NACL Industries Limited

(formerly known as 'Nagarjuna Agrichem Limited')

NAGARJUNA
NACL

Ref: NACLIND/SE/2020-21

14th September, 2020

1) BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort,
Mumbai, Maharashtra,
MUMBAI - 400001.
Company Code: 524709

2) National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No.C/1 G Block,
Bandra- Kurla Complex, Bandra(E),
MUMBAI - 400051.
Script ID: NACLIND

Dear Sir,

Sub: Errata in connection with the Annual Report for FY 2019-20.

Further to our letter dated 06th September, 2020 regarding to the submission of the Annual Report for the FY 2019-20 containing inter-alia the Notice convening the 33rd Annual General Meeting ('AGM') of the Company, we wish to inform that certain inadvertent, typographical, clerical or printing errors were noticed in the Annual Report 2019-20 of the Company, mainly in the pages mentioned below, after the same was dispatched to the Members of the Company through email on 06th September, 2020..

a) Management Narratives - (Page No. 1- 20);
b) Management discussion and Analysis Report – (Page No.67)
c) Point No. 23 of Corporate Governance - (Page No.91)

The said Annual Report is due to be considered and adopted by the Members of the Company at their ensuing AGM scheduled to be held on Monday, the 28th day of September, 2020 at 10.00 a.m. through Video Conferencing ('VC') / Other Audio Visual Means ('OAVM')

We also confirm that, there are no material changes in the facts, figures and data described in the Annual Report 2019-20. The revised Annual Report 2019-20 is annexed herewith.

Kindly take the same into records.

Thanking you

for **NACL Industries Limited**

Satish Kumar Subudhi

Company Secretary & Head-Legal

Encl: As above

Regd. Office : Plot No. 12-A, 'C' Block, Lakshmi Towers, No. 8-2-248/1/7/78, Nagarjuna Hills, Panjagutta, Hyderabad - 500 082, Telangana, INDIA.
Phone : +91-40-33185100, Fax : +91-40-23358062 E-mail : **info@naclind.com** Website : **www.naclind.com**
CIN : L24219TG1986PLC016607

Factory-Technical :
Plot # 177, Arinama Akkivalasa Village, Allinagaram Post, Etcherla Mandal, Srikakulam - 532403, A.P.
Phone : +91-08942-231172, 300400 / 401
Fax : +91-08942-231171

Factory-Formulation :
Unit - I, Unit - II
Ethakota-533238, Ravulapalem Mandal
East Godavari Dist., A.P.
Phone : +91-8855-305617 / 627

R&D Centre :
Sy. No. 1710 & 1711, Anthireddyguda Road, Nandigaon Village & Mandal, R.R.District, Telangana - 509228
Phone : +91-08548-305004
Fa x : +91-08548-305801

NAGARJUNA
NACL

NACL Industries Limited

UNLOCKING POTENTIAL
TRANSFORMING THE FUTURE

ANNUAL REPORT 2019-20

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UNLOCKING POTENTIAL TRANSFORMING THE FUTURE

Crop Protection is a vital link in the agriculture value chain for ensuring farm yield and farmer well-being.

NACL believes that a key factor in achieving food security for feeding the growing population is to guard the painstakingly produced crop from the effects of insects, fungi and weeds. For over 25 years, the company has been guided by the objective of developing, manufacturing and distributing quality crop protection solutions through R&D and collaboration, playing a modest yet meaningful role in the practice and progress of agriculture, with its products and services reaching the length and breadth of India and its exports to over 30 countries.

Annual Report of FY 19-20 is an affirmation of the company's commitment to the cause of farm productivity and farmer progress, an account of how the last financial year has been an inflection point in the history of the company in more than one sense, and also an insight into the Company unleashing its inherent potential through strategic and operational initiatives to consolidate its position and grow significantly by building a vibrant, competitive and sustainable enterprise.

MESSAGE FROM THE CHAIRPERSON

"It is a matter of pride for all of us at NACL that the brands built over two decades continue to be trusted in domestic retail, institutional and international markets with exports to over 30 countries.

Dear Shareholders,

I trust you are safe and well in the times of the current global pandemic. It is with a lot of satisfaction that I address this message to you, as we have closed 2019-20 on a good note reporting healthy sales and profit and embarking on a new phase of transformation and growth. We have continued with our efforts diligently to empower farmers and contributing towards achieving the Government's goal of doubling farmers' income, by investing resources in developing, manufacturing and supplying quality products and solutions while educating farmers on improved crop protection, best field practices and safety. Crop protection products, among others, have been categorised as goods essential to the nation during the pandemic and the Company responded in operating its plants as much as possible surmounting challenges and following required safety guidelines. As an assistance to local communities, the Company extended support on various matters to help deal with the crisis.

Our comprehensive product portfolio covers all the key agrochemical categories, namely insecticides, fungicides, herbicides and PGRs. The Company makes considerable effort to update farmers on the latest crop protection solutions and practices. On an on-going basis, our field development associates provide product application demos for effective and safe use, in line with our objective of helping improve farm yield, income and livelihood through quality products and services.

There was a change of leadership in the Company last year with Mr. M. Pavan Kumar being appointed as MD & CEO with effect from 1st June 2019. The Board of Directors are confident that NACL is well placed to embark on a new phase of growth and strengthen its market position. I express my gratitude to Mr. V. Vijay Shankar who stepped down as MD and from the Board last year after serving the Company for eight years and steering it successfully through difficult times.

It is a matter of pride for all of us at NACL that the brands built over two decades continue to be trusted in domestic retail, institutional and international markets with exports to over 30 countries. The Company continues to invest in improving its product experience and differentiation. Our accent on environmental health and safety is high, with all of our facilities, technical manufacturing plant, formulation unit and R&D centre being accredited and recognised. We are steadily building on our long-standing and trusting partnerships with MNCs for the development and supply of products to global locations and local markets as well. Your Company sees enormous opportunity for growth and development of the industry in the time to come and is making sizable investments in manufacturing, R&D and marketing.

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Thanks to technological advancements, policy support, productivity and quality improvements that the Indian farmer today can potentially feed the entire population and produce surplus for exports as well. It is a matter of concern however that the country is estimated to be losing 20-30% of its agri-produce due to pest infestations and diseases. Inadequate crop protection measures can sometimes lead to loss of the entire crop. NACL has pride in being associated with the industry that provides an essential service to the farmer and thereby to the food value chain, economic development and social well-being.

In May 2020, a draft notice from the Govt. indicating a ban on 27 pesticides was unsettling to the industry. There are differing views on the proposed ban and debates are still on with the industry pleading for a widely considered judgment on the matter. In the event of such a ban being implemented, the impact on NACL would not be high given the breadth of its portfolio and a number of new products being in the pipeline.

The Company's interest in community service has always been high and its Corporate Social Responsibility work, especially at plant locations, include provision of purified drinking water, support for education and occupational training, offering medical assistance and others.

I would like to express my gratitude to all our stakeholders and thank customers, investors, lenders, channel partners, vendors, industry and business associates, Govt. agencies and others who trusted and supported the Company in its quest to serve its customers and the farmer community, pursuing a competitive and sustainable enterprise model. I appreciate the commitment and hard work of our employees in building a stronger Company with a promising future.

With best wishes.

K. Lakshmi Raju
Chairperson

REVIEW BY THE MANAGING DIRECTOR & CEO

"NACL's performance in FY 2019-20 has been gratifying, with sales crossing the ₹ 1000 crore milestone with business growth of 17% over the previous year. It has been a year of all-round improvement including sales, asset management, product development and cost reduction.

Dear Member of the Shareholder family,

I trust you and your loved ones are safe and in good health. As we know, the current Covid crisis disrupted normal life, causing enormous suffering and loss across the world for the last many months. I sincerely hope that normalcy would be restored soon, though we may be seeing establishment of many new norms.

It gives me deep satisfaction to share that NACL's performance in FY 2019-20 has been gratifying, with sales crossing the ₹ 1000 crore milestone with business growth of 17% over previous year. It has been a year of all round improvement including sales, asset management, product development, cost reduction and others, while preparing the organisation for a bigger leap in the next years. It is reassuring that the company reported profit before tax of ₹ 23 crore against loss of ₹ 15 crore in FY 2018-19.

The Company's focus on quality, product/process improvement and customer service with due attention to the farming community, channel partners, corporate and multinational customers, helped immensely in not only improving our performance but also creating the wherewithal for scaling greater heights. Even in Covid times, with Govt. treating the industry as essential, the Company has been on a mission in restoring operations after few days of disruption and has been manufacturing and supplying products with the required industrial and personal safety, with a renewed sense of responsibilty.

We intend to build further on the legacy of about three decades as an integrated agrochemical enterprise and be reckoned among the leaders in our chosen areas of engagement.

Opportunity landscape

The global crop protection market is expected to reach about $ 75 billion by 2027, expanding at a CAGR of over 3%. The Indian crop protection market is one of the largest in the world, only behind Brazil, the United States, China and Japan, with an estimated size of about $6 billion, split almost equally between domestic and export business. Indian agrochemical business is expected to grow to about $ 8 billion by 2025 and India's position may get even better if the industry rises to the occasion by investing in production capacities, development capabilities and sustainable practices. India has a large, mature and diversified chemical industry and the enterprise to be able to accelerate its way to the global industry high-table.

With per acre use of crop protection products still quite low, India has considerable potential to grow by raising the bar on education of safe and effective use, quality and range of product solutions, environmental stewardship and others. With policy support, infrastructure and market access, win-win intermediation and other favourable conditions backing agriculture in becoming more remunerative and competitive, input quality and quantity is only going to go up in agricultural practices.

The Company is currently working on expanding its manufacturing footprint substantially by setting up greenfield sites in Gujarat and Andhra Pradesh.

An integrated and diversified business architechture should stand the Company in good stead in actualising growth opportunities. The Company is currently working on expanding its manufacturing footprint substantially by setting up greenfield sites in Gujarat and Andhra Pradesh, enhancing its R&D capability and strengthening its product portfolio, while working concertedly in forging long-term relationships with customers.

Footprint, tailwinds & response

The Company is built as an integrated business platform with strategic investments in manufacturing, R&D and marketing of active ingredients, intermediates and branded formulations. The robust business portfolio, spanning sales of domestic branded formulations and B2B businesses on the one hand and on the other, exports to overseas customers, many of them being large MNCs and institutions with long-standing and trusted relationships, has considerable depth and vibrancy.

The Company's retail brands, built over the years with quality and consistency, with presence in all major categories including insecticides, herbicides, fungicides and plant growth regulators, have a strong franchise among the trade and farming community. A network of over 12500 retailers spread across the country, provide an effective last mile connect to deliver over 50 branded formulations to the farmers. The Company is in active discussions to grow its B2B and overseas business as well, with a number of initiatives underway in custom development, co-marketing and joint-ventures.

The current pandemic situation and the limitations it has been imposing on the conduct of business created a compelling context for heightened use of digital means for performing various functions. During the recent lock-down phase in the country, the Company has been creative and agile in accessing social and digital platforms as effective means for business continuity, remaining connected with the trade and farmer community for information, education and transaction.

Accent on good governance, culture of professional management, attention to compliance, regard for social equity and recognition of initiative have all been pillars of strength for the organisation in wading through difficult times, renewing itself and readying for the times ahead. A nurturing and collaborative working environment, marked by professional dignity and empathy pervading all levels and functions, has been key in the employees' urge to learn, improve and contribute. Integrity, safety and concern for community have been central to the Company's conduct.

There are challenges too, such as the vagaries of weather that often beset agriculture and the rural economy, industry dependency on limited sources for raw materials and the perception shortfall about the industry in various constituencies despite the painstaking pursuit of providing an essential service with implications for food security, GDP growth and social good. The Company however remains confident and resolute in addressing these in an enlightened and constructive manner for every stakeholder to win.

I thank our customers for their trust, employees for their effort, Board for their guidance and all stakeholders for their faith and support. The Company is optimistic of a bright future, appreciates your interest and looks forward to a long and rewarding association.

Every good wish.
Sincerely,

M Pavan Kumar
Managing Director & CEO

OUR VALUE CHAIN

The key differentiator of the Company is its strong presence in the entire value chain of Crop Protection including R&D, Active Ingredients, Formulations, Retail Distribution and Farmer Outreach programmes.

To further strengthen the existing value chain, the Company is currently working on setting up greenfield manufacturing sites in Gujarat and Andhra Pradesh, expanding its product portfolio and R&D capability while working concertedly in forging long-term relationships with retailers and farmers.

A state-of-the-art R&D center near Hyderabad, where cost effective processes are developed for the manufacture of Active Ingredients and Intermediates for herbicides, insecticides and fungicides and new formulations of pesticides. The center has a synthetic lab, formulation lab and analytical lab.

1

2

A technical manufacturing plant at Srikakulam, Andhra Pradesh, 100 km from the Visakhapatnam port. This facility has a production capacity of 10000 metric tons per annum and produces technical for sale as well as for captive consumption.

10000 Metric Tons (Capacity)

3

Formulation unit located at Ethakota, Andhra Pradesh, a large formulating and packaging facility for handling large capacities of liquids, powders and granules with a Capacity of 53000 MT/KL per annum.

53000 MT/KL per annum (Capacity)

4

47 stock points and 12500 retail outlets across India under the Company's direct to retail approach.

12500 Retail outlets

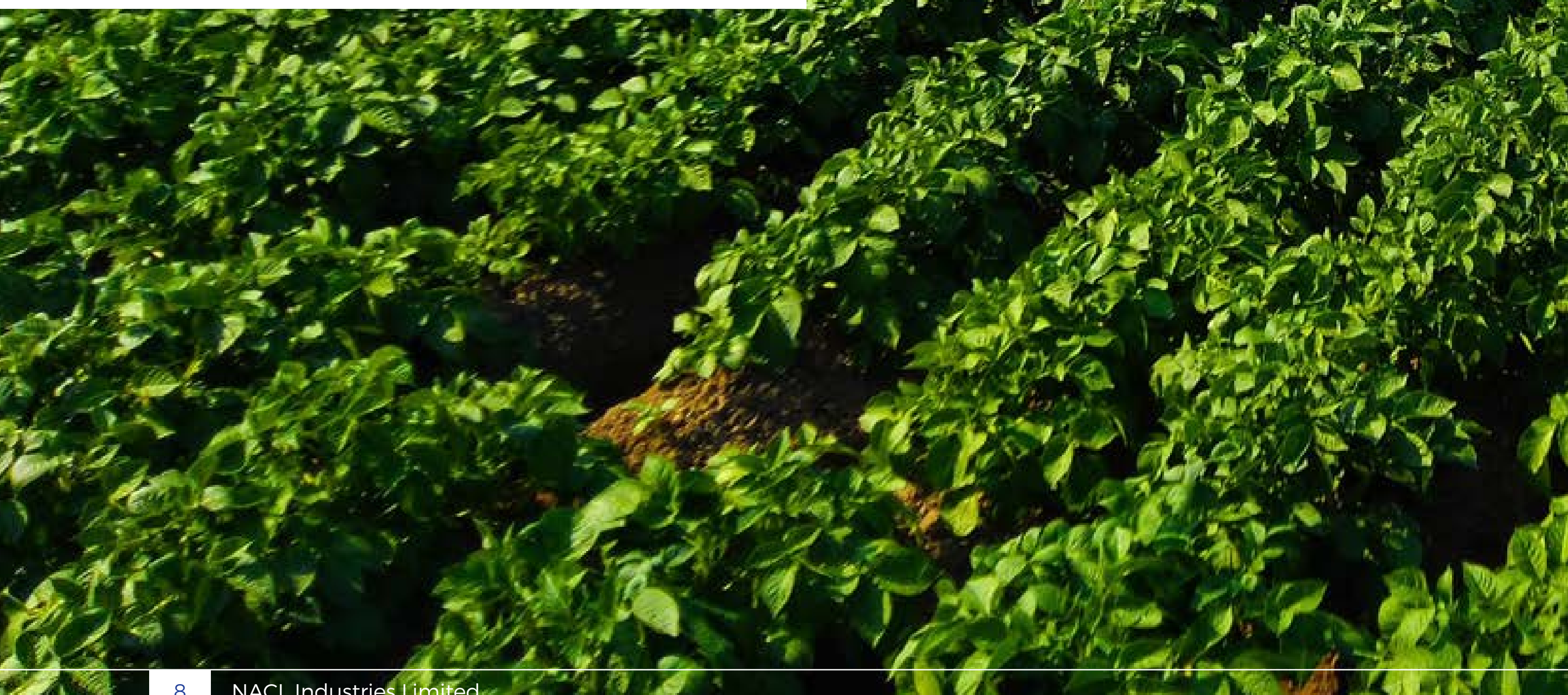
5

With the involvement of agriculture scientists, we address our farmers and teach them crop protection techniques. Our field development associates further give product demos to show usage methods, benefits and techniques of crop protection to the farmers. We sincerely aim to continuously improve farm yield, income and livelihood through outreach programmes.

50 Lakhs farmers

NACL AT A GLANCE

NACL is an established agrochemical Company in India, founded in 1993. The Company started as an Active Ingredient manufacturer and has built a sizable business in Domestic Retail, B2B and Exports, with many of the customers being large MNCs with long-standing relationships. The Company has also emerged as a strong player in the formulations business with over 50 products covering all major crops. In formulations, the Company manufactures products in all major categories such as Insecticides, Herbicides, Fungicides and Plant Growth Regulators.



50+ Products

47 Stock Points across India

12500 Retailers

30 Countries (Exports)

Our facilities

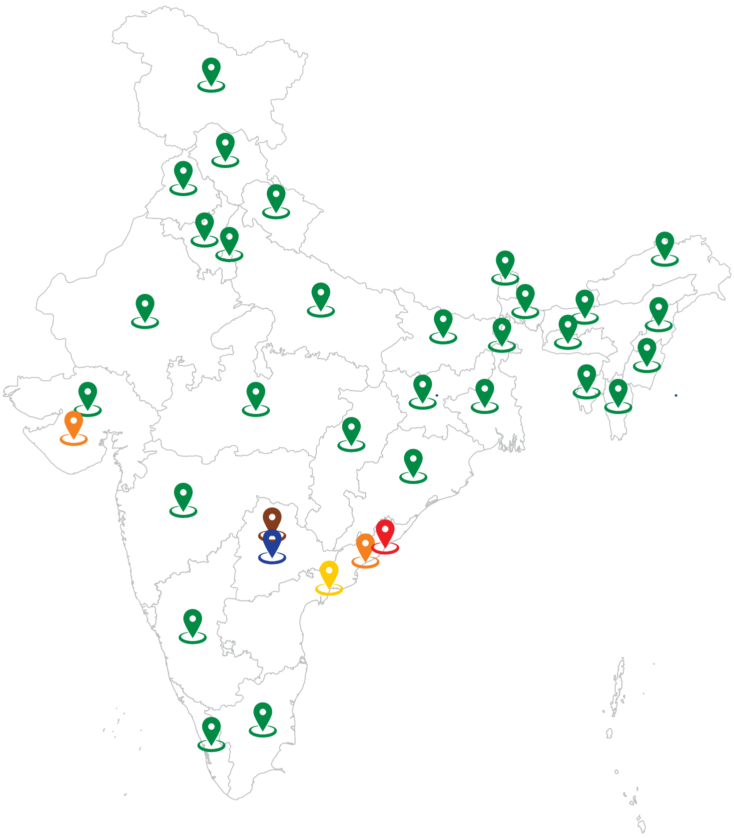
NACL's three key facilities are all accredited and recipients of many recognitions and awards.

Technical Manufacturing Srikakulam, Andhra Pradesh

Formulation Facility is located in Ethakota, East Godavari District, Andhra Pradesh

State-of-the-art R&D Centre Nandigaon Village, R.R. District, Telangana

Where We Are



- Markets
- Formulation Unit
- Active Ingredients Unit
- R&D Unit (Nandigaon Village & Mandal)
- Corporate Office (Hyderabad)
- Upcoming Projects

HOW WE CREATE VALUE

Key Inputs – Six Capitals	What We Do	Outputs

Key Inputs – Six Capitals

Manufacturing

- Manufacturing Locations - 2 Manufacturing units;
- 50+ Products - Insecticides, Herbicides, Fungicides and Plant Growth Regulators categories; and
- Technicals.

Finance

- A strong balance sheet with adequate liquidity and equity for growth.

Intellectual

- Product Registrations and Brands;
- R&D Capabilities;
- 27 years of Legacy;
- Processes and Knowledge;
- Krishi Kalayan App; and
- IT infrastructure.

Human

- Experienced Board and Management; and
- 1214 Employees.

Relationship

- 5+ Million Farmers;
- 12500 Channel Partners;
- Institutional and Multinational Customers;
- Academic and Research Institutions; and
- Domestic and International Vendors, Lenders and Investors.

Environment

- Compliance with Regulations;
- Certifications; and
- Sustainability Initiatives.

What We Do

Mission

To be a trusted name in providing high quality products and solutions to the farming community

To be a trusted contract manufacturing supplier

To be a model company and meet the expectations of all its stakeholders

Values

Concern| Commitment | Quality | Integrity

Business

NACL is a well recognised name in the agrochemicals business for over two decades, making a range of Crop Protection for Domestic and International Customers

The Company is pursuing sizeable growth plans

The Company has an increasing presence in the Global Crop Protection market, exporting to over 30 countries

Outputs

Revenue

₹101,489 Lakhs

PAT

₹1577 Lakhs

Income Taxes Paid

₹315 Lakhs

Total GST Paid

₹31067 Lakhs

Dividends on Equity

₹192 Lakhs

How We Strengthen Sustainable Agriculture

We help farming sustainable.

Our product range helps farmers to protect their crops and optimize yield from the available land.

We ensure bountiful harvests.

Farms protected from pests, fungus and insects improve their yield of food grains, vegetables and fruits, required for the growing population.

Agrochemicals are known to reduce waterborne and insect transmitted diseases such as Malaria, Lyme and West Nile virus.

Pesticides contribute to enhanced human health by preventing disease outbreaks through the control of rodent and insect populations.

We help conserve our planet.

Scientific application of Agri inputs enable farmers to produce more crops per unit area with less tillage, thus reducing deforestation, conserving natural resources and curbing soil erosion. Pesticides are also critical for the control of invasive species and noxious weeds.

We help to surmount the problem of labour unavailability in farming

With large scale migration of rural population to urban and semi urban centres, farmers across the country face lack of helping hand in day to day agriculture activities. Our herbicides helps in avoiding hand weeding.

FINANCIAL HIGHLIGHTS

Revenue from Operations

(₹ in lakhs)

FY 19-20	1,01,489
FY 18-19	86,549
FY 17-18	84,606
FY 16-17	73,411
FY 15-16	69,140

PBT

(₹ in lakhs)

FY 19-20	2,294
FY 18-19	(1,492)
FY 17-18	1,458
FY 16-17	3,060
FY 15-16	1,086

PAT

(₹ in lakhs)

FY 19-20	1,577
FY 18-19	(838)
FY 17-18	1,072
FY 16-17	3,172
FY 15-16	898

EBITDA

(₹ in lakhs)

FY 19-20	7,607
FY 18-19	3,941
FY 17-18	6,777
FY 16-17	9,670
FY 15-16	7,465

EPS

(₹ in lakhs)

FY 19-20	0.94
FY 18-19	(0.54)
FY 17-18	0.69
FY 16-17	2.03
FY 15-16	0.58

Debt Equity Ratio

(Times)

FY 19-20	0.74
FY 18-19	0.76
FY 17-18	1.01
FY 16-17	0.94
FY 15-16	1.18

OUR STRATEGIC ENVIRONMENT

Indian Agriculture:

Agriculture is the primary source of livelihood for about 58 per cent of India's population. Gross Value Added (GVA) by agriculture, forestry and fishing was estimated at ₹ 19.48 lakh crore (US$ 276.37 billion) in FY20. Growth in GVA in agriculture and allied sectors stood at 4 per cent in FY20.

Food grain Production (FY20)
295.67
million tonnes (MT)

Horticulture Production (FY20)
320.48
million tonnes (MT)

Biotic Stress on Agriculture:

Because of the diversified agro-ecosystems, a large number of crops are grown in India which often serve as the hosts to different kinds of insect pests and pathogens. Most of the Indian regions being sub-tropical to tropical, the agro-climate is more conducive for the development of insect pests than disease causing pathogens. Lepidopteran, Coleopteran and Dipteran insect pests cause severe yield losses in many of the commercial crops grown all across India.

Food Security:

According to an estimate, India would require more than 450 million tonnes of food grains to feed 1.65 billion people by 2050 which will be a very difficult task. According to UN-India, there are nearly 195 million undernourished people in India.

KEY STRENGTHS & STRATEGIES

Key Strengths

- Presence in the entire value chain of Agrochemicals
- Strong Brand Equity built on Quality, Performance and Service.
- 50+ Products across Insecticides, Herbicides, Fungicides and Plant Growth Regulators.
- 8 out of 11 Members on the Board have significant experience in Agriculture and Chemical businesses.
- Direct retail connect with over 12500 dealers across India.
- State-of-the-art R&D centre near Hyderabad, which develops Products and Processes for Formulations, Active Ingredients and Intermediates.
- Long-standing relationship with reputed MNCs.
- Experienced Senior Management; Emphasis on Human Potential Development and initiatives.

Key Strategies

Leverage R&D, Manufacturing and Marketing capabilities for profitable growth in Retail and Institutional markets, with close consumer affinity.

Substantial capacity expansion in Agrochemicals, Specialties & Advanced Intermediates.

Strengthen, deepen and widen business partnerships with Institutional and International customers.

Invest in Product and Process development, Brands, Digitization and Sustainability.

EXPANDING MANUFACTURING CAPABILITIES

NACL Spec-Chem Limited

NACL Spec-Chem Limited, a wholly owned subsidiary of NACL, is planning a greenfield project for manufacturing of Agrochemicals, Active Ingredients, Formulation with a capacity of 25,000 MT/ Annum in phases, at Dahej, Gujarat.

NACL Multichem Private Limited

NACL Multichem Private Limited, a wholly owned subsidiary of NACL, is planning a greenfield project for manufacturing of Agrochemicals and Synthetic Organic Chemicals with a capacity of 38,000 MT/ Annum in phases, at Ranasthalam Mandal, Srikakulam.

NACL Industries Limited

NACL is in process of increasing existing Plant capacity of 10,000 MT/Annum to 25,000 MT/Annum at its plant at Srikakulam, A.P.

FARMER & MARKET OUTREACH

NACL has a legacy of introducing new products and building brands. We firmly believe that enhancing farmer connect will enable us in building a sustainable and robust business model. On a regular basis, the company organises village level meetings for farmers for education, interaction and clarification on Crop Protection and related topics for a wide range of crops such as Rice, Wheat, Cotton, Soybean, Groundnut, Black Gram, Green Gram, Onion, Tomato, Brinjal, Peas, Tea and others. Some of the meetings are held at the instance of Agricultural Research Stations when Scientists from the Stations also participate and share latest crop trends and technologies. The company also organises a number of field demonstrations spanning diverse conditions and contexts to showcase products, their features and uses in considerable granularity along with guidance on right and safe use. The Company is also using various digital platforms in reaching to the farmers via social media, virtual meetings & TV ads.

The Company has a wide retail network covering the length and breadth of the country which provides an efficient last mile connectivity.



STRENGTHENING THE PRODUCT PIPELINE

During the year, the Company introduced eight new products. It is working on a promising set of 'new to India' products with international Companies where data generation for registration is underway. The Company is also adding generic products to its range to expand the offerings while its R&D is developing new combination molecules targeting market niches.

BOARD OF DIRECTORS

Mrs. K Lakshmi Raju
Chairperson, Non-Executive
Non-Independent Director & Promoter

She holds a Masters' degree in Business Administration and has been associated with Agrochemical business for many years as Promoter Director.

Mr. M Pavan Kumar
Managing Director & CEO

He holds a Master's in Business Management from McGill University, Canada, and has over three decades of operating and executive management experience working for Multinational & Indian organisations in agribusiness, chemicals and other sectors, building competitive and sustainable businesses.

Mr. Sudhakar Kudva
Non-Executive
Independent Director

He brings with him around 40 years of work experience in India and abroad in a wide range of industries including the Lakshmi Mittal Group. His areas of expertise are Finance, Treasury and General Management.

Mr. N.Vijayaraghavan
Non-Executive
Non-Independent Director

He did his Engineering from IIT, Madras (Chennai) and PGDBM from IIM Ahmedabad. He has around 40 years of experience in L&T, ITW Signode, NFCL and Sterlite Industries. His strengths are Marketing and General Management.

Mr. Raghavender Mateti
Non-Executive
Independent Director

He is an Independent Director and has been on the Board since February 2014. He is a product of IIT Kharagpur and IIM Ahmedabad. He has around four decades of experience in many leading Companies including Multinationals in the Agrochemical Industry. He retired as Director-Marketing of Gharda Chemicals. He is actively associated with an industry association of Crop Protection Companies.

Mr. Atul Churiwal
Investor-Nominee Director

He has around 37 years of rich corporate experience mainly in Agrochemical industry. He is the Managing Director of M/s Krishi Rasayan Exports Pvt. Ltd (KREPL), an investor in the Company. He was the President of Premier Chamber of Commerce & Industry.

Mr. Rajesh Kumar Agarwal
Investor-Nominee Director

He has more than 25 years of diversified corporate experience including Chemical Industry. He is the Joint Managing Director of M/s. Krishi Rasayan Exports Pvt. Ltd (KREPL), an investor in the Company. Mr.Agarwal is an Executive Member of Managing Committee of PHD Chamber of Commerce, New Delhi and also the trustee of various social, religious and educational charitable organisations.

Mr. Dorairaj K
Non-Executive
Independent Director

He is an agriculture graduate with around 5 decades of rich experience in Marketing of Fertilizers, Speciality Fertilizers, Pesticides and Organic inputs. He is currently a Freelance Agriculture Consultant to various Government/ Non Government organisations.

Mr. Ramakrishna Mudholkar
Non-Executive
Independent Director

He is a graduate in Agriculture science with an MBA from IIM Ahmedabad. He has vast experience of 35 years in Agri-business sector having held domestic and international business segments with AgrEvo India and DuPont.

Mr. N. Sambasiva Rao
Non-Executive
Independent Director

He having the Masters degree in Agriculture has rich experience of about 40 years in Agri-input industries. He was superannuated from Krishak Bharati Cooperative Limited(KRIBHCO) as Managing Director on December 31, 2019.

Ms. Veni Mocherla
Non-Executive
Independent Director

She is a business consulting professional with over 18 years of work experience including services rendered for various international assignments. She has been actively involved in cross border partnerships, turnaround and corporate strategic initiatives. An MBA, she also studied Post Graduate Program at the Chartered Institute of Marketing, UK. Managing the Global firm, Strategic Management and Leadership from Wharton Executive Program.

By using the products of Nagarjuna, all my crops have been well protected.

- **Anjaiah, Farmer, Telangana**

Nagarjuna products have helped in protecting all my crops for 2 decades. I have immense faith in the product's quality and trust and I really like them.

- **Sushil, Farmer, West Bengal**

There are regular field visits to my agricultural lands by representatives from Nagarjuna. Due to their advice and proper implementation, my agricultural produce has increased manifold.

- **Pankaj, Farmer, Gujarat**

Thanks to Nagarjuna products, I have benefitted immensely by saving upto 10-15% on my farm expenses. Adding to that, there has been 15-20% growth in my agricultural yield. Me and my family are very happy and grateful for Nagarjuna products in our life.

- **Madhav, Farmer, Maharashtra**

Nagarjuna has consistently launched new products with many variants. Their scientists and representatives guide the farmers on what product to use for which type of disease. By learning and applying these products with the right techniques, the farmers are benefitting with maximum return on a minimum investment.

- **Madhusudhan, Dealer, Telangana**

AGM NOTICE

NOTICE is hereby given that the 33rd Annual General Meeting of **M/s. NACL Industries Limited** will be held on Monday, the 28th Day of September 2020 at 10:00 a.m. (IST) through Video Conference ('VC') facility/Other Audio Visual Means ('OAVM') to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone and Consolidated Profit and Loss Account for the year ended 31st March 2020, the Balance Sheet as on that date and the Cash Flow Statement for the year ended on that date and the Reports of Directors and Auditors thereon and in this regard, pass the following resolutions as an Ordinary Resolutions:

    a) "RESOLVED THAT the Audited Standalone Profit and Loss Account for the year ended 31st March, 2020, the Balance Sheet as on that date and the Cash Flow Statement for the year ended on that date and the Reports of Directors and Auditors thereon be and are hereby considered and adopted."

    b) "RESOLVED THAT the Audited Consolidated Profit and Loss Account for the year ended 31st March, 2020, the Balance Sheet as on that date and the Cash Flow Statement for the year ended on that date and the Report of Auditors thereon be and are hereby considered and adopted."

2. To appoint a Director in place of Mrs.K.Lakshmi Raju (DIN:00545776) who retires by rotation and being eligible, offer herself for re-appointment and in this regard, pass the following resolution as an Ordinary Resolution:

    "RESOLVED THAT pursuant to Section 152 and other applicable provisions of the Companies Act, 2013, Mrs.K.Lakshmi Raju (DIN: 00545776), who retires by rotation, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

SPECIAL BUSINESS:

3. To ratify the remuneration of the Cost Auditors for the financial year ended 31st March, 2021 and in this regard, pass the following resolution as an Ordinary Resolution:

    "RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and other applicable Rules, if any, (including any statutory amendment(s), modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration of ₹6,00,000/- (Rupees Six Lakhs only) plus applicable taxes and out-of-pocket expenses incurred in connection with the Cost Audit to be paid to M/s.K.Narasimha Murthy & Co., (Registration No.4042) the Cost Auditors, appointed to conduct the audit of the cost records of the Company for the financial year ended 31st March, 2021, as fixed by the Board on the recommendation of the Audit Committee, be and is hereby approved and ratified."

    "RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

4. Appointment of Mr.Ramkrishna Mudholkar (DIN:00012850) as an Independent Director of the Company and in this regard, pass the following resolution as an Ordinary Resolution:

    "RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV of the Act and the Companies (Appointment and Qualification of Directors) Rules,2014 (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) and Regulation 17 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time, Mr.Ramkrishna Mudholkar (DIN:00012850), who has been appointed as an Additional Director (under Independent category) with effect from 04th November, 2019 in terms of Section 161 of the Act read with the Article 131 of Articles of Association of the Company and who shall hold office up to the date of this Annual General Meeting ('AGM'), and in respect of whom a notice has been received from a member in writing under Section 160(1) of the Act proposing his candidature for the office of a Director, be and is hereby appointed as an Independent Director of the Company for a period of 5 (five) years with effect from 04th November, 2019 not liable to retire by rotation."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps including acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution."

