	2,353.76	(1,400.01)	953.75
Interest expense	633.02	24.81	657.83
Interest paid	(633.02)	(24.81)	(657.83)
Net debt as at March 31, 2021	**7,832.91**	**-**	**7,832.91**

(₹ lakhs)

Note 15 Other financial liabilities		As at March 31, 2021		As at March 31, 2020	
		Current	Non-current	Current	Non-current
a)	Current maturities of long-term debt (refer Note 14)	676.45	-	678.86	-
b)	Employees benefits payable (refer Note 26.6)	101.63	35.44	68.14	24.16
d)	Retention money	103.64	-	67.07	-
e)	Creditors for capital goods (refer Note 26.12)*	176.00	-	1,322.11	-
f)	Interest accrued but not due (refer Note 14)	-	-	0.01	-
g)	Security Deposit	-	113.13	-	-
h)	Others	0.32	-	-	
		1,058.04	**148.57**	**2,136.19**	**24.16**

*includes payable to MSME creditors ₹ 76.17 (previous year : ₹ 0.01 lakh)

(₹ lakhs)

Note 16 Provisions	As at March 31, 2021		As at March 31, 2020	
	Current	Non-current	Current	Non-current
Provision for compensated absences (refer Note 26.6)	4.97	49.86	4.76	29.98
	4.97	**49.86**	**4.76**	**29.98**

(₹ lakhs)

Note 17 Trade payables		As at March 31, 2021	As at March 31, 2020
a)	Total outstanding dues of micro, small and medium enterprises (refer Note 26.12)	81.59	11.90
b)	Total outstanding dues of creditors other than micro, small and medium enterprises		
	i) Related parties (refer Note 26.3)	876.97	713.24
	ii) Others	1,297.04	941.83
		2,255.60	**1,666.97**

(₹ lakhs)

Note 18 Other current liabilities		As at March 31, 2021	As at March 31, 2020
a)	Advance received from customers		
	i) Related parties	47.90	11.51
	ii) Others	7.49	-
b)	Statutory dues	29.85	23.50
		85.24	**35.01**

(₹ lakhs)

Note 19 Revenue from operations	2020-21	2019-20
Revenue from contracts with customers:		
Sale of products	13,397.08	10,488.43
Sale of services	-	11.44
Sale of raw material	834.38	72.62
Other operating revenue:		
Export incentives	69.07	65.12
Scrap sales	35.04	41.66
	14,335.57	**10,679.27**

Contracts with customers are for short-term, at an agreed price basis having contracted credit period ranging upto 90 days. These contracts are mainly for sale of goods in domestic and international markets besides sale of scrap. Delivery of goods are either at ex-works or at an alternate agreed place at an agreed point in time. The contracts do not grant for any rights to return to the customer. Returns of goods are accepted by the Company only on exception basis.

(₹ lakhs)

Note 20 Other income	2020-21	2019-20
Interest income	7.92	1.04
Exchange rate difference gain (net)	18.95	22.47
Miscellaneous income	2.66	-
	29.53	**23.51**

(₹ lakhs)

Note 21 Cost of materials consumed	2020-21	2019-20
Stocks at commencement	674.54	866.89
Add: Purchases	8,610.15	7,127.00
	9,284.69	**7,993.89**
Less: Stocks at close	1,094.77	674.54
	8,189.92	**7,319.35**

(₹ lakhs)

Note 22 Changes in inventories of finished goods and work-in-progress	2020-21	2019-20
Stocks at close		
Finished goods	858.99	1,124.58
Work-in-progress	909.15	512.11
Stock-in-trade	-	-
	1,768.14	**1,636.69**
Less: Stocks at commencement		
Finished goods	1,124.58	720.18
Work-in-progress	512.11	-
Stock-in-trade	-	-
	1,636.69	**720.18**
(Increase) | Decrease in stocks	**(131.45)**	**(916.51)**

(₹ lakhs)

Note 23 Employee benefit expenses	2020-21	2019-20
Salaries, wages and bonus	893.52	775.60
Contribution to provident and other funds (refer Note 26.6)	51.13	47.97
Staff welfare	36.72	27.10
	981.37	**850.67**

(₹ lakhs)

Note 24 Finance costs	2020-21	2019-20
Interest on borrowings	657.83	481.62
Interest on income tax	0.49	-
Interest on others	1.49	14.48
	659.81	**496.10**

(₹ lakhs)

Note 25 Other expenses	2020-21	2019-20
Consumption of stores and spares	112.42	168.38
Power, fuel and water	772.36	664.08
Conversion and plant operation charges | contract labour charges	155.04	120.06
ETP charges	78.87	89.08
Building repairs	37.16	27.49
Plant and equipment repairs	238.69	282.86
Sundry repairs	3.55	2.81
Rent	0.04	0.04
Rates and taxes	41.36	13.81
Insurance	45.92	34.50
Freight charges	57.08	51.47
Commission	21.32	16.88
Travelling and conveyance	4.18	5.00
Payments to the Statutory Auditors		
a) Audit fees	4.97	3.63
b) Other matters	0.66	0.60
Payments to the Cost Auditors		
a) Audit fees	0.24	0.24
b) Out of pocket expense		
Directors' fees and travelling	5.00	4.20
Directors' commission (other than the Executive Directors)	3.00	-
Manpower services	178.29	173.07
Provision for doubtful debts	-	24.00
Loss on assets sold, discarded or demolished	-	0.06
Expenditure on Corporate Social Responsibility initiatives (refer Note 26.13)	16.60	25.36
Security charges	42.00	40.32
Brand usage charges	13.56	17.14
Legal and professional charges	107.74	73.82
Miscellaneous expenses	397.99	256.89
	2,338.04	**2,095.79**

Note 26.1 Contingent liabilities

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Claims against the Company not acknowledged as debts in respects of:		
VAT	12.60	4.74

The regulatory claims are under litigation at various forums, the company expects there outcome of the above matter to be in its favour and has, therefore, not recognised provision in relation to this claim.