5. Appointment of Mr.Sambasiva Rao Nannapaneni (DIN: 06400663) as an Independent Director of the Company and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) and Regulation 17 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time, Mr. Sambasiva Rao Nannapaneni (DIN: 06400663), who has been appointed as an Additional Director (under Independent category) with effect from 14th February, 2020 in terms of Section 161 of the Act read with the Article 131 of Articles of Association of the Company and who shall hold office up to the date of this Annual General Meeting ('AGM'), and in respect of whom a notice has been received from a member in writing under Section 160(1) of the Act proposing his candidature for the office of a Director, be and is hereby appointed as an Independent Director of the Company for a period of 5 (five) years with effect from 14th February, 2020, not liable to retire by rotation."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps including acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution."

6. Appointment of Ms.Veni Mocherla (DIN: 08082163) as an Independent Director of the Company and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule IV of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) and Regulation 17 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time, Ms. Veni Mocherla (DIN: 08082163), who has been appointed as an Additional Director (under Independent category) with effect from 26th March, 2020 in terms of Section 161 of the Act read with the Article 131 of Articles of Association of the Company and who shall hold office up to the date of this Annual General Meeting ('AGM'), and in respect of whom a notice has been received from a member in writing under Section 160(1) of the Act proposing her candidature for the office of a Director, be and is hereby appointed as an Independent Director of the Company for a period of 5 (five) years with effect from 26th March, 2020, not liable to retire by rotation."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps including acts, deeds, matters and things as may be necessary, desirable or expedient to give effect to this resolution."

7. To approve the material related party transactions with M/s. Krishi Rasayan Exports Private Limited and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 188 and other applicable provision of the Companies Act, 2013 ('the Act') read with the Rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and any other applicable provisions of the law (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) the Members of the Company do hereby ratify and also accord further approval to the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to include any Committee constituted/empowered/ to be constituted by the Board from time to time to exercise its power conferred by this resolution) for carrying out and/or continuing with arrangements and transactions (whether individual transactions or transactions taken together or series of transactions or otherwise) with M/s.Krishi Rasayan Exports Private Limited ('KREPL') being related party within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/transactions or otherwise including purchase and sale of raw materials, intermediate products and finished goods, agro-inputs, bio pesticides, Active Ingredients (AI), Technical, Formulations, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities, entering into such contracts and agreement (manufacturing, loan licensing etc.) and such other transactions as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions within the financial year 2020-21 in aggregate may exceed 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements or any materiality threshold as may be applicable from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute all such documents, deeds and writings and to do all such acts, deeds, matters and things as may be deemed necessary, expedient and incidental thereto and to delegate all or any of its powers herein conferred to any Committee of Directors and/or Director(s) and/or officer(s)/employee(s) of the Company/any other person(s) to give effect to the aforesaid resolution."

8. To approve the material related party transactions with M/s.Agro Life Science Corporation, a registered Partnership Firm and in this regard, pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 188 and other applicable provision of the Companies Act, 2013 ('the Act') read with the Rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and any other applicable provisions of the law (including any statutory amendment(s), modification(s) and re-enactment(s) thereof, from time to time) the Members of the Company do hereby ratify and also accord further approval to the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall be deemed to include any Committee constituted/empowered/ to be constituted by the Board from time to time to exercise its power conferred by this resolution) for carrying out and/or continuing with arrangements and transactions (whether individual transactions or transactions taken together or series of transactions or otherwise) with M/s.Agro Life Science Corporation ('ALSC'), a registered Partnership Firm, being related party within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements / transactions or otherwise including purchase and sale of raw materials, intermediate products and finished goods, agro-inputs, bio pesticides, Active Ingredients (AI), Technical, Formulations, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities, entering into such contracts and agreement (manufacturing, loan licensing etc.) and such other transactions as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions within the financial year 2020-21 in aggregate may exceed 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements or any materiality threshold as may be applicable from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to sign and execute all such documents, deeds and writings and to do all such acts, deeds, matters and things as may be deemed necessary, expedient and incidental thereto and to delegate all or any of its powers herein conferred to any Committee of Directors and/or Director(s) and/or officer(s)/employee(s) of the Company/any other person(s) to give effect to the aforesaid resolution."

By order of the Board

Satish Kumar Subudhi
Company Secretary & Head-Legal
(FCS-9085)

Place: Hyderabad
Date: 26th August, 2020

Notes:

1) In view of the continuing of Covid-19 pandemic and social distancing norms to be followed, the Ministry of Corporate Affairs ('MCA') vide its General Circular No. 14/2020 dated 08th April, 2020, Circular No.17/2020 dated 13th April, 2020, Circular No. 20/2020 dated 05th May, 2020 ("MCA Circulars") and the Securities and Exchange Board of India vide its Circular No. SEBI/HO/ CFD/ CMD1/ CIR/P/ 2020/79 dated 12th May 2020 ("SEBI Circular") has permitted the holding of the Annual General Meeting ('AGM') through Video Conferencing ('VC') facility or Other Audio Visual Means ('OAVM'), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('the Act'), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and MCA Circulars, the AGM of the Company is being held through VC/OAVM on Monday, 28th Day of September, 2020 at 10.00 a.m. (IST). The deemed venue for 33rd AGM will be the Registered Office of the Company situated at Plot No. 12-A, "C" Block, Lakshmi Towers, Nagarjuna Hills, Panjagutta, Hyderabad-500082.

2) **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 such proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA and SEBI Circulars through VC/OAVM, the facility for appointment of proxies by the members will not be available for this AGM. Accordingly, the proxy form, attendance slip and route map of AGM are not annexed to this Notice.**

3) **Explanatory Statement:**

   The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, ("Act") relating to the Special Business Items are given below and forms part hereof.

4) **Director proposed to be appointed/re-appointed:**

   Details of Directors retiring by rotation or seeking appointment/re-appointment at the ensuing Meeting are provided in the "Annexure" to the Notice pursuant to the provisions of (i) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and (ii) Secretarial Standard on General Meetings ("SS-2"), issued by the Institute of Company Secretaries of India (ICSI).

5) **Book Closure:**

   The Register of Members and Share Transfer Books of the Company shall remain closed from 19th September, 2020 to 28th September, 2020 (both days inclusive).

6) The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.

7) The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

8) In view of the MCA Circulars and SEBI Circulars, the electronic copy of the Annual Report 2019-20 is being sent only through electronic mode to all members whose email addresses are registered with the Company/Depository Participants for communication purposes. The Annual Report 2019-20 has been uploaded on the website of the Company at www.naclind.com under Investor Relations section and may also be accessed on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively. The Notice is also available on the website of the CDSL at www.evotingindia.com.

9) **Unclaimed Dividend and Transfer of shares to IEPF:**

   a) The Members are hereby informed that the Company would transfer the dividends, which remains unpaid/unclaimed for a period of 7 (seven) years, to the Investors Education and Protection Fund (IEPF) constituted by the Central Government under Section 125 of the Companies Act, 2013.

b) The Company has duly transferred the unpaid or unclaimed dividends declared up to financial year 2011-12 to the IEPF during the previous years. Members may please refer to "Corporate Governance Report" (forms part hereof) for details of unclaimed dividend amount credited to IEPF account during the previous years. Further the Company shall not entertain the claims of the Shareholders for the unclaimed dividends which have been transferred to IEPF.

c) During the FY 2012-13 and 2013-14, the Company has not declared any dividend. The unclaimed dividend lying in the dividend account in respect of financial year 2014-15 (Final) is due for transfer in November, 2022 to the IEPF. With reference to Bonus Issue of shares in the FY 2013-14, the sale proceeds of fractional entitlement of shareholders, as become meager, cannot be distributable and accordingly the sale proceeds of such fractional shares will duly be transferred to IEPF in terms of the provisions of the Companies Act, 2013. The Shareholders are advised to send their requests for payment of unpaid dividend pertaining to the years from FY 2014-15 (Final Dividend) to FY 2019-20 (Interim Dividend) to the Share Transfer Agent (RTA) office or to the Registered Office of the Company at Hyderabad, for issue of cheques/demand drafts before the due dates for transfer to the IEPF. The Company has uploaded the details of unpaid and unclaimed dividend amounts lying with the Company, as on 14th August, 2019 (i.e. date of previous Annual General Meeting), on the website of the Company www.naclind.com and also on the website of Ministry of Corporate Affairs.

d) **Transfer of Shares to IEPF Suspense Account:**

Attention of the members is drawn to the provisions of Section 124(6) of the Act which require a Company to transfer in the name of IEPF Authority all shares in respect of which dividend has not been paid or claimed for 7 (seven) consecutive years or more.

In accordance with the aforesaid provision of the Act, read with the Investor Education and Protection fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, the Company has transferred 3,98,189 shares to IEPF account during the year under review, in respect of which dividend declared for the financial year 2011-12, has not been paid or claimed by the members for 7 (seven) consecutive years or more. Members are advised to visit the website www.naclind.com to ascertain details of shares liable for transfer in the name of IEPF authority.

e) Members/Claimants whose shares, unclaimed dividends, etc., have been transferred to the IEPF demat account or the fund, as the case may be, may claim the shares or apply for refund by making an application to the IEPF Authority in Form IEPF-5 (available on www.iepf.gov.in) along with requisite fee as decided by the IEPF Authority from time to time. The Members/ Claimant can file only one consolidated claim in a financial year as per the IEPF Rules.

10) **Members Nomination:**

a) Members are advised to avail themselves of nomination facility as per the Section 72 of the Companies Act, 2013. Facility for making nomination is available for the Members in respect of the shares held by them.

b) Members holding shares and who have not yet registered their nomination are requested to register the same by submitting Form No.SH-13. Further, a Member who desires to cancel the earlier nomination and record fresh nomination may submit the same in Form No.SH-14. Both the forms for "Nominations" and "Cancellation or Variation of Nomination" can be availed from the RTA or can be downloaded from the Company's website.

c) Members holding shares in physical form are requested to submit the forms to the Company's Share Registrars and Transfer Agents (RTA). The members holding shares dematerialized form are requested to file the Nomination/Cancellation or Variation in Nomination forms with their respective Depository Participants in the prescribed form.

11) **Important Communication to Members:**

a) All communications relating to the shares may be addressed to our Share Transfer Agent (RTA) Office i.e.,

M/s. XL Softech Systems Limited,

(Unit: NACL Industries Limited) No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500034, Telangana;

Telephone No: 040-23545913/914/915;

Fax No.040-23553214,
e-mail ID: xlfield@gmail.com.

b) The members may please visit the Company's Website: www.naclind.com to find more information about the Company.

c) The Ministry of Corporate Affairs, Government of India has taken a "Green Initiative in the Corporate Governance' by allowing paperless compliance by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its Members. To support this Green Initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses by submitting the e-mail Registrations Form attached with this Annual Report.

d) Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS)/ National Electronic Fund Transfer (NEFT), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's RTA, to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to RTA.

e) In terms of the SEBI Listing Regulations, securities of listed companies can only be transferred in dematerialized form with effect from 1st April, 2019, except transmission or transposition of shares. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holding to dematerialized form. Members can contact the Company or RTA of the Company for assistance in this regard.

f) Members holding shares in physical form in identical order of names in more than one folio are requested to send to the Company or RTA the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such Members after making requisite changes thereon.

g) **Updating member details:** The format of the Register of Members prescribed by the Ministry of Corporate Affairs, under the Companies Act, 2013, requires the Company/ Registrar and Share Transfer Agent (RTA) to record additional details of members, including email address, bank details for payment of dividend etc. In this regard, a form for capturing the additional details is appended at the end of this Annual Report. Members holding shares in physical form are requested to submit their filled in form to the Company or the Registrar and Share Transfer Agent. Members holding shares in electronic form are requested to submit the details to their respective Depository Participants.

h) The Securities and Exchange Board of India ('SEBI') has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN details to their respective Depository Participants. Members holding shares in physical form are requested to submit their PAN details to the Company or its RTA.

i) To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Members as soon as possible. Periodic statement of holdings should be obtained from the concerned DP and holding should be verified from time to time.

12) **Listing Fees:**

The Company has paid the Listing Fees for the year 2020-21 to BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), the Stock Exchange(s) where the Company's shares are listed.

13) **Instructions for attending the AGM through VC/OAVM are as under:**

a) Members will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at https://www.evotingindia.com under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.

b) Members are encouraged to join the Meeting through Laptops/IPads/Tablet for better experience.

c) Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

d) Please note that Participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

e) Members who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast 5 (five) days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at cs-nacl@naclind.com. Only those members who have registered themselves as a speaker will be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM. Please note that only questions of the members holding the shares as on cut-off date will be considered. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 5 (five) days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at (cs-nacl@naclind.com). These queries will be replied to by the Company suitably by email.

14) **Process for those Members whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:**

a) In case shares are held in physical mode - please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to Company/RTA email id.

b) In case shares are held in Demat mode - please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account Statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to Company/RTA email id.

15) **Instructions about Voting:**

In terms of Section 108 and other applicable provisions of Companies Act, 2013, read with Regulation 4(2)(a) and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing to its members facility to exercise their right to vote on resolutions proposed to be passed at AGM by electronic means. Members may cast their votes remotely using e-voting facility provided by the Company. Further, the facility for the e-voting will also be made available at the Meeting and members who have not cast their votes by remote e-voting will be able to vote during the AGM.

The members who have cast their votes by remote e-voting may also attend the AGM but shall not be entitled to cast their votes again at the AGM. Once the vote on a resolution is cast by a member, whether partially or otherwise, the member shall not be allowed to change it subsequently or cast the vote again.

Please refer to the following instructions for voting through electronic means.

A) e-Voting through electronic means:

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Circular issued by the MCA dated 08th April, 2020, 13th April, 2020 and 05th May, 2020, the Company is providing Members facility to exercise their right to vote on resolutions proposed to be passed in the Annual General Meeting by electronic means through remote e-Voting Services provided by Central Depository Services (India) Limited (CDSL). The instructions for e-voting are as under:

i) Log on to the e-voting website www.evotingindia.com

ii) Click on "Shareholders" tab.

iii) Select the "NACL Industries LIMITED" from the drop down menu and click on "SUBMIT"

iv) Enter your User ID-For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID. Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and Click on Login. Alternately, if you are registered for CDSL's EASI/ EASIEST e-services, members can login at https://www.cdslindia.com from Login-Myeasi using your login credentials. Upon successfully login to CDSL's EASI/ EASIEST e-services, click on e-voting and proceed directly to cast your vote electronically.

v) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.

vi) If you are a first time user follow the steps given below.

Fill up the following details in the appropriate boxes:

For Shareholders holding shares in Demat Form and Physical Form	
PAN*	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)
DOB**	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
DIVIDEND BANK DETAILS	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

* Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the sequence number (available in the Address Label pasted in the e-mail sent to members) in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name. Eg. If your name is Ramanathan with sequence number 1 then enter RA00000001 in the PAN Field.

**Please enter any one of the

details in order to login. In case both the details are not recorded with the depository or Company, please enter the Member id / folio number in the Dividend Bank details field.

vii) After entering these details appropriately, click on "SUBMIT" tab.

viii) Members holding shares in physical form will then reach directly the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

x) Click on the relevant EVSN for 'NACL Industries Limited'.

xi) On the voting page, you will see 'Resolution Description' and against the same the option "YES/ NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

xii) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.

xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

xvi) If Demat account holder has forgotten the changed password then enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.

xvii) E-Voting by Mobile app:

Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the system mobile app while voting on your mobile.

xviii) Note for Non – Individual Shareholders and Custodians:

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to https://www.evotingindia.com and register themselves as Corporate.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User

should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.

- The list of accounts linked in the login should be emailed to helpdesk evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively, Non Individual shareholders are required to send the relevant Board Resolution/Authority Letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company, if voted from individual tab and not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

II. The e-voting period begins on Friday, the 25th September, 2020 (10.00 a.m.) and ends on Sunday, 27th September, 2020 (5.00 p.m.). During this period shareholder of the Company, holding shares either in physical form or in dematerialized form, as of Friday 18th September, 2020 (i.e., the cut-off date) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

III. The voting rights of shareholders shall be in proportion to the shares held by them in the paid up equity shares capital of the Company as on 18th September, 2020.

IV. Any person who acquires shares of the Company and becomes Members of the Company after the dispatch of the Notice and holding shares as on the cut-off date i.e. Friday 18th September, 2020 may obtain the User ID and password by sending request at evoting@cdslindia.com.

V. Mr.K.V.Chalama Reddy, Practicing Company Secretary (M.No:F9268, and C.P No: 5451), Hyderabad, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

B) Instructions for voting on the date of AGM:

i) The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.

ii) Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

iii) If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

iv) Shareholders who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

C) Other Instructions:

I. The Scrutinizer after scrutinizing the votes through remote e-voting as well as the e-voting during the AGM will, not later than 48 hours of conclusion of the Meeting, make a consolidated Scrutinizer's Report of the votes cast in favour or against, if any and submit the same forthwith to the Chairman or a person duly authorized by the Chairman who shall counter sign the same and declare the results of the voting.

II. The results of the voting shall be declared on or after the Annual General Meeting of the Company. The results declared, along with the Scrutinizer's Report, shall be placed on the Company's website www.naclind.com and be communicated to the Stock Exchanges where the Company's shares are listed, i.e., BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), stock exchanges where the Company's share are listed.

III. Members may address any query to Company Secretary at the Registered Office of the Company, Tel. No.040-24405100, email: cs-nacl@naclind.com, Website: www.naclind.com.

IV. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQ") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting @cdslindia.com or contact Mr.Nitin Kunder (022-23058738) or Mr.Mehboob Lakhani (022-23058543).

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS ITEMS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item No.3:

The Board of Director of the Company, on recommendation of the Audit Committee, has approved the appointment of the Cost Auditors namely M/s K. Narasimha Murthy & Co., (Registration No.4042), Cost Accountants, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2021, at a remuneration of ₹6,00,000/- (Rupees Six Lakhs only) plus applicable taxes and out-of-pocket expenses incurred in connection with the Cost Audit.

In accordance with the provisions of Section 148 and other applicable provisions of the Companies Act, 2013 ("hereinafter referred as Act") read with the Rule 14 of Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out at Item No.3 of the Notice. The Board commends the Ordinary Resolution set out at Item No.3 of the Notice for approval and ratification by the Shareholders.

None of the Directors/Key Managerial Personnel of the Company/their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 3 of the Notice.

Item No.4:

The Board of Directors of the Company, on recommendation of the Nomination and Remuneration Committee, has appointed Mr.Ramkrishna Mudholkar (DIN:00012850) as an Additional Director (under Independent Category) of the Company with effect from 04th November, 2019 to hold office up to the ensuing Annual General Meeting in accordance with the provision of the Section 161 of the Companies Act, 2013 ('the Act') read with Article 131 of the Article of Association of the Company. The Company has, in terms of Section 160(1) of the Act, received a notice from a Member proposing Mr.Ramkrishna Mudholkar's candidature for the office of Director.

Mr.Ramkrishna Mudholkar, being eligible, offers himself to be appointed as an Independent Director of the Company in terms of Section 149 and other applicable provisions of the Act read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). Accordingly, the Board of Directors in its meeting held on 04th November, 2019 has accorded its approval for the aforesaid appointment of Mr.Ramkrishna Mudholkar as an Independent Director for a period of five years with effect from 04th November, 2019 and recommended to the Shareholders for approval.

The Company has received from Mr.Ramkrishna Mudholkar, a consent in writing to act as Director, an intimation in Form DIR-8 to the effect he is not disqualified from being appointed as Directors in terms of Section 164 of the Act and other applicable provision and a declaration confirming that he meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

The Board of Directors of your Company is of the opinion that Mr.Ramkrishna Mudholkar fulfills the conditions specified in the Act and the Rules made thereunder and eligible to be appointed as Independent Director pursuant to the provisions of Section 149 of the Act and Listing Regulations. The Board of Director of your Company is also of the opinion that Mr.Ramkrishna

Mudholkar is independent of the management of the Company.

Mr.Ramkrishna Mudholkar is basically a Science graduate in Agriculture (B.Sc. Agriculture) and holds MBA from IIM-A. He comes with rich corporate experience and is an astute professional with around 35 years of rich experience in senior leadership roles in the field of Sales and Marketing of Agrochemicals, Pesticides and organic inputs.

Brief resume of Mr.Ramkrishna Mudholkar, his nature of expertise in specific functional areas and names of Companies in which he holds Directorships and Memberships/ Chairmanships of Board Committees, shareholdings and relationships between Directors inter-se as stipulated under Regulation 36(3) of Listing Regulations and Secretarial Standards on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India ("ICSI") are provided in the "Annexure" to this Notice.

A copy of the draft letter of appointment of the Independent Director setting out the terms and conditions of his appointment is available for inspection by the Members at the Registered Office of the Company during the business hours (except on Saturdays and Sundays) and will also be available electronically on the date of AGM.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, Regulation 17 and other applicable provisions of the Listing Regulations, the appointment of Mr.Ramkrishna Mudholkar as Independent Directors is now placed for the approval of the Members by an Ordinary Resolution.

The said appointment of Mr.Ramkrishna Mudholkar shall be effective from approval of the Shareholders in the ensuing Annual General Meeting. The Board commends the Ordinary Resolution set out in Item No.4 of the Notice for approval of the Members.

Save and except Mr.Ramkrishna Mudholkar and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

Item No.5:

The Board of Directors of the Company, on recommendation of the Nomination and Remuneration Committee, has appointed Mr.Sambasiva Rao Nannapaneni (DIN: 06400663) as an Additional Director (under Independent Category) of the Company with effect from 14th February, 2020 to hold office up to the ensuing Annual General Meeting in accordance with the provision of the Section 161 of the Companies Act, 2013 ('the Act') read with Article 131 of the Article of Association of the Company. The Company has, in terms of Section 160(1) of the Act, received a notice from a Member proposing Mr.Sambasiva Rao Nannapaneni's candidature for the office of Director.

Mr.Sambasiva Rao Nannapaneni, being eligible, offers himself to be appointed as an Independent Director of the Company in terms of Section 149 and other applicable provisions of the Act read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). Accordingly, the Board of Directors in its meeting held on 12th February, 2020 has accorded its approval for the aforesaid appointment of Mr.Sambasiva Rao Nannapaneni as an Independent Director for a period of five years with effect from 14th February, 2020 and recommended to the Shareholders for approval.

The Company has received from Mr.Sambasiva Rao Nannapaneni, a consent in writing to act as Director, an intimation in Form DIR-8 to the effect he is not disqualified from being appointed as Directors in terms of Section 164 of the Act and other applicable provision and a declaration confirming that he meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

The Board of Directors of your Company is of the opinion that Mr.Sambasiva Rao Nannapaneni fulfills the conditions specified in the Act and the Rules made thereunder and eligible to be appointed as Independent Director pursuant to the provisions of Section 149 of the Act and Listing Regulations. The Board of Director of your Company is also of the opinion that Mr.Sambasiva Rao Nannapaneni is independent of the management of the Company.

Mr.Sambasiva Rao Nannapaneni is a M.Sc. in Agriculture Economics from Allahabad University. He also holds Post Graduate Diploma degree in Management from University of Indianapolis, USA and Japanese Management from Shingo Institute of Japanese Management, Hyderabad. He comes with more than 38 years of corporate experience in Sales and Marketing of fertilizers and agro inputs products. Mr.Sambasiva Rao Nannapaneni also worked with Krishak Bharati Co-operative Limited (KRIBHCO), Nagarjuna Fertilizers and Chemicals Limited (NFCL), Pyrites Phosphates & Chemicals Limited, E.I.D Parry India Limited and Food Corporation of India.

Brief resume of Mr.Sambasiva Rao Nannapaneni, his nature of expertise in specific functional areas and names of Companies in which he holds Directorships and Memberships/ Chairmanships of Board Committees, shareholdings and relationships between Directors inter-se as stipulated under Regulation 36(3) of Listing Regulations and Secretarial Standards on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India ("ICSI") are provided in the "Annexure" to this Notice.

A copy of the draft letter of appointment of the Independent Director setting out the terms and conditions of his appointment is available for inspection by the Members at the Registered Office of the Company during the business hours (except on Saturdays and Sundays) and will also be available electronically on the date of AGM.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, Regulation 17 and other applicable provisions of the Listing Regulations, the appointment of Mr.Sambasiva Rao Nannapaneni as Independent Directors is now placed for the approval of the Members by an Ordinary Resolution.

The said appointment of Mr.Sambasiva Rao Nannapaneni shall be effective from approval of the Shareholders in the ensuing Annual General Meeting. The Board commends the Ordinary Resolution set out in Item No.5 of the Notice for approval of the Members.

Save and except Mr.Sambasiva Rao Nannapaneni and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

Item No.6:

The Board of Directors of the Company, on recommendation of the Nomination and Remuneration Committee, has appointed Ms.Veni Mocherla (DIN: 08082163) as an Additional Director (under Independent Category) of the Company with effect from 26th March, 2020 to hold office up to the ensuing Annual General Meeting in accordance with the provision of the Section 161 of the Companies Act, 2013 ('the Act') read with Article 131 of the Article of Association of the Company. The Company has in terms of Section 160(1) of the Act received a notice from a Member proposing Ms.Veni Mocherla's candidature for the office of Director.

Ms.Veni Mocherla, being eligible, offers herself to be appointed as an Independent Director of the Company in terms of Section 149 and other applicable provisions of the Act read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). Accordingly, the Board of Directors in its meeting held on 26th March, 2020 has accorded its approval for the aforesaid appointment of Ms.Veni Mocherla as an Independent Director for a period of five years with effect from 26th March, 2020 and recommended to the Shareholders for approval.

The Company has received from Ms.Veni Mocherla, a consent in writing to act as Director, an intimation in Form DIR-8 to the effect she is not disqualified from being appointed as Directors in terms of Section 164 of the Act and other applicable provision and a declaration confirming that she meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

The Board of Directors of your Company is of the opinion that Ms.Veni Mocherla fulfills the conditions specified in the Act and the Rules made therunder and eligible to be appointed as Independent Director pursuant to the provisions of Section 149 of the Act and Listing Regulations. The Board of Director of your Company is also of the opinion that Ms.Veni Mocherla is independent of the management of the Company.

Ms.Veni Mocherla is a business consulting professional with over 18 year of work experience. She has been actively involved in cross border partnership, turnaround and corporate strategic initiative. She is a Management of Business Administration ('MBA') and holds a degree of Post Graduate Program at the Chartered Institute of Marketing, UK, Managing the Global firm, Strategic Management and Leadership from Wharton Exec. Program. She has earlier worked in the UK and has held senior roles at the Department of Trade and Investment. British High Commission, Bristol Myers Squib in India. She was an associate of few consulting firms providing consulting services to companies looking at overseas expansions that includes foreign companies looking at India, Indian Companies interested in expanding overseas. She also mentors various start-ups.

Brief resume of Ms.Veni Mocherla, her nature of expertise in specific functional areas and names of Companies in which she holds Directorships and Memberships/ Chairmanships of Board Committees, shareholdings and relationships between Directors inter-se as stipulated under Regulation 36(3) of Listing Regulations and Secretarial Standards on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India ("ICSI") are provided in the "Annexure" to this Notice.

A copy of the draft letter of appointment of the Independent Director setting out the terms and conditions of his appointment is available for inspection by the Members at the Registered Office of the Company during the business hours (except on Saturdays and Sundays) and will also be available electronically on the date of AGM.

In compliance with the provisions of Section 149 read with Schedule IV of the Act, Regulation 17 and other applicable provisions of the Listing Regulations, the appointment of Ms.Veni Mocherla as Independent Directors is now placed for the approval of the Members by an Ordinary Resolution.

The said appointment of Ms.Veni Mocherla shall be effective from approval of the Shareholders in the ensuing Annual General Meeting. The Board commends the Ordinary Resolution set out in Item No.6 of the Notice for approval of the Members.

Save and except Ms.Veni Mocherla and her relatives, to the extent of their shareholding interest, if any, in the Company, none of the Directors/Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

Item No.7 & 8:

Pursuant to Share Subscription and Shareholders Agreement ('SSSA') and Article of Association of the Company, the Investors have nominated Mr.Rajesh Kumar Agarwal and Mr.Atul Churiwal, as Investor Nominee Directors on the Board of the Company. Upon the appointment of the Investor Nominee Directors on the Board of the Company, the Investors (i.e Krishi Rasayan Exports Private Limited ('KREPL') and Agro Life Science Corporation ('ALSC'), a registered Partnership Firm) becomes the related party to the Company, in terms of Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

Pursuant to Regulation 23 of the Listing Regulations read with the applicable provisions of the Companies Act, 2013 all material Related Party Transactions, if the aggregate value of transaction(s) amounts to 10% or more of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, shall require approval of the Shareholders.

The Company now proposes to obtain approval of the members for ratifying as well as granting further approval to the Board of Directors (including any Committee thereof) for carrying our and/or continuing with arrangements and transactions (whether individual transactions or transactions taken together or series of transactions or otherwise) with KREPL and ALSC, whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/transactions or otherwise including purchase and sale of raw material, intermediate products and finished goods, agro inputs, bio pesticides, Active Ingredients (AI), Technical, Formulation, transactions with regard to contract manufacturing, various funding and Research & Development activities and other business related activities and such other transactions as may be disclosed in the notes forming part of the financial statements for the relevant period, notwithstanding the fact that all these transactions within the Financial Year 2020-21 in aggregate may exceed 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements or any materiality threshold for qualifying a transactions as material related party transaction as may be applicable from time to time under the applicable laws or regulations. The above transactions are in the Ordinary Course of business of the Company.

The Board commends the Resolution at item no. 7 & 8 of the Notice for approval of the Members of the Company.

Save and except Mr.Rajesh Kumar Agarwal and Mr.Atul Churiwal and their relatives, to the extent of their shareholding interest, if any, in the Company, none of the Director/ Key Managerial Personnel of the Company/their relatives are, in any way, concerned or interested financially or otherwise in the resolution set out at Item No. 7 & 8 of the Notice.

The members may please note that in terms of the provision of the Listing Regulations, the related parties as defined thereunder (whether the member is a related party / party to the aforesaid transaction or not), shall not vote to approve resolutions under this Item No. 7 & 8.

By order of the Board

Satish Kumar Subudhi
Company Secretary & Head-Legal
(FCS 9085)

Place: Hyderabad
Date: 26th August, 2020

Registered Office:
CIN: L24219TG1986PLC016607
Plot No.12-A, "C"- Block, Lakshmi Towers,
No.8-2-248/1/7/78, Nagarjuna Hills, Panjagutta,
Hyderabad-500082, Telangana State, INDIA.
Ph.040-24405100
e-mail:cs-nacl@naclind.com
Website: www.naclind.com.

ANNEXURE TO NOTICE

Details of Directors seeking appointment/re-appointment at the AGM

(Pursuant to Regulations 26(4) and 36(3) of the Listing Regulations and Secretarial Standards - 2 on General Meeting)

Name of the Director	Mrs.K.Lakshmi Raju	Mr.Ramkrishna Mudholkar	Mr.Sambasiva Rao Nannapaneni	Ms. Veni Mocherla
Directors Identification Number (DIN)	00545776	00012850	06400663	08082163
Date of Birth, Age	06th November, 1974 45 years	10th April, 1959 61 years	01st July, 1955 65 years	22nd December, 1975 44 years
Date of first Appointment	24th June, 2004	04th November, 2019	14th February, 2020	26th March, 2020
Qualifications	Commerce Graduate and also has a Masters Degree in Business Administration.	B. Sc. (Agriculture) and Masters in Business Administration from IIM-A	M. Sc., (Agriculture Economics), PGDM from University of Indianapolis, USA and PGD in Japanese Management from Shingo Institute of Japanese Management, Hyderabad	MBA and Post Graduate Programme at Chartered Institute of Marketing, UK
Brief Profile including expertise in specified functional areas	Having more than 16 years of experience in the Corporate business field.	Mr.Ramkrishna Mudholkar comes with rich corporate experience and an astute professional with around 35 years of rich experience in senior leadership roles in the field of sales and marketing of Agrochemicals, pesticides and organic inputs.	He is having over 38 years of exposure and experience in sales and marketing of fertilisers and agro inputs products.	She is a business consulting professional with over 18 years work experience including services rendered for various international assignments. She has been actively involved in cross border partnerships, turnaround and corporate strategic initiatives.
Terms and conditions of appointment / re-appointment	Appointed as Non-Executive Director, liable to retire by rotation.	Appointed as an Independent Director, not liable to retire by rotation.	Appointed as an Independent Director, not liable to retire by rotation	Appointed as an Independent Director, not liable to retire by rotation.
Details of remuneration last drawn during the FY 2019-20 (*)	₹ 1,95,000/-	₹ 75,000/-	₹ 25,000/-	₹ 25,000/-
No. of Board Meetings attended during the year	6 (Six)	3 (Three)	1 (One)	1 (One)
Relationship between Directors inter-se	Nil	Nil	Nil	Nil

Name of the Director	Mrs.K.Lakshmi Raju	Mr.Ramkrishna Mudholkar	Mr.Sambasiva Rao Nannapaneni	Ms. Veni Mocherla
No. of shares held in the Company (a) Own	7,705,860	Nil	Nil	Nil
(b) for other persons on a beneficial interest	Nil	Nil	Nil	Nil
List of other Companies in which Directorship held as on 31st March, 2020 (excluding Foreign, private and section 8 Companies)	Nil	Nil	Nil	Andhra Paper Limited
Chairperson/Member of the Mandatory Committees of the Board of the Other Companies on which he/she is a Director as on 31st March, 2020	1	Nil	1	Nil

** Sitting fees paid for attending the Board and Committee(s) Meetings held during the FY 2019-20

Note: Directorship and Committee memberships in NACL are not included in the aforesaid disclosure. Directorship in Private Limited Companies, Foreign Companies and Section 8 Companies and their Committee memberships are excluded. Membership and Chairmanship of Audit Committee and Stakeholder Relationship Committees of only public Companies have been considered as mandatory Committees and included in the aforesaid table. The details pertains to the financial year ended 31st March, 2020.

DIRECTORS REPORT

Dear Members,

Your Directors have pleasure in presenting the 33rd Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2020.