Note 26.2 Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period, but not recognised as liabilities, is as follows:

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed and not provided for (net of advances):		
Property, plant and equipment	40.76	113.14

Note 26.3 Related party information

No.	Name of the related party	Description of relationship
	The group is controlled by following entity	
01	Atul Ltd	Holding company
	Other related parties with whom transactions have taken place during the year	
02	Atul Finserv Ltd	Fellow subsidiary companies with whom transactions have taken place during the year
03	Atul Nivesh Ltd	
04	Atul China Ltd	
05	Atul Europe Ltd	
06	Rudolf Atul Chemicals Ltd	Entity jointly controlled by holding company
07	Aagam Holdings Pvt Ltd	Entity over which control exercised by Key Management Personnel
08	**Key Management Personnel**	
	Sunil Lalbhai	Chairman
	Prabhakar Chebiyyam	Managing Director
	Gopi Kannan Thirukonda	Director
	Sharat Tripathi	Director
	Pramod Lele	Independent Director
	Rangaswamy Iyer	Independent Director
	Ajit Dangi	Independent Director
	Astha Lalbhai	Director
	Pranesh Mallaya	Chief Financial Officer
	Rajeev Kumar	Company Secretary

No.	Name of the related party	Description of relationship
09	Welfare funds	Organisations over which significant influence exercised by Key Management Personnel
	Atul Foundation Trust	
	Atul Rural Development Fund	
10	Bansi S Mehta	Director of holding company
11	Crawford Bayley & Co.	Director of holding company is partner
12	Other related parties	Post-employment benefit plan of Atul Bioscience Ltd
	Atul Bioscience Staff Gratuity Fund	

Note 26.4 (a) Transactions with holding company

(₹ lakhs)

Particulars		2020-21	2019-20
	Sales and income		
1.	Sale of goods	106.29	186.01
2.	Sales of property, plant and equipment	-	4.03
3.	Reimbursement received	-	2.39
	Purchases and expenses		
1.	Purchase of raw material	3,879.86	3,526.62
2.	Purchase of power, fuel and water	479.48	436.18
3.	Purchase of property, plant and equipment	22.59	88.18
4.	ETP service charges	73.78	173.07
5.	Staff service charges	383.64	-
6.	Expenses reimbursement paid	0.08	0.04
7.	Lease rent	0.04	97.13
8.	Interest paid | payable	159.98	17.14
9.	Brand usage charges	13.56	9.20
	Others		
1.	Interim dividend on equity shares	-	76.93
	Transfers under finance arrangements		
1.	Loan taken	650.00	-
2.	Issue of equity shares	-	1,363.64
3.	Issue of 8% redeemable optionally convertible cumulative preference shares	-	1,000.00
4.	Conversion of 8% redeemable optionally convertible cumulative preference shares into equity shares	-	3,000.00

Terms and conditions:

a) Transactions with Atul Ltd pertaining to i) purchase of goods, power, fuel, water, ii) ETP service charges, iii) lease rent, iv) interest and v) brand usage charges were at normal commercial terms.

b) Staff service charges and other expenses were reimbursed to Atul Ltd on cost basis.

c) Transaction relating to dividend was on same terms and conditions that applied to all shareholders.

Note 26.4 (b) Transactions with fellow subsidiary companies

(₹ lakhs)

	Particulars	2020-21	2019-20
	Sales and income		
1	**Sale of goods**	**-**	**137.32**
	Atul Europe Ltd	-	137.32
1	**Loan taken and repaid**		
	Loan taken	**250.00**	**250.00**
	Atul Finserv Ltd	-	-
	Atul Nivesh Ltd*	250.00	250.00
2	**Loan repaid**	**250.00**	**-**
	Atul Nivesh Ltd*	250.00	-
	Expenses		
1	**Interest on loan**	**60.55**	**60.43**
	Atul Finserv Ltd	42.24	42.75
	Atul Nivesh Ltd	18.31	17.68
2	**Reimbursement paid**	**-**	**1.58**
	Atul Finserv Ltd	-	1.58

*Loans taken from Atul Nivesh Ltd was for 24 months at interest rate of 9% per annum.

Terms and conditions:

Sales and Income -

Transactions with Atul Europe Ltd pertaining to sale of goods were at normal commercial terms.

Note 26.4 (c) Entity jointly controlled by holding company

(₹ lakhs)

	Particulars	2020-21	2019-20
	Loan taken and repaid		
1	**Loan taken**	**350.00**	**200.00**
	Rudolf Atul Chemicals Ltd	350.00	200.00
	Expenses		
1	Interest on loan	**79.31**	**52.21**
	Rudolf Atul Chemicals Ltd*	79.31	52.21

*Loans taken from Rudolf Atul Chemicals Ltd was for 36 months at interest rate of 9 % per annum.