Operating Results:

Your Company's performance during the year as compared with that during the previous year is summarized below:

(₹ in lakhs)

Particulars	Consolidated		Standalone	
	2019-20	2018-19	2019-20	2018-19
Total Income (including Other Income)	1,02,239	89,121	1,02,238	89,119
Profit/(Loss) before Finance Cost, Depreciation and Tax	7,609	3,947	7,607	3,941
Finance Cost	2,916	3,398	2,916	3,398
Depreciation and Amortization	2,397	2,035	2,397	2,035
Profit/(Loss) before exceptional items and tax	2,296	(1,486)	2,294	(1,492)
Share of profit from associate	95	137	-	-
Profit/(Loss) before tax	2,391	(1,349)	2,294	(1,492)
Current Tax	423	-	423	-
Deferred Tax	294	(654)	294	(654)
Profit/(Loss) for the year	1,674	(695)	1,577	(838)
Other Comprehensive Income	(134)	1	(132)	3
Total Comprehensive Income	1,540	(694)	1,445	(835)
Balance of profit brought forward from previous year	17,459	18,389	16,927	17,998
TOTAL	**18,999**	**17,695**	**18,372**	**17,163**
Appropriation				
Dividend on equity shares	192	196	192	196
Dividend distribution tax	40	40	40	40
Impact on account of adoption of Ind AS 116 Leases	84	-	84	-
Balance profit carried forward to balance sheet	18,683	17,459	18,056	16,927

Performance:

The Company achieved highest ever consolidated revenues of ₹1,02,239 lakhs during the year under review as against ₹89,121 lakhs achieved in the previous year, an increase of 15%. The Company's profit before exceptional item and tax is ₹2,391 lakhs during the year under review against loss of ₹1,349 lakhs during the previous year, an increase of 277%. The Company earned a profit after tax of ₹1,674 lakhs against the loss of ₹695 lakhs in the previous year, an increase of 341%. The growth in revenue has been mainly attributable to growth in the Exports by 15% and in Domestic by 18% and proactive initiation taken by the B2B business segment.

Dividend and Reserves:

During the year under review, the Board of Directors, in its meeting held on 26th March, 2020, has declared an interim dividend @ of 10% i.e. Re.0.10 (Ten paisa) per equity share on 19,26,05,261 Equity Shares of Re. 1/- each of the Company for the Financial Year 2019-20. The total outflow (including dividend distribution tax) towards payment of interim dividend on equity shares was ₹232 lakhs.

To fund various green field projects and growth plans of the Company, your Directors is not recommending any final dividend for the year under review. No amount is being transferred to the General Reserves.

COVID-19 Impact:

The World Health Organization (WHO) declared the COVID-19 outbreak as a pandemic on 11th March 2020. In the wake of the outbreak across the globe and in the country, the Central Government declared nationwide lock down with effect from 24th March, 2020. Keeping in view the implementation of the lockdown, the Company temporarily shut down its Manufacturing and R&D facilities, Registered / Regional offices, Warehouses and other establishments located in various States in the Country. Subsequent to the Government notification deeming manufacturing of pesticides as an essential activity, the Company resumed its operations at the said facilities and establishments, following the necessary Government directive with respect to safety guidelines and percentage of deployment of staff at each such location, and taking due care of all preventive measures like social distancing, safety & security, sanitization etc.

Plant Operations:

The Srikakulam technical plant has achieved annual production of 5,617 MT as compared to 5,533 MT in the previous year. The plant could achieve the desired results due to growth in the export segment and introduction of New Products. With the improved productivity and available resources, the plant production aligned to the demand and satisfied the market requirement. The plant has continued to take various initiatives for energy conservation, cost savings. Zero Liquid Discharge facility operated efficiently during the year. The continued focus on areas of improving flexibility, enhancing capacities, increased productivity, de-bottlenecking, quality control etc., are yielding results.

Ethakota formulation unit has been able to satisfactorily meet the market demand. It achieved production of 16,606 MT/KL during the year under review, compared to the previous year production of 18,639 MT/KL. The production was effected due to non-availability of certain input materials mainly the supply of sand required for granules during the period from April, 2019 to September, 2019. This unit has been continuously taking various initiative, debottlenecking, safety and quality control initiatives, etc. in order to handle any market demand both in terms of flexibility in product mix and demand in higher volumes.

An amiable working environment in both units has enabled to maintain cordial relationship with workers Unions and other Stakeholders.

Domestic Markets:

In the year 2019, the annual rainfall over the country was 109 % of long period average (LPA). The rainfall over the country as a whole during the South West monsoon season (June-September), which is the principal rainy season of the country, was normal (110 % of LPA). During this season, among the four large geographical regions of the country, Central India and South Peninsular India received 129% and 116% of its LPA rainfall respectively, while Northwest India received 98% and East & Northeast India received 88% of its LPA rainfall.

The 2019 northeast monsoon season (October-December) rainfall over the country as a whole was above normal (129% of LPA). The seasonal rainfall during the northeast monsoon season over the core region of the south peninsula (comprising of 5 subdivisions viz. Coastal Andhra Pradesh, Rayalaseema, Tamil Nadu & Puducherry, South Interior Karnataka and Kerala), was normal (109% of LPA). All the five subdivisions of the core region received excess/normal rainfall. (source: India Meteorological Department)

Having witnessed better monsoon during the year under review, the Wheat acreages saw an increase of about 6% over previous year and 2% over normal acreage. Rabi rice acreages saw an increase of about 7% over last year and 5% over normal. However, the Maize acreage declined by 8% over last year and Moong and Black acreages were down by 10% and 20% respectively over last year.

Despite the competitive market conditions and taking the advantage of the good monsoon, your Company achieved domestic sales of ₹74,593 lakhs (out of which domestic retail sales is ₹44,055 lakhs) for the year under review against ₹63,389 lakhs (out of which domestic retail sales is ₹39,650 lakhs) in the previous year, an increase by ~18%.

Export Market:

The global crop protection market has witnessed a dip of 0.8% over 2018, accounting for US $ 58,927 million (at ex-manufacturer level) in 2019 according to a report by Phillips McDougall. The decrease was more i.e. 5.8% over 2018 on real terms, by excluding the inflation and currency fluctuations. In spite of various measures taken across the globe, the industry has seen a downward trend since last four years and there was only one instance of increase in real terms as per the report.

Crop Protection market is majorly influenced by climatic conditions. The extreme weather conditions in 2019 viz severe flooding in North America to dry conditions and drought in Europe and Asia Pacific have affected the demand for crop protection products. The rise in the regulatory insistence leading to the ban of notable chemistries in Europe, has limited the growth potential. The geopolitical issues like the trade tensions between US and China led to the shift in global trade patterns, especially soybeans being replaced with the produce from Latin American countries.

There are certain factors which have counteracted the negative impacts, like continued high prices for generic products, normalized inventory levels in Latin America, particularly Brazil, shift in the demand from Glyphosate to new and more expensive herbicides, the report stated.

Despite of the challenges in the global market, your company's exports business has witnessed a positive growth and increased by more than 15% when compared to that of the last year. The exports sales were ₹25,743 lakhs in the year under review as compared to ₹22,362 lakhs in the previous year. An increased demand for one insecticide and one fungicide from a MNCs, increased requirement for a fungicide under contract manufacturing from a Japanese company, stable contract manufacturing campaigns for one insecticide and one herbicide from another MNC have contributed the growth.

Credit Rating:

During the year under review, the Credit Analysis and Research Limited (CARE) has reaffirmed the rating for the Long Term Bank facilities and Short Term Bank facilities of the Company:

a) Long-term Bank facilities: CARE A-; Negative (Single A Minus, Outlook: Negative); and

b) Short-term Bank facilities: CARE A2 (A two).

Fire Insurance Claim:

Further to the arbitration proceeding initiated against the Oriental Insurance Company Limited ("Insurance Company") with respect to deductions made by in the assessment and settlement of the insurance claim pertaining to the fire accident occurred at the Company's Srikakulam plant on 30th June, 2012, the Hon'ble Arbitrator has pronounced the following two awards in favor of the Company with an aggregate amount of ₹ 2,400 lakhs plus interest @ 13% from the date of award till the date of payment:

1) Material Damage and Interest for delayed settlement of claim: Award amounting to ₹1,048 lakhs;

2) Loss of Profit (LOP) claim: Award amounting to ₹1,352 lakhs.

The Insurance Company has filed an appeal against the above award before the Hon'ble High Court of Delhi, which is pending for the final resolution.

New Projects/Products:

The Board has approved two new Greenfield Projects in Dahej, Gujarat and Pydibimavaram, Andhra Pradesh through its two new Wholly Owned Subsidiary (WoS) Companies incorporated namely M/s.NACL Spec-Chem Limited and M/s.NACL Multichem Private Limited respectively. The Board has also approved a capex plan of ₹150 crores (including Company's infusion of equity and debt capital to an extent of ₹52 crores).

The Company has successfully commercialized manufacturing of two new Technical / Active Ingredients namely Lambda Cyhalothrin and Bispyribac Sodium and also introduced the following formulated products during the year under review.

S. No	Product Name	Composition
a)	DXTAR FS	Thiamethoxam - 30% FS (for Seed Treatment)
b)	CAIRO	Lambda Cyhalothrin - 4.9% CS
c)	SUBTLE	Tebuconazole - 10% + Sulphur - 65% WP
d)	SENIOR	2,4 - D - Amine Slat - 58% SL
e)	TWOFOUR	2,4 - D - Sodium Slat - 80% WP
f)	CAMBIUM	Quizalafop Ethyl 10% EC
g)	STATUS	Thiamethoxam 12.6% + Lambda Cyhalothrin 9.5 % - ZC

In the direction focusing on cost efficiencies and innovation, the Company's R&D Centre at Shadnagar, near Hyderabad, continues to develop cost effective processes for manufacture of Active Ingredients (AIs)/ Technical and Intermediates for Herbicides, Insecticides and Fungicides. To take advantage of the Make in India manufacturing initiative, processes for many generic products are under various stages of development for manufacturing by NACL.

Your Directors are pleased to inform that the R&D Centre has received the Certificate of Accreditation from the National Accreditation Board for Testing and Calibration of Laboratories (NABL)

Registration of the active ingredients and the final products is a major activity. This Department works on applying for registration in India as well as in Countries in Africa and SE Asia, to enable marketing of the products. The total number of registrations NACL has is 369 in India and 94 for exports.

Environment Protection:

Your Company continues to maintain high standards in environmental management with its manufacturing facilities operating well within stipulated norms due to the efficient running of the Zero Liquid Discharge (ZLD) facilities in Srikakulam and Ethakota. Srikakulam manufacturing site has an online effluent and emission monitoring devices that continuously upload the data to Pollution Control Board website. These sites have also increased plantation area within the factory premises.

Your Company continues to enjoy the certifications ISO:9001:2015, ISO:14001:2015 and ISO 45001:2018 accredited for its proven standards covering in the areas of Quality, Environment, Safety and Health Management Systems respectively.

Share Capital:

During the year under review, your Company has allotted 1,85,001 fully paid equity shares, upon exercise of Stock Option by the Eligible Employees of the Company, pursuant to the 'Nagarjuna Agrichem Ltd., - Employee Stock Option Scheme - 2015' ('ESOS-2015') of the Company and these shares were duly admitted for trading on the stock exchange(s).

Further, pursuant to Section 42, 62(1)(c) of the Companies Act, 2013 read with Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, the Company, has allotted 2,50,00,000 fully paid equity shares upon conversion of 2,50,00,000 (Two Crores Fifty Lakhs) Warrants issued on preferential basis at a ratio of 1:1, to Investors (i.e. M/s. Krishi Rasayan Exports Private Limited and Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation, a registered Partnership Firm) and Mrs.K.Lakshmi Raju, Promoter of the Company. Such infusion of equity capital through the aforesaid preferential issue of shares and warrants has strengthened the capital structure of the Company.

Subsequent to the above allotments, the paid up capital of your Company stand increased from ₹16,74,20,260/- (comprising of 16,74,20,260 fully paid up equity shares of ₹1/- per equity share) to ₹19,26,05,261/- (comprising of 19,26,05,261 fully paid up equity shares of ₹1/- per equity share).

Employee Stock Option Scheme:

A) ESOS-2015: During the year under review, the Company has granted 20,000 (Twenty Thousand) stock options under "Nagarjuna Agrichem Ltd., – Employee Stock Option Scheme – 2015" (hereinafter referred to as "ESOS-2015") to the Eligible Employees with a vesting period spread over a period of five years. Each option would entitle the holders of the option to apply for one equity share of the Company. Upon exercise of the vested stock options by eligible Employees under the ESOS-2015, 1,85,001 equity shares were allotted during the year under review. Applicable disclosures relating to Employees Stock Options as at 31st March, 2020, pursuant to Regulation 14 and other applicable Regulations of SEBI (Share Based Employee Benefits) Regulations, 2014, as amended from time to time, are set out in the **Annexure-I** to this Report. It was informed that there has been no material change in the said Scheme i.e., ESOS-2015 during the year under review.

   In compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 ('SEBI SBEB'), a certificate from the Auditors of the Company confirming that the ESOS-2015 are been implemented in accordance with the SEBI SBEB and the resolutions passed by the members, will be placed at the ensuing Annual General Meeting.

B) ESOS-2020: The Board in its meeting held on 12th August, 2020 has approved 'NACL Employee Stock Option Scheme-2020' in accordance with the provisions of the Companies Act, 2013 read with SEBI (Share Based Employee Benefits) Regulations, 2014, which is subject to the approval of shareholders.

Preferential Issue:

During the year under review, the Company has allotted 2,50,00,000 equity shares on 24th March, 2020, to the following Investors and Promoter ("Warrant Holders"), upon receipt of necessary Warrant Conversion form/ application from the Warrant Holders for exercising the rights for conversion of 2,50,00,000 convertible warrants issued under preferential basis along with the balance consideration of ₹24/- per warrant (i.e. 75% of the issue price) aggregating to ₹60,00,00,000 (Rupees Six Thousand Lakhs Only)

Further, the Board in its meeting held on 12th August, 2020 has approved the raising of funds for an amount of ₹1,950 lakhs by way of issuing 50,00,000 Convertible Warrants at an issue price of ₹39/- on a preferential basis to Mrs.K.Lakshmi Raju, Promoter of the Company, in accordance with the provisions of the Companies Act, 2013 read with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations"), which is further subject to the approval of the shareholders.

Material Changes and Commitments:

Except the changed specifically described in this report, there have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

Subsidiary Companies and Associate Companies and Consolidation of Financial Statements:

Pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), along with other applicable provisions of the Act, and as per Indian Accounting Standards (Ind AS 110 – "Consolidated Financial Statements"), the Audited Consolidated Financial Statements for the year ended on 31st March, 2020 are provided in this Annual Report. The Company has prepared consolidated financial statements by incorporating the financial statements of its Wholly Owned Subsidiaries M/s.LR Research Laboratories Private Limited and M/s.Nagarjuna Agrichem (Australia) Pty. Ltd. with its financial statements on line by line basis. The investments of the Company in M/s.Nasense Labs Private Limited, an Associate Company, have been accounted for in these consolidated financial statements under the equity method in accordance with Ind AS 28 – "Investments in Associates and Joint Ventures".

The Audited Annual Accounts and related information of Subsidiaries and Associate as applicable will be made available upon request. The Statement required under Section 134 of the Act is attached as **Annexure - II** (Form AOC-1) to this Directors' Report.

No other Company has become/ceased to be subsidiary or joint venture or associate Company during the financial year. There has been no material change in the nature of the business of the aforesaid Subsidiaries and Associate.

The Company has incorporated following two new Wholly Owned Subsidiary Companies:

a) NACL Spec-Chem Limited (vide the certificate of incorporation dated 27th April, 2020); and

b) NACL Multichem Private Limited (vide the certificate of incorporation dated 18th May, 2020).

The Company has no Subsidiary which can be considered as material in terms of the Listing Regulations.

In accordance with the provisions of Section 136(1) of the Act, read with Regulation 46 of the Listing Regulations the following have been placed on the website of the Company www.naclind.com:

a) Annual Report of the Company, containing therein its standalone and the consolidated financial statements; and

b) Annual accounts of each of the subsidiary Companies.

Internal Financial Control Systems and their adequacy:

The Company has in place adequate internal financial controls commensurate with the size and complexity of its operations. During the year, such controls were tested and no reportable material weakness in the design or operations were observed. The Company has policies and procedure in place for ensuring proper and efficient conduct of its business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

The Company has adopted accounting policies which are in line with the Indian Accounting Standards and the Act. These are in accordance with generally accepted accounting principles in India. Changes in policies, if required, are made in consultation with the Auditors and are approved by the Audit Committee.

The Company's internal audit systems are geared towards ensuring adequate internal controls commensurate with the size and needs of the business, with the objective of efficient conduct of operations through adherence to the Company's policies, identifying areas of improvement, evaluating the reliability of financial statements, ensuring compliances with applicable laws and Regulations and safeguarding of assets from unauthorized use.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the Internal, Statutory, Cost and Secretarial Auditors, including audit of the internal financial controls over financial reporting by the Statutory Auditors, and the reviews performed by Management and the relevant Board and Committees including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2019-20.

Auditors:

a) Statutory Auditor and Audit Reports:

M/s. Deloitte Haskins & Sells LLP, (Deloitte) Chartered Accountants, Madhapur (Firm Registration No.117366W/W100018), Chartered Accountants, were appointed as Statutory Auditors of the Company at the 30th Annual General Meeting held on 05th August, 2017, for a period of 5 years commencing form the conclusion of 30th Annual General Meeting till the conclusion of 35th Annual General Meeting to be held in the year 2022. The firm has consented and confirmed that the appointment is within the limit specified under section 141(3)(g) of the Companies Act, 2013. The statutory auditors have also confirmed that they are not disqualified to be appointed as such in terms of the proviso to section 139(1), 141(2) and 141(3) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

The Audit Report of Deloitte on the Financial Statements of the Company for the Financial Year 2019-20 is a part of Annual Report and the report does not contain any qualification, reservation, adverse remark or disclaimer.

b) Internal Auditor:

The Board of Directors of the Company have appointed M/s. M.Bhaskara Rao & Co., Chartered Accountants, Hyderabad, as Internal Auditors to conduct internal audit of the Company for the financial year ended 31st March, 2020 and their reports are reviewed by the Audit Committee from time to time. The Board of Directors re-appointed M/s. Bhaskara Rao & Co., Chartered Accountants, Hyderabad as Internal Auditors for the financial year ending 31st March, 2021.

c) Cost Auditor:

The Board of Directors of the Company, on the recommendation of the Audit Committee appointed M/s. K. Narasimha Murthy & Co., Cost Accountants, Hyderabad to conduct cost audits relating to Insecticides (Technical Grade and Formulations), of the Company for the year ending 31st March, 2021. The Company has received their written consent that the appointment will be in accordance with the applicable provisions of the Act, and rules framed thereunder. Pursuant to the provisions of Section 148 of the Act read with Rules made thereunder, members are requested to consider the ratification of the remuneration payable to M/s. K. Narasimha Murthy & Co., Cost Accountants, Hyderabad, for the financial year 2020-21. As a matter of record, relevant cost audit report for financial year ended 2019 were filed with the Central Government, within a stipulated timeline.

d) Secretarial Auditor and Secretarial Audit Report:

Pursuant to Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Mr. K.V. Chalama Reddy, Practicing Company Secretary, to carry out secretarial audit in terms of the Act for the financial year 2019-20. The secretarial audit report issued by Mr.K.V.Chalama Reddy, Practicing Company Secretary in form MR-3 is enclosed to this report as **Annexure - III.** The Secretarial Auditors have not expressed any qualification or reservation in their report and the report is self-explanatory.

Reporting of Frauds by Auditors:

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

Directors:

As on the date of this report, Company's Board comprises of 11 (Eleven) Directors, out of which, 2 (two) are Non-Executive, Non-Independent Directors (NEDs) including 1 (One) Woman Director. Further, out of the remaining Directors, 6 (six) are Non-Executive Independent Directors, including 1 (one) Women Independent Director, 2 (two) are Investors Nominee Directors and 1 (one) is an Executive Director.

a) Director(s) to retire by rotation:

In accordance with the provisions of Section 152 of the Act, and Articles of Association of the Company, Mrs.K.Lakshmi Raju, Director (DIN: 00545776) of the Company, retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer herself for re-appointment.

b) Key Managerial Personnel:

In terms of Section 203 of the Companies Act, 2013 the following are the Key Managerial Personnel of the Company:

i) Mr.V.Vijay Shankar, Managing Director (upto 31st May, 2019)

ii) Mr. M. Pavan Kumar, Managing Director & CEO (with effect from 01st June, 2019)

iii) Mr.R.K.S Prasad, Chief Financial Officer

iv) Mr.Satish Kumar Subudhi, Company Secretary & Head-Legal.

During the year under review, Mr.V.Vijay Shankar, vide its letter dated 28th May, 2019 to the Board, has stepped down from the position of Managing Director as well as Director of the Company with effect from 01st June, 2019. The Board in its meeting held on 29th May, 2019 has accepted the said letter and took note of the sincere appreciation of Mr.V.Vijay Shankar for the notable contribution and valuable guidance to the Company during his association of the Company for more than 8 years. Further, the Board in its meeting held on 29th May, 2019, on recommendation of Nomination and Remuneration Committee, has appointed Mr. M. Pavan Kumar (DIN:01514557) as an Additional Director and Managing Director & CEO of the Company, for a period of three years, with effect from 01st June, 2019, subject to the approval of the members at the Annual General Meeting. Accordingly, the members of the Company at the 32nd Annual General Meeting held on 14th August, 2019 has approved the appointment of Mr.M.Pavan Kumar as the Director of the Company (in the category of Executive Director) and also as the Managing Director and CEO of the Company.

c) Independent Directors:

In terms of Sections 149, 152, Schedule IV and all other applicable provisions of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory amendment(s), modification(s) or re-enactment thereof for the time being in force), the Independent Director can hold office for a term of up to five (5) consecutive years on the Board of Directors of the Company and shall not be liable to retire by rotation.

All the Independent Directors including Additional Independent Director have given declaration that they meet the criteria of independence laid down under Section 149(6) of the Act read with Regulation 16(b) of Listing Regulations.

During the year under review, Mr.K.Raghuraman, who has been appointed as an Independent Director of the Company for a period of 5 years effective from 09th August, 2014 till and to hold office upto 08th August, 2019 and being eligible for re-appointment, vide its mail dated 01st July, 2019 has communicated his desire for not seeking re-appointment for the second term due to personal reasons. The Board in its meeting held on 03rd July, 2019 has duly considered and noted his retirement with effect from 09th August, 2019 and accordingly, not recommended his re-appointment for shareholders approval.

Mr.R.S.Nanda, has tendered his resignation from the Directorship of the Company effective from 26th February, 2020. Consequent to the resignation of Mr.R.S.Nanda, from the directorship, he ceased to be the member as well as Chairperson of various committees of the Board. The Board of Directors places on record his valuable and constructive contribution to the Company during his long association with the Company.

The Board, based on the recommendation of the Nomination and Remuneration Committee, has appointed

a) Mr.Ramkrishna Mudholkar as an Additional Directors, under Independent Category, on the Board of the Company, who shall holds office upto the ensuing Annual General Meeting (AGM) and also an Independent Director for a period of 5 years with effect from 04th November, 2019, subject to the approval of members at the ensuing AGM.

b) Mr.N.Sambasiva Rao as an Additional Directors, under Independent Category, on the Board of the Company, who shall holds office upto the ensuing Annual General Meeting (AGM) and also an Independent Director for a period of 5 years with effect from 14th February, 2020, subject to the approval of members at the ensuing AGM.

c) Ms.Veni Mocherla as an Additional Directors, under Independent Category, on the Board of the Company, who shall holds office upto the ensuing Annual General Meeting (AGM) and also an Independent Director for a period of 5 years with effect from 26th March, 2020, subject to the approval of members at the ensuing AGM.

The brief resume/details regarding the Directors proposed to be appointed as above are furnished in the notice of the AGM. There have been no changes in the Directors and Key Managerial Personnel of the Company other than the above.

d) Evaluation of performance of the Board of Directors:

Pursuant to the provisions of the Act, and Listing Regulations, the Board has carried out the evaluation of its own performance and Committees of the Board, the performances of Directors individually, the Executive Director, the Chairman of the Board etc. Various parameters, including the guidance note issued by the Institute of Company Secretaries of India, were considered for evaluation and after receiving the inputs from the Directors, the performance evaluation exercise was carried out. The parameters include attendance of Directors at Board and Committee meetings, integrity, credibility, expertise and trustworthiness of Directors, Board's monitoring of various compliances, laying down and effective implementation of various policies, level of engagement and contribution of the Directors, safeguarding the interest of all stakeholders etc. The performance evaluation of the Board as a whole was carried out by the Independent Directors. The performance evaluation of each Independent Director was carried out by the Board. The Directors expressed their satisfaction with the evaluation process.

In a separate meeting, the Independent Directors evaluated the performance of the Non-Independent Directors and performance of the Board as a whole. They also evaluated the performance of the Chairperson taking into account the views of other Director.

e) Meeting of Independent Directors:

The details on the separate meeting of the Independent Directors are reported in the Report on Corporate Governance.

f) Familiarization Programme for the Independent Directors:

In compliance with the requirement of Listing Regulations, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The same is available on the website of the Company i.e., www.naclind.com.

Through the Familiarization programme, the Company apprises the Independent Directors about the business model, corporate strategy, business plans and operations of the Company. These Directors are also informed about the financial performance, annual budgets, internal control system, statutory compliances etc. They are also familiarized with Company's vision, core values, ethics and corporate governance practices.

At the time of appointment of Independent Director, necessary information including various documents such as the information's about Company, Memorandum and Articles of Association, Annual Reports for previous 2 years, Investor Presentations and recent Media Releases, Brochures, Organization policies are provided. Further, a formal letter of appointment has also given, explaining fiduciary duties, roles, responsibility and the accompanying liabilities that come with the appointment as an Independent Director of the Company.

Board Meeting:

During the year under review, 7 (seven) Board Meetings were held. The details of the same are given in Corporate Governance Report which forms part of this Annual Report. The provisions of Act and the Listing Regulations were adhered to, while considering the time gap between two meetings.

Audit Committee:

The Audit Committee comprising of Mr.Sudhakar Kudva as the Chairman and Mr.Raghavender Mateti, Mr.N.Sambasiva Rao, Mr.N.Vijayaraghavan as the members. During the year under review, Mr.R.S.Nanda, consequent to the resignation from the position of the Directorship of the Company ceased to be the member of the Audit Committee. Further, the Board has re-constituted the Audit Committee by inducting Mr.N.Sambasiva Rao as Member of the Committee.

The details about Audit Committee including the brief description of its terms of reference and number of meetings held during the year are mentioned in the Corporate Governance Report. There have been no instances during the year when recommendations of the Audit Committee were not accepted by the Board.

Criteria for selection of candidates for appointment as Directors, Key Managerial Personnel and Senior Management Personnel.

Your Company has laid down well-defined criteria for the selection of candidates for appointment as Directors, Key Managerial Personnel and Senior Management Personnel. The details of the same are available at the Company's website at www.naclind.com.

Criteria for making payment to Non-Executive Directors of the Company.

Your Company has laid down well-defined criteria for making payment to Non-Executive Directors of the Company. The details of the same are available at the Company's website at www.naclind.com.

Directors' Responsibility Statement:

Pursuant to Section 134(3)(c) and 134(5) of the Act, the Board of Directors, to the best of their knowledge and ability, confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

b) it has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2020 and of the Profit/Loss of the Company for the year ended on that date;

c) it has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) it has prepared the Annual Accounts of the Company on a 'going concern' basis;

e) it has laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) it has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Social Responsibility:

Corporate Social Responsibility (CSR) has been an integral part of your Company's culture and it has been associated, directly or indirectly, for contributing towards society's development. For the year under review, Company did a number of CSR activities in surrounding areas of Srikakulam and Ethakota where the Company's factories are situated. Such activities includes ongoing drinking water supplies to villages and maintenance of the Company installed RO plants in the neighboring villages, contribution to Vidhya Volunteer Scheme, street lightning and bore-well maintenance, development of school facilities, community centers and bus shelters in the surrounding villages of the factories, providing medical services and vocational courses and conducting various medical camps, etc. These projects are largely covered under Schedule VII of the Companies Act, 2013 ('Act').

In accordance with the CSR provisions in the Act, the Company has formed a CSR Committee and a CSR Policy is in conformity with the provisions of the Act. The CSR Policy can be accessed on the Company's website at http://www.naclind.com. The Annual Report on CSR activities is annexed herewith as **Annexure-IV** and forming part of this Report.

Change in the nature of business:

There is no change in the nature of business of the Company.

Significant and Material Orders passed by the Regulators or Courts:

During the year, the Company has not received any significant and material orders passed from Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future.

Particulars of Loans, Guarantees or Investments under Section 186:

The details of Loans, Guarantees and Investments made during the financial year ended 31st March, 2020 in compliance with the provisions of Section 186 of the Act read with the Companies (Meetings of the Board and its Powers) Rules, 2014 have been disclosed in the Financial Statements forming part of this Annual Report.

Extract of Annual Return:

The extracts of the Annual Return in form MGT-9 as per the provisions of Section 92 of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014 has been posted on the Company's website.

Risk Management Policy:

Pursuant to the provisions of Section 134, and other applicable provisions if any, of the Act and Listing Regulations, the Company constituted the Risk Management Committee and framed Risk Management Policy, which inter-alia covers implementation and monitoring of the risk management plan for the Company. The Committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The details about Committee including the brief description of its terms of reference are given in the Corporate Governance Report. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Related Party Transactions:

All the related party transactions are entered into during the financial year were on arm's length basis and in the ordinary course of Company's business and are in compliance with the applicable provisions of the Act and Regulation 23 of Listing Regulations. The Company has not entered into any contract, arrangement or transactions with any related party which could be considered as material within the meaning of Regulation 23 of the Listing Regulations. Related Party Transactions (RPTs) under IndAS (Indian Accounting Standards) -24 are disclosed in the notes to the financial statement.

As, there are no materially significant related party transactions made by the Company with Promoters, Directors or Key Managerial Personnel's etc., which may have potential conflict with the interest of the Company at large, the disclosure in Form AOC-2 is not applicable. Necessary disclosures and the statement of all related party transactions is presented before the Audit Committee and the Board of Directors on a quarterly basis specifying the nature, value and terms and conditions of the transactions. All Related Party Transactions are approved by the Audit Committee and omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. The transactions entered into pursuant to the omnibus approval so granted are reviewed on a quarterly basis by the Audit Committee. Approval of the shareholders is being sought for 2 (two) material RPTs at the ensuing Annual General Meeting.

The Related Party Transactions Policy as approved by the Board is uploaded on the Company's website www.naclind.com. The details of the transactions with Related Parties are provided in the accompanying financial statements.

Vigil Mechanism/Whistle Blower Policy:

The Company has implemented Whistle Blower Policy to deal with any fraud, irregularity or mismanagement in the Company. The policy enables any employee or Director to directly communicate to the Chairman of the Audit Committee to report any fraud, irregularity or mismanagement in the Company. The policy ensures strict confidentiality while dealing with concerns and also that no discrimination or victimization is meted out to any whistleblower. The Whistle Blower Policy as approved by the Board is uploaded on the Company's website www.naclind.com. During the year under review, your Company has not received any complaints under the said policy of the Company. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.

Nomination and Remuneration Policy:

Pursuant to Section 178(3) of the Act, the Company has adopted a policy on Nomination and Remuneration of Directors, Key Managerial Personnel and Senior Management Personnel. The Nomination and Remuneration Committee (NRC) has formulated the criteria for determining qualification, positive attributes and independence of Directors in terms of provisions of Section 178(3) of the Act and as per Listing Regulations. The details about Committee including the brief description of its terms of reference are given in the Corporate Governance Report.

Corporate Governance:

In compliance with Regulation 34 read with Para-C of Schedule V of Listing Regulations, a separate report on Corporate Governance has been included in this Annual Report together with the Auditor's Certificate confirming compliance of the Corporate Governance as stipulated under the said Regulations. All the Board members and the senior management personnel have affirmed compliance with the Companies "Code of Conduct for Board and Senior Management Personnel" for the financial year 2019-20.

A certificate signed by the Managing Director & CEO and Chief Financial Officer (CFO) certifying the financial statements and other matters as required under Regulation 17(8) of the Listing Regulations, forms part of this Annual Report.

Management Discussion and Analysis Report:

Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(3) read with Scheduled V of the Listing Regulations, is presented in a separate section forming part of this Annual Report.

Business Responsibility Report:

A Business Responsibility Report containing the requisite details under Regulation 34 of the Listing Regulations has been posted on the Company's website www.naclind.com.

Policy on Sexual Harassment:

The Company has zero tolerance for sexual harassment at workplace and has adopted a "Policy on Sexual Harassment of Associates" in accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. The Policy aims to provide protection to employees at the workplace, and prevent and redress complaints of sexual harassment and for matters connected or incidental thereto, and framed with the objective of providing a safe working environment, where employees feel secure. There were no cases reported during the financial year 2019-20 under the said Policy.

Brand Protections:

Your Company has taken appropriate actions against counterfeits, fakes and other forms of unfair competitions/trade practices.

Fixed Deposit:

Your Company has not accepted any fixed deposits from the public during the year under review, and no such amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

Industrial Relations:

The industrial relations at the factories and head office continued to be cordial.

Insurance:

All the assets and insurable interests of your Company including inventories, buildings, plant and machinery, enactments are adequately insured.

Particulars of Employees and Remuneration:

The information required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure–V** to this report.

Compliance with Secretarial Standards:

During the year under review, your Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

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

Disclosures required under the Section 134(3)(m) of the Act relating to conservation of energy, technology absorption and foreign exchange outgo and earning, in terms of Rule 8 of the Companies (Accounts) Rules, 2014, are set out in a separate statement attached hereto as **Annexure-VI** and forms part of this report.

Acknowledgement:

Your Directors thank the Company's Bankers and the Financial Institutions for their help and co-operation extended throughout the year. Your Directors place on record their appreciation for the support and co-operation that the Company received from its Stakeholders, Customers, Agents, Suppliers, Employees, various Government/Non-Government Departments, Associates and Community in the vicinity of the plants. Your Directors also record their appreciation for the excellent operational performance of the staff of the Company that contributed to the achievements of the Company. The Directors also acknowledge with much gratitude, the continued trust and confidence reposed by the Dealers/Customers of the Company. Your Directors look forward to the future with confidence.

For and on behalf of the Board

M.Pavan Kumar	**Raghavender Mateti**
Managing Director & CEO	Director
(DIN:01514557)	(DIN:06826653)

Place: Hyderabad
Date: 26th August, 2020

ANNEXURE- I TO DIRECTORS REPORT

EMPLOYEE STOCK OPTION SCHEME (ESOS) DISCLOSURE

[Pursuant to Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014]

I) General Disclosures

Disclosure under "Guidance note in Accounting for the employee share based payments" or any other applicable Accounting Standards (AS): For details please refer to notes to Financial Statements, forming part of this Annual Report 2019-20 which can be accessed through the web link: https://naclind.com/investor-relations/.