Note 26.4 (d) Key Management Personnel compensation

(₹ lakhs)

	Particulars	2020-21	2019-20
	Expenses		
1	**Prabhakar Chebiyyam**	**47.13**	**59.38**
	Short-term employee benefits	47.13	59.38
	Post-employment benefits[1]	-	-
2	**Independent Directors**	**3.00**	**4.20**
	Commission and sitting fees paid to Independent Directors	3.00	4.20

[1]Compensation for gratuity and compensated absences are paid by the holding company.

There are no other categories of compensation payable to Key Management Personnel.

Note 26.4 (e) Transactions with organisations over which significant influence exercised

(₹ lakhs)

1	Partculars	2020-21	2019-20
	Corporate social responsibility initiatives		
	Atul Rural Development Fund	16.60	25.36

Note 26.4 (f) Transactions with entity where Director of holding company is a partner

(₹ lakhs)

1	Partculars	2020-21	2019-20
	Professional fees		
	Crawford Bayley & Co.	3.25	7.01

Note 26.4 (g) Transactions with organisations over which significant influence exercised

(₹ lakhs)

1	Partculars	2020-21	2019-20
	Contribution made during the year		
	Atul Bioscience Staff Gratuity Fund	1.11	1.50

Note 26.4 (h) Outstanding balances of holding company at year end

(₹ lakhs)

Partculars	As at March 31, 2021	As at March 31, 2020
Payables	870.12	560.63
Loan payables	2,400.00	1750

Note 26.4 (i) Outstanding balances of fellow subsidiary companies at year end

(₹ lakhs)

	Partculars	As at March 31, 2021	As at March 31, 2020
Receivables		**-**	**75.29**
1	Atul Europe Ltd	-	75.29
Payables		**700.00**	**700.91**
1	Atul Finserv Ltd	450.00	449.71
2	Atul China Ltd	-	1.20
3	Atul Nivesh Ltd	250.00	250.00

Note 26.4 (j) Outstanding balances of entity jointly controlled by holding company as at year end

(₹ lakhs)

	Partculars	As at March 31, 2021	As at March 31, 2020
1	**Unsecured loan**	**1,050.00**	**700.00**
	Rudolf Atul Chemicals Ltd	1,050.00	700.00

Note 26.4 (k) Outstanding balances of entity where Director of holding company is a partner as at year end

(₹ lakhs)

Partculars		As at March 31, 2021	As at March 31, 2020
1	Payables	**3.25**	**7.01**
	Crawford Bayley & Co.	3.25	7.01

Note 26.4 (l) Terms and conditions:

1 Transactions relating to preference dividend, equity dividend and issue of new equity shares were on same terms and conditions that applied to all shareholders. The loans taken from related parties were generally for short term at interest rate ranging from 8% to 9.15% per annum.

2 Transactions with Atul Ltd pertaining to:

a) purchase of goods, power, fuel, water,

b) ETP service charges,

c) lease rent and

d) commission paid to Atul China Ltd were at normal commercial terms.

3 Staff service charges and other expenses were reimbursed to Atul Ltd on cost basis.

All outstanding balances are unsecured and are repayable in cash.

Note 26.5 Current and deferred tax

The major components of income tax expense for the years ended March 31, 2021 and March 31, 2020 are:

a) Income tax expense recognised in the Statement of Profit or Loss:

(₹ lakhs)

Particulars		2020-21	2019-20
i)	**Current tax**		
	Current tax on profit for the year	108.12	-
	Adjustments for current tax of prior periods	-	-
	Total current tax expense	108.12	-
ii)	**Deferred tax**		
	(Decrease) | Increase in deferred tax liabilities	(2.36)	38.12
	Decrease | (Increase) in deferred tax assets	85.62	(111.00)
	Total deferred tax expense | (benefit)	83.26	(72.88)
	Income tax expense	**191.38**	**(72.88)**

b) The reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows:

Particulars		2020-21	2019-20
a)	Statutory income tax rate	25.17%	25.17%
b)	Differences due to:		
	Non-deductible expenses	1.876%	-7.18%
	Prior period adjustmnet	1.41%	0.00%
	Expenses in capital nature	-	0.00%
	Defferred tax on changed in effective tax rate	-	18.22%
	Other items	-0.09%	0.11%
	Effective income tax rate	**28.36%**	**36.31%**

c) **Current tax assets**

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	207.51	110.31
Add: Taxes paid in advance, net of provision during the year	93.68	97.20
Less: provision	(108.12)	-
Closing balance	**193.07**	**207.51**

d) **Current tax liabilities**

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	-	2.87
Add: Current tax payable for the year	-	(2.87)
Less: Taxes paid	-	-
Closing balance	**-**	**-**

e) **Movement in deferred tax liabilities | (assets)**

(₹ lakhs)

Particulars	As at March 31, 2021	Charged | (Credited) to		As at March 31, 2020	Charged | (Credited) to		As at March 31, 2019
		profit or loss	OCI | equity		profit or loss	OCI | equity	
Property plant and equipment and Intangible assets	325.47	(2.36)	-	327.83	38.12	-	289.71
Total deferred tax liabilities	**325.47**	**(2.36)**	**-**	**327.83**	**38.12**	**-**	**289.71**
Provision for compensated absences and gratuity	(29.26)	(7.72)	0.15	(21.69)	(5.27)	(0.27)	(15.57)
Expenses for increase in authorised share capital	-	4.18	-	(4.18)	0.54	-	(4.72)
Unabsorbed tax depreciation	-	95.17	-	(95.17)	(95.17)	-	-
Provision for doubtful debts and provision for inventory	(15.03)	(8.99)	-	(6.04)	(6.04)	-	-
Others	(2.07)	2.99	-	(5.06)	(5.06)	-	-
Total deferred tax assets	**(46.36)**	**85.63**	**0.15**	**(132.14)**	**(111.00)**	**(0.27)**	**(20.29)**
Net deferred tax liabilities | (assets)	**279.11**	**83.27**	**0.15**	**195.69**	**(72.88)**	**(0.27)**	**269.42**

Note 26.6 : Employee benefit obligations

Funded schemes

a) Defined benefit plans

Gratuity

The Company operates a gratuity plan through the 'Atul Bioscience Staff Gratuity Fund'. Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972 or Company scheme whichever, is more beneficial. The same is payable at the time of separation from the Company or retirement, whichever is earlier. The benefits vest after five years of continuous service.

Balance sheet amount (Gratuity)

(₹ lakhs)

Particulars	Present value of obligation	Fair value of plan assets	Net amount
As at March 31, 2019	**90.94**	**(57.64)**	**33.30**
Current service cost	10.48	-	10.48
Interest expense | (income)	6.57	(4.16)	2.41
Total amount recognised in profit and loss	**17.05**	**(4.16)**	**12.89**
Remeasurements			
Return on plan assets, excluding amount included in interest expense | (income)	-	0.57	0.57
(Gain) | loss from change in demographic assumptions	(0.96)	-	(0.96)
(Gain) | loss from change in financial assumptions	5.53	-	5.53
Experience (gains) | losses	(1.78)	-	(1.78)
Total amount recognised in other comprehensive income	**2.79**	**0.57**	**3.36**
Employer contributions	**-**	1.50	1.50
Benefit payments	12.65	(12.65)	-
As at March 31, 2020	**98.13**	**(50.08)**	**48.05**
Current service cost	12.03	-	12.03
Interest expense | (income)	6.31	(3.22)	3.09
Total amount recognised in profit and loss	**18.34**	**(3.22)**	**15.12**
Remeasurements			
Return on plan assets, excluding amount included in interest expense | (income)	-	1.46	1.46
(Gain) | loss from change in demographic assumptions	7.07	-	7.07
(Gain) | loss from change in financial assumptions	(5.98)	-	(5.98)
Experience (gains) | losses	(3.16)	-	(3.16)
Total amount recognised in other comprehensive income	**(2.07)**	**1.46**	**(0.61)**
Employer contributions	-	1.11	1.11
Benefit payments	2.19	(2.19)	-
As at March 31, 2021	**112.20**	**(50.75)**	**61.45**

The net liability disclosed above relates to funded and unfunded plans are as follows:

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of funded obligations	112.20	98.13
Fair value of plan assets	(50.75)	(50.08)
Deficit | Surplus of gratuity plan	**61.45**	**48.05**
Current	26.01	23.88
Non-current	35.44	24.17

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

Particulars	As at March 31, 2021	As at March 31, 2020
Discount rate	6.33%	6.43%
Salary escalation rate	7.62%	8.40%
Rate of return on plan assets	6.33%	7.43%
Attrition rate	8.00%	14.00%

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Particulars	Increase | (decrease) in defined benefit obligation					
	Change in assumptions		Increase in assumptions		Decrease in assumptions	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Discount rate	1.00%	1.00%	(7.14)%	(4.95)%	8.19%	5.51%
Salary escalation rate	1.00%	1.00%	8.01%	5.35%	(7.12)%	(4.90)%
Attrition rate	1.00%	1.00%	(0.88)%	(0.79)%	0.97%	0.85%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied while calculating the defined benefit liability recognised in the Balance Sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change as compared to the previous year.

Major category of plan assets are as follows:

(₹ lakhs)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Unquoted	in %	Unquoted	in %
Investment funds				
Insurer managed fund (Life Insurance Corporation of India)	50.75	100%	50.08	100%
	50.75	**100%**	**50.08**	**100%**

Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Interest rate risk

A fall in the discount rate which is linked to the government security rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, It has a relatively balanced mix of investments in government securities, and other debt instruments.

Concentration risk

Plan is having a concentration risk as all the assets are invested with the insurance company and a default will wipe out all the assets. Although probability of this is very less as insurance companies have to follow regulatory guidelines.

The expected contributions to post-employment benefit plans for the year ending March 31, 2022 are, ₹ 26.00 lakhs.