II) Description of ESOS existed during the year:

S. No.	Particulars	ESOS-2015
1.	Date of Shareholder's Approval	28th September, 2015.
2.	Total Number of Options approved	11,50,000 (Eleven Lakhs fifty Thousand Only) options. The Option holder is eligible to receive one equity share of Re.1/- each for every option granted.
3.	Vesting Requirements	There shall be a minimum period of one year between the grant of Options and vesting of Options. The vesting of Options spreads over a maximum period of five years after the aforesaid one year from the date of grant. The vested options can be exercised within two years from the date of vesting.
4.	Pricing Formula	As decided by the Compensation Committee from time to time at the time of grant, subject to a minimum of face value of shares. The exercise price for the Options already granted is ₹8/- per Options.
5.	Maximum term of Options granted	5 years (to be counted after one year from the date of grant as aforesaid)
6.	Sources of Shares	Fresh issue of shares.
7.	Variation in terms of ESOS-2015	NIL
8.	Methods used for accounting of ESOS	Intrinsic Value
9.	The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed.	Nil

III) Option Movement during the year:

S. No	Particulars	ESOS-2015
1.	No. of Options outstanding at the beginning of the year	5,08,748
2.	Options granted during the year	20,000
3.	Options forfeited/surrendered during the year	18,750
4.	Options lapsed during the year	Nil
5.	Options vested and exercisable during the year	1,85,001
6.	Options exercised during the year	1,85,001
7.	Total number of shares arising as a result of exercise of options	1,85,001
8.	Money realized by exercise of option (INR) if scheme is implemented directly by the Company.	14,80,008
9.	Loan repaid by the Trust during the year form exercise price received.	N.A
10.	Number of Options outstanding at the end of the year	3,24,997
11.	Number of Options exercisable at the end of the year	Nil

IV) Calculation of fair value.

i) Weighted average fair value of options granted during the year whose exercise price is less than market price ₹18 – ₹21

Note: The fair value has been calculated using the Black Scholes Option pricing model. For details of the same along with the assumptions used in the model, the Note No 14.5 to the Standalone Financial Statements forming part of this Annual Report may be referred

ii) Weighted average exercise price of options granted during the year whose exercise price is less than market price: ₹8/-

iii) The weighted average market price of options exercised during the year: ₹25.86/-.

V) Employee wise details of option granted during the year:

a) During the year under review the Compensation Committee in its meeting held on 12th December, 2019 has approved the grant of additional 20,000 options i.e. 10,000 options each to one Key Managerial Personnel Mr.Satish Kumar Subudhi, Company Secretary & Head-Legal and one Senior Managerial Personnel Mr. Mukesh Garg, Senior General Manager – Marketing & Sales of the Company under ESOS-2015 scheme.

b) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year: Nil.

c) The exercise price for all the aforesaid options granted is ₹ 8/- (Rupees Eight Only) per option.

d) Identified employees who were granted options in any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Nil

For and on behalf of the Board

M.Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

Place: Hyderabad
Date: 26th August, 2020

ANNEXURE- II TO DIRECTORS REPORT

Form No. AOC-1

(Pursuant to proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate Companies/joint ventures

Part "A": Subsidiaries (₹ in Lakhs)

Sl. No	Name of the Company	Name of the Company	
		L.R. Research Laboratories Private Limited (Wholly owned Subsidiary)	Nagarjuna Agrichem (Australia) Pty. Limited (Overseas Wholly owned Subsidiary)
1	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	NA	NA
2	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	INR	AUD (AUD/INR = 46.08)
3	Share capital	1.00	32.30
4	Other equity	(5.03)	(30.06)
5	Total assets	9.08	7.96
6	Total Liabilities	13.11	5.72
7	Investments	-	-
8	Revenue	37.99	10.14
9	Profit Before Tax	0.34	2.04
10	Tax Expenses	0.05	-
11	Profit after tax	0.29	2.04
12	Proposed Dividend	-	-
13	% of shareholding	100%	100%
14	1. Names of subsidiaries which are yet to commence operations.	N.A	N.A
	2. Names of subsidiaries which have been liquidated or sold during the year.	N.A	N.A

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

	Name of Associate		Nasense Labs Private Limited
1.	Latest Un-audited Balance Sheet Date		31st March, 2020
2.	Shares of Associate/Joint Ventures held by the Company on the year end		Shares @ ₹ 10/-
	i)	No. of Equity Shares	6,127,513
	ii)	Amount of Investment in Associates/ Joint Venture	₹816 Lakhs
	iii)	Extend of Holding %	26%
3.	Description of how there is significant influence		Significant influence means a control of at least 20% of the total shares capital or of business decisions under an agreement. Since the holding of the company is more than 20% hence there is significant influence.
4.	Reason why the associate/ joint venture is not consolidated		The investments in M/s Nasense Labs Pvt. Ltd. have been accounted in the consolidated financial statements under the equity method in accordance with Indian Accounting Standard (Ind AS) 28 – Investments in Associates.
5.	Net worth attributable to Shareholding as per latest un-audited Balance Sheet		₹ 1,858 Lakhs
6.	Profit for the year		₹ 350 Lakhs
i.	Considered in Consolidation		₹ 91 Lakhs
ii.	Not Considered in Consolidation		₹ 259 Lakhs
	Names of associates or joint ventures which are yet to commence operations.		Nil
	Names of associates or joint ventures which have been liquidated or sold during the year.		Nil

For and on behalf of the Board

Raghavender Mateti
Director
(DIN: 06826653)

M.Pavan Kumar
Managing Director & CEO
(DIN:01514557)

R.K.S.Prasad
Chief Financial Officer
(M.No.FCA024958)

Satish Kumar Subudhi
Company Secretary & Head-Legal
(M.No.F9085)

Place: Hyderabad
Date: 20th May, 2020

ANNEXURE- III TO DIRECTORS REPORT

Form No. MR-3

SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31st March, 2020

[Pursuant to sec. 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
NACL Industries Limited
Hyderabad.

I have conducted Secretarial Audit pursuant to Section 204 of the Companies Act 2013, on the compliance of applicable Statutory Provisions and the adherence to good corporate practices by **NACL Industries Limited** (hereinafter called as ("the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 ("Audit Period") according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made there-under;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there-under;

iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there-under;

iv. The Foreign Exchange Management Act, 1999 and the rules and regulations made there-under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings:

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

   d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2019; Not applicable during the audit period

   e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; regarding the Companies Act and dealing with client;

   f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; -Not applicable during the audit period.

   g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; -Not applicable during the audit period.

   h) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   i) The Securities and Exchange Board of India (Listing Obligations Disclosure Requirements) Regulations, 2015.

vi. The Company is into business of manufacture and sale of Agro Chemicals. Accordingly, the following major industry specific Acts and Rules, which are inter-alia, applicable to the Company, in view of the Management:

   a) The Insecticides Act, 1968 and Rules made thereunder.

   b) The Boiler Act, 1923 and Rules made thereunder.

I have also examined compliance with the applicable clause of Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) with respect to Board, Committee and also General Meeting(s). Listing Agreements entered into by the Company with both Stock Exchange(s) (BSE and NSE) read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of Acts, Rules, Regulations, and Guidelines etc., mentioned above.

I, further report that:

a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.

b) Adequate Notice is given to all the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent within the statutory timeline. There is adequate system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through and there were no instances of dissenting members in the Board of Directors.

I further report that there exist adequate systems and processes in the Company that commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that based on the review of compliance mechanism established by the Company, we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

I further report that the above mentioned Company being a listed entity and this report is also issued pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and circular No. CIR/CFD/CMD1/27/ 2019 dated 8th February, 2019 issued by Securities and Exchange Board of India.

I further report that as per the information and explanation provided by the Management, the Company does not have any Material Unlisted Subsidiary(ies) incorporated in India pursuant to Regulation 16(c) and 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the period under review.

I, further report that during the year under review, the Company has allotted 1,85,001 fully paid equity shares, upon exercise of Stock Option by the eligible Employees of the Company, pursuant to the 'Nagarjuna Agrichem Ltd., - Employee Stock Option Scheme – 2015' ('ESOS-2015') of the Company and these shares were duly admitted for trading on the stock exchange(s).

I, further report that pursuant to Section 42, 62(1)(c) of the Companies Act, 2013 read with Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Warrant holders have exercised their right of converting the 2,50,00,000 (Two Crores Fifty Lakhs) Warrants, issued and allotted by the Company on 27th March, 2019 on preferential basis, by submitting Warrant Conversion Form along with Warrant Exercise Amount of ₹24/- per warrant (i.e. 75% of the issue price) aggregating ₹ 60,00,00,000 (Rupees Six Thousand Lakhs Only).

Upon the aforesaid exercise of options for converting the Warrants into Equity shares, the Stakeholders Relationship Committee ('SRC'), duly authorized by the Board of Directors in this regard, in its meeting held on 24th day of March, 2020 has allotted 2,50,00,000 (Two Crores Fifty Lakhs) Equity Shares of face value of ₹1/- each at an issue price of ₹32/- per share (i.e. premium of ₹31/- each) in the ratio of 1:1 to warrant holders.

Subsequent to allotment of the aforesaid equity shares, the paid up share capital of the Company stand increased from ₹16,76,05,261/- (Rupees Sixteen Crores Seventy Six Lakhs Five Thousand Two Hundred and Sixty One Only) divided into 16,76,05,261 equity shares of ₹1/- each to ₹19,26,05,261/- (Rupees Nineteen Crores Twenty Six Lakhs Five Thousand Two Hundred and Sixty One Only) divided into 19,26,05,261 equity shares of ₹1/- each.

There were no other major events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.

K.V. Chalama Reddy
Practicing Company Secretary
M. No: F9268, C.P No: 5451
UDIN number: F009268B000619614

Place: Hyderabad
Date: 26th August, 2020

(This report is to be read with my letter of even date annexed as Annexure 'A' and forms an integral part of this report.)

'Annexure A'

To,
The Members
NACL Industries Limited
Hyderabad

My report of even date is to be read along with this letter.

1) Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.

2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide reasonable basis for our opinion.

3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4) Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6) The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

K.V.Chalama Reddy
Practicing Company Secretary
M. No: F9268, C.P No: 5451

Place: Hyderabad
Date: 26th August, 2020

ANNEXURE – IV

CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITY

Sr. No.	Particulars	Remarks
1)	A Brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and project or programs.	We at NACL Industries Limited, act in accordance with the principles of responsible, care and sustainable development to safeguard our employees, customers, stockholders, society and environment. In doing so, we ensure compliance with globally accepted social and ethical standards and values. As an organization, the Company is committed to operate in accordance with the demands of economy, ecology and society. The Company has framed its CSR Policy in compliance with the provisions of the Companies Act, 2013 and the same is placed on the website of the Company at the weblink: www.naclind.com
2)	The Composition of the CSR Committee.	1) Mr.Sudhakar Kudva, Chairperson 2) Mrs.K.Lakshmi Raju, Member 3) Mr.N.Vijayaraghavan, Member 4) Ms.Veni Mocherla, Member 5) Mr.M.Pavan Kumar, Member
3)	Average net profit of the Company for last three financial years.	₹ 1,588.23 lakhs
4)	Prescribed CSR Expenditure (two percent of the amount as in item 3 above).	₹ 32 lakhs
5)	Details of CSR spent during the financial year:	Details given below
	a. Total amount to be spent for the financial year	₹ 32 lakhs
	b. Total amount spent during the year	₹ 32 lakhs
	c. Amount unspent, if any	NIL

Manner in which the amount spent during the financial year is detailed below: (₹ in Lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity Identified.	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1	Water supply to village and other Village / community development activities	Rural Development	Srikakulam, Andhra Pradesh		₹ 20.00	₹ 104.00	Direct
2	RO plant maintenance; Bore well Maintenance and Drinking water and sanitation facilities to school	Healthcare and sanitation	Srikakulam, Andhra Pradesh		₹ 4.00	₹ 62.00	Direct
3	Salaries to Vidya Volunteers; Village schools renovation work; Scholarships to Merit students	Promoting education	Srikakulam, Andhra Pradesh		₹ 8.00	₹ 24.00	Direct
	TOTAL				**₹ 32.00**	**₹ 190.00**	

M.Pavan Kumar
Member
(DIN: 01514557)

N.Vijayaraghavan
Member
(DIN:02491073)

Sudhakar Kudva
Chairperson of CSR Committee
(DIN: 02410695)

Place: Hyderabad
Date: 20th May, 2020

ANNEXURE –V TO DIRECTORS REPORT

The disclosure of remuneration during the year 2019-20 pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014:

1. Ratio of remuneration of each Director to the median remuneration of employees of the Company for the financial year 2019-20 and the Percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary or Manager, if any in the financial year.

S. No	Director and KMP	Remuneration (amount in ₹)	Ratio median remuneration	% increase in remuneration in the FY
1	Mrs.K.Lakshmi Raju, Non-Executive Director	195000	0.39	105%
2	Mr.Sudhakar Kudva, Independent Directors	235000	0.47	38%
3	Mr.N.Vijayaraghavan, Non-Executive Director	240000	0.48	153%
4	Mr.Raghavender Mateti, Independent Directors	285000	0.57	46%
5	Mr.Ranvir Sain Nanda, Independent Directors@	205000	0.41	95%
6	Mr.K.Raghuraman, Independent Directors ***	60000	0.12	-65%
7	Mr.K.Dorairaj, Independent Directors	105000	0.21	-
8	Mr.Atul Churiwal, Investor Nominee Director	105000	0.21	-
9	Mr.Rajesh Kumar Agarwal, Investor Nominee Director	105000	0.21	-
10	Mr.Ramkrishna Mudholkar, Independent Directors	75000	0.15	-
11	Mr.N.Sambasiva Rao, Independent Directors	25000	0.05	-
12	Ms.Veni Mocherla, Independent Directors	25000	0.05	-
13	Mr.R.K.S Prasad, CFO	7705341	15.49	20%
14	Mr.Satish Kumar Subudhi, Company Secretary & Head-Legal	3718358	7.48	21%
15	Mr.M.Pavan Kumar, Managing Director & CEO	8027000	16.14	
16	Mr.V.Vijay Shankar, Managing Director#	8440291	16.97	-34%

@, Ceased to be Independent Director of the Company with effect from 26th February, 2020.

*** Ceased to the Independent director of the company with effect from 9th August, 2019.

Ceased to the Managing Director of the Company with effect from 01st June, 2019

Notes:

a) During the year under review, the sitting fees paid to the directors for attending meetings of the Board, Audit Committee and Nomination and Remuneration Committee of Non-Executive Directors.

b) Employees for the purpose above include all employees excluding employees governed under collective bargaining.

2. The Percentage increase in the median remuneration of employees in the financial year: 4.50 %.

3. The number of permanent employees on the rolls of the Company: 1214.

4. Comparison of average percentile increase in the salary of employees other than the managerial personnel and the percentile increase in the managerial remuneration:

Particular	% Change in Remuneration
Average percentile increase in salary of employees (other than managerial personnel)	49.93
Average percentile increase in remuneration of managerial personnel	*

* As Mr.M.Pavan Kumar was appointed as Managing Director & CEO of the Company effective from 01st June, 2019, his remuneration is not comparable for the purpose of calculation aforesaid average increase in remuneration.

5. Statement under Section 197 of the Companies Act, 2013 read with Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

(a) i) Gross remuneration shown above is subject to tax and comprises salary, allowances, commission, incentives, monetary value of perquisites, Company's contribution to provident fund and superannuation fund. In addition to the above, employees are also entitled to gratuity, medical benefits etc. in accordance with Company's Rules.

ii) None of the above employee, along with the spouse and dependent children holds more than 2% of the equity shares of the Company.

iii) All employees are permanent employee of the Company.

(b) Employed throughout the financial year and in receipt of remuneration aggregating One Crore and Two Lakhs Rupees per financial year: Nil

(c) Employed for part of the financial year and in receipt of remuneration aggregating Eight Lakhs and Fifty Thousand Rupees per month or more: Nil

(d) In terms of Section 136 of the Act, the statement containing particulars of employee as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is open for inspection at the Registered office of the Company. Any shareholder interested obtaining copy of the same may write to the Company Secretary.

6. Affirmation that the remuneration is as per the remuneration policy of the Company:

It is affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees, adopted by the Company.

Place: Hyderabad
Date: 26th August, 2020

For and on behalf of the Board

M.Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

ANNEXURE –VI TO DIRECTORS REPORT

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

[Pursuant to the provisions of Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014]

A. CONSERVATION OF ENERGY:

1. Steps taken or impact on conservation of energy:

i) Reduction of Power consumption of Boiler FD Fans by using VFD and by avoiding discharge damper control.

2. The capital investment on energy conservation equipment's:

(₹ in lakhs)

S. No.	Area	Details	Investment
1	Plant/common Area		
	Fluidized Bed Combustion Boiler	Variable Frequency Drives	1.71

B. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION:

1	The efforts made towards technology absorption	Process development, Process improvement, generation of process technical data for new products and purchase of new equipments.
2	The benefits derived like product improvement, cost reduction, product development or import substitution.	a) Plants operated effectively with the new addition of products. b) Exports started growing. c) Products registered in India and abroad; d) Cost reduction
3	In case of imported technology (imported during the last three (3) years reckoned from the beginning of the financial year)	The Company has not imported any technology during the year
	a) Details of Technology Imported	None
	b) Year of Import	Not applicable
	c) Whether the Technology has been fully absorbed	Not applicable
	d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof.	Not applicable
4	**The expenditure incurred on Research & Development**	
	a. Specific areas in which R&D carried out by the company	i) Indigenous process development for new products ii) R&D work on the existing processes to make them environmentally friendly and cost effective
	b. Benefits delivered as a result of the above R&D	Increased export and domestic business and improved product quality. Registration of new products in India and abroad.
	c. Future plans of action	Introduction of new products through indigenously developed technology for domestic and export market. Process improvement.

5	**Expenditure on R&D for the financial year**	**2019-20**	**2018-19**
	a. Capital expenditure	₹ 29 Lakhs	₹ 45 Lakhs
	b. Revenue expenses	₹ 450 Lakhs	₹ 470 Lakhs
	c. Total expenditure as a percentage of total turnover	0.47%	0.60%

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The foreign exchange earned in terms of actual inflows during the year and the foreign exchange outgo during the year in terms of the actual outflow.

1. Foreign Exchange earned: ₹ 25,743 lakhs

2. Foreign Exchange Used: ₹ 14,913 lakhs

Place: Hyderabad
Date: 26th August, 2020

For and on behalf of the Board

M.Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Macro-Economic Scene:

COVID-19 has disrupted millions of lives and impacted decades of progress. In a short time, the pandemic has seriously interrupted normal course of global business and the quarantine procedures adopted by various countries are expected to further slowdown world trade. As per International Monetary Fund (IMF), the June 2020 projections of global GDP is a degrowth of 4.9% from a growth of +2.9% in 2019. The levels of uncertainty around these projections is very high as the effects of the pandemic are far reaching and deep, changing continuously based on parameters such as infection rates, recovery rates, containment, access and affordability of healthcare and governmental measures such as lockdowns and relief mechanisms across various countries in the world. In fact, the current IMF projection is 1.9 percentage points below the projections made in April 2020. Global supply chains, mobility of people, workplace safety, and consumption are all seeing unprecedented changes and uncertainties. Overall, global trade is expected to contract by 11.9% with a weaker demand for goods and services. Weaker activity levels and lower commodity prices have however helped contain inflation projections for 2020. (Source: IMF World Economic Outlook – June 2020)

Indian Economy:

India's real GDP growth rate was 4.2 percent in 2019- 20 as per the provisional estimates released by the National Statistical Office, compared to 6.1 percent recorded in the previous year. For a large part of the world, Q4 of 2019-20 would have got badly affected due to the global spread of COVID-19 since January 2020 with extensive lock-down measures. Real GDP growth rate in Q4 of 2019-20 was at 3.1 percent, a 2.6 percentage point drop from growth rate in 2018-19. Overall inflation as measured by the GDP deflator for 2019-20 works out at 2.9 percent, lower than 4.6 percent in 2018-19. Growth of real Gross Value Added (GVA) at basic prices was at 3.9 percent in 2019-20, as compared to 6.0 percent in 2018-19. Real GVA growth has declined in almost all sectors except Agriculture & Allied, Mining & quarrying and Public administration, Defense and other services in 2019-20.(Source: DEA- Ministry of Finance-Monthly Economic Report-May 2020)

Incidence of Covid has been rising rapidly in India though recovery rates have also been reported to be improving. India had imposed a central lockdown from 25th March to 1st June, 2020 which brought the economy to a virtual standstill. A stimulus package of ₹20 lakh crore was announced by the Government, with a significant focus on MSMEs in terms of collateral free debt and a rural employment generation scheme for the benefit of returnee migrants, who were displaced and deeply impacted by the stop in economic activity.

In recent times, there were three landmark ordinances related to Essential Commodities, Farmers' Empowerment and Protection, and Promotion & Facilitation of agricultural produce, aimed to encourage improvement in handling and storage of agricultural produce, empower farmers and make agricultural trade barrier-free. These reforms are positive and needed to bring prosperity to rural areas and overall economy. With a gradual shift in approach to save lives as well as livelihoods, 'Jaanbhi Jahanbhi', India entered 'Unlock India' phase from early June with phased resumption of various services and businesses.

Sector Overview: Agriculture and Allied

Agriculture continues to be prominent for the Indian economy as it is the primary source of livelihood for about half of the nation's population. The sector contributes about 17% to India's GDP and witnessed a steady CAGR of over 2% between 2014 and 2018. Increased population across the world with corresponding need for food supply, industrial input and international trading opportunities make agriculture a critical sector. India is already the largest producer of milk, pulses and spices and the second largest producer of rice, wheat, cotton, sugarcane, tea, fruits and vegetables.

The production of food-grains during FY 2019-20 was estimated at 295.7 million tons, which is 25.9 million tons higher than the average production recorded during the previous five years. FY 2020-21 is also appearing to be promising as pre-monsoon kharif sowing had progressed strongly by first week of May 2020, with acreage of paddy up by 37 percent and that of pulses, coarse cereals and oil seeds higher by 61 percent, 66 percent and 27 percent respectively, as compared to previous season. (source: DEA report May, 2020)

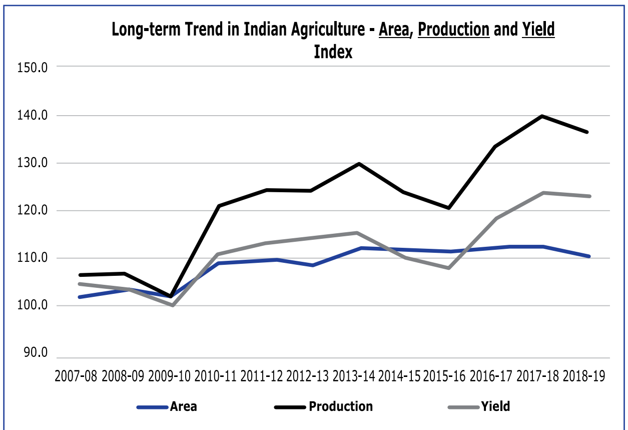
The nation has been working towards doubling of farmers' income by 2022. Farmers' income has grown at a CAGR of 8.6% from 2013 to 2017, necessitating an annual growth rate of 15% between 2017 and 2022 to achieve the ambitious target. (Source: NABARD). It is envisaged that agri-exports from the country could grow to $60 billion in the next few years.

Government introduced number of policy measures to help farmers grow and prosper. There is increased interest in the use of digital technologies and advancements in areas such as artificial intelligence in improving agricultural practices and output quality and quantity. Increased investment in innovation, storage & transportation, infrastructure, micro and sprinkler irrigation, use of genetically modified seeds, structured finance, insurance and marketing assistance, adoption of food safety and quality assurance mechanisms are all directed to help Indian farmers achieve ambitious growth and prosperity.

Here is a snapshot view of some of the key Government initiatives for agriculture and farmers:

Industry Overview: Agrochemicals

While arable land in India is declining over the last few years, Agriculture production is improving, signifying improvement of productivity.



Source: Ministry of Agriculture & Farmers Welfare, RBI (2020)

With growing global population constantly and challenges in food production, crop protection chemicals are a potent means to produce more food with less resources by saving farm production from pests and diseases. The agrochemicals industry has played a great role since first green revolution to transform India's ship-to-mouth economy to a farm-to-ship economy. At an estimated domestic market size of $3 billion in 2019 (exports out of India are about similar size), Indian agrochemical sector is the second largest and a fast-growing among agri-inputs.

India is the 4th largest producer of agrochemicals in the world which is expected to grow to over $8 billion by 2025. Globally, India is the 5th largest exporter of agrochemicals. India is the 5th largest consumer of Agrochemicals globally but lags behind in per Acre consumption of agrochemicals, placed 13th globally. India is also low in per hectare productivity, which can be improved by better use of agrochemicals, among others.

Insecticides dominate the Indian crop protection market. Herbicides, which are the largest selling category in the West, are the fastest growing segment. India has mainly exported recently to Brazil (15%), US (10%), Vietnam (6%), Bangladesh (6%), Iran (3%), France (3%) and Indonesia (3%). Trade tensions between the U.S. and China depressed demand for crop protection products in the U.S. but bolstered demand in Brazil. Exports during the month of March fell by 27.1%. International shipments had come to a halt due to absence of transportation facilities in the last week of March 2020 with respect to the announcement of a nationwide lockdown pan India to contain the outbreak of COVID-19. (source: Care Rating July 13, 2020)

Outlook and Opportunities:

Given the context that onset of monsoons has been timely, improving the water levels in the major reservoirs which bodes well for the Kharif season, recent proposals under the 'Aatmanirbhar Bharat' package being pertinent for the agrarian economy, boosting agriculture and allied sectors by strengthening infrastructure and logistics, demand for agrochemicals for the rest of FY21 seems sanguine (source: Care Rating July 13, 2020)

The opportunities for growth of your Company are very promising in domestic and export markets given so many supporting constituents including:

1) Increasing Food Demand: India has 17% of the world's population. An increasing population, need for food security and emphasis on achieving food self-sufficiency is expected to drive the demand for crop protection chemicals. With the population estimated to reach 1.7 billion by 2050, Indian food grain demand is estimated at 355 million tonnes by 2030. Taking into account reducing arable land, small land holdings and low consumption of pesticides per hectare, increasing productivity of farming is the way to go in to step up output to feed the population, which can be achieved through optimum usage of farm productivity-enhancing inputs like agrochemicals.

2) Increasing demand of Horticulture & Floriculture: Fruits and vegetables account for nearly 90% of total horticulture production in the country. The horticulture output for India increased in 2019-

20 to 313 million tonnes from output of 311 million tonnes in the previous year. India is now the 2nd largest producer of fruits and vegetables in the world and is the leader in several horticultural crops namely mango, banana, papaya, cashew-nuts, areca nut, potato and okra. Growth in horticulture and floriculture industries is to result in increase in demand for agrochemicals, especially fungicides. As India's diverse climate ensures production of all varieties of fresh fruits & vegetables, the trend has slowly shifted from production of food grains to horticulture. Due to rapid urbanization and shift towards nutritious and healthy diet, demand for fruits & vegetables is expected to increase from 268 million tonnes to 647 million tonnes by 2050. In order to reduce post-harvest loss in fruits & vegetables, demand for fungicides, new age crop protection chemicals and preservation molecules will increase.

3) Off Patent Molecules: Globally, agrochemicals valuing US$ 11 billion (about $4 billion by 2020) are expected to go off-patent between 2018-25, according to Global Guide of Coming Off-patent Agrochemical Active ingredients- Fourth Edition. This will provide significant opportunities for the Indian players with strong export capabilities.

4) Increasing Export Potential:

   a) China Government's clampdown on industries due to environmental concerns is increasing the cost of production in China, which is strengthening the Indian manufacturers in their global competitiveness. Further, US - China trade war and global effort to reduce dependency on China for inputs and finished products is expected to boost demand. The prevailing International market conditions become conducive for India in its desire to be a manufacturing hub and preferred destination for sourcing.

   b) Government has announced Agricultural export policy and set a target of USD$ 60 billion by 2022. Government is promoting cluster-based development which will boost competitiveness of exports and domestic sales by reducing logistics cost.

5) Government Budgetary and Policy Support:

   a) In the direction of the doubling farmer's income by FY 2022, the Department of Agriculture, Cooperation and Farmers Welfare was allocated ₹135,000 crores on February 1, 2020.

   b) Growing institutional credit to provide credit facilities to farmers in the rural areas are increasing continuously. Availability of farm loans at low interest rates are expected to encourage farmers to use more quality inputs including pesticides in order to improve crop yields. Agriculture credit target of ₹15,00,000 crores has been established for the financial year 2020-21.

   c) Increasing minimum selling price (MSP), Government's focus on better water management, investment in irrigation projects and rain water harvesting, enhancing exports of rice and wheat, establishing the National mission on Food processing, launching Agro Market infrastructure fund (corpus of INR 2000 crore) for setting up, developing and upgrading agricultural marketing infrastructure in 22,000 Grameen Agriculture Markets and 585 APMCs are all initiatives that augur well for the crop protection Industry.

7) Increase usage of Bio-pesticides:

   a) Globally, the bio-pesticides market is growing at 10-15% while in India the segment constitutes only 3% of the crop protection market.

   b) However, with increasing awareness for eco-friendly inputs and use of integrated pest management (IPM) method for crop protection, there is significant opportunity for growth of bio pesticides in agri-inputs industry. (Source: FICCI Report on sustainability farming)

8) Incidence of pest attacks:

   a) One of the major challenges to ensure food security and good crop yields is incidence of pests. On an average agro-pests are estimated to cause 15%–20% yield losses in principal major food and cash crops. Use of agrochemicals can help mitigate the pest problem and increase crop output by 25%-50%. So far, the presence of more than 40,000 different types of insects have been recorded in India and of these about 1,000 have been listed as potential pests of economic plants, 500 pests have caused serious damage at some time and 70 have been causing damage more often.

b) FY 2019-20 saw a record locust attack that impacted more than 3.5 lakh hectares of land in various districts of Gujarat and Rajasthan. The year also witnessed a fall-armyworm attack in kharif that destroyed maize in 14 states, mostly Maharashtra and Karnataka. (reference: https://thewire.in/agriculture/india-locust-attack-crop-damage-worst; http://www.cogencis.com/newssection/fall-armyworm-attack-on-2019-20-kharif-maize-40-more-vs-last-year/)

9) Increasing awareness: Educating the farmers about advantages of agrochemicals and its safe usage would lead to increase in demand. Companies have been training farmers regarding the right use of agrochemicals in terms of quantity to be used, right application methodology and appropriate solutions to be used for identified pest problems.

10) Digital solutions in agriculture: Digital innovations and technologies would be part of the solution. The so-called 'Fourth Industrial Revolution' (Industry 4.0) is seeing several sectors rapidly transformed by 'disruptive' digital technologies such as Block-chain, Internet of Things, Artificial Intelligence and Virtual Reality. In the agriculture and food sector, the spread of mobile technologies, remote-sensing services and distributed computing are already improving smallholders' access to information, inputs, market, finance and training. Digital technologies are creating new opportunities to integrate smallholders in a digitally driven agri-food system (USAID, 2018). (Source: http://www.fao.org/3/ca4887en/ ca4887en.pdf)

Keeping in view of the above, your Company is gearing itself to seize the emerging opportunities amidst the challenging macro-economic environment, by focusing attention on better portfolio management, product development, asset productivity, quality and sustainability to grow in domestic and international markets.

Challenges, Threat, Risks and Concerns:

Although the long term benefits for the Company expected to be good given the growth opportunities unfolding, there are few challenges, threat, risks and concerns that may affect the agrochemical business. Few of them are highlighted herein below:

1) The pandemic COVID-19 has a huge impact on the actions and activities of humanity. Agriculture is not outside this impact. Food demand and thus food security are greatly affected due to mobility restrictions, reduced purchasing power, and with a greater impact on the most vulnerable population groups. As cases of contagion increase, Governments take more drastic measures to stop the spread of the virus, also influencing the global food system. (Source: http://www.scielo.org.pe/scielo.php?pid=S2077-99172020000100003&script=sci_arttext)

2) In the backdrop of Covid-19, as application of the agrochemicals begins by the end of May and continues till September, product off-take was not expected to be impacted, considering pesticides are placed under the essential category. The functioning of the industry has been close to normal. Due to over dependency on China, the Indian Companies have faced input constraints with respect to raw materials and intermediates.

3) Changing Climatic Conditions: Erratic climatic conditions are impacting crop output. Farms need an array of inputs to protect crops from adverse climatic realities. Irregular monsoons coupled with lack of irrigation (60% of cultivable land is non-irrigated) results in low agricultural yield in India.

4) Companies are facing challenges in terms of availability of labor and staggered timing of plant operations in order to follow the protocol of social distancing and other safety protocols announced by the Government.

5) Other long standing challenges/concerns the Industry is encountering are:

   a) Low rate of development of agrochemical molecules, mainly due to low investment in R&D (India invests 1-2% of revenue against global investment of 8% of revenue in R&D);

   b) Lack of testing infrastructure vis-à-vis production of pesticides in India, and underutilization of existing testing facilities;

   c) Spurious products leading to crop and financial losses, reported illegal import of technical grade chemicals and local counterfeit products;

   d) Lack of effective distribution systems in terms of speed and cost

Despite the aforesaid challenges, your Company's increased efforts in implementing various growth plans and improving productivity of resources and assets, bodes well for the future.

Company Overview:

Your Company, has been serving Indian farmers for about three decades. It established your first active ingredient manufacturing plant in the year 1993-94 followed by the acquisition of the formulation plant in the year 2006-07, both of which have grown substantially over time. The Company established a state of the art R&D facility with the intent to be at the forefront of product and process development. The Company has consciously expanded from being a pesticide Technical manufacturer to a more diversified player in the agrochemical value chain. Overtime, product portfolio got widened with strong presence across all critical categories including Insecticides, Herbicides, Fungicides and Plant Growth Regulators (PGR). The Company enjoys strong brand franchise among farmers, retailers and institutional customers.

Business Operations:

NACL has been striving to serve the Indian farmers by providing comprehensive crop protection solutions to improve farm productivity. Wide range of products that tackle pest problems of major crops grown in India including Paddy, Cotton, Chili, Vegetables, Pulses, Fruits and Oil Seeds, and the focus on quality are key to the brand preference. With a strong network of about 12,500 dealers across the country, it is effectively serving pan India market requirement even in the remote areas of the country.

Continual efforts are on to strengthen the product pipeline by adding new molecules and combinations based on unmet needs and portfolio gaps in the market. Discussions are on with existing and prospective business partners including large MNCs for developing, manufacturing and supplying new products.

With due regard to the changing market preferences, the company introduced two eco-friendly plant growth promoters namely Atonik and Gallant. Atonik has become one of the preferred products in the PGR segment within few years of introduction.

Well regarded product range, periodic refreshment of the portfolio, superior service to farmers, strong dealer network and dedicated professional team are the assets that should take the organization far in actualizing the market opportunities.