The weighted average duration of the defined benefit obligation is 9 years (2019-20: 6 years). The expected maturity analysis of gratuity is as follows:

Particulars	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
Defined benefit obligation (gratuity)					
As at March 31, 2021	9.63	7.80	30.04	155.76	193.60
As at March 31, 2020	12.04	11.38	37.17	86.85	135.40

b) Defined contribution plans

The Company makes contributions towards provident fund and employees' state insurance scheme for qualifying employees as per regulations. The provident fund is administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards above contribution plans is ₹ 26.49 lakhs (March 31, 2020 : ₹ 28.66 lakhs).

c) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Mortality rates are obtained from the relevant data.

d) Compensated absences

The Compensated absences covers the liability for earned leave. Out of the total amount disclosed in Note 16, the amount of ₹ 4.97 lakhs (March 31, 2020 ₹ 4.76 lakhs) is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(₹ lakhs)

	Particulars	Compensated absences	
		As at March 31, 2021	As at March 31, 2020
1	Present value of unfunded obligations	54.83	34.74
2	Expense recognised in the Statement of Profit and Loss	22.63	15.70
3	Discount rate (per annum)	6.43%	6.43%
4	Rate of return on plan assets	6.43%	6.43%
5	Salary escalation rate (per annum)	8.40%	8.40%
	Current	4.97	4.76
	Non-current	49.86	29.98

e) The Parliament of India has approved the Code on Social Security, 2020 (the Code) which may impact the contributions by the Company towards provident fund, gratuity and ESIC. The Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. Final rules are yet to be notified. The Company will assess the impact of the Code when it comes into effect and will record related impact, if any.

Note 26.7: Fair value measurements

(i) Financial instruments by category

(₹ lakhs)

Particulars	As at March 31, 2021			As at March 31, 2020		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments in equity instruments	0.70	-	-	0.70	-	-
Trade receivables	-	-	2,317.96	-	-	1,857.98
Cash and cash equivalents	-	-	393.16	-	-	366.40
Bank balances other than cash and cash equivalents above	-	-	24.69	-	-	13.75
Other receivables	-	-	49.48	-	-	49.21
Bank deposits with more than 12 months maturity	-	-	0.64	-	-	0.64
Total financial assets	**0.70**	**-**	**2,785.93**	**0.70**	**-**	**2,287.98**
Financial liabilities						
Borrowings	-	-	7,832.91	-	-	6,879.16
Trade payables	-	-	2,255.60	-	-	1,850.66
Creditor for capital goods	-	-	176.00	-	-	1,202.48
Employee benefits payable	-	-	137.07	-	-	92.30
Retention money	-	-	103.64	-	-	3.01
Other	-	-	0.32	-	-	-
Total financial liabilities	**-**	**-**	**10,505.54**	**-**	**-**	**10,027.61**

(ii) Fair value hierarchy and valuation technique used to determine fair value

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are, (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Accounting Standard. An explanation of each level follows underneath the table.

(₹ lakhs)

Assets and liabilities measured at fair value - recurring fair value measurements	Note	As at March 31, 2021	As at March 31, 2020
		Investment in equity instruments	Investment in equity instruments
Level 1		-	-
Level 2		-	-
Level 3	4	0.70	0.70

The difference between the fair value and the carrying amount of the investment in equity instruments is not expected to be material and hence has not been fair valued and is classified as level 3.

Level 1 : Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and mutual funds that have a quoted price. The fair value of all equity instruments which are traded on the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing net assets value (NAV).

Level 2: The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(iii) Fair value of financial assets and liabilities measured at amortised cost

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
	Carrying amount | Fair value	Carrying amount | Fair value
Financial assets		
Other receivables	45.06	45.06
Bank deposits with more than 12 months maturity	0.64	0.64
Total financial assets	**45.70**	**-**
Financial liabilities		
Borrowings	7,832.91	5,479.15
Employee benefits payable	35.44	24.16
Other	0.32	-
Total financial liabilities	**7,868.67**	**5,503.31**

The carrying amounts of trade receivables, trade payables, other receivables, bank deposits with more than 12 months maturity, creditors for capital goods, cash and cash equivalents and bank balances other than cash and cash equivalents, interest accrued but not due, dividend payable on preference share, interim dividend payable on equity shares, employee benefit payables, retention money, other financial liabilities are considered to be the same as their fair values.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

(iv) Valuation processes

The Finance department of the Company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes including level 3 fair values.

Note 26.8: Financial risk management

1. Business activities of the Company expose it to a variety of financial risks, namely market risks (that is foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Management of the Company has the overall responsibility for the establishment and oversight of risk management framework of the Company. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring Risk Management Policy of the Company. The Risk Management Policy of the Company are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk Management Policy and systems are reviewed regularly to reflect changes in market conditions and the activities of the Company. The risk management of the Company focuses on the unpredictability of these elements and seeks to minimise the potential adverse effects on its financial performance.

2. The Risk Management Committee of the Company is supported by the Finance department that provides assurance that the financial risk activities of the Company are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the policies and risk objectives of the Company. The Finance department activities are designed to:

- protect the financial results of the Company and position from financial risks
- maintain market risks within acceptable parameters, while optimising returns; and
- protect the financial investments of the Company, while maximising returns. The Finance department is responsible to maximise the return on companies internally generated funds.

(a) Management of liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The approach of the Company to manage liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, the Management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could undermine the credit rating of the Company and impair investor confidence.