Domestic Retail Business:

In the year 2019-20 retail business grew by 10% over previous year. The growth was through the combination of market share expansion for existing products and new molecules introduction. The farmer demand for star brand Profex super exceeded the supply. The company is planning to expand the production capacity for the Active Ingredient (AI) in the coming years. Your Company introduced eight new products in the year 2019-20. The company had initiated testing of several bio-products looking into the future demand for environmentally safe products. The registration work for two new molecules (9(3) registration) are in progress. The company expanded its presence and connect to farmers through new age social media platforms like WhatsApp, Facebook. The company merged market development and sales team at field level for enhancing the speed of response to market. The company continued its farmer guidance service through field demonstrations, village meetings and farmer contact programs. Company had deployed about 600 product promoters in the field in addition to its regular staff. The nationwide 25 plus stock points were reorganized to serve all parts of the country in a speedy and cost effective manner. The company appealed to the Government of India against the proposed ban of Tricyclozole, defending the molecule on scientific grounds. The company is gearing itself to launch several new products in FY 20-21.

Export Business:

Despite the challenges in Global market, your Company's exports business has witnessed impressive growth of more than 15% over previous year. Consistent demand from some MNCs for supply of insecticides and fungicides along with increased contract manufacturing activity for others, helped in keeping a strong order book.

As part of strengthening the portfolio, your company has started manufacturing a new herbicide and a new insecticide which hold considerable promise. Data is being developed for these two products and another two herbicides to expand the business in Asia Pacific, Africa and Middle East. With a focus on improving the contract manufacturing business, your company is in discussion with multinationals for intermediates as well as new active ingredients. while working with them for increasing the generic product supply.

Manufacturing – Technical Plant

With sizable growth in both Domestic and Export business last year, asset utilization at Technical grade manufacturing facility (Srikakulam unit) went up substantially, necessitating investment in capacity and capability. The unit's accent on quality and compliance has always been high. Srikakulam, being a Zero Liquid Discharge (ZLD) facility and given its cost implications, the team has been working on initiatives to optimize costs and improve productivity of its production assets, utilities as well as ETP operations. The unit has a well-equipped process development capability with a pilot plant. The brisk pace in converting the 'Opportunities to Orders' has been the success story of NACL and then it continues with more vigor and thrust. Your company had never set its eyes off the safety of the operation even at this pace of production growth and proudly announces "Zero Reportable Incident Company" not only this year 2019-20 but had been maintaining for the last 4 years recording 14.5 million safe man-hours. NACL had never satisfied with what is achieved and in search of best practices in Safety and Environment, the company had set itself a tougher goal of 'Zero Harm' to achieve this. The team is working on Responsible Care Standards, Process Safety and Management System (PSMS) and is confident of being certified them by 2021-22.

Driven by Green and Clean Growth and the unit's un-wavered commitment to the call of Green India, the company volunteered to work with AP Pollution Control Board in developing MIYAKAWI plantation, a pilot project of high density plantation to increase green cover. Though there are challenges in maintaining the standard, the unit has been laying considerable emphasis on safe and sustainable conduct of operations winning laurels such as the coveted SURAKHA PURASKAR for Safety from National Safety Council of India for the year 2018 and "AWARD FOR EXCELLENCE IN WATER MANAGEMENT" for the year 2019 from the Confederation of Indian Industry (CII) for its water conservation techniques and reduction in consumption of natural resources.

The unit's emphasis on human resource development has been high and a key for growth. In the belief that continuity of education of its associates is helpful to upgrade skills and qualifications, the unit entered into an understanding with Dr.Ambedkar University to conduct on and off campus classes for the associates for certificate courses. On the other hand, the company imparts training to the students of the university in industrial and business management. The unit has been highly sensitive to community support and conducts many social services such as drinking water supply, providing sanitation facilities, infrastructure for schools etc.

The unit faced a number of challenges in Covid times with least disruption and loss of production. The company had installed necessary paraphernalia to safe guard Associates from contacting and taken extensive precautions against expose, educating employees and providing various facilities. In spite of adverse external conditions, the committed manufacturing team ensured safety and productivity of the plant and met the requirements of customers winning their appreciation.

Manufacturing – Formulation Plant

The unit caters to the needs of domestic retail and Export business. The formulation unit has top MNCs among its customers and serves their global needs. The formulation unit has the capacity to manufacture about 50,000 KL/MT per annum comprising of Liquids, Powders and Granules. The company manufactures Insecticides, Fungicides, Herbicides and PGR'S. The company currently manufactures various types of formulations (Granule, Wettable Powder, SC, EC...) The company continuously is working on development of new formulation types and is planning to introduce Encapsulated formulation, Water Dispersible Granules in the coming Year. Quality assurance is key focus area, the unit's Quality control lab has got NABL Accreditation (National Accreditation Board for Testing and Calibration Laboratories). The formulation unit goes through the audit of MNC customers periodically and has been successfully meeting their global standards to their satisfaction. The unit has ISO 9001-2015, ISO 14001-2015, and ISO 45001-2018 certifications. To efficiently meet the growing business demand, the company built a modern warehouse facility. Safety is an important area, the company regularly conducts mock drills and refresher training to its employees on safety. The company is engaged in the development of local community through its various CSR activities working in collaboration with government agencies.

R&D and Registrations:

During the year under review, R&D has grown into a vibrant and dynamic business vertical working on many new projects. Process for a number of Active Ingredients and Intermediates were developed. Some of these were commercialized during the year and remaining would reach that stage soon. R&D developed process for a key intermediate to an overseas customer. The unit has synthesized large number of highly complex standard impurities required for registration. In the Formulations Section, R&D developed a number of formulations as per the requirements of domestic and export businesses. In the Registration section, the company received twelve (9(4)) registrations. Applications for few more registrations are pending for clearance.

Dr. B. Saha, Head of R&D has been elected as Bureau Member of IUPAC (International Union of Pure and Applied Chemistry) – Largest Global organization of Chemistry Professional. In the 100 years' history of IUPAC, He is the second scientist from India to be elected to this position. He also has been inducted as "Expert Committee member" to advise, guide and monitor the "Mission Mode Project" of Government of India for process development of agrochemicals as part of "Make in India" program.

Human Resources:

The company has always believed that it is its employees who would make the essential difference. Therefore considerable effort has been going into developing new approaches to people management. As against the traditional hierarchy system of management, where each activity is processed in compartments causing delays in decisions and results, our attempts have been to build a flat organization with extensive cross-functional connections and a familial atmosphere for staff to reach out, collaborate and perform as a team with a shared sense of understanding and responsibility. The company encourages debate and diversity of opinion and once a consensus is reached emphasis shifts to seamless execution. The company has been making efforts to nurture a culture where individual, team and organisational goals align, and there is pride and trust and a quest for continuous improvement.

The core values of the company are widely communicated and their import discussed from time to time for better appreciation and reinforcement. The company encourages diversity, supports community service and provides opportunities for self-development. Employee welfare is a key objective where the company provides various benefits and assistance. The company has high accent on performance improvement and reviews and has transparent policies on various HR matters.

The number of employees in the Company as on the 31st March, 2020 was 1214. The Company enjoys cordial and harmonious industrial relations. Training programs and various initiatives are being taken to create an environment to enhance individual and team performance.

Financial Performance: (Consolidated)

During the year 2019-20, the Revenue from operations ₹ 101,489 Lakhs reflects an increase of 17% over the previous year. The EBIT and Cash Profit stood at ₹ 5,307 Lakhs and ₹ 4,788 Lakhs respectively compared to ₹ 2,049 Lakhs and ₹ 686 Lakhs. The financial performance of your Company during 2019-20 was as under:

(₹ in Lakhs)

Particulars	2019-20	2018-19
Revenue from Operations	101,489	86,549
EBIDTA (as % of Revenue from Operations)	7.59%	4.72%
Profit before depreciation, tax (as % of revenue from operations)	4.72%	0.79%
Return on Capital Employed	13.23%	6.59%
Return on Net Worth	4.69%	(2.45%)
Earnings per share (FV ₹1 each)	1.00	(0.44)
Book value per share	18.53	16.97

The profit mainly attributable to introduction of new products and mix of existing products resulted in improved margins, reduction in manufacturing expenses due to higher volume of production and cost saving measures initiated in supply chain management.

Internal Control System:

The Company has proper and adequate systems of internal controls which ensure that all the assets are safeguarded and are structured to provide adequate support and controls for the business of the Company. The Company's internal audit systems are geared towards ensuring adequate Internal controls to meet the size and needs of business, for safeguarding the assets of the Company, evaluating reliability of financial and operational information, identifying weaknesses and areas of improvement and to meet with all compliances.

Cautionary Statement:

The Statement in the Report of the Board of Directors and Management Discussion & Analysis Report describing the Company's projections, estimates, exceptions or prediction may be forward looking statement within meaning of applicable of Securities Laws and Regulations. Actual results could differ materially from those expressed implied since the Company's operations are influenced by many external and internal factors beyond the control of Company.

Disclaimer:

Readers are cautioned that this Management Discussion and Analysis contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words “anticipate”, “believe”, “estimate”, “intend”, “will”, and “expected” and other similar expressions as they relate to the Company or its business are intended to identify such forward looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements and risks and opportunities could differ materially from those expressed or implied in such forward-looking statements. The important factors that would make a difference to the Company’s operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets, raw material prices, changes in the Governmental regulations, labour negotiations, tax laws and other statutes, economic development within India and the countries within which the Company conducts business and incidental factors. The Company undertakes no obligation to publicly amend, modify or revise any forward-looking statements on the basis, of any subsequent developments, information or events. The following discussion and analysis should be read in conjunction with the Company’s financial statements included herein and the notes thereto. For and on behalf of the Board.

For and on behalf of the Board

M.Pavan Kumar	**Raghavender Mateti**
Managing Director & CEO	Director
(DIN:01514557)	(DIN:06826653)

Date: 26th August, 2020
Place: Hyderabad

CORPORATE GOVERNANCE 2019-20

A. CORPORATE GOVERNANCE: GUIDING PRINCIPLES

NACL is guided in tought and action by the philosophy of SERVING SOCIETY THROUGH INDUSTRY.

This philosophy is defined by principles of concern, commitment, quality and integrity in all its acts and relationships with all stakeholders in the broadest sense including customers, investors, business associates, lenders, vendors, employees and the community at large, which always inspired and guided the company's thinking and conduct.

B. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company views Corporate Governance under the following major parameters:-

1) Transparency in relation to appointments, remuneration, meetings of the Directors on the Board of the Company, responsibility and accountability of the Board of Directors.

2) Providing correct, accurate and relevant information to the shareholders regarding the functioning and performance of the Company pertaining to financial and other non-financial matters.

3) Internal and external controls and Audits.

Date of Report:

The information provided in the Corporate Governance Report for the purpose of unanimity is as on 31st March, 2020. The report is updated as on the date of the report wherever applicable.

The Governance Structure:

The Company's Governance structure is based on the principles of freedom to the Executive Management within a given framework to ensure that the powers vested in the Executive Management are exercised with due care and responsibility so as to meet the expectation of all the stakeholders. In line with these principles, the Company has framed three tiers of Corporate Governance structure viz.,

1) The Board of Directors: The primary role of the Board of Directors is to protect the interest and enhance value for all the stakeholders. It conducts overall strategic supervision and control by setting the goals and targets, policies, reporting mechanism and accountability, and decision making process to be followed. The Board also ensures that the company effectively and efficiently works towards achieving its mission and is committed to continual quality improvement.

2) Committees of Directors: Committees are usually formed by the Company as a means of improving Board effectiveness and efficiency, in areas where more focused, specialized and technical discussions are required. Committees enable better management of full Board's time and allow in-depth scrutiny and focused attention. The Committees play an important role:

- to strengthen the governance arrangements of the company and support the Board in the achievement of the strategic objectives of the company;
- to strengthen the role of the Board in strategic decision making and supports the role of non-executive directors in challenging executive management actions;
- to maximize the value of the input from non-executive directors, given their limited time commitment;
- to support the Board in fulfilling its role, given the nature and magnitude of the agenda.

The Company have formed Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, CSR Committee, Banking Committee, Risk Management Committee and Compensation Committee which are focused on financial reporting audit and internal controls, investors grievances and related issues, appointment and remuneration of Directors and senior management employees, implementation and monitoring of CSR activities, bank related transactions including availment of loans/working capital limits/renewals of credit facilities and related bank transactions of the Company, equity issue related matters and the risk management framework.

3) **Executive Management:** The entire business including the support services are managed with clearly demarcated responsibilities and authorities at different levels.

C. BOARD OF DIRECTORS:

1) Composition of the Board:

The Company has a balanced and diverse composition of Board of Directors, which primarily takes care of the business needs and stakeholders interest. The Board consists of eminent persons with considerable professional expertise and experience in setting up and operating agrochemical manufacturing plants and pesticide formulations, and in other fields such as Finance, Accounts, Legal and Taxation.

The details of the composition of the existing Board of Directors as on 31st March, 2020 are given below:

a) **Composition of Board:** The Company's Board of Directors, as on 31st March, 2020, comprises of 11 (Eleven) Directors, out of which, 2 (two) are Non-Executive Non-Independent Directors (NEDs) including 1 (One) Woman Director. Further, out of the remaining Directors, 6 (six) are Non-Executive Independent Directors, 2 (two) are Investors Nominee Directors and 1 (one) is an Executive Director. None of the Directors are related to each other. The composition of the Board is in conformity with the provisions of the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Obligations"). During the year, Mr.V.Vijay Shankar, vide his letter dated 28th May, 2019 to the Board, has stepped down from the position of Managing Director as well as Director of the Company with effect from 01st June, 2019.

The Board, in its meeting held on 29th May, 2019, has appointed Mr.M.Pavan Kumar as Additional Director and Managing Director & CEO of the Company, for a period of three years with effect from 01st June, 2019, subject to the approval of the members at the Annual General Meeting. Accordingly, the members of the Company at the 32nd Annual General Meeting held on 14th August, 2019 has approved the appointment of Mr.M.Pavan Kumar as the Director of the Company (in the category of Executive Director) and also as the Managing Director and CEO of the Company.

Mr.K.Raghuraman had been appointed as an Independent Director of the Company for a period of 5 years. Before completion of his term ending on 08th August, 2019, Mr.K.Raghuraman, vide a mail dated 01st July, 2019 communicated his desire for not seeking re-appointment for the second term due to personal reasons. Accordingly, he ceased to the Non-Executive and Independent Director of the Company with effect from 09th August, 2019.

Mr. Ranvir Sain Nanda, Non-Executive Independent Director, resigned from the position of Directorship of the Company, with effect from 26th February, 2020 due to his personal reasons. None of the Directors are related to each other.

b) **Number of Board Meetings held during the year and the dates of the Board Meetings:** During the year 2019-20, the Board met 7 (seven) times on 29th May, 2019; 03rd July, 2019; 14th August, 2019; 04th November, 2019; 12th February, 2020; 21st March, 2020 and 26th March, 2020.

c) The maximum time gap between any two of the Board Meetings was not more than 120 (One Hundred and Twenty) days.

d) Attendance details of each Director at Board Meetings and the last Annual General Meeting are as follows:

Sl. No.	Name, Position and DIN of the Director	Category of Directorship	No. of Board Meeting held	No. of Board Meeting Attended	Whether present at previous AGM held on 14th August, 2019
1)	Mrs.K.Lakshmi Raju, Chairperson DIN: 00545776	Promoter, Non-Executive,	7	6	Yes
2)	Mr. R.S. Nanda# DIN: 00008255	Non-Executive-Independent	5	4	No
3)	Mr.Sudhakar Kudva DIN: 02410695	Non-Executive, Independent	7	6	Yes
4)	Mr.N.Vijayaraghavan DIN:02491073	Non-Executive, Non-Independent	7	5	Yes
5)	Mr.Raghavender Mateti DIN:06826653	Non-Executive, Independent	7	7	Yes
6)	Mr.K.Raghuraman^^ DIN: 00320507	Non-Executive, Independent	1	1	No
7)	Mr. K. Dorairaj@ DIN: 00902788	Non-Executive - Independent Director	7	5	Yes
8)	Mr. Atul Churiwal** DIN: 00180595	Non-Executive - Nominee Director	7	5	Yes
9)	Mr. Rajesh Kumar Agarwal** DIN: 00210719	Non-Executive - Nominee Director	7	5	Yes
10)	Mr. V Vijay Shankar## DIN: 00015366	Executive Director, Managing Director	1	1	No
11)	Mr. M. Pavan Kumar^ Managing Director, CEO DIN: 01514557	Executive Director, CEO-Managing Director	6	6	Yes
12)	Mr. Ramakrishna Mudholkar@ DIN: 00012850	Non-Executive - Independent Director	4	3	No
13)	Mr. N. Sambasiva Rao@ DIN: 06400663	Non-Executive - Independent Director	2	1	No
14)	Ms. Veni Mocherla@ DIN: 08082163	Non-Executive - Independent Director	1	1	No

 # Mr. R.S. Nanda ceased to be an Independent Director with effect from 26.02.2020.

##Mr .V Vijay Shankar ceased to be a Managing Director of the Company with effect from 01.06.2019.

***Mr. Atul Churiwal and Mr. Rajesh Kumar Agarwal were appointed as Investor Nominee Directors with effect from 29.05.2019.*

@Mr. K. Dorairaj was appointed as Independent Director with effect from 29.05.2019,

@Mr. Ramakrishna Mudholkar was appointed as Additional Director with effect from 04.11.2019.

@Mr. N Sambasiva Rao was appointed as Additional Director with effect from 14.02.2020.

@Ms. Veni Mocherla was appointed as Additional Director with effect from 26.03.2020.

^Mr. M Pavan Kumar was appointed as Managing Director & CEO with effect from 01.06.2019.

^^ Mr.K.Raghuraman ceased to be an Independent Director with effect from 09th August, 2019.

Directors are appointed or re-appointed with the approval of the shareholders and shall remain in office in accordance with the provisions of the Companies Act, 2013. All the Non-Executive Directors (except Independent Directors and Investor Nominee Director) are liable to retire by rotation unless otherwise specifically approved by the shareholders.

None of the Directors on the Board is a member of more than 10 Committees and Chairperson of more than 5 Committees across all the Companies in which he/she is a Director as specified in Regulation 26 of the Listing Regulations. The necessary disclosures regarding Committee positions in other public Companies have been made by all the Directors. None of the Directors holds office in more than 20 Companies and in more than 10 public Companies as prescribed under Section 165(1) of the Companies Act, 2013. None of the Independent Directors of the Company are serving as an Independent Director in more than 7(seven) Listed Entities.

The Board of Directors confirms that the Independent Directors fulfill the conditions specified in the Act and the Listing Regulations and are independent of management.

The number of Directorship and Committee positions held by Directors in public limited companies are given below:

Sl. No.	Name of the Director	Number of Directorships in Public Limited Companies* (including NACL Industries Limited).			Number of Committee** memberships held in Public Limited Companies (including NACL Industries Limited).		Directorship in other Listed Entities	
		Chair - person	Director	Total	Chair - person	Member	Name of Listed Entity (including Debt Listed)	Category of Director ship
1)	Mrs.K.Lakshmi Raju	1	-	1	-	1	-	-
2)	Mr.Sudhakar Kudva	-	2	2	2	1	Bhagiradha Chemicals and Industries Ltd.	NED & ID@
3)	Mr. N.Vijayaraghavan	-	1	1	-	2	-	-
4)	Mr. Raghavender Mateti	-	2	2	1	1	-	-
5)	Mr. K. Dorairaj	-	1	1	-	-	-	-
6)	Mr. Atul Churiwal	-	1	1	-	-	-	-
7)	Mr. Rajesh Kumar Agarwal	-	1	1	-	-	-	-
8)	Mr. M. Pavan Kumar	-	1	1	-	1	-	-
9)	Mr. Ramakrishna Mudholkar	-	1	1	-	-	-	-
10)	Mr. N. Sambasiva Rao	-	1	1	-	1	-	-
11)	Ms. Veni Mocherla	-	2	2	-	1	Andhra Paper Limited	NED & ID@

* *Excludes Directorships/Chairpersonships in Associations, Private Limited Companies, Foreign Companies, Government Bodies, Companies registered under Section 8 of the Act and Alternate Directorships.*

** *Board Committees include only Audit Committee and Stakeholders Relationship Committee.*

@ NED & ID – Non Executive Director & Independent Director.

2) **Skill, Expertise and Competencies of the Board:**

- Rich corporate experience in Agrochemical, Pesticides, Agri, Fertilizers and other business and industrial sectors.
- Skillful/Deft at operating vast array of farm technology with hands-on approach to work and honed with outstanding communication skills and expertise in training people on various aspects of agriculture operations, agricultural marketing and organic farming.
- Experience in the field of Agrochemical Marketing both in domestic and overseas.
- Experiences in various manufacturing fields, and general management.
- Expertise in Finance, Treasury, Information Technology, Risk Management, Treasury and Forex Operation and General Administration, Legal Compliance and Corporate Governance.

S. No	Name of Director	Qualification	Experience	Competencies
1)	Mrs.K.Lakshmi Raju (KLR)	a) B.Com b) Master Degree in Business Administration	16 years	Having more than 16 years of experience in the Corporate business field
2)	Mr. Sudhakar Kudva (SK)	a) B.Com b) FCA	41 years	Mr. Sudhakar Kudva, a Chartered Accountant, has over 41 years of work experience in India and abroad in a wide range of industries including the Lakshmi Mittal Group. (in Arcelor Mittal Ltd., as Executive Director-Commercial). His areas of expertise are Finance, Treasury and General Management.
3)	Mr.N. Vijayraghavan (NVR)	a) B.Tech (Metallurgy), b) PGDM from IIM-A	42 years	He has over 42 years of wide corporate experience. He worked in various senior positions in wide industry spectrum of Companies like L&T, ITW Signode, Nagarjuna Fertilisers and Chemicals Limited and Sterlite Industries. His experiences include various manufacturing fields, marketing and general management.
4)	Mr. Raghavender Mateti (RM)	a) B. Tech (Agricultural Engineering) b) PGDM in Agriculture from IIM-A	40 years	He has vast experience in various chemical industries and extensive experience in the field of Agrochemical Marketing both in domestic and overseas for over three decades through his association with Gharda Chemicals Limited, Cheminova India Limited, Lupin Agrochemicals, Shaw Wallace & Company Ltd and Rallies India Limited. He has served as Vice-Chairman of Pesticides Association of India during 1995-2000. He has delivered various speeches on industry matters at several National and International Conferences
5)	Mr. M. Pavan Kumar (MPK)	a) Science Honours Graduate b) Master's in Business Management from McGill Montreal, Canada	37 years	He has more tha 37 years of Operations and Executive Management experience working for multinational and Indian organisations in agribusiness, chemicals and other sectors, building competitive and sustainable businesses
6)	Mr.K. Dorairaj (KD)	B.Sc. (Agriculture)	50 years	He has around 5 decades of experience in marketing of Fertilizers, specialty fertilizers, Pesticides and organic inputs. Currently working as the Freelance Agriculture Consultant, deft at operating vast array of farm technology with hands-on approach to work and honed with outstanding communication skills and expertise in training people on various aspects of agriculture operations, agricultural marketing and organic farming.

S. No	Name of Director	Qualification	Experience	Competencies
7)	Mr.Rajesh Kumar Agarwal (RKA)	B.Com (Honours) degree	26 years	He is having more than around 26 years of diversified corporate experience including Chemical Industry. He is the Joint Managing Director of M/s. Krishi Rasayan Exports Pvt. Ltd., (KREPL), an Investor in the Company. Mr. Agarwal is also executive member of Managing Committee of PHD Chamber of Commerce, New Delhi, and also trustee of various social, religious and education
8)	Mr.Atul Churiwal (AC)	B.Com (Honours) degree	38 years	He is having around 38 years of rich corporate experience mainly in Agrochemical Industry. He is the Managing Director of M/s. Krishi Rasayan Exports Pvt. Ltd., (KREPL) an Investor. He was the President of the premier Chamber of Commerce &:, Industry. He is also trustee of various social, religious and educational charitable organizations.
9)	Mr. Ramkrishna Mudholkar (RKM)	a) B. Sc. (Agriculture) b) Masters in Business Administration from IIM-A	35 years	He comes with rich corporate experience and an astute professional with around 35 years of rich experience in senior leadership roles in the field of sales and marketing of Agrochemicals, pesticides and organic inputs.
10)	Mr. N. Samabasiva Rao (NSR)	a) M. Sc., (Agriculture Economics), b) PGDM from University of Indianapolis, USA c) PGD in Japanese Management from Shingo Institute of Japanese Management, Hyderabad	38 years	He is having over 38 years of exposure and experience in sales and marketing of fertilisers and agro inputs products. Mr.Sambasiva Rao Nannapaneni also worked with Krishak Bharati Co-operative Limited (KRIBHCO), Nagarjuna Fertilizers and Chemicals Limited (NFCL), Pyrites Phosphates & Chemicals Limited, E.I.D Parry India Limited and Food Corporation of India.
11)	Ms.Veni Mocherla (VM)	a) MBA b) Post Graduate Programme at Chartered Institute of Marketing, UK	18 years	She is a business consulting professional with over 18 years work experience including services rendered for various international assignments. She has been actively involved in cross border partnerships, turnaround and corporate strategic initiatives.

Expertise and Skills	KLR	SK	NVR	RM	MPK	KD	RKA	AC	RKM	NSR	VM
General Management and Leadership Expertise	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Industry Experience and Entire value chain	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Corporate Strategy and Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Science and Technology including IT				✓	✓	✓					
Finance	✓	✓			✓		✓	✓		✓	
Risk Management		✓	✓		✓					✓	✓
Regulatory and Governance		✓			✓				✓	✓	✓
Human Resource and Communication					✓						
Safety and Corporate				✓	✓	✓				✓	
Geography and Cross cultural experience	✓	✓	✓		✓		✓	✓	✓	✓	✓

3) **Shareholding of Non-Executive Director of the Company:**

Mrs.K.Lakshmi Raju holds 77,05,860 equity shares of the Company. Mr.Rajesh Kumar Agarwal and Mr. Atul Churiwal jointly representing M/s.Agro Life Science Corporate, a registered Partnership Firm, holds 1,56,25,000 equity shares of the Company. Mr.Atul Churiwal holds 2,55,325 equity shares of the Company. No other Director holds any shares/warrants in the Company.

4) **Familiarization Programme:**

The Company has formulated a Policy on Familiarization Programme for Independent Directors. The Company upon the induction of Independent Directors provide necessary documents, which contains the information about Company, Memorandum and Articles of Association, Annual Reports for previous 2 years, Investor Presentations and recent Media Releases, Brochures, Organization policies. The appointment letter issued to Independent Director inter alia sets out the expectation of the Board from the appointed Director, their fiduciary duties and the accompanying liabilities that come with the appointment as a Director of the Company.

Senior management personnel of the Company makes periodical presentations to the Board members at the Board and Board Committee Meetings held during the financial year briefing on the business and performance updates of the Company, global business environment, business strategy and risks involved, quarterly reports such as Corporate Governance, financial results, shareholding pattern, plans, strategy, new initiatives, etc.

The details of such familiarization programmes for Independent Directors are put up on the Company's website and can be accessed at https://www.naclind.com.

5) **CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL:**

The Board of Directors has laid down a Code of Conduct for all Board members and Senior Management Personnel of the Company. The Code of Conduct is uploaded on the website of the Company i.e., www.naclind.com. All the Board members and Senior Management Personnel have confirmed compliance with the code for the year under review. A declaration signed by the Managing Director & CEO pursuant to Regulation 34(3) of the Listing Regulations, forms part of this Annual Report.

6) **CODE OF CONDUCT OF INDEPENDENT DIRECTORS:**

As per the provisions of Section 149(8) read with Schedule IV of the Companies Act, 2013 the Company has laid down the "Code of Conduct for Independent Directors" in accordance with Schedule IV of the Companies Act, 2013. The said Code of Conduct is duly approved and adopted by the Board and the same has been uploaded on the website of the Company.

7) SEPARATE MEETING OF INDEPENDENT DIRECTORS:

A separate meeting of Independent Directors of the Company, without the attendance of Non-Independent Directors and members of management, was held on 29th May, 2019 as required under Schedule IV to the Companies Act, 2013 (Code for Independent Directors) and Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. K. Raghuraman, Mr. Sudhakar Kudva, Mr. R.S. Nanda, and Mr.Raghavender Mateti attended the Meeting of Independent Directors.

As required by the provisions of Section 149 read with Schedule IV to the Companies Act, 2013 the Independent Directors met and reviewed inter-alia the following matters:

1) Performance of Non-Independent Directors and the Board of Directors as a whole;

2) Performance of the Chairperson of the Company, taking into account the views of Executive, Non-Executive Directors; and

3) Assessed the quality, quantity and timeliness of flow of information between the Company management that is necessary for the Board to effectively and reasonably perform their duties and presented their observations to the Board of Directors.

D. COMMITTEES OF THE BOARD OF DIRECTORS:

The Board of Directors has constituted the following Committees with appropriate delegation of powers:

1) Stakeholders Relationship Committee (Shareholders and Investors' Grievance Committee):

Mr. Raghavender Mateti is the Chairperson of the Stakeholders Relationship Committee. The other members of the Committee are Mr.N.Vijayaraghavan, Mrs.K.Lakshmi Raju, and Mr.M.Pavan Kumar. Mr.R.S.Nanda, who resigned from the position of Directorship of the Company, effective from 26th February, 2020, ceased to be the Chairperson of Stakeholders Relationship Committee from the even date. Accordingly, the Board has reconstituted the Committee with the induction of Mr.Raghavender Mateti as Chairperson of the Committee, in place of Mr. R.S. Nanda, with effect from 21st March, 2020. The quorum of the Committee is 2 members. The terms of reference of Stakeholders Relationship Committee inter-alia includes:

- approve transfers, transmission, dematerialization/re-materialization, issue of duplicate share certificates, shares splitting and consolidation of shares issued by the Company.
- oversee compliances in respect of dividend payments and transfer of unclaimed amounts to IEPF.
- consider and redress the complaints received from shareholders relating to transfer of shares, non-receipt of annual report, declared dividend, notices, balance sheet, etc.
- review the movement of shareholding and the stock prices of the Company.

The power to process dematerialization requests has also been delegated to the Executives of the Share Transfer Agents of the Company to avoid delays. All the share transfer applications received up to 31st March, 2020 have been processed. The details of share transfers are reported to the Board of Directors. The Committee met twelve (12) times during the year.

The details of attendance of members of the Stakeholders Relationship Committee Meetings are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr.Raghavender Mateti**	Chairperson	1	1
Mr. N.Vijayaraghavan	Member	12	3
Mrs.K.Lakshmi Raju	Member	12	2
Mr. M. Pavan Kumar@	Member	10	10
Mr. V. Vijay Shankar*	-	2	2
Mr. R.S. Nanda#	-	11	10

 # ceased to be the Chairperson and Member of the Committee with effect from 26th February, 2020.

*** Inducted as a Member & Chairperson of the committee with effect from 21st March, 2020.*

** ceased to be the Member of the Committee with effect from 01st June, 2019.*

@ Inducted as a Member of the committee with effect from 01st June, 2019.

No penalties or strictures were imposed on the Company by any of the Stock Exchanges, SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years. The Company during the period year from 01st April, 2019 to 31st March, 2020 received 02 complaints from the investors and the same were resolved and there were no balance investor's complaints pending/ unresolved as on 31st March, 2020.

2) Audit Committee:

Mr.Sudhakar Kudva is the Chairperson of the Audit Committee. The other members of the Committee are Mr.N.Vijayaraghavan, Mr.Raghavender Mateti and Mr.N.Sambasiva Rao.

Consequent to the resignation of Mr.R.SNanda from the position of Directorship of the Company effective from 26th February, 2020 and who also ceased to be the Member of the Audit Committee, the Board has reconstituted the Committee by inducting Mr.N.Sambasiva Rao as Member of the Committee with effect from 26th March, 2020.

The terms of reference of the Audit Committee are in accordance with Regulation 18 read with Part C of Schedule II of the Listing Regulations and inter-alia includes the following:

a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

b) Recommending to the Board, the appointment, remuneration and terms of appointment of the auditors of the Company.

c) Approval of payment to Statutory Auditors for any other services rendered by them.

d) Reviewing with the Management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:

   i) Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013.

   ii) Changes, if any, in accounting policies and practices and reasons for the same.

   iii) Major accounting entries involving estimates based on the exercise of judgment by management.

   iv) Significant adjustments made in the financial statements arising out of audit findings.

   v) Compliance with listing and other legal requirements relating to financial statements.

   vi) Disclosure of related party transactions.

   vii) Modified opinion(s) in the draft audit report.

e) Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.

f) Reviewing and monitoring the auditor's independence, and performance and effectiveness of the audit report.

g) Approval or any subsequent modification of transactions of the Company with related parties;

h) Scrutiny of inter-corporate loans and investments;

i) Valuation of undertakings or assets of the Company, wherever it is necessary;

j) Evaluation of internal financial controls and risk management systems;

k) Reviewing with the Management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems.

l) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

m) Discussion with Internal Auditors any significant findings and follow-up thereon.

n) Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

o) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

p) To review the functioning of the Whistle Blower mechanism.

q) Approval of appointment of Chief Financial Officer after assessing the qualification, experience and background, etc of the candidates.

r) Carrying out any other function as is mentioned in the 'Terms of Reference' of the Audit Committee.

The Audit Committee mandatorily reviews the following information:

i) Management discussion and analysis of financial condition and results of operations;

ii) Statement of significant related party transactions, submitted by management;

iii) Management letters/letters of internal control weaknesses issued by the Statutory Auditors;

iv) Internal audit reports relating to internal control weaknesses; and

v) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to the review of the Audit Committee.

vi) Statements of deviations:

a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

b) annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/notice in terms of Regulation 32(7).

The quorum of the Committee is 2 members.

The Audit Committee met four (4) times during the period under review and the meetings were held on 29th May, 2019; 14th August, 2019; 04th November, 2019 and 12th February, 2020. The Statutory Auditors, the Internal Auditors and Cost Auditors were present as invitees for the meetings of the Audit Committee. The details of attendance of members of the Audit Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. Sudhakar Kudva	Chairperson	4	4
Mr. K. Raghuraman#	Member	1	1
Mr. Raghavender Mateti	Member	4	4
Mr.N.Vijayaraghavan	Member	4	3
Mr. R. S. Nanda@	Member	2	2
Mr. N. Sambasiva Rao*	Member	-	-

ceased to be the Member of the Committee with effect from 09th August, 2019.

* *Inducted as a Member of the Committee with effect from 26th March, 2020.*

@ *ceased to be the Member of the Committee with effect from 26th February, 2020.*

3) **Banking Committee:**

Mr.N.Vijayaraghavan is the Chairperson of the Banking Committee. The other members of the Committee are Mr.Sudhakar Kudva, Mr. Raghavender Mateti, Mr.M.Pavan Kumar and Mrs.K.Lakshmi Raju.