The following table shows the maturity analysis of the financial liabilities of the Company based on contractually agreed undiscounted cash flows as at the Balance Sheet date:

(₹ lakhs)

As at March 31, 2021	Note	Carrying amount	Less than 12 months	More than 12 months	Total
Borrowings	14	7,832.91	676.45	7,156.46	7,832.91
Trade payables	19	2,255.60	2,255.60	-	2,255.60
Other financial liabilities	15	381.59	381.59	-	381.59
Total non-derivative liabilities		**10,470.10**	**3,313.64**	**7,156.46**	**10,470.10**

(₹ lakhs)

As at March 31, 2020	Note	Carrying amount	Less than 12 months	More than 12 months	Total
Borrowings	14	6,879.16	678.86	6,200.30	6,879.16
Trade payables	19	1,850.66	1,850.66	-	1,850.66
Other financial liabilities	15	1,273.64	1,273.64	-	1,273.64
Total non-derivative liabilities		**10,003.46**	**3,803.16**	**6,200.30**	**10,003.46**

(b) Management of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations.

i) Trade receivables

Sales to a new party is usually against advance | under a Letter of Credit (LC). As a policy LC of only top banks is accepted. More than 50% of sales is either on advance or under LC. Further, trade receivables for sales on open terms are monitored monthly and in case of overdue, timely alerts are provided. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low.

ii) Other financial assets

The Company maintains exposure in cash and cash equivalents and term deposits with banks. The same are maintained with banks or financial institutes of repute. Credit limits and concentration of exposure are actively monitored by the Finance department of the Company.

(c) Management of market risk

The size and nature of operations of company expose it to various market risks which may affect the income and expenses of the Company, or the value of its financial instruments.

i) Interest rate risk

ii) Forein currency risk

The exposure of the Company to, and management of, these risks is explained below:

	Potential impact of risk	Management policy	Sensitivity to risk
i)	Interest rate risk		
	The main interest rate risk of the Company arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Some part of the borrowings of the Company are at variable rates denominated in ₹. As at March 31, 2021, the exposure to interest rate risk due to variable interest rate borrowings amounted to ₹ nil (March 31, 2020: ₹ 450.60 lakhs) and due to fixed rate borrowings amounted to ₹ 7,832.91 lakhs (March 31, 2020: ₹ 6,428.56 lakhs)	The Company manages interest rate risks by keeping mixture of loans from group and third parties with fixed as well as floating rate loans. The borrowings are at amortised cost. Further the Company keeps a watch on RBI policy and market movements to arrive at decision so as to hedge the exposure or keep it open.	As an estimation of the approximate impact of the interest rate risk, the Company has calculated the impact of a 100 bps increase in interest rates may have led to approximately an additional ₹ nil (2019-20: loss of ₹ 4.51 lakhs) gain in profit. A 100 bps decrease in interest rates may have led to an equal but opposite effect.
ii)	Foreign currecy risk		
	The Company has international operational and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency (INR) of the Company. The risk is measured through a forecast of highly probable foreign currency cash flows.	The Company has exposure arising out of export, import and other transactions other than functional risks. The same is as per the guidelines laid down in its Risk Management Policy.	As an estimation of the approximate impact of the foreign exchange rate risk, with respect to the Financial Statements, the Company has calculated the impact as follows: For financial assets and liabilities not denominated in Indian rupee (INR) and future commercial transactions, INR depreciates against USD by ₹ 1 as on the reporting date may have led to an increase in additional ₹ 1.61 lakhs cr loss in profit and loss (2019-20: gain of ₹ 1.28 lakhs). INR appreciates against USD by ₹ 1 may have led to an equal but opposite effect.

Foreign currency risk exposure:

The exposure of the Company to foreign currency risk at the end of the reporting period, are as follows

(₹ lakhs)

Particulars	As at March 31, 2021		As at March 31, 2020	
	Amount in $	Amount in ₹	Amount in $	Amount in ₹
Financial assets				
Trade receivables	4.66	340.91	2.73	206.05
Exposure to foreign currency risk (assets)	4.66	340.91	2.73	206.05
Financial liabilities				
Trade payables	6.28	458.96	1.30	98.31
Others	-	-	0.15	11.20
Net exposure to foreign currency risk (liabilities)	6.28	458.96	1.45	109.51
Net exposure to foreign currency risk	(1.61)	(118.05)	1.28	96.54

Note 26.9: Capital management

The primary objective of the capital management of the Company is to maximise shareholder value. The Company monitors capital using debt-equity ratio, which is total debt divided by total equity.

For the purpose of capital management, the Company considers the following components of its Balance Sheet to manage capital

Total equity includes retained earnings, share capital, security premium, other comprehensive income | (loss), capital contribution and equity capital pending allotment of shares. Total debt includes current debt plus non-current debt.

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Total debt	7,833	6,879
Total equity	7,425	6,941
Debt-equity ratio	1.05	0.99

Note 26.10 Segment information

The operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM, who is responsible for allocating resources and assessing performance, has been identified as the Managing Director of the Company. The Company operates in only one business segment i.e. active pharmaceutical ingredient (API) and their intermediates. Further, since the revenue generated in India and non-current assets other than financial assets located within India are greater than 90% of the total revenue and total non-current assets other than financial assets respectively of the Company, hence the Company does not have any reportable segments as per Indian Accounting Standard 108 'Operating Segments'

Revenue of approximately ₹ 3644.60 lakhs, ₹ 1831.36 lakhs, ₹ 808.35 lakhs (March 31, 2020 : ₹ 1,714.03 lakhs, ₹ 1,500.40 lakhs and ₹ 1,044.57 lakhs) are derived from three external customers attributable to the active pharmaceutical ingredient (API) and their intermediates segment.

Note 26.11 Earnings per share

Basic earnings per share (BEPS) - The numerators and denominators used to calculate basic EPS

Particulars		2020-21	2019-20
Profit | (Loss) for the year attributable to the equity shareholders	₹ lakhs	483.42	(127.84)
Basic number of equity shares outstanding during the year	Number	29,021,868	29,021,868
Weighted average number of equity shares outstanding during the year	Number	29,021,868	28,636,872
Nominal value of equity share	₹	10	10
Basic earnings per equity share attributable to equity shareholders of the Company		1.67	(0.45)

Weighted average number of shares used as the denominator

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	29,021,868	15,385,505
Effect of fresh issue of shares on conversion of preference shares	-	13,636,363
Closing balance	29,021,868	29,021,868

Diluted earnings per share (DEPS) - The numerators and denominators used to calculate diluted EPS:

Particulars		2020-21	2019-20
Profit | (Loss) for the year attributable to the equity shareholders	₹ lakhs	483.42	(127.84)
Basic number of equity shares outstanding during the year	Number	-	10,840,050
Weighted average number of equity shares adjusted for effect of dilution	Number	29,021,868	28,636,872
Nominal value of equity share	₹	10	10
Diluted earnings per equity share attributable to equity shareholders of the Company		1.67	(0.45)

Weighted average number of shares used as the denominator

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	29,021,868	15,385,505
Adjustment for effect of dilution	-	13,251,367
Closing balance	29,021,868	28,636,872

Note 26.12 Disclosure requirement under MSMED Act, 2006

The Company has certain dues to suppliers (trade and capital) registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

(₹ lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	81.59	11.90
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	1.36	0.06
Principal amount paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	91.49	8.38
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	1.36	0.06
Further interest remaining due and payable for earlier years	-	-

Note:

1) Outstanding as at March 31, 2021 includes creditor for capital goods of ₹ 76.17 lakhs.
2) Above disclosures have been made based on information available with the Company, for suppliers who are registered as Micro, Small and Medium Enterprise under 'The Micro, Small and Medium Enterprise Development Act, 2006' as at March 31, 2021. The auditors have relied upon in respect of this matter.

Note 26.13 Expenditure on Corporate Social Responsibility initiatives

a) Gross amount required to be spent by the Company during the year is ₹ 16.60 lakhs (2019-20: ₹ 25.36 lakhs)

b) Amount spent during the year on:

(₹ lakhs)

Particulars	2020-21			2019-20		
	Paid	payable	Total	Paid	payable	Total
i) Construction / acquisition of any asset	-	-	-	-	-	-
ii) On purposes other than (i) above	16.60	-	16.60	25.36	-	25.36

Note 26.14 Leases

a) As a lessee

Following are the changes in the carrying value of right-of-use assets

(₹ lakhs)

Particulars	Leasehold-Land
As at March 31, 2020	**2,538.89**
Additions	-
Deletions	-
Depreciation | Amortisation	31.85
As at March 31, 2021	**2,507.04**

Movements in lease liabilities

Particulars	(₹ lakhs)
As at March 31, 2020	-
Additions	-
Deletions	-
Finance cost accrued	-
Payment of lease liabilities	-
Translation difference	-
As at March 31, 2021	-

Contractual maturities of lease liabilities as at March 31, 2021 on undiscounted basis

Particulars	(₹ lakhs)
Less than 1 year	0.04
1 to 5 years	0.16
More than 5 years	1.30
Total	**1.50**

The Company does not face a significant liquidity risk with regard to to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Depreciation charge on the right-of-use asset is disclosed in Note 2 property, plant and equipment.

Rent paid to lessor for short-term lease period is recognised into the Statement of Profit and Loss as rent in Note 26 other expenses.

Cash payments for the principal portion and interest of the lease liabilities is classified within financing activities and short-term lease payments within operating activities

b) As a lessor

Company has not leased any assets and as such is not a lessor.

Note 26.15 Estimation of uncertainties relating to the COVID-19 pandemic

The Manufacturing facilities of the Company in (Atul) Gujarat and (Ambernath) Maharashtra were operating mostly in normal conditions during the year. The Company obtained required permissions for smooth manufacturing of operations. The Company has partially capitalised its project at Ambernath and started production in new plant during the year. The project is expected to be completed in first half of the year 2022. The new products will be introduced to market during this period. Based on the assessment of the impact of the COVID-19 pandemic on the operations of the Company and discussions with customers, vendors and service providers, the Company is serving positively all customer orders. The Company has assessed it's inventories and receivables, and based on such assessment it is of the view that carrying amount of trade receivables and inventories are expected to realise their complete value.

Note 26.16 Assessment of going concern

With backdrop of prevailing the COVID-19 pandemic, the Company has re-assessed its ability to continue as a going concern for next 12 months. Government notification has enabled the pharma industries to operate without any major restrictions. All customers of the Company fall under the essential services and the customers have executed existing orders as per expectation and assured further and continued orders. Based on the market trends and general industry outlook, industry has withstood well against the pandemic situation in a better way. Major raw materials are procured from holding company and there is no shortfall expected for the same. Out of raw materials procured from external vendors, majority are locally procured and available from multiple vendor locations. There is sufficient inventory of imported raw material to cater to demand and orders in hand and new orders have been continuously executed for further dispatchs.