During the year, the Board has reconstitution the Committee by inducting Mr.M.Pavan Kumar, Mrs.K.Lakshmi Raju and Mr.Raghavender Mateti in place of Mr.R.S.Nanda and Mr.V.Vijay Shankar who ceased to be the Members of the Committee.

The terms of reference of the Banking Committee inter-alia includes the following:

a) To open new Accounts with any Bank and approve the list of persons authorized to operate such accounts and to make such changes as may be necessary from time to time.

b) To approve availment of working capital facilities/credit facilities by the Company and creation of the charge on the assets of the Company thereto, subject that such credit facilities so availed along with the existing credit facilities shall not exceed the limits as approved by the Board from time to time.

c) To approve the creation of charge/ mortgage by deposit of title deeds or otherwise on the assets of the Company for availing the aforesaid credit facilities from time to time.

d) To sub-delegate to Managing Director or any other Director/Executives of the Company to execute various documents including but not limited to loan documents, charge documents etc. and to exercise any of the powers delegated by Board to this Committee and to do all such acts, deeds and things as may be necessary.

e) To authorize to deal/open/operate/ closures of various bank accounts of the Company/banking transactions and related matters.

f) To authorize persons to sign necessary documents and for affixation of Common Seal and matters incidental thereto, for availing of such credit facilities.

The quorum of the Committee is 2 members. The Banking Committee met six (6) times during the year. The details of attendance of members of the Banking Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. N.Vijayaraghavan	Chairperson	6	3
Mr. Sudhakar Kudva	Member	6	-
Mr. Raghavender Mateti@	Member	-	-
Mr. M. Pavan Kumar#	Member	4	4
Mrs. K. Lakshmi Raju$	Member	3	2
Mr. R.S. Nanda^	Member	6	5
Mr. V Vijay Shankar*	Member	2	2

@ Inducted as Member of the Committee with effect from 26th March, 2020.

 # Inducted as a Member of the Committee with effect from 01st June, 2019.

$ Inducted as a Member of the Committee with effect from 14th August, 2019.

^ Ceased to be a Member of the Committee with effect from 26th February, 2020.

4) **Nomination and Remuneration Committee:**

Mr.Raghavender Mateti is the Chairperson of the Nomination and Remuneration Committee. The other members of the Committee are Mr.N.Vijayaraghavan, Mrs.K.Lakshmi Raju and Mr.Sudhakar Kudva. During the year, the Board has reconstituted the Committee by appointing Mr.Raghavender Mateti as Chairperson of the Committee with effect from 14th August, 2019, in place of Mr.K.Raghuraman who ceased to be the Chairperson of the Committee due to completion of tenure as Independent Director. Consequent to the resignation of Mr.R.S.Nanda, who ceased to the Member of the Banking Committee, the Board has inducted Mr.Sudhakar Kudva and Mr.N.Vijayaraghavan as Members off the Committee with effect from 21st March, 2020.

The functioning and terms of reference of the Nomination and Remuneration Committee are in accordance with the provisions of Section 178 and other applicable provisions of Companies Act, 2013, Rules made thereunder and Regulation 19 read with Para A Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations,

2015. It determines the Company's policy on all elements of the remuneration packages of the Directors including the Executive Directors. The Company has adopted a remuneration policy, which is available on the Company's website. The remuneration of the Directors is approved by the Nomination and Remuneration Committee and the Board of Directors as per the Nomination and Remuneration Policy of the Company.

The terms of reference of the Nomination and Remuneration Committee inter-alia includes the following;

a) Identify persons who are qualified to become Directors and who may be appointed as Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal, and shall carry out the evaluation of every Director's performance.

b) Formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board of Directors a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

c) Formulation of criteria for evaluation of the performance of Independent Directors and the Board of Directors;

d) Devising a policy on diversity of Board of Directors.

e) Make recommendations regarding the composition of the Board, identify Independent Directors to be inducted to the Board from time to time and take steps to refresh the composition of the Board from time to time.

f) Evaluate and approve the appointment and remuneration of senior Executives, including the Key Managerial Personnel, the Company's remuneration plan, annual salary increase principles and budgets, annual and long term incentive plans of the Company, policies and programmes such as succession planning, employment agreements, severance agreements and any other benefits.

g) Review and recommend to the Board the remuneration and commission to the Managing and Executive Directors and define the principles, guidelines and process for determining the payment of commission to Non-Executive Directors and Independent Directors of the Company.

The quorum of the Committee is 2 members. The Nomination and Remuneration Committee had met five (5) times during the period under review and the meeting were held on 29th May, 2019; 14th August, 2019, 04th November, 2019, 12th February, 2020 and 26th March, 2020. The details of attendance of members of the Remuneration Committee are as follows

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. Raghavender Mateti@	Chairperson	5	5
Mrs.K.Lakhsmi Raju	Member	5	5
Mr.Sudhakar Kudva#	Member	1	1
Mr.N.Vijayaraghavan$	Member	1	1
Mr. R.S.Nanda^	-	4	4
Mr. K.Raghuraman*	-	1	1

@ *Appointed as Chairperson of the Committee with effect from 14th August, 2019.*

Inducted as a Member of the Committee with effect from 21st March, 2020.

$ *Inducted as a Member of the Committee with effect from 21st March, 2020.*

^ *Ceased to be a Member of the Committee with effect from 26th February, 2020.*

* *Ceased to be a Chairperson & Member of the Committee with effect from 09th August, 2019.*

Nomination and Remuneration Policy:

The Company's philosophy for remuneration of Directors, Key Managerial Personnel and all other employees is based on the commitment of fostering a culture of leadership with trust. The Company has adopted a policy for remuneration of Directors, Key Managerial Personnel and other employees, which is aligned to this philosophy. The key factors considered in formulating the Policy areas under:

a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate

Directors of the quality required to run the Company successfully;

b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

c) remuneration to Directors, KMP and SMP involves a balance between fixed and incentives pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

5) Corporate Social Responsibility (CSR) Committee:

Mr.Sudhkar Kudva is the Chairperson of the Corporate Social Responsibility Committee. The other members of the Committee are Mrs.K.Lakshmi Raju, Ms.Veni Mocherla, Mr.M.Pavan Kumar and Mr.N.Vijayaraghavan.

During the year, the Board has reconstituted the Committee by inducting Mr.M.Pavan Kumar as Member of the Committee in place of an outgoing member Mr.V.Vijay Shankar. Further, Mr.R.S.Nanda, who ceased to be the Chairperson of the Committee due to resignation from the Directorship of the Company, the Board has appointed Mr.Sudhakar Kudva as Chairperson of the Committee and inducted Ms.Veni Mocherla as Member of the Committee with effect from 26th March, 2020.

The terms of reference of the CSR Committee inter-alia includes the following:

a) To formulate and recommend to the Board, a CSR Policy indicating activities to be undertaken by the Company in compliance with provisions of the Companies Act, 2013;

b) To oversee the implementation of those activities, monitor the implementation of the framework of the CSR Policy and also report to the Board from time to time. It shall be ensured that the Company's CSR programmes will be identified and implemented according to the Board's approved CSR policy;

c) The Committee shall monitor the implementation report from the Organizations receiving funds. In this regard, the Committee may delegate designated Company official(s) to co-ordinate with the Organization receiving funds to inspect the activities undertaking and ensure information in a timely manner;

d) To sub-delegate/empower the Managing Director or any of the Executives of the Company authorized by him to spend such amounts as they think appropriate for some other strategic CSR contingencies that may arise during any financial year. The amount so spent shall be put for ratification of the Committee at its next meeting and shall be reported to the Board accordingly.

e) To recommend the amount to be spent on the CSR activities.

f) To attend to such other matters and functions as may be prescribed from time to time.

The quorum of the CSR Committee is 2 members. The CSR Committee had met one (1) time during the period under review and the meeting was held on 29th May, 2019. The details of attendance of members of the Corporate Social Responsibility Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr.Sudhakar Kudva@	Chairperson	1	1
Mr.N.Vijayaraghavan	Member	1	-
Mrs.K.Lakhsmi Raju	Member	1	1
Mr. R.S.Nanda ^	Member	1	1
Mr.V.Vijay Shankar*	Member	1	1
Mr.M.Pavan Kumar**	Member	-	-
Ms.Veni Mocherla$	Member	-	-

^ Ceased to be a Member of the Committee with effect from 26th February, 2020.

** Ceased to be a Member of the Committee with effect from 01st June, 2019.*

*** Inducted as Member of the Committee with effect from 01st June, 2019.*

$ Inducted as Member of the Committee with effect from 26th March, 2020.

@ Appointed as Chairperson of the Committee with effect from 26th March, 2020.

6) **Risk Management Committee:**

Mr.Sudhakar Kudva is the Chairperson of the Risk Management Committee. The others members of the Committee are Mr.M.Pavan Kumar; Mr.N.Vijayaraghavan; Mr.R.K.S.Prasad and Mr.Harish Chandra Bijlwan. During the year, the Board has reconstituted the Committee by inducting Mr.M.Pavan Kumar as Member, effective from 01st June, 2019, in place of Mr.V.Vijay Shankar, who ceased to the Member of the Committee from even date.

The functioning and terms of reference of the Risk Management Committee are in accordance with the applicable provisions of the Companies Act, 2013 and Rules made thereunder. The Company has duly framed the Risk Management Policy and laid down procedures to inform the Board members about the identification of elements of risk and minimization procedures.

The term of reference of the Risk Management Committee inter-alia includes the following:

a) To assist the Board in the execution of its responsibility for the governance of risk, the Committee shall have the responsibilities which include the following:

   i) to assist the Board in setting risk strategy policies, including annually agreeing risk tolerance and appetite levels in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and integrated reporting;

   ii) to ensure that an appropriate policy and plan for a system of risk management is developed by management, approved by the Board and distributed throughout the Company.

   iii) to annually review, assess the quality, integrity and effectiveness of the risk management plan and systems and ensure that the risk policies and strategies are effectively managed by management and that risks taken are within the agreed tolerance and appetite levels;

   iv) to review and assess the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work;

   v) to ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company's appetite or tolerance for risk. A framework and process to anticipate unpredictable risks should also be implemented;

   vi) to ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually. This assessment should as a minimum cover risk affecting the income streams of the Company, IT risks, the critical dependencies of the business., the sustainability and the legitimate interest and expectations of shareholders; a framework and process to anticipate unpredictable;

   vii) to oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the Company's objectives are attained;

   viii) to review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;

ix) to monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts; and

x) to provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by management and the Audit Committee to the Board on all categories of identified risks facing by the Company.

The quorum of the Risk Management Committee is 2 members. No meeting of the Risk Management Committee held during the period.

7) Compensation Committee:

Mr.Raghavender Mateti is the Chairperson of the Compensation Committee. The other member of the Compensation Committee is Mr.Sudhakar Kudva Mrs.K.Lakshmi Raju and Mr.N.Vijayaraghavan.

The terms of reference of the Compensation Committee inter alia includes the following:

a) To formulate, administer, supervise and implement or alter the same ESOS -2015 Scheme.

b) To Identify the employees entitled to participate under Employee stock option scheme

c) To Grant and determine the number of options to be granted under Employee stock option scheme.

d) To determine the method for exercising the vested options.

e) To determine the exercise price of the option granted.

f) To reissue of lapsed, surrendered, cancelled and forfeited options.

g) To determine the conditions under which options vested in employee shall lapse.

h) Such other things as the SEBI Regulations may prescribe from time to time.

The quorum of the Compensation Committee is 2 members. The committee met one (1) time during the year and the meeting was held on 12th December, 2019.

The attendance details of the members of the Compensation Committee are as follows:

Name of the Member	Status	No. of meetings	
		Held	Attended
Mr. Raghavender Mateti	Chairperson	1	1
Mr.Sudhakar Kudva	Member	1	-
Mr.N.Vijayaraghavan	Member	1	1
Mrs.K.Lakhsmi Raju	Member	1	-
Mr.R.S.Nanda#	Member	1	1

 # Ceased to be Member of the Committee with effect from 26th February, 2020

E. REMUNERATION TO DIRECTORS:

The Non-Executive Directors of the Company are paid sitting fees for attending the meetings of the Board of Directors/Committees of Board of Directors.

(a) The details of sitting fees paid to the Non-Executive Directors of the Company during the year from 1st April, 2019 to 31st March, 2020 are given below:

Sl. No.	Name of the Director	Sitting fees paid for attending meetings of Board of Directors and Committees of Directors.
		(Amount in ₹)
01.	Mrs.K.Lakshmi Raju	1,95,000
02.	Mr.Sudhakar Kudva	2,35,000
03.	Mr.N.Vijayaraghavan	2,40,000
04.	Mr.K.Raghuraman*	60,000
05.	Mr.Raghavender Mateti	2,85,000
06.	Mr.Ranvir Sain Nanda#	2,05,000
07.	Mr.K.Dorairaj	1,05,000
08.	Mr.Atul Churiwal	1,05,000
09.	Mr.Rajesh Kumar Agarwal	1,05,000
10.	Mr.Ramkrishna Mudholkar	75,000
11.	Mr.N.Sambasiva Rao	25,000
12.	Ms.Veni Mocherla	25,000

** Ceased to be a Director with effect from 09th August, 2019.*

 # Ceased to be a Director with effect from 26th February, 2020.

During the year, there were no other pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to its Non-Executive Director.

(b) Details of Remuneration paid to Mr.V.Vijay Shankar (upto 31st May, 2019) for the financial year ended 31st March, 2020 is mentioned hereunder:

(in ₹)

Sl. No.	Components	Amount
1.	Gross salary	84,33,691
2.	Perquisites	6,600
3.	Stock Option	-
4.	Contribution to Provident Fund	-
Total		*** 84,40,291**

** for details please refer Annexure V of Directors Report, forms part of this Annual Report.*

The tenure of office of the Managing Director is for 3 (three) years from their respective date of appointment and can be terminated by either party by giving three months notice of writing. Further, in case of early termination of the agreement with the Managing Director, the Board of Directors may consider paying the remaining unpaid fixed pay component of the aforesaid Performance pay, on pro-rata basis or otherwise, as may deem fit and proper.

(c) Details of Remuneration paid to Mr.M.Pavan Kumar, Managing Director & CEO for the financial year ended 31st March, 2020 (i.e., 01st June, 2019 to 31st March, 2020) is mentioned hereunder:

(in ₹)

Sl. No.	Components	Amount
1.	Gross salary	79,94,000
2.	Perquisites	33,000
3.	Stock Option	-
4.	Contribution to Provident Fund	-
Total		*** 80,27,000**

** for details please refer Annexure V of Directors Report, forms part of this Annual Report.*

The tenure of office of the Managing Director is for 3 (three) years from their respective date of appointment and can be terminated by either party by giving three months' notice of writing. Further, in case of early termination of the agreement with the Managing Director, the Board of Directors may consider paying the remaining unpaid fixed pay component of the aforesaid Performance pay, on pro-rata basis or otherwise, as may deem fit and proper.

F. PERFORMANCE EVALUATION:

Pursuant to applicable provisions of the Companies Act, and Listing Regulations, the Board has formulated Policy on Performance Evaluation of Directors which inter-alia covers, the criteria for evaluation of its own performance, performance of the Directors including Independent, Executive and Non-Executive Directors as well as the evaluation of its Committees and Chairperson of the Board. The criteria described in the said policy inter-alia includes qualifications, meeting the independence criteria, observing ethical standards, integrity, exercise of responsibilities, safeguarding interest of all stakeholders, skills and knowledge updation, adhering to Company's Code of conduct, regular attendance and active participation at the meetings of the Company, maintaining confidentiality, transparency, assistance in implementing best corporate governance practices, absence of conflict of interest with business of the Company, etc.

G. GENERAL BODY MEETINGS:

1) Details of last three Annual General Meetings:

Financial Year	Date	Time	Place of venue
2016-17	05-08-2017	03.00 p.m.	Katriya Hotel, No.8, Raj Bhavan Road, Somajiguda, Hyderabad-500082, TS India.
2017-18	06-08-2018	10.00 a.m.	FTAPCCI Auditorium, M/s. Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, (FTAPCCI), Federation House, 11-6-841, FAPCCI Marg, Red Hills, Hyderabad-500004, T.S. India.
2018-19	14-08-2019	10.00 a.m.	FTAPCCI Auditorium, M/s. Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, (FTAPCCI), Federation House, 11-6-841, FAPCCI Marg, Red Hills, Hyderabad-500004, T.S. India.

2) **Details of last three years Extraordinary General Meetings:**

Financial Year	Date	Time	Place of venue
2017-18	03.02.2018	10.00 a.m.	FTAPCCI Auditorium, Federation of Telangana and Andhra Pradesh Chamber of Commerce & Industry, Red Hills, Hyderabad-500004, TS India.
2018-19	07.03.2019	10.00 a.m.	FTAPCCI Auditorium, Federation of Telangana and Andhra Pradesh Chamber of Commerce & Industry, Red Hills, Hyderabad-500004, TS India.

3) No Postal Ballot Notices are issued to the public during the year ended 31st March, 2020.

4) All the Resolutions including the Special Resolution were passed through e-voting, physical ballot by post and polling process conducted at Annual General Meeting in compliance with the provisions of the Act, and Rule 20 of the Companies (Management and Administration) Rules, 2014.

5) During the year under review, no special resolution was passed through postal ballot.

H. TRANSFER OF UNCLAIMED SHARES TO INVESTOR EDUCATION AND PROTECTION FUND:

Pursuant to the provisions of Section 124(6) and 125 of the Companies Act, 2013 (the "Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (the "Rules") it is statutorily required on the part of the Company to transfer of all shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more in the name of Investor Education and Protection Fund Authority. During the year, the Company has transferred 3,98,189 equity shares to IEPF Authority. The Company has uploaded the full details of such shareholders and shares transferred and due to be transferred to IEPF Authority under the said provisions on its website at www.naclind.com. Shareholders are requested to refer to the web link to verify the details of un-cashed dividends and the shares liable to be transferred to IEPF Authority. Shareholders may note that both the unclaimed dividend and the shares transferred to IEPF Authority including all benefits accruing on such shares, if any, can be claimed back by them from IEPF Authority after following the procedure prescribed under the Rules.

I. DISCLOSURE WITH RESPECT TO UNCLAIMED SUSPENSE ACCOUNT:

As per the Regulation 39(4) read with Schedule V & VI of Listing Regulations, all physical shares remaining unclaimed by the shareholders, were required to be dematerialized by the Company and kept in the "Unclaimed Suspense Account" to be opened and operated by the Company/Committee for this purpose. As per the requirements of the amended clause, the Company had sent three reminders to the respective shareholders. The shares in respect of which no valid response has been received were transferred to the said unclaimed suspense account. The Company opened a separate demat account with Stock Holding Corporation (India) Ltd, Hyderabad in the name and style of "Nagarjuna Agrichem Limited Unclaimed Suspense Account" in the month of July, 2013 in this regard.

A statement of the shares remaining outstanding in the Unclaimed Suspense Account as on 31st March, 2020 is given below:

S. No	Particulars	No. of share-holders	No. of shares
1.	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the beginning of the year	1,222	16,83,690
2.	No. of shareholders who approached for transfer of shares from the unclaimed suspense account during the year	4	5,070
3.	No. of shareholders /folios holding shares were treat as unclaimed (in spite of several reminders mailed to them) transferred to unclaimed suspense account during the period.	-	-
4.	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the end of the year.	1,218	16,78,620

The Shareholders are entitled to claim these shares after complying with laid down procedures. As and when the shareholder approaches, the Company, after proper verification, shall either credit the shares to the Shareholder's Demat Account or deliver the physical certificates after re-materializing the same, depending on the option of the shareholder. The Board has delegated the power to the Managing Director and Company Secretary of the Company to approve such share transfers of the equity shares of the investors from the Unclaimed Suspense Account to the members demat account upon necessary requests from the original investor(s) and after duly confirmed by the RTA of the Company. All the corporate benefits in terms of securities accruing on these shares like bonus shares, subdivision etc. will also be credited to the Unclaimed Suspense Account and the voting rights on these shares shall remain frozen until the claim is made by the rightful owner.

J. DISCLOSURES:

a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with the Promoters, Directors, Key Managerial Personnel or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large is not included in the report, as there were no such transaction entered into by the Company during the financial year ended 31st March, 2020.

b) Details of related party transactions have been disclosed under the concerned note or Schedule in the financial statements. There are no transactions which may have potential conflict with the interests of the Company at large.

c) There has been no instance of non-compliance, penalties and strictures imposed on the Company by the Stock Exchange or SEBI or any other Statutory Authorities, on any matter related to capital markets during the last three years.

d) As required under the provisions of Companies Act, 2013 and Regulation 46 of the Listing Regulations, the mandatory disclosure of relevant policies i.e., CSR Policy, Nomination and Remuneration Policy, Related Party Transactions Policy, Risk Management Policy, Whistle Blower Policy, Policy for determining materiality of event and Information, Policy on preservation and Archival of Documents and Policy on Evaluation of Boards' Performance are mentioned briefly in the Board's Report, in this Report and/or posted on Company's website. (www.naclind.com).

e) The Managing Director and the Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) read with Part B of Schedule II to the Listing Regulations pertaining to CEO/CFO certification for the Financial Year ended 31st March, 2020.

f) **Subsidiary Companies:** The Company has two unlisted (Indian and Overseas) Wholly Owned Subsidiaries i.e., LR Research Laboratories Private Limited and Nagarjuna Agrichem (Australia) Pty. Ltd. An Executive Director and another Director of the Company are the Directors of Indian subsidiary. One Executive (SMPs) of the Company is on the Board of Overseas subsidiary. The Audit Committee of the Company reviews the financial statements of the subsidiaries. The minutes of the Board Meetings, along with a report of the significant transactions, if any, and arrangements of the unlisted subsidiaries of the Company are duly placed before the Board of Directors of the Company. The Company has no Subsidiary which can be considered as material in terms of the Listing Regulations.

g) **Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:**

The Company has complied with all the mandatory requirements and regulations as applicable to the Company of the Stock Exchanges, SEBI and other statutory regulatory authorities.

h) **Risk Management:** The Company has well laid down procedures and adopted a risk management policy to inform Board members about the risk assessment and minimization procedures.

i) **Vigil Mechanism/Whistle Blower Policy:** The Company has implemented Whistle Blower Policy to deal with any fraud, irregularity or mismanagement in the

Company. The policy enables any employee or Director to directly communicate to the Chairman of the Audit Committee to report any fraud, irregularity or mismanagement in the Company. The policy ensures strict confidentiality while dealing with concerns and also that no discrimination or victimization is meted out to any whistle blower. The Whistle Blower Policy as approved by the Board is uploaded on the Company's website www.naclind.com. During the year under review, your Company has not received any complaints under the said policy. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.

j) **Non-Disqualification of Directors:**

Based on the certificate received from Mr. K.V.Chalama Reddy, Practicing Company Secretary, we confirm that none of the directors on the board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Company by the SEBI / Ministry of Corporate Affairs or any such Statutory Authority.

k) **Details of utilization of funds raised through preferential issue:**

During the FY 2018-19, the Company has raised ₹3,500 lakhs against the allotment of 1,09,37,500 equity shares (₹32/- per equity shares) and ₹2,000 lakhs (₹8/- per warrant being 25% of issue price) against the allotment of 2,50,00,000 convertible warrants aggregating to ₹5,500 lakhs by way preferential issue under Chapter V of Securities and Exchange Board of India (Issue of Securities and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR"). The Company has utilized ₹2,000 lakhs only.

During the FY 2019-20, the Company has allotted the 2,50,00,000 equity shares upon conversion of above 2,50,00,000 warrants allotted under preferential issue against the receipt of balance consideration of ₹ 6,000 lakhs (₹24/- per warrant being 75% of issue price) on 24th March, 2020. The Company further utilized ₹1,450 lakhs during the year under review.

The details of the utilization of the funds are as follows:

(₹ in Lakhs)

Particulars	Amount
Working Capital	1,500
Capital expenditure -Block 7	1,950
Total utilization (A)	3,450
Equity funds received (B)	11,500
Balance available funds (A-B)	**8,050**

K. INFORMATION TO THE BOARD:

During the year, the Board of Directors of the Company had been furnished with the following information (including, but not limited to the following) to enable the Directors to contribute in the decision making process along with the minimum information to be placed before the Board of the Director of the Company as per Regulation 17(7) read with Part A of Schedule II of the Listing Regulations.

i) Quarterly Results of the Company.

ii) Annual operating plans, budgets, capital budgets, updates and all variances.

iii) Contracts in which Directors are deemed to be interested.

iv) Compliance of any regulatory and statutory nature or any listing requirements.

v) Minutes of the meetings of the Board of Directors of the Subsidiary Companies.

L. MEANS OF COMMUNICATION:

The quarterly/half-yearly un-audited and annual audited financial results of the Company are sent to the Stock Exchange immediately after they are approved by the Board of Directors. The results were published in Business Standard, Financial Express in English and Andhra Prabha in Telugu (regional language). The results are posted on the Company's website (www.naclind.com) and are sent to the BSE Limited and National Stock Exchange of India Ltd., (Stock Exchanges where the Company's share are listed) wherein the same is posted on their website www.bseindia.com and www.nseindia.com.

M. NAME AND DESIGNATION OF THE CHIEF COMPLIANCE OFFICER:

Mr.Satish Kumar Subudhi, Company Secretary & Head-Legal and Compliance Officer of the Company.

N. COMPLIANCE OF INSIDER TRADING NORMS:

The Company, in compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, has formulated a well-defined Insider Trading Policy which prohibits its Management, Employees and other Associates to deal in the securities of the Company based on any unpublished price sensitive information. The Policy lays down the guidelines which advise all the persons considered as Insiders on the procedures to be followed and disclosures to be made while dealing with shares of the Company and cautioning them of the consequences of violation.

O. GENERAL INFORMATION:

1)	Date, time and venue of Annual General Meeting	:	28th September, 2020 at 10:00 a.m. through video conferencing or other audio video means as set out in the Notice convening the AGM.
2)	Financial Year	:	01st April, 2019 to 31st March, 2020.
3)	Dividend	:	No dividend recommended during the financial year 2019-20.
4)	Listing on Stock Exchange	:	**a) BSE Limited,** P.J.Towers, Dalal Street, Mumbai-400001. **b) National Stock Exchange (India) Ltd.,** Bandra-Kurla Complex, Bandra (E), Mumbai-400051.
5)	Listing Fees	:	The Company has paid the listing fees to these stock exchanges for the year 2020-21.
6)	Stock Code	:	BSE - 524709 NSE - NACLIND
7)	CIN of the Company	:	L24219TG1986PLC016607
8)	Registered Office of the Company	:	Plot No.12-A, 'C' Block, Lakshmi Towers, Nagarjuna Hills, Panjagutta, Hyderabad-500082. Telangana State Tel.No.040-24405100 e-mail id: investors@naclind.com
9)	Website	:	www.naclind.com
10)	Communication regarding registration of share transfers and other related correspondence		Registers and Share Transfer Agents (RTA): **XL Softech Systems Ltd.,** Plot No. 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad-500034 Tel. (040) 23545913/14/15, Fax (040)-23553214. e-mail: xlfiled@gmail.com For shares related matters, the shareholders are requested to correspond with the RTA of the Company by mention /quoting their Client ID and DPID, Folio Number to the above address of RTA of the Company.
			Note: Shareholders holding shares in electronic mode should address all correspondence to their respective Depository Participants.
11)	Share Transfer system	:	Shares lodged for physical transfer at the RTA address are normally processed within a period of fifteen days from the date of lodging, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Stakeholders Relationship Committee.
12)	Secretarial Audit	:	Mr. K. V. Chalama Reddy, Practicing Company Secretary has conducted a secretarial audit of the Company for the year 2019-20. The audit report confirms that the Company has complied with the applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Listing Agreement entered with the Stock Exchange, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other laws and Regulations applicable to the Company. The said secretarial audit report forms part of the Directors' Report.

13) Dividend Pattern: The dividend pattern of the Company is as under:

Year	Type	Dividend (%)
2001-02	Final	8
2002-03	Final	10
2003-04	Final	12
2004-05	Interim	15
2004-05	Final	7
2005-06	Final	20
2006-07	Interim	20
2006-07	Final	20
2007-08	Interim-1	10
2007-08	Interim-2	10
2007-08	Interim-3	10
2007-08	Final	15
2008-09	Interim-1	10
2008-09	Interim-2	10
2008-09	Final	30
2009-10	Interim-1	20
2009-10	Final	30
2010-11	Interim	15
2011-12	Final	15
2012-13	No dividend	-
2013-14	No dividend	-
2014-15	Final	10
2015-16	Final	10
2016-17	Final	12.50
2017-18	Final	12.50
2018-19	No dividend	-
2019-20	Interim	10

14) Permanent Account Number (PAN):

The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in physical form should submit their PAN details to the Company or Registrar and Transfer Agent i.e., XL Softech Systems Limited.

15) Managing Director and Chief Financial Officer (CFO) Certification:

Pursuant to Regulation 17(8) of the Listing Regulations, the Managing Director and the Chief Financial Officer of the Company have certified to the Board, in the manner required under the Corporate Governance Code. This certificate is annexed to this Report.

16) The Company has not issued any GDRS/ADRS and there are no warrants or any Convertible instruments.

17) Commodity price risk or foreign exchange risk and hedging activities:

During the year, the Company has managed foreign exchange risk and hedged to the extent considered necessary. The details of foreign currency exposure are disclosed in Note to the Standalone Financial Statements.

18) Location of Plants and R&D unit:

a) Plot No. 177, Arinama Akkivalasa, Etcherla Mandal, Srikakulam District PIN-532403, Andhra Pradesh.

b) Ethakota, Ravulapalem P.O, East Godavari District, PIN-533238, Andhra Pradesh.

c) Nandigaon Village, Kothur Mandal, Mahaboobnagar District, Telangana State.

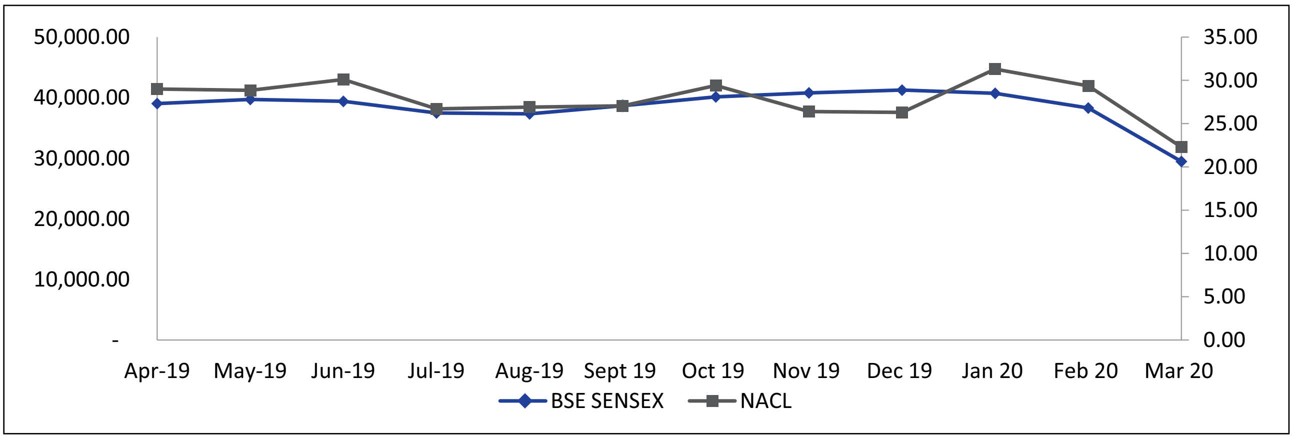
19) Market Price Data: The monthly High and Low quotations, as well as the market Index at both BSE and NSE during the year 01st April, 2019 to 31st March, 2020 are as follows:

20) Performance in comparison to Sensex

Share prices movement for the period April, 2019 to March, 2020 of the Company and Sensex is given below:

Month	NACL Price (BSE)			Sensex Index		
	High	Low	Close	High	Low	Close
April, 19	32.80	25.10	29.00	39,487.45	38,460.25	39,031.55
May,19	33.90	26.55	28.85	40,124.96	36,956.10	39,714.20
June, 19	35.30	28.20	30.10	40,312.07	38,870.96	39,394.64
July, 19	30.85	25.80	26.70	40,032.41	37,128.26	37,481.12
August, 19	28.90	25.10	26.90	37,807.55	36,102.35	37,332.79
September, 19	29.00	24.30	27.05	39,441.12	35,987.80	38,667.33
October, 19	30.00	25.00	29.40	40,392.22	37,415.83	40,129.05
November, 19	30.60	25.55	26.40	41,163.79	40,014.23	40,793.81
December, 19	27.20	25.10	26.30	41,809.96	40,135.37	41,253.74
January, 20	33.40	25.75	31.30	42,273.87	40,476.55	40,723.49
February, 20	36.00	28.20	29.35	41,709.30	38,219.97	38,297.29
March, 20	31.90	17.05	22.30	39,083.17	25,638.90	29,468.49

BSE Sensex Vs NACL Share Price

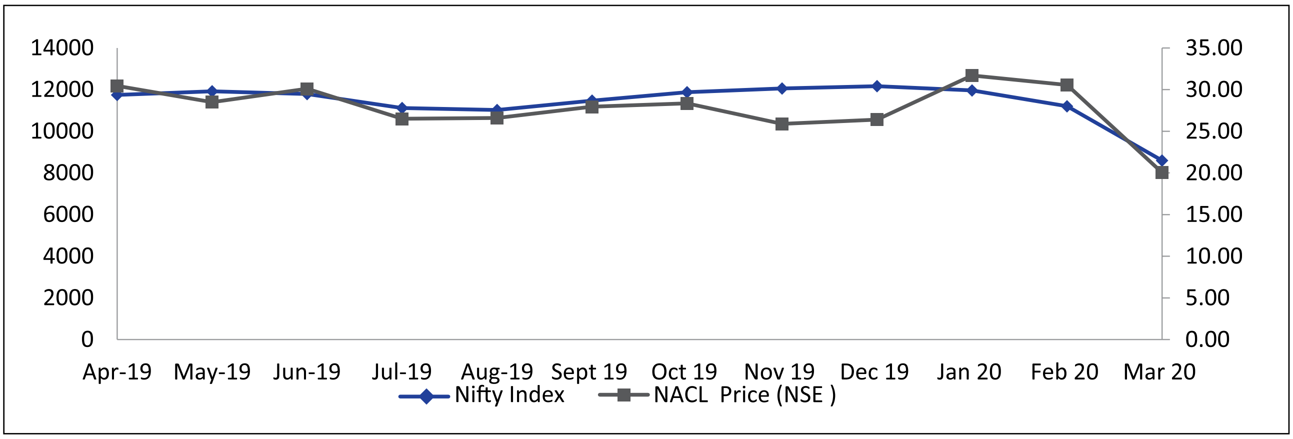


21) Performance in comparison to Nifty

Share prices movement for the period April, 2019 to March, 2020 of the Company and Nifty is given below:

Month	NACL Price (NSE)			Nifty Index		
	High	Low Price	Close Price	High	Low	Close
April, 19	33.70	29.20	30.45	11856.15	11549.10	11748.20
May,19	31.40	26.55	28.50	12041.15	11864.90	11922.80
June, 19	34.00	28.10	30.10	12103.05	11625.10	11788.90
July, 19	31.00	25.60	26.50	11981.75	10999.40	11118.00
August, 19	28.85	25.00	26.60	11181.45	10637.15	11023.25
September, 19	30.70	25.15	27.95	11694.85	10670.25	11474.45
October, 19	30.00	25.75	28.35	11945.00	11090.15	11877.45
November, 19	30.50	25.00	25.90	12158.80	11802.65	12056.05
December, 19	28.40	25.20	26.40	12293.90	11832.30	12168.45
January, 20	33.50	25.70	31.70	12430.50	11929.60	11962.10
February, 20	36.90	28.60	30.55	12246.70	11175.05	11201.75
March, 20	32.00	16.50	20.05	11433.00	7511.10	8597.75

Nifty Index Vs NACL Share Price



22) Share Transfer Agent:

The Company's Registrar and Share Transfer Agent (RTA) is M/s XL Softech Systems Limited, is registered with SEBI and is located at Plot No.3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500034, Telangana State.

23) Distribution of Shareholding:

The distribution of shareholding as on 31st March, 2020 was as follows:

Shareholding range	Shareholders		Share Amount	
	Member	In %	₹	In %
001 - 5000	5,965	48.80	10,27,973	0.61
5001 - 10000	1383	11.30	11,52,353	0.69
10001 -20000	3074	25.20	39,67,605	2.37
20001 - 30000	472	3.86	11,95,994	0.71
30001 - 40000	254	2.08	9,12,737	0.54
40001 - 50000	200	1.64	9,58,366	0.57
50001 - 100000	420	3.42	30,26,520	1.81
100001 & above	452	3.70	18,03,63,713	92.70
Total	**12,220**	**100**	**19,26,05,261**	**100**

Category		No of shares held	Percentage of shareholding
A	**Promoters Holdings (A)**	12,19,15,859	63.30
	Sub-Total	**12,19,15,859**	**63.30**
B	**Non-Promoters Holding: (B)**		
	I) Institutional investors		
	a) Banks, venture capital funds, insurance Companies, Alternate investment funds, Foreign Venture Capital Investors, Provident funds/Pension Funds.	735	0.00
	b) Foreign Portfolio investors	31,61,124	1.64
	c) Central Govt./State Govt./President of India.	-	-
	II) Non-Institutional Investors		
	(i) **Others:**		
	1) Private Corporate Bodies	1,95,84,140	10.17
	2) Indian Public	4,34,60,943	22.56
	3) Unclaimed share suspense account	16,78,620	0.87
	4) IEPF	12,49,948	0.65
	5) Employees (ESOS)	7,23,753	0.38
	6) NRIs/OCBs	7,55,830	0.39
	7) Clearing members	74,309	0.04
	Sub-total	**7,06,89,402**	**36.70**
	Grand Total (A) + (B)	**19,26,05,261**	**100.00**

24) Shares held by Promoters / Non-Executive Directors:

S. No	Name of the Promoters	No. of shares held	No. of Warrants held
1.	KLR Products Limited	11,36,23,500	-
2.	K.Lakshmi Raju	77,05,860	-
3.	Bright Town Investment Advisors Private Limited	5,86,499	-
4.	Mr. Atul Churiwal	2,55,325	
5.	Mr.Rajesh Kumar Agarwal and Mr. Atul Churiwal jointly representing M/s.Agro Life Science Corporation, a registered Partnership Firm	1,56,25,000	-

25) Dematerialization of Shares and Liquidity:

Trading in equity shares of the Company is permitted only in dematerialized form as per the notification issued by SEBI. Dematerialization of shares is done through M/s. XL Softech System Ltd., Hyderabad and on an average the dematerialization process is completed within 21 days from the receipt of the valid demat request along with all documents. The breakup of physical and dematerialized shares as on 31st March, 2020:

Mode	No. of shares held	Shareholding %
Demat	18,93,66,671	98.32
Physical	32,38,590	1.68
Total	**19,26,05,261**	**100**

For and on behalf of the Board

	M.Pavan Kumar	**Raghavender Mateti**
Place: Hyderabad	Managing Director & CEO	Director
Date: 26th August, 2020	(DIN:01514557)	(DIN:06826653)

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGERIAL PERSONNEL WITH THE CODE OF CONDUCT AND ETHICS

The Board of Directors of the Company approved the Code of Conduct for the Directors and the Senior Management personnel. All the Directors and the designated personnel in the Senior Management of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2020.

Place: Hyderabad
Date: 26th August, 2020

M. Pavan Kumar
Managing Director & CEO
(DIN: 01514557)

COMPLIANCE CERTIFICATE

Certification by Managing Director and Chief Financial Officer (CFO) of the Company under Regulation 17(8) and Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

We, M.Pavan Kumar, Managing Director & CEO and R.K.S.Prasad, Chief Financial Officer of NACL Industries Limited, to the best of our knowledge and belief, herewith certify that:

A. We have reviewed the Balance Sheet and Profit & Loss Account of the Company for the quarter and financial year ended 31st March, 2020 and all its schedules and notes on accounts and the Cash Flow statements for the year and that to the best of our knowledge and belief certify that:

   i) these statements do not contain any materially untrue statement or omit to state a material fact or contains statement that might be misleading;

   ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate of the Company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the Auditors and the Audit Committee:

   i) There have been no significant changes in the internal controls over financial reporting during the financial year 2019-20.

   ii) There were no significant changes in accounting policies during the year.

   iii) There was no instance of significant fraud, which we have become aware of and that involves management or other employees who have significant role in the Company's internal control systems over financial reporting.

For and on behalf of the Board

	M.Pavan Kumar	**R.K.S.Prasad**
Place: Hyderabad	Managing Director & CEO	Chief Financial Officer
Date: 20th May, 2020		

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To
The Members of **NACL Industries Limited**

We have examined the compliance of the conditions of Corporate Governance by NACL Industries Limited ("Company"), and examine the records for the purpose of certifying compliance of the conditions of the Corporate Governance as specified in regulations 17 to 27, clause (b) to (i) of Regulation46(2) and paragraphs C, D and E of Schedule-V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing Regulations"), for the financial year ended 31st March, 2020. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of our information and according to the explanations and information furnished to us, and based on the representations made by the Directors and the management, we certify that, the Company has complied with the conditions of Corporate Governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing regulations"), as applicable for the said financial year ended 31st March, 2020.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

K.V.Chalama Reddy
Practicing Company Secretary
M .No.: F9268, C.P.No:5451
UDIN number: F009268B000619658

Place: Hyderabad
Date: 26th August, 2020

INDEPENDENT AUDITOR'S REPORT

To The Members of NACL Industries Limited

Report on the Audit of the Standalone Financial Statements

Opinion

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone 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 Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made 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 standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report

Sr. No.	Key Audit Matter	Auditor's Response
1	**Timing of revenue recognition** The Company recognises revenue from sale of farm inputs based on the terms and conditions of transactions which varies with different customers. For sale transactions occurring close to the year end, it is essential to ensure that the control of goods have transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we considered the risk of such sales transactions recorded in wrong financial period (cut-off) as a key audit matter. Refer notes 2.4 and 22 of the standalone financial statements	**Principal audit procedures performed:** • We obtained an understanding of the revenue recognition process including a sample of sales contracts. • We tested the company's key controls around the timely and accurate recording of the sales transactions. • We tested the access and change management controls of the relevant information technology system in which shipments are recorded. • We performed testing for a sample of sales invoices recorded immediately before the year-end and obtained evidences to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report and Management Discussion & Analysis, but does not include the standalone financial statements and our auditor's report thereon. The Director's Report and Management Discussion & Analysis are expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon

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

When we read the Director's Report and Management Discussion & Analysis, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, 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 judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility for the Audit of the Standalone Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone 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 standalone 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by 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, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

    d) In our opinion, the aforesaid standalone 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, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls 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 Company's internal financial controls over financial reporting.

    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 standalone financial statements;

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

2. 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 No. 117366W/W-100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
UDIN: 20201193AAAABZ1207

Place: Hyderabad
Date: May 20, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 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")

We have audited the internal financial controls over financial reporting of **NACL Industries Limited** ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India 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.

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.

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

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, 2020, 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
UDIN: 20201193AAAABZ1207

Place: Hyderabad
Date: May 20, 2020

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(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 regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for term loans and working capital loan are held in the name of the Company based on the confirmations directly received by us from lenders

ii. 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.

iii. 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

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

v. According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any outstanding unclaimed deposits as at March 31, 2020 and therefore, reporting under clause (v) of the Order is not applicable.

vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013 for pesticides. 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.

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

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods & Services Tax, Customs Duty, cess 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, Goods & Services Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

(c) Details of dues of Sales Tax, Service Tax, Excise Duty and Value Added Tax which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)
Central Excise Act, 1944	Excise duty	Hon'ble High Court of Andhra Pradesh	2004-05	8	8
		Addl. Commissioner (Appeals), Visakhapatnam	2006-07	12	12
		Commissioner(Appeals), A.P.	2016-17	4	3
The Finance Act, 1994	Service tax	Commissioner(Appeals), A.P.	2013-14 to 2016-17	66	63
Sales Tax Act and VAT Laws	Sales Tax	Assistant Commissioner	2012-13 to 2014-15	32	27
		Addl. Commissioner/ Joint Commissioner	2011-12, 2013-14 & 2014-15	17	11
		Hon'ble High Court of Andhra Pradesh	2014-15 & 2015-16	33	25
		Commissioner (Appeals)	2015-16	7	5

viii. 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 financial institutions, banks and government. The Company has not issued any debentures.

ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised.

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

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

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

xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 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.

xiv. According to the information and explanations given to us, the Company has made preferential allotment of shares against conversion of outstanding share warrants during the year under review.

In respect of the above issue, we further report that:

a. the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and

b. the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised, other than temporary deployment pending application.

xv. 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 persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

xvi. 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 No. 117366W/W-100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
UDIN: 20201193AAAABZ1207

Place: Hyderabad
Date: May 20, 2020

BALANCE SHEET AS AT MARCH 31, 2020

(₹ in lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
I ASSETS			
1 Non-current assets			
(a) Property, plant and equipment	4	18,291	13,673
(b) Right-of-use assets	37	597	-
(c) Capital work-in-progress	4	3,482	1,517
(d) Intangible assets	5	174	470
(e) Intangible assets under development	5	751	554
(f) Financial assets			
(i) Investments	6	858	855
(ii) Other financial assets	7	482	316
(g) Other non-current assets	8	663	246
(h) Deferred tax assets (net)	19	-	103
(i) Income Tax Assets (net)		407	491
Total non-current assets		**25,705**	**18,225**
2 Current assets			
(a) Inventories	9	16,450	22,401
(b) Financial assets			
(i) Trade receivables	10	35,939	26,772
(ii) Cash and cash equivalents	11	8,353	680
(iii) Other bank balances	12	3,415	519
(iv) Other financial assets	7	394	469
(c) Income tax assets (net)	13	267	267
(d) Other current assets	8	4,278	4,355
Total current assets		**69,096**	**55,463**
Total assets		**94,801**	**73,688**
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity share capital	14	1,926	1,674
(b) Other equity	15	33,127	26,191
Total equity		**35,053**	**27,865**
2 Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	2,175	1,177
(ii) Lease Liabilities	37	316	-
(iii) Other financial liabilities	17	1,264	1,142
(b) Provisions	18	563	382
(c) Deferred tax liabilities (net)	19	101	-
Total non-current liabilities		**4,419**	**2,701**
3 Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	16	22,724	18,574
(ii) Lease Liabilities	37	379	-
(iii) Trade payables	20		
(a) total outstanding dues of micro enterprises and small enterprises		533	301
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		26,284	20,599
(iv) Other financial liabilities	17	3,767	1,551
(b) Provisions	18	154	173
(c) Income tax liabilities (net)	13	248	136
(d) Other current liabilities	21	1,240	1,788
Total current liabilities		**55,329**	**43,122**
Total liabilities		**59,748**	**45,823**
Total equity and liabilities		**94,801**	**73,688**

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

(₹ in lakhs, unless otherwise stated)

	Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
I	**INCOME**			
	Revenue from operations	22	101,489	86,549
	Other income	23	749	2,570
	Total income		**102,238**	**89,119**
II	**EXPENSES**			
	Cost of materials consumed	24	60,450	57,446
	Purchases of stock-in-trade		4,564	5,983
	Changes in inventories of finished goods, work in progress and stock-in-trade	25	6,319	(2,325)
	Employee benefits expense	26	8,627	7,931
	Finance costs	27	2,916	3,398
	Depreciation and amortisation expense	28	2,397	2,035
	Other expenses	29	14,671	16,143
	Total expenses		**99,944**	**90,611**
III	**Profit/(loss) before tax (I - II)**		**2,294**	**(1,492)**
IV	**Tax expense**			
	(i) Current tax	13.1	423	-
	(ii) Deferred tax	13.1	294	(654)
	Total tax expense		**717**	**(654)**
V	**Profit/(loss) for the year (III - IV)**		**1,577**	**(838)**
VI	**Other comprehensive income**			
	Items that will not be reclassified subsequently to statement of profit and loss			
	(a) Remeasurement of defined benefit obligation	18	(28)	5
	(b) Income tax expense on remeasurement above	13.1	10	(2)
	Items that will be reclassified subsequently to statement of profit and loss			
	(a) Effective portion of loss on designated portion of hedging instrument in a cash flow hedge		(174)	-
	(b) Income tax expense there on	13.1	60	-
	Total other comprehensive income		**(132)**	**3**
VII	**Total comprehensive income/(loss) for the year (V + VI)**		**1,445**	**(835)**
VIII	**Earnings per equity share of ₹ 1 each**			
	Basic (₹)	34	0.94	(0.54)
	Diluted (₹)	34	0.94	(0.53)

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
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Place : Hyderabad
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Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(₹ in lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	2,294	(1,492)
Adjustments for:		
Depreciation and amortisation expense	2,397	2,035
Finance costs	2,916	3,398
Interest income	(52)	(76)
Unrealised forex (gain)/loss	(43)	415
Excess provisions, no longer required, written back	(68)	-
Provision for doubtful debts and advances	811	350
Loss on sale of property, plant and equipment (net)	166	84
Share-based payments	44	16
Bad debts written off	583	147
Operating profit before working capital changes	**9,048**	**4,877**
Changes in working capital:		
Adjustment for (increase)/decrease in operating assets:		
Inventories	5,951	(2,193)
Trade receivables	(10,064)	1,334
Other financial assets	35	(381)
Other assets	86	(1,333)
Adjustment for increase/(decrease) in operating liabilities:		
Trade payables	5,697	2,567
Provisions	162	(56)
Other financial liabilities	137	(313)
Other current liabilities	(548)	(588)
Cash generated from operations	**10,504**	**3,914**
Income taxes paid (net)	(200)	(267)
Net cash generated from operating activities (A)	**10,304**	**3,647**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment including capital advances	(6,993)	(2,251)
Proceeds from sale of property, plant and equipment	4	13
Investments made in subsidiary, associate & others	(3)	(329)
Movement in other deposits and margin money	(2,707)	(363)
Interest income received	45	219
Net cash used in investing activities (B)	**(9,654)**	**(2,711)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from allotment of share warrants	-	2,000
Proceeds on conversion of share warrants to equity shares	6,000	-
Proceeds from preferential allotment of equity shares (net of expenses incurred on such issue)	-	3,406
Proceeds from allotment of shares under ESOP	15	14
Proceeds from non-current borrowings	2,971	500
Repayment of non-current borrowings	(2,353)	(1,803)
Movement in current borrowings	3,985	(1,579)
Payment of lease liabilities	(543)	-

(₹ in lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Dividend paid including tax thereon	(232)	(236)
Finance costs paid	(2,820)	(3,226)
Net cash used in financing activities (C)	**7,023**	**(924)**
Net increase/(decrease) in cash and cash equivalents (D) = (A+B+C)	**7,673**	**12**
Cash and cash equivalents at the beginning of the year (E)	**680**	**668**
Cash and cash equivalents at the end of the year (F) = (D)+(E) (refer note 1)	**8,353**	**680**
Notes:		
1. Cash and cash equivalents comprises of (Refer note 11)		
(a) Balance with Banks		
In Current accounts	8,346	676
(b) Cash on hand	7	4
Cash and cash equivalents as per cash flows	**8,353**	**680**

2. (i) Reconciliation of liabilities from financing activities

Particulars	As at March 31, 2019	Proceeds/ Additions	Repayments	Foreign currency translation	As at March 31, 2020
Long term borrowings (including current portions)	2,517	2,971	2,353	215	3,350
Short-term borrowings	18,574	3,985	-	165	22,724
Lease liabilities (refer note 37)	-	1,238	543	-	695
Total liabilities from financing activities	**21,091**	**8,194**	**2,896**	**380**	**26,769**

2. (ii) Reconciliation of liabilities from financing activities

Particulars	As at March 31, 2018	Proceeds	Repayments	Foreign currency translation	As at March 31, 2019
Long term borrowings (including current portions)	3,820	500	1,803	-	2,517
Short-term borrowings	19,871	-	1,579	282	18,574
Total liabilities from financing activities	**23,691**	**500**	**3,382**	**282**	**21,091**

Note:

Cash Flow Statement has been prepared under the indirect method as set out in the Indian Accounting Standard 7 on cash flow statements. Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and cash equivalents which are short-term and held for the purpose of meeting short-term cash commitments.

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A. Equity share capital (₹ in lakhs, unless otherwise stated)

Particulars	Note	Number of shares	Amount
Balance as at March 31, 2018		**156,308,384**	**1,563**
Add: Issue of equity shares under Company's employee stock option plan	14.2	174,376	2
Add: Issue of equity shares under Preferential Allotment		10,937,500	109
Balance as at March 31, 2019		**167,420,260**	**1,674**
Add: Issue of equity shares under Company's employee stock option plan	14.2	185,001	2
Add: Issue of equity shares upon conversion of share warrants		25,000,000	250
Balance as at March 31, 2020		**192,605,261**	**1,926**

B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
Balance as at March 31, 2018	21	242	4,175	17,998	(499)	-	-	21,937
Loss for the year	-	-	-	(838)	-	-	-	(838)
Other Comprehensive Income for the year net of income tax	-	-	-	3	-	-	-	3
Stock option on vesting of employee stock options	-	-	-	-	-	16	-	16
Stock option on exercise of employee stock options	-	-	-	-	-	(16)	-	(16)
Amount received on exercise of employee stock options & Preferential Allotment	-	3,419	-	-	-	-	-	3,419
Expenses incurred on issue of preferential shares	-	(94)	-	-	-	-	-	(94)
Amount received on issue of equity share warrants	-	-	-	-	-	-	2,000	2,000
Payment of dividends including tax thereon	-	-	-	(236)	-	-	-	(236)
Balance as at March 31, 2019	**21**	**3,567**	**4,175**	**16,927**	**(499)**	**-**	**2,000**	**26,191**
Profit for the year	-	-	-	1,577	-	-	-	1,577
Other Comprehensive Income for the year net of income tax	-	-	-	(132)	-	-	-	(132)
Impact on account of adoption of Ind AS 116 Lease (refer note no. 37)	-	-	-	(84)	-	-	-	(84)
Stock option on vesting of employee stock options	-	-	-	-	-	44	-	44

(₹ in lakhs, unless otherwise stated)

B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
Stock option on exercise of employee stock options	-	-	-	-	-	(21)	-	(21)
Amount received on exercise of employee stock options & Preferential Allotment	-	7,784	-	-	-	-	-	7,784
Reversal of equity share warrants on exercise	-	-	-	-	-	-	(2,000)	(2,000)
Payment of dividends including tax thereon	-	-	-	(232)	-	-	-	(232)
Balance as at March 31, 2020	**21**	**11,351**	**4,175**	**18,056**	**(499)**	**23**	**-**	**33,127**

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

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(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

NACL Industries Limited ("the Company"), is a Public Limited Company listed with the BSE Limited and National Stock Exchange of India Limited. The Company is in the business of crop protection and manufactures both Technical's (Active Ingredient) and Formulations. It manufactures pesticides, insecticides, acaricides, herbicides, fungicides and other plant growth chemicals. The Company's formulation business is mainly in the Indian market and sells through its large retail dealer network spread across India. The Company has a range of branded formulations. It also exports technicals and formulations and does toll manufacture for certain multinational companies.

2. Significant accounting policies

2.1. Statement of compliance

The standalone financial statements have been prepared in accordance 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 Companies (Indian Accounting Standards) Amendment Rules, 2016.

2.2. Basis for preparation and presentation

The standalone financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, and on accrual basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these standalone financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for similar assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Based on the nature of activities of the Company and the average time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

The principal accounting policies are set out below.

2.3. Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses for the periods reported.

The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates – estimates and underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are reflected in the financial statements in the period in which results are known and, if material, are disclosed in the financial statements.

2.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods. Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch. Revenue is also recognised where goods are ready as per customer request and pending dispatch at the instance of the customer. In such cases, the products are separately identified as belonging to the customer and the Company does not hold the right to redirect the product to another customer. On satisfaction of all performance obligations, invoice is raised on the customer in accordance with customer request at regular payment terms. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers.

At contract inception, since for most of the contracts it is expected that the period between the transfer of the promised goods or services to a customer and payment for these goods or services by the customer will be one year or less, practical expedient in Ind AS 115 have been applied and accordingly the Company does not adjust the promised amount of consideration for the effects of any significant financing component.

Revenue from operations includes "Other Operating Revenue" which consists of export benefits, net interest on receivables, scrap sales and conversion charges etc. Export benefits, interest on receivables (net) and conversion charges are recognised on accrual basis.

2.5. Other income

a) Dividend income from investments is recognised in the year in which the right to receive the payment is established.

b) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.6. Leasing

The Company's lease asset classes primarily consist of leases for warehouses and vehicles. The Company assesses whether a contract contains a lease, at inception of a 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 date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

2.7. Insurance claims

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

2.8. 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 entity operates (i.e. "functional currency"). The financial statements are presented in Indian Rupee (₹), the national currency of India, which is the functional currency of the Company.

2.9. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in statement of profit and loss in the period in which they arise.

2.10. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of profit and loss in the period in which they are incurred.

2.11. Employee benefits

Employee benefits include Provident fund, Employee's State Insurance scheme, Gratuity fund and Compensated absences.

2.11.1. Defined contribution plans

Contributions in respect of Employees Provident Fund and Pension Fund which are defined contribution schemes, are made to a fund administered through Regional Provident Fund Commissioner and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

2.11.2. Defined benefit plans

The Company's Gratuity scheme for its employees is a defined benefit retirement benefit plan.

Obligations under the Gratuity scheme is covered under a Scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognised in the statement of profit and loss. The liability as at the Balance Sheet date is provided for using the projected unit credit method, with actuarial valuations being carried out as at the end of the year.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to statement of profit and loss.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income; and
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

2.11.3. Compensated absences

The employees of the Company are entitled to compensate absences. The employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence based on actuarial valuation made by an independent actuary as at the balance sheet date on projected unit credit method. Compensated absences expected to be maturing after 12 months from the date of balance sheet are classified as non-current.

2.12. Share based payment arrangement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

2.13. Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit attributable to equity shareholders by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

2.14. Taxation

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

2.14.1. Current Tax

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income-tax Act, 1961.

2.14.2. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.14.3. Minimum Alternate Tax (MAT) Credit

Minimum alternate tax (MAT) credit is recognised in accordance with tax laws in India as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. The Company reviews the MAT credit at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.14.4. Current tax and deferred tax for the year

Current and deferred tax are recognised in the statement profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.15. Cash and cash equivalents

Cash comprises cash on hand and in bank. The Company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents. Such cash equivalents are subject to insignificant risk of changes in value.

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transaction of non - cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.16. Property, plant and equipment

Property, plant and equipment are stated in the Balance Sheet at cost, less accumulated depreciation and impairment losses, if any. Cost includes purchase price, attributable expenditure incurred in bringing the asset to its working condition for the intended use and cost of borrowing till the date of capitalisation in the case of assets involving material investment and substantial lead time.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of following categories of assets in whose case the life of certain assets has been assessed based on technical advice taking into account the nature of the asset, the estimated usage of the asset, the operating condition of the asset, past history of replacement, maintenance support etc.

Asset	**Useful life (in years)**	**Useful life (in years)**
Particulars	**For the year ended**	**For the year ended**
	March 31, 2020	**March 31, 2019**
Plant and equipment	15 - 20	15 - 20

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets costing ₹ 5,000 and below are depreciated over a period of one year. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

2.17. Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use.

The estimated useful life of an identifiable intangible asset is as under:

- Goodwill is amortised over a period of 10 years
- Computer software is amortised over a period of 3 years
- Developed products are amortised over a period of 3 years

The estimated useful life and amortisation method are reviewed periodically at the end of each reporting period.

Intangible assets under development are carried at cost, comprising direct cost and related incidental expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of profit and loss when the asset is derecognized.

2.18. Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use the asset and the costs can be measured reliably. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis for preparing the asset for its intended use.

2.19. Impairment of assets

2.19.1. Non financial assets - property, plant and equipment and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset/cash generating unit may be impaired. If any indication exists the Company estimates the recoverable amount of such assets and if carrying amount exceeds the recoverable amount, impairment is recognised. The recoverable amount is the higher of the fair value less cost to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount factor. When there is indication that previously recognised impairment loss no longer exists or may have decreased such reversal of impairment loss is recognised in the statement of profit and loss.

2.19.2. Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as an impairment gain or loss in the statement of profit and loss.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL loss allowance (or reversal) during the year is recognised in the statement of profit and loss.

2.20. Inventories

Inventories are valued at lower of cost (on weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Net realisable value represents the estimated selling price of inventories less all the estimated costs of completion and the costs necessary to make the sale.

The method of determination of cost of various categories of inventories is as follows:

i. **Raw Materials -** Weighted average cost. Cost includes the purchase cost and other attributable expenses;

ii. **Work-in-progress -** Weighted average cost. Cost includes the purchase cost and other attributable expenses;

iii. **Finished Goods -** Weighted average cost of production which comprises of direct material costs, direct wages and applicable overheads. Excise duty is included in the value of finished goods;

iv. **Stores and Spares, Packing Material -** Weighted average cost;

v. **Stock-in-trade -** Weighted average cost.

2.21. Provisions, contingent liabilities and contingent assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reasonable estimate of the amount of obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities are disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are neither recognised nor disclosed in the financial statements.

2.22. Financial Instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised when a Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit and loss.

(ii) Subsequent Recognition

Non-derivative financial instruments:

a. Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

c. **Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

d. **Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through statement of profit and loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derivative financial instruments:

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of profit and loss depends on the nature of the hedging relationship and the nature of the hedged item.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value Through Profit or Loss (FVTPL). Interest income is recognised in statement of profit and loss and is included in the "other income" line item.

Hedge accounting:

The Company designates derivative contracts in a cash flow hedging relationship by applying the hedge accounting principles designated in a hedging relationship, used to hedge its risks associated with foreign currency fluctuations relating to certain highly probable forecast transactions.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. These derivative contracts are stated at the fair value at each reporting date.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of profit and loss.

Amounts previously recognised in other comprehensive income and accumulated in equity relating to (effective portion as described above) are reclassified to statement of profit and loss in the periods when the hedged item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in statement of profit and loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in statement of profit and loss.

Investment in subsidiaries and associates

On initial recognition, these investments are recognized at fair value plus any directly attributable transaction cost. Subsequently, they are measured at cost.

Derecognition of financial assets and financial liabilities

Financial asset:

The Company de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit and loss if such gain or loss would have otherwise been recognised in statement of profit and loss on disposal of that financial asset.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

Foreign exchange gains and losses

For foreign currency denominated financial assets measured at amortised cost and Fair Value through Profit or Loss (FVTPL), the exchange differences are recognised in statement of profit and loss.

Changes in the carrying amount of investments in equity instruments at Fair Value through Other Comprehensive Income (FVTOCI) relating to changes in foreign currency rates are recognised in other comprehensive income.

For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in statement of profit and loss and other changes in the fair value of

FVTOCI financial assets are recognised in other comprehensive income.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the statement of profit and loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in statement of profit and loss.

2.23. Fair value measurement

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

2.24. Exceptional Items

Significant gains/losses or expenses incurred arising from external events that is not expected to recur are disclosed as 'Exceptional item'.

2.25. Recent accounting pronouncements:

Standards issued but not yet effective: -

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical Judgments

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Contingencies and commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Company. Where the potential liabilities have a low probability of crystallizing or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. In estimating the net realisable value of inventories the Company makes an estimate of future selling prices and costs necessary to make the sale.

Revenue recognition

The Company accepts sales returns and provides various rebates & incentives as per the policy. Various estimates are made to recognise the impact of sales return provision, rebates &

incentives on revenue. These estimates are made based on historical and forecasted data, contractual terms and market conditions.

Provision for doubtful receivables

The Company makes provision for doubtful receivables based on a provision matrix which takes into account historical credit loss experience and adjusted for current estimates.

Provision for employee benefits

The Company uses actuarial assumptions to determine the obligations for employee benefits at each reporting period. These assumptions include discount rate, expected long-term rate of return on plan assets, rate of increase in compensation levels and mortality rates.

(₹ in lakhs, unless otherwise stated)

4. Property, plant and equipment and capital work-in-progress

4.1 Carrying amounts of:

Particulars	As at March 31, 2020	As at March 31, 2019
Land	2,508	2,508
Buildings	3,787	3,134
Plant and equipment	11,590	7,565
Furniture and fixtures	144	192
Vehicles	64	83
Office equipment	58	55
Computers	140	136
Total	**18,291**	**13,673**
Capital work-in-progress	3,482	1,517

4.2 Movement of property, plant and equipment:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Cost or deemed cost								
Balance as at March 31, 2018	**2,508**	**4,995**	**32,175**	**600**	**151**	**227**	**570**	**41,226**
Add: Additions	-	83	303	17	24	21	50	498
Less: Disposals	-	-	2	-	23	1	27	53
Balance as at March 31, 2019	**2,508**	**5,078**	**32,476**	**617**	**152**	**247**	**593**	**41,671**
Add: Additions	-	808	5,485	5	9	20	65	6,392
Less: Disposals	-	-	210	-	24	-	15	249
Balance as at March 31, 2020	**2,508**	**5,886**	**37,751**	**622**	**137**	**267**	**643**	**47,814**

4.3 Accumulated depreciation:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Balance as at March 31, 2018	**-**	**1,794**	**23,486**	**372**	**79**	**176**	**426**	**26,333**
Less: Disposals	-	-	1	-	21	1	24	47
Add: Depreciation expense	-	150	1,426	53	11	17	55	1,712
Balance as at March 31, 2019	**-**	**1,944**	**24,911**	**425**	**69**	**192**	**457**	**27,998**
Less: Disposals	-	-	199	-	7	-	11	217
Add: Depreciation expense	-	155	1,449	53	11	17	57	1,742
Balance as at March 31, 2020	**-**	**2,099**	**26,161**	**478**	**73**	**209**	**503**	**29,523**

4.4 Carrying amounts:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Balance as at March 31, 2020	**2,508**	**3,787**	**11,590**	**144**	**64**	**58**	**140**	**18,291**
Balance as at March 31, 2019	**2,508**	**3,134**	**7,565**	**192**	**83**	**55**	**136**	**13,673**

Notes:

(i) Above includes opening gross block of ₹ 2,004 lakhs (2019: ₹ 1,924 lakhs), additions amounting to ₹ 29 lakhs (2019: ₹ 45 lakhs) and net block amounting to ₹ 968 lakhs (2019: ₹ 997 lakhs) in respect of in-house research and development.

(₹ in lakhs, unless otherwise stated)

5. Intangible assets and intangible assets under development

5.1 Carrying amounts of:

Particulars	As at March 31, 2020	As at March 31, 2019
Goodwill	-	-
Computer software	18	36
Developed products	156	434
Technical knowhow	-	-
Total	**174**	**470**
Intangible assets under development	751	554

5.2 Movement of intangible assets:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
Cost or deemed cost					
Balance as at March 31, 2018	**121**	**379**	**1,254**	**65**	**1,819**
Add: Additions	-	-	-	-	-
Less: Disposals	-	-	54	-	54
Balance as at March 31, 2019	**121**	**379**	**1,200**	**65**	**1,765**
Add: Additions	-	-	40	-	40
Less: Disposals	-	-	25	-	25
Less: Adjustment	121	-	-	-	121
Balance as at March 31, 2020	**-**	**379**	**1,215**	**65**	**1,659**

5.3 Accumulated amortisation:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
Balance as at March 31, 2018	**121**	**324**	**418**	**65**	**928**
Less: Disposals	-	-	13	-	13
Add: Amortisation expense	-	19	361	-	380
Balance as at March 31, 2019	**121**	**343**	**766**	**65**	**1,295**
Less: Disposals	-	-	12	-	12
Less: Adjustment	121	-	-	-	121
Add: Amortisation expense	-	18	305	-	323
Balance as at March 31, 2020	**-**	**361**	**1,059**	**65**	**1,485**

5.4 Carrying amounts:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
Balance as at March 31, 2020	**-**	**18**	**156**	**-**	**174**
Balance as at March 31, 2019	**-**	**36**	**434**	**-**	**470**

(₹ in lakhs, unless otherwise stated)

6. Non-current investments

Particulars	Nominal value	Number of shares	As at March 31, 2020	Number of shares	As at March 31, 2019
Unquoted equity investments (all fully paid)					
(a) Investment in subsidiaries at cost					
Nagarjuna Agrichem (Australia) Pty Limited	AUD 1	64,734	32	64,734	32
LR Research Laboratories Private Limited	₹ 10	10,000	1	10,000	1
(b) Investment in associate at cost					
Nasense Labs Private Limited	₹ 10	6,127,513	816	6,127,513	816
(c) Other equity investment at fair value through other comprehensive income					
New India Co-operative Bank Limited	₹ 10	81,875	8	50,000	5
(Refer note (i) below)					
SVC Co-operative Bank Limited*	₹ 25	100	-	100	-
Total equity investments (A)			**857**		**854**
Investment in preference shares at fair value through other comprehensive income					
Nagaarjuna Shubho Green Technologies Private Limited					
10% cumulative redeemable preference shares	₹ 100	500,000	1	500,000	1
Total other investments (B)			**1**		**1**
Total unquoted investments (A) + (B)			**858**		**855**

*less than a lakh

Notes:

(i) The Company subscribed additional share capital ₹ 3 lakhs (comprising 31,875 number of equity shares of ₹ 10 each) during the year.

(₹ in lakhs, unless otherwise stated)

7. Other financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Derivative instruments designated in hedging relationship	121	-
Security deposits (refer note below)	361	316
Total	**482**	**316**
Current		
Interest accrued on deposits and others	19	12
Insurance claims receivable	362	227
Interest receivable from dealers, considered good	-	215
Others	13	15
Total	**394**	**469**

Note:

Security deposits include rental deposit aggregating ₹ 67 lakhs (2019: ₹ 50 lakhs) with Smt. K. Lakshmi Raju, Chairperson of the Company.

8. Other assets

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Capital advances	568	141
Balance with government authorities	92	102
Prepaid expenses	3	3
Total	**663**	**246**
Current		
Advance to suppliers	1,015	796
Balance with government authorities	2,023	2,595
Advance to related parties (refer note 30)	-	7
Prepaid expenses	279	269
Export Incentive Receivable	957	684
Advance to employees	4	4
Total	**4,278**	**4,355**

9. Inventories

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials (refer note (i) below)	6,386	6,031
Work-in-progress	1,574	1,342
Finished goods (refer note (ii) below)	6,305	10,447
Traded goods	801	3,210
Packing materials	591	667
Stores and spares	793	704
Total	**16,450**	**22,401**

Notes:

(i) Raw materials includes goods in transit ₹ 952 lakhs (2019: ₹ 640 lakhs).

(ii) Finished goods written off during the year on account of expired stock aggregated ₹ 191 lakhs (2019: ₹ 13 lakhs).

(iii) Inventory is hypothecated to working capital lenders.

(₹ in lakhs, unless otherwise stated)

10. Trade receivables

Particulars	As at March 31, 2020	As at March 31, 2019
Current		
Unsecured, considered good	35,939	26,772
Considered doubtful	489	224
Allowance for doubtful debts	(489)	(224)
Total	**35,939**	**26,772**

Note:

Expected credit loss (ECL):

(i) The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to whom the Company grants credit terms in the normal course of business. The credit period on sale of goods varies with seasons and markets and generally ranges between 30 to 180 days. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL allowance (or reversal) during the year is recognised in the statement of profit and loss.

(ii) Movement in the allowance for doubtful debts

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	224	797
Provision made during the year	811	350
Provision reversed against receivables write-off	(546)	(923)
Balance at the end of the year	**489**	**224**

(iii) The concentration of risk with respect to trade receivables is reasonably low, as Company's customers are located in several jurisdictions representing large number of minor receivables operating in independent markets. No single customer constitutes more than 5% balance of the total trade receivables as at the Balance Sheet date.

11. Cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks		
In current accounts	8,346	676
Cash on hand	7	4
Total	**8,353**	**680**

12. Other bank balances

Particulars	As at March 31, 2020	As at March 31, 2019
In earmarked accounts		
Unclaimed dividend accounts (refer note (i) below)	210	21
Margin money / deposit (refer note (ii) below)	3,205	498
Total	**3,415**	**519**

Note:

(i) Unclaimed dividend accounts

If the dividend has not been claimed within 30 days from the date of declaration, the Company is required to transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the Company in a scheduled bank to be called "Unpaid Dividend Account". The unclaimed dividend lying in such account is required to be transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government after a period of seven years from the date of declaration.

(ii) Margin money / deposit

Amounts in margin money represents deposit with bank against the letter of credit and bank guarantees issued by them.

(₹ in lakhs, unless otherwise stated)

13. Income tax asset/liability

Particulars	As at March 31, 2020	As at March 31, 2019
Advance tax (net of provision ₹ Nil; March 31, 2019 ₹ Nil)	267	267
Provision for tax (net of advance tax ₹ 653 lakhs; March 31, 2019 ₹ 329 lakhs)	248	136

13.1 Tax expense

A. Income tax expense / (benefit) recognised in the statement of profit and loss

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current tax		
In respect of current year	423	-
Total (A)	**423**	**-**
Deferred tax credit:		
In respect of current year	294	(654)
Total (B)	**294**	**(654)**
Total tax expense (A)+(B)	**717**	**(654)**

B. Income tax expense / (benefit) recognised in the other comprehensive income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income tax expense/(benefit) recognised directly in equity consists of:		
Tax effect on actuarial gains/losses on defined benefit obligations	10	(2)
Tax effect on effective portion of loss on designated portion of hedging instrument in a cash flow hedge	60	-
Total	**70**	**(2)**

C. Reconciliation of effective tax rate

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit/(Loss) before tax	**2,294**	**(1,492)**
Enacted rate in India	34.94%	34.94%
Computed expected tax expense	**802**	**(521)**
Permanent differences on account of		
Weighted deduction under section 35(2AB) of the Income Tax Act, 1961	(165)	(166)
Write off of Intangible assets under development	51	36
Disallowances under section 43 B of the Income Tax Act, 1961	35	3
Others	(6)	(6)
Income tax expense	**717**	**(654)**
Effective tax rate	**31%**	**44%**

(₹ in lakhs, unless otherwise stated)

14. Equity

14.1 Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Authorised share capital:	250,000,000	2,500	250,000,000	2,500
Fully paid equity shares of ₹ 1 each				
Issued, subscribed and fully paid up capital	192,605,261	1,926	167,420,260	1,674
Fully paid equity shares of ₹ 1 each				
	192,605,261	**1,926**	**167,420,260**	**1,674**

14.2 Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Share capital at the beginning of the year	167,420,260	1,674	156,308,384	1,563
Add: Issue of equity shares under Company's employee stock option plan	185,001	2	174,376	2
Add: Issue of equity shares under Preferential Allotment (refer note no. 14.6)	-	-	10,937,500	109
Add: Issue of equity shares upon conversion of share warrants (refer note no. 14.7)	25,000,000	250	-	-
Share capital at the end of the year	**192,605,261**	**1,926**	**167,420,260**	**1,674**

14.3 Rights, preferences and restrictions attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 1 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

14.4 Details of shares held by each shareholder holding more than 5% shares:

Particulars	As at March 31, 2020		As at March 31, 2019	
	% of shareholding	Number of shares held	% of shareholding	Number of shares held
KLR Products Limited (Holding Company)	58.99%	113,623,500	67.87%	113,623,500

14.5 "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015"

i) The Company set up the "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015" (hereinafter referred to as "ESOS-2015") and earmarked 11,50,000 number of equity shares of ₹ 1 each for issue to employees. The plan was approved in financial year 2015-16 and is administered by the Compensation Committee of the Board of Directors.

ii) Under the ESOS-2015 scheme, options are granted to eligible employees at an exercise price, which shall not be less than the market price as on the date of the grant. These options vest over a period of one to five years and exercisable by the employees within two years of vesting.

(₹ in lakhs, unless otherwise stated)

iii) Summary of stock option:

Particulars	As at March 31, 2020	As at March 31, 2019
	Number of stock options	Number of stock options
Options outstanding at the beginning of the year	508,748	593,124
Options granted during the year	20,000	90,000
Options forfeited / lapsed during the year	18,750	-
Options exercised during the year*	185,001	174,376
Options outstanding at the end of the year**	324,997	508,748
Options vested but not exercised at the end of the year	-	-
* options exercised by employees of subsidiary companies	10,500	10,500
** options outstanding with employees of subsidiary companies	10,500	21,000

iv) Fair value of shares granted during the year:

The weighted average fair value of the share options granted during the year is ₹ 18 - ₹ 21. Options were priced using Black Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past years.

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2020	As at March 31, 2019
Risk free Interest Rate (%)	4.90 - 6.50	6.43 - 7.29
Expected life (years)	6	6
Expected volatility (%)	61.80 - 71.00	61.84 - 82.46
Dividend yield (%)	0.40	0.32
Price of the underlying share in market at the time of the option grant ( )		
-Grant 1	17	17
-Grant 2	18	18
-Grant 3	29	29
-Grant 4	28	28
-Grant 5	26	-
Weighted average share price at the date of exercise	28	28
Weighted average remaining contractual life		
-Grant 1	2 - 3 years	3 - 4 years
-Grant 2	0 - 1 year	2 - 3 years
-Grant 3	3 - 4 years	4 - 5 years
-Grant 4	4 - 5 years	5 - 6 years
-Grant 5	5 years	-

Assumptions :

Stock price : Closing price on BSE Limited on the previous date to the date of grant has been considered.

Volatility : The historical volatility over the expected life has been considered to calculate the fair value.

Risk-free rate of return : The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity nearly equal to the expected life of the options based on the zero-coupon yield curve Government securities.

Exercise price : Exercise price of ₹ 8 as per the ESOS-2015 considered.

Expected life : Expected life of options is the period for which the Company expects the options are available to be vested.

Expected dividend yield : Expected dividend yield has been calculated as an average of dividend yields for the financial years preceding the date of grant.

14.6 Preferential allotment of equity shares:

The Board of Directors and the Shareholders, in their meetings held on February 08, 2019 and March 07, 2019 respectively, approved issuance of 10,937,500 equity shares (of face value of ₹ 1 each) on preferential basis to M/s. Krishi Rasayan Exports Private Limited and Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation (collectively referred to as "Investors") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Basis of the shareholders approval, the Company entered into a Shareholders cum Share Subscription Agreement with the aforesaid Investors. Consequently, the Company allotted 10,937,500 equity shares of ₹ 1 each at an issue price of ₹ 32 subscribed by the said Investors on March 27,2019. Upon the aforesaid allotment, the Company's paid up capital stands increased to 167,420,260 equity shares of ₹ 1 each.

14.7 Allotment of equity shares upon conversion of share warrants:

The Board of Directors and the Shareholders, in their meetings held on February 08, 2019 and March 07, 2019 respectively, approved inter-alia issuance of 2,50,00,000 share warrants (of face value of ₹ 1 each) on preferential basis to M/s. Krishi Rasayan Exports Private Limited, Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation and Mrs. K Lakshmi Raju, Promoter (collectively referred to as "Investors") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Consequently, the Company allotted 2,50,00,000 Warrants to the aforesaid Investors against receipt of 25% of Issued price of ₹ 32 per Warrant. i.e ₹ 8 per Warrant aggregating ₹ 20,00,00,000.

During the financial year 2019-20, warrant holders have exercised their options of converting the warrants by submitting the necessary Warrant Exercise Application Form along with paying the balance consideration amount of ₹ 24 per warrant (i.e. 75% of the issue price) aggregating ₹ 60,00,00,000 (Rupees Sixty Crores Only). Accordingly, the Company has allotted 2,50,00,000 equity shares in the ratio of one Equity Share for each Warrant exercised, on March 24, 2020. Upon the aforesaid allotment, the Company's paid up capital stands increased to 19,26,05,261 equity shares of ₹ 1 each.

The total amount aggregating ₹ 80,00,00,000 has been deposited in current accounts and cash credit facilities of the Company and is pending utilisation as at March 31, 2020.

15. Other equity

Particulars	As at March 31, 2020	As at March 31, 2019
General reserve	4,175	4,175
Capital reserve	21	21
Securities premium account	11,351	3,567
Reserve for equity instruments through other comprehensive income	(499)	(499)
Share warrants	-	2,000
Stock Option Reserve	23	-
Retained earnings	18,056	16,927
Total	**33,127**	**26,191**

(₹ in lakhs, unless otherwise stated)

15.1 Other equity

Particulars	As at March 31, 2020	As at March 31, 2019
Capital reserve	21	21
Securities premium account		
Opening balance	3,567	242
Add: On allotment of shares during the year	7,784	3,419
Less: Utilised	-	94
Closing balance	**11,351**	**3,567**
Amounts received on issue of shares in excess of the par value has been classified as securities premium.		
Stock option reserve		
Opening balance	-	-
Add: Stock options on vesting of employee stock options	44	16
Less: Stock option on exercise of employee stock options	21	16
Closing balance	**23**	**-**
This represents Employee stock option reserve on ESOS-2015 scheme of the Company.		
General reserve	**4,175**	**4,175**
This represents appropriation of profit by the Company.		
Reserve for equity instruments through other comprehensive income	**(499)**	**(499)**
This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, net of amounts reclassified to retained earnings when those assets have been disposed off.		
Share warrants		
Opening balance	2,000	-
Add/(less): Movement during the year	(2,000)	2,000
Closing balance	**-**	**2,000**
During the year outstanding share warrants were exercised by warrant holders i.e. M/s. Krishi Rasayan Exports Private Limited and Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation and Mrs.K.Lakshmi Raju, a promoter of the Company, (collectively referred to as "Investors") and equity share were allotted. Hence the said amount is transferred from Share Warrants to equity share and securities premium amount.		
Retained earnings		
Opening balance	16,927	17,998
Less: Impact on account of adoption of Ind AS 116 Lease (refer note no. 37)	(84)	-
Add: Profit/(Loss) for the year	1,577	(838)
Add: Other comprehensive income arising from remeasurement of defined benefit obligation (net of taxes)	(132)	3
	18,288	**17,163**
Less: Dividends including corporate dividend tax	232	236
Closing balance	**18,056**	**16,927**
Retained earnings comprise of undistributed earnings after taxes (including current year profits).		
Total	**33,127**	**26,191**

Note

The Board of Directors in its meeting held on March 26, 2020 approved an interim dividend of ₹ 0.10 per Equity Share of ₹ 1 each.

(₹ in lakhs, unless otherwise stated)

16. Borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Secured - at amortised cost		
Term loans		
from banks (refer note (a) below)	2,175	1,177
Total - non current	**2,175**	**1,177**
Current		
Secured - at amortised cost		
Repayable on demand from banks (refer note (b) below)	21,293	17,480
Unsecured - at amortised cost		
from banks (refer note (c) below)		
Others	1,431	1,094
Total - current	**22,724**	**18,574**

Notes

(a) Terms of repayment of term loans

New-India Co-operative Bank Limited

Particulars	As at March 31, 2020	As at March 31, 2019	Payment Terms
Term loans	-	1,133	Repaid in the current year

Secured by: first ranking pari-passu charge on fixed assets of the Company and other movable assets on pari-passu basis with other term loan lenders.
Repayable in 8 quarterly instalments.
Rate of interest 12.50% p.a.

SVC Co-Operative Bank Limited

Particulars	As at March 31, 2020	As at March 31, 2019	Payment Terms
Term loan	674	1,341	Repayable over next 1 year

Secured by: first ranking pari-passu charge on fixed assets of the Company, second ranking pari-passu charge on current assets of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.
Repayable in 18 quarterly instalments.
Rate of interest 13.05% p.a.

RBL Bank Limited

Particulars	As at March 31, 2020	As at March 31, 2019	Payment Terms
Term loan - External Commercial Borrowing	2,686	-	Repayable over next 4 years

Secured by: first ranking pari-passu charge on fixed assets of the Company, second ranking pari-passu charge on current assets of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company.
Loan is denominated in foreign currency - USD 3,550,000
Repayable in 16 quarterly instalments.
Interest rate is determined based on 6 months LIBOR plus 400 basis points and is payable monthly. The same is hedged against variable to fixed rate swap contract for a fixed rate of 7.50% p.a. with RBL Bank Limited.

Current maturities of non-current borrowings have been disclosed under the head other current financial liabilities.

(b) Loans repayable on demand

Loans repayable on demand from banks (along with non fund based limits of letters of credit and bank guarantees) from the Consortium i.e. State Bank of India, IDBI Bank Limited, HDFC Bank Limited, SVC Co-operative Bank Limited, RBL Bank Limited, Karnataka Bank Limited and Shinhan Bank Limited are secured by way of hypothecation of current assets comprising stock in trade, book debts and stores and spares, both present and future. The aforesaid facilities are further secured by second charge on the Company's immovable and movable properties, both present and future, ranking pari-passu with other working capital lenders. The facilities sanctioned by State Bank of India and IDBI Bank Limited are guaranteed by Sri K.S. Raju Director of the Company (ceased to be a director with effect from February 3, 2017). The facilities sanctioned by HDFC Bank Limited, SVC Co-operative Bank Limited, RBL Bank Limited, Karnataka Bank Limited and Shinhan Bank Limited are guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

(c) Unsecured short term loan

Unsecured others comprise of export bill discounting facilities availed from HDFC Bank Limited.

(₹ in lakhs, unless otherwise stated)

17. Other financial liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Trade deposits from dealers	1,090	1,142
Derivative instruments designated in a hedging relationship	174	-
Total - non current	**1,264**	**1,142**
Current		
Current maturities of long-term borrowings	1,175	1,297
Payable on purchase of property, plant and equipment	2,342	132
Interest accrued but not due	40	58
Deferred payment liabilities	-	43
Unclaimed dividend (refer note below)	210	21
Total - current	**3,767**	**1,551**

Notes:

As at March 31, 2020 (March 31, 2019: ₹ Nil) there are no amounts of unclaimed dividend due for remittance to the Investor Education & Protection Fund.

18. Provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Gratuity liability	220	102
Compensated absences	343	280
Total - non current	**563**	**382**
Current		
Gratuity liability	55	69
Compensated absences	99	104
Total - current	**154**	**173**

a) Defined benefit plans

Gratuity

In accordance with the 'Payment of Gratuity Act, 1972' of India, the Company, provides for Gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity plan are determined by an independent actuarial valuation and are charged to the Statement of Profit and Loss for the period determined. The Gratuity fund is administered through a scheme of Life Insurance Corporation of India. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Change in Defined Benefit Obligation (DBO) during the year

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Present value of DBO at the beginning of the year	634	594
Current service cost	70	69
Past service cost	-	-
Interest cost	45	45
Actuarial loss arising from changes in financial assumptions	46	17
Actuarial loss arising from changes in experience adjustments	(49)	(24)
Benefits paid	(99)	(67)
Present value of DBO at the end of the year	**647**	**634**

(₹ in lakhs, unless otherwise stated)

Change in fair value of plan assets during the year

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Fair value of plan assets at the beginning of the year	463	438
Interest income	33	33
Employer contributions	6	61
Benefits paid	(99)	(67)
Remeasurements – return on plan assets (excluding interest income)	(31)	(2)
Present value of plan assets at the end of the year	**372**	**463**

Amounts recognised in the Balance Sheet

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of DBO at the end of the year	647	634
Fair value of plan assets at the end of the year	372	463
Funded status of the plans – liability	**275**	**171**
Liability recognised in the Balance Sheet	**275**	**171**

Nature and extent of investment details of the plan assets

Particulars	As at March 31, 2020	As at March 31, 2019
Insurer managed funds	100%	100%

Assumptions

Particulars	Gratuity plan	
	As at March 31, 2020	As at March 31, 2019
Discount rate	7%	8%
Estimated rate of return on plan assets	7%	8%
Expected rate of salary increase	3%	3%
Attrition rate	1% to 3%	1% to 3%
Retirement age	58 years	58 years
Mortality table	IALM(2006-08) (Mod)	

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

Sensitivity analysis

Scenario	DBO	Percentage Change
Under base scenario	647	0.00%
Salary escalation - up by 1%	707	9.30%
Salary escalation - down by 1%	593	-8.30%
Attrition rate - up by 1%	661	2.20%
Attrition rate - down by 1%	631	-2.50%
Discount rate - up by 1%	598	-7.50%
Discount rate - down by 1%	703	8.60%

(₹ in lakhs, unless otherwise stated)

Expected cash flows

Particulars	As at March 31, 2020	As at March 31, 2019
Maturity profile of Defined Benefit Obligations		
Within 1 year	55	69
Year 2	63	25
Year 3	34	71
Year 4	52	36
Year 5	70	62
> 5 years	320	371

b) Actuarial assumptions for compensated absences

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate	7%	8%
Salary escalation	3%	3%
Attrition rate	1% to 3%	1% to 3%

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at year-end as per Company's policy. The value of such leave balance eligible for carry forward, is determined by an independent actuarial valuation and charged to Statement of Profit and Loss in the period determined.

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

19. Deferred tax liabilities/(assets) (net)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax liability	1,322	1,143
MAT credit available	(1,221)	(1,246)
Total	**101**	**(103)**

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Property, plant and equipment	2,008	2,001
Employee related provisions	(304)	(248)
Carry forward losses	(172)	(422)
Provisions for doubtful debts	-	(79)
MAT credit available	(1,221)	(1,247)
Lease Liabilities	(35)	-
Others	(175)	(108)
Deferred tax liabilities / (assets) net	**101**	**(103)**

(₹ in lakhs, unless otherwise stated)

Movement in deferred tax assets and liabilities

2019-20	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availment)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment	2,001	7	-	-	2,008
Employee related provisions	(248)	(46)	(10)	-	(304)
Provisions for doubtful debts	(79)	(93)	-	-	(172)
Carry forward losses	(422)	422	-	-	-
MAT credit entitlement	(1,247)	-	-	26	(1,221)
Lease Liabilities	-	11	-	(46)	(35)
Others	(108)	(7)	(60)	-	(175)
Total	**(103)**	**294**	**(70)**	**(20)**	**101**

Movement in deferred tax assets and liabilities

2018-19	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availment)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment	2,340	(339)	-	-	2,001
Employee related provisions	(157)	(93)	2	-	(248)
Provisions for doubtful debts	(282)	203	-	-	(79)
Carry forward losses	-	(422)	-	-	(422)
MAT credit entitlement	(1,118)	-	-	(129)	(1,247)
Others	(105)	(3)	-	-	(108)
Total	**678**	**(654)**	**2**	**(129)**	**(103)**

(₹ in lakhs, unless otherwise stated)

20. Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues to micro enterprises and small enterprises (refer note (i) below)	533	301
Total outstanding dues of creditors other than micro enterprises and small enterprises (refer note (iii) below)	26,284	20,599
Total	**26,817**	**20,900**

Notes:

(i) Based on the information available with the management, the balance due to micro, small and medium enterprises as defined under "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006", is ₹ 533 lakhs (March 31,2019 ₹ 301 lakhs) and no interest has been paid or is payable under the terms of MSMED Act, 2006. Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of the information collected by the Management.

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Principal amount due to suppliers under MSMED Act, as at end of the year	533	301
(ii) Interest accrued and due to suppliers under MSMED Act on the above amount as at the year end	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) +(iv)	-	-

(ii) The average credit period on purchases ranges from 90 days - 120 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed credit terms.

(iii) The dues above include acceptances against the letter of credit issued to bank amounting to ₹ 2,901 lakhs as at March 31, 2020 (2018: ₹ 2,706 Lakhs).

21. Other current liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Advances from customers	733	1,272
Statutory payables	507	516
Total	**1,240**	**1,788**

(₹ in lakhs, unless otherwise stated)

22. Revenue from operations

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products	100,336	85,751
Other operating revenue *	1,153	798
Total	**101,489**	**86,549**

* Other Operating Revenue comprises of export benefits, interest on receivables (net), scrap sales and conversion charges etc.

Revenue for the year ended March 31, 2020 and March 31, 2019 are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of Manufactured Products	92,396	79,499
Sale of Traded Products	7,940	6,252
Total	**100,336**	**85,751**

Disaggregation of revenue information:

The tables below presents disaggregated revenues from contracts with customers by customers and geography. The company believes that the this disaggregation best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Manufactured Products		
Domestic		
Dealer sales	44,055	39,650
Institutional sales	22,598	17,487
Exports		
Institutional sales	25,743	22,362
Total Manufactured Products	**92,396**	**79,499**
Traded Products		
Domestic		
Dealer sales	7,940	6,252
Total Traded Products	**7,940**	**6,252**
Total Sales	**100,336**	**85,751**

23. Other income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Insurance claims	172	307
Interest income		
- On outstanding receivables	-	1,631
- Others	52	76
Bad debts written off recovered	151	138
Excess provisions written back	68	-
Miscellaneous income	306	418
Total	**749**	**2,570**

24. Cost of materials consumed

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw material consumption	56,125	53,119
Packing material consumption	4,325	4,327
Total	**60,450**	**57,446**

(₹ in lakhs, unless otherwise stated)

25. Changes in inventories of finished goods, work in progress and stock-in-trade

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance		
Work-in-progress	1,342	1,067
Finished goods	10,447	8,934
Stock-in-trade	3,210	2,673
Total opening balance	**14,999**	**12,674**
Closing balance		
Work-in-progress	1,574	1,342
Finished goods	6,305	10,447
Stock-in-trade	801	3,210
Total closing balance	**8,680**	**14,999**
Net decrease / (increase) in inventories	**6,319**	**(2,325)**

26. Employee benefits expense

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	7,367	6,753
Contribution to provident and other funds (refer note (i) below)	567	508
Employee stock compensation expense	44	16
Staff welfare expenses	649	654
Total	**8,627**	**7,931**

Notes:

(i) Contribution to provident fund and other funds

- Provident fund:

The Company makes provident fund contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the fund administered and managed by the Government of India. The Company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. Total expense recognised during the year aggregated ₹ 484 lakhs (2019 ₹ 427 lakhs).

- Gratuity (funded):

Amount recognised in statement of profit and loss in respect of gratuity ₹ 83 lakhs (2019 ₹ 81 lakhs).

27. Finance cost

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expenses		
Interest on short term and long term loans (gross)	2,522	2,491
Less: Borrowing cost capitalized	(494)	(78)
Interest on short term and long term loans (net)	2,028	2,413
Other interest expenses	502	452
Finance charges	386	533
Total	**2,916**	**3,398**

28. Depreciation and amortisation expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment (refer note 4)	1,742	1,712
Less: Depreciation capitalised during the year	70	57
	1,672	1,655
Add: Amortisation of lease assets (refer note 37)	402	-
Add: Amortisation of intangible assets (refer note 5)	323	380
Total	**2,397**	**2,035**

(₹ in lakhs, unless otherwise stated)

29. Other expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spare parts	653	936
Repairs and maintenance		
Buildings	49	66
Plant and Machinery	279	128
Others	36	47
Other manufacturing costs	1,129	1,325
Power and fuel	2,961	3,330
Rent	20	387
Rates and taxes	75	74
Communication expenses	81	103
Travel and conveyance	986	1,227
Legal and professional charges	520	513
Insurance	522	282
Directors' sitting fees	14	9
Auditors' remuneration (refer note (i) below)	33	32
Product development expenses	82	97
Bad debts written off	1,129	1,070
Less: Provision made there on	(546)	(923)
Allowances for doubtful receivables and advances	811	350
Royalty	957	775
Marketing expenses	2,389	2,986
Freight outward	1,922	2,124
Net Loss/(gain) on disposal of property, plant and equipment	28	(7)
Net Loss on write off of intangible assets and intangible assets under development	138	91
Goodwill written off	121	-
Reversal of accumulated amortization on goodwill written off	(121)	-
Net foreign exchange (gain)/loss	(230)	422
Expenditure for corporate social responsibility (refer note (ii) below)	32	79
Miscellaneous expenses	601	620
Total	**14,671**	**16,143**

Notes:

(i) Auditors' remuneration (net of applicable taxes) comprises of:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
For statutory audit	21	21
For tax audit	4	4
For others	8	7
Total	**33**	**32**

(ii) Corporate social responsibility:

The Company contributes towards Corporate Social Responsibility (CSR) activities. As per section 135 of the Companies Act, 2013, a CSR Committee has been formed by the Company. The areas for CSR activities are rural development, promoting education and other social projects. The expense is charged to the Statement of Profit and Loss under 'other expenses' amounting ₹ 32 lakhs. (2019 - ₹ 79 lakhs)

(₹ in lakhs, unless otherwise stated)

30. Related party disclosures :

(A) Names of the related parties and their relationship :

(i) Details of subsidiaries & associates :

Names	Nature of relationship	Country of incorporation	Percentage of holding as at	
			March 31, 2020	March 31, 2019
LR Research Laboratories Private Limited (LRLPL)	Subsidiary	India	100%	100%
Nagarjuna Agrichem (Australia) Pty Limited, Australia (NAPL)	Subsidiary	Australia	100%	100%
Nasense Labs Private Limited (NLPL)	Associate	India	26%	26%

(ii) Details of other related parties :

Name	Nature of relationship
KLR Products Limited (KLRPL)	Parent Company
Bhagiradha Chemicals and Industries Limited (BCIL)	Entity with common director (ceased to be a related party during the year)
Nagaarjuna Shubho Green Technologies Private Limited (NSGTPL)	Entity with common director
Krishi Rasayan Exports Pvt Ltd (KREPL)	Entity with common director (w.e.f. May 29, 2019)
Agro Life Sciences Corporation (ALSC)	Entity with common director (w.e.f. May 29, 2019)
Agma Energy pvt Ltd (AEPL)	Entity with common director (w.e.f. May 29, 2019)
Indo International Fertilizers Limited (IIFL)	Entity where KMP holds directorship. (KMP ceased to be a director w.e.f. May 2, 2018)

(iii) Key Managerial Personnel (KMP) :

Name	Designation
Mrs. K Lakshmi Raju	Chairperson
Mr. V.Vijay Shankar	Managing Director (upto May 31, 2019)
Mr. M Pavan Kumar	Managing Director and Chief Executive Officer (w.e.f. June 1, 2019)
Mr. RKS Prasad	Chief Financial Officer (CFO)

(B) Transactions during the year :

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(i) Sales		
a. Associate (NLPL)	1,160	729
b. Other related party (KREPL)	3,278	-
c. Other related party (ALSC)	1,355	-
(ii) Purchases		
a. Associate (NLPL)	1,166	983
b. Other related party (NSGTPL)	8	-
c. Other related party (BCIL)	-	1,142
d. Other related party (KREPL)	6,687	-
e. Other related party (ALSC)	1,189	-
f. Other related party (AEPL)	289	-
(iii) Professional charges		
a. Subsidiary (LRLPL)	37	62
b. Subsidiary (NAPL)	10	12
(iv) Rent paid		
a. Mrs.K Lakshmi Raju (KMP)	135	134
(v) Director's sitting fees		
a. Mrs.K Lakshmi Raju (KMP)	2	1
(vi) Investments		
a. Subsidiary (NAPL)	-	7
b. Associate (NLPL)	-	322

(₹ in lakhs, unless otherwise stated)

(C) Outstanding balances as at the year end

Advance to related parties

Particulars	As at March 31, 2020	As at March 31, 2019
a. Subsidiary (LRLPL)	-	7

Trade receivables

Particulars	As at March 31, 2020	As at March 31, 2019
a. Associate (NLPL)	1,068	13
b. Other related party (KREPL)	837	-

Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
a. Associate (NLPL)	484	-
b. Subsidiary (LRLPL)	1	-
c. Other related party (KREPL)	1,981	-
d. Other related party (ALSC)	369	-
e. Other related party (AEPL)	168	-

Security deposits

Particulars	As at March 31, 2020	As at March 31, 2019
a. Mrs.K Lakshmi Raju (KMP)	67	50

Investments :

Particulars	As at March 31, 2020	As at March 31, 2019
a. Subsidiary (NAPL)	32	32
b. Subsidiary (LRLPL)	1	1
c Associate (NLPL)	816	816
d. Other related party (NSGTPL)	1	1

(D) Transactions with key management personnel

Nature of transaction	Party name	For the year ended March 31, 2020	For the year ended March 31, 2019
Short-term employee benefits	Managing Director and CFO	236	188
Share based payments	Managing Director and CFO	3	3

Short term employee benefits does not include expenses for gratuity and leave encashment.

(₹ in lakhs, unless otherwise stated)

31. Contingent liabilities

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Claims against the Company not acknowledged as debts in respect of the matters under dispute:		
	Excise duty (refer note (a) below)	33	35
	Service tax (refer note (b) below)	66	13
	Income tax (refer note (c) below)	478	430
	Sales tax (refer note (d) below)	106	95
	Goods and Service tax (refer note (e) below)	6	-
(ii)	Counter guarantees given to bankers (refer note (f) below)	193	389
(iii)	Others (refer note (g) below)	125	125
	Total	**1,007**	**1,087**

Notes:

(a) The Company has disputed various demands raised by excise duty authorities for the Financial years 2004-05 to 2006-07, 2008-09 and FY 2016-17 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(b) The Company has disputed various demands raised by service tax authorities for the Financial years 2013-14 to 2016-17, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(c) The Company has disputed various demands raised by income tax authorities for the assessment years 2004-05 to 2009-10 and assessment year 2017-18 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(d) The Company has disputed various demands raised by sales tax authorities for the financial years 2009-10 to 2016-17, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(e) The Company has disputed various demands raised by Goods and Service Tax authorities for the financial year 2019-20, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(f) Guarantees given to bank for guarantees given by bank to third party in ordinary course of business.

(g) Other contingent liability majorly pertains to demand for payment of alleged deficit of stamp duty, registration fees and penalty in respect of a sales deed. The Company is confident that the case will be decided in its favour.

32. Commitments

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advance)	299	1,899
	Total	**299**	**1,899**

(₹ in lakhs, unless otherwise stated)

33. Financial instruments

33.1 Capital management

The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Company ensures optimal credit risk profile to maintain/enhance credit rating. The Company determines the amount of capital required on the basis of annual operating plan and long-term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Company monitors the capital structure on the basis of net debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

Gearing ratio

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current borrowings	2,175	1,177
Current borrowings, current maturities of non-current borrowings and Deferred payment liabilities	23,899	19,914
Cash and cash equivalents	(8,353)	(680)
Net debt (Refer note (i) below)	17,721	20,410
Equity (Refer note (ii) below)	35,053	27,865
Net debt to equity ratio	**0.51**	**0.73**

Notes:

(i) Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.

(ii) Equity includes issued equity capital, securities premium and all other reserves.

33.2 Financial instruments by category

Particulars	As at March 31, 2020			As at March 31, 2019		
	Amortised Cost	FVTOCI	FVTPL	Amortised Cost	FVTOCI	FVTPL
Financial assets						
Investments in equity instruments / preferential shares	-	9	-	-	6	-
Derivative financial asset	-	-	121	-	-	-
Loans	-	-	-	-	-	-
Other financial assets	755	-	-	785	-	-
Trade receivables	35,939	-	-	26,772	-	-
Cash and cash equivalents	8,353	-	-	680	-	-
Other bank balances	3,415	-	-	519	-	-
Total	**48,462**	**9**	**121**	**28,756**	**6**	**-**
Financial liabilities						
Borrowings (refer note (i) below)	24,899	-	-	19,751	-	-
Lease liabilities	695	-	-	-	-	-
Derivative financial liability	-	174	-	-	-	-
Other financial liabilities	4,857	-	-	2,693	-	-
Trade payables	26,817	-	-	20,900	-	-
Total	**57,268**	**174**	**-**	**43,344**	**-**	**-**

Notes:

(i) Borrowings include non-current and current borrowings (refer note 16)

(ii) The management assessed that fair value of cash and cash equivalents, trade receivables, other current financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments, and hence these are carried at amortised cost.

(iii) Investments (unquoted) are measured at fair value through initial designation in accordance with Ind-AS 109.

(₹ in lakhs, unless otherwise stated)

33.3 Fair Value by hierarchy