Based on the assessment made, the Company is expected to generate sufficient funds to repay the borrowings . The company being a wholly-owned subsidiary, has received investment from the Group in form of inter corporate deposits, letter of support from holding company and has unutilised approved limits in case of requirement of any financial support.

Note 26.17 Authorisation for issue of the Financial Statement

The Financial Statements were authorised for issue by the Board of Directors on July 16, 2021.

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Samir R. Shah
Partner

Mumbai
July 23, 2021

For and on behalf of the Board of Directors

Pranesh Mallaya
Chief Financial Officer

Sharat Tripathi
Director

Sunil Lalbhai
Chairman

Rajeev Kumar
Company Secretary

Prabhakar Chebiyyam
Managing Director

Atul
July 16, 2021

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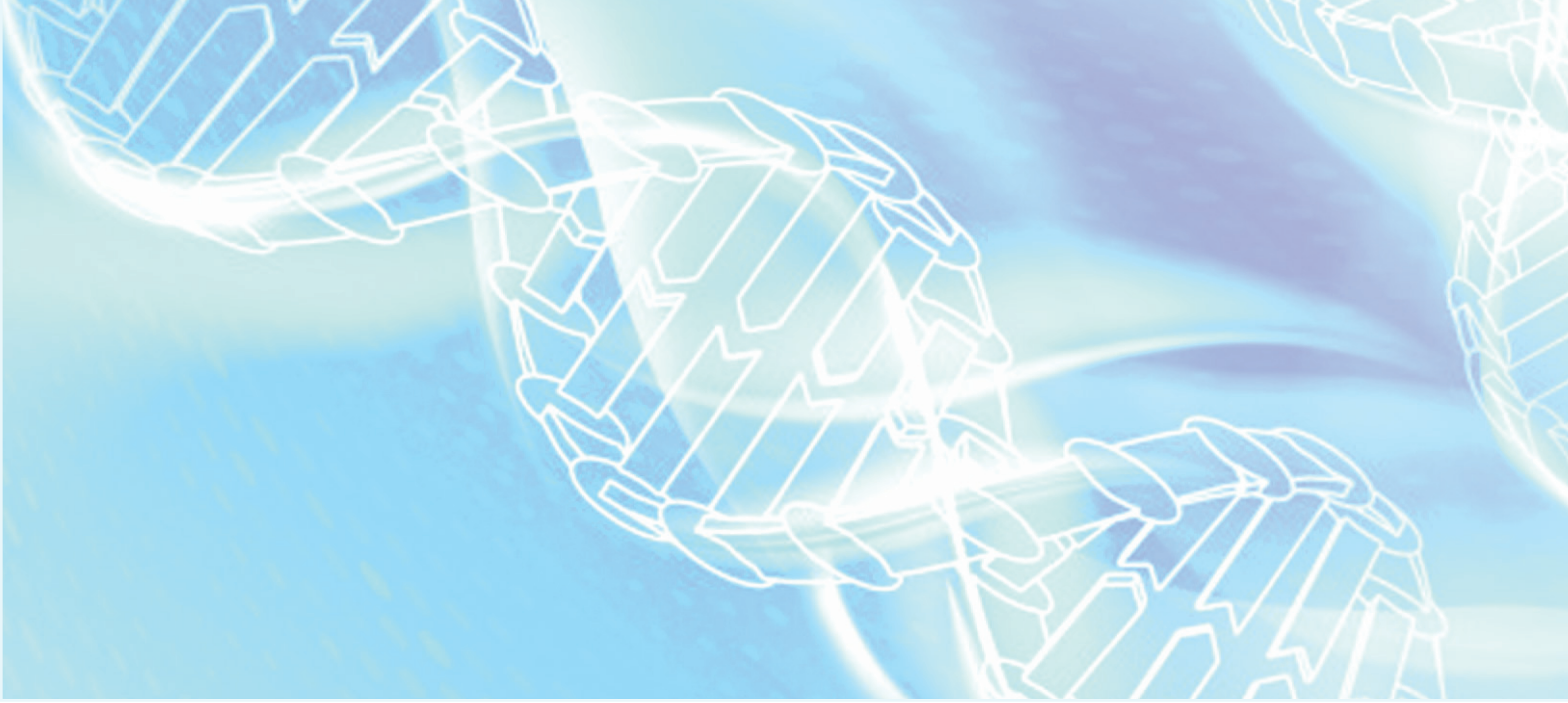

Corporate information

Directors

Mr Sunil Lalbhai
(Chairman)

Dr Prabhakar Chebiyyam
(Managing Director)

Mr Gopi Kannan Thirukonda

Mr Sharat Tripathi

Mr Pramod Lele

Mr Rangaswamy Iyer

Dr Ajit Dangi

Ms Astha Lalbhai

Chief Financial Officer

Mr Pranesh Mallaya

Company Secretary

Mr Rajeev Kumar

Statutory Auditors

Deloitte Haskins & Sells LLP

Cost Auditors

R Nanabhoy & Co

Registered office

E-12, East Site
Atul 396 020, Gujarat
India
E-mail address: sec@atulbio.co.in
Website: www.atulbio.co.in

Bankers

Axis Bank
State Bank of India
RBL Bank

Atul Bioscience Ltd

E-12, East Site
Atul 396 020, Gujarat
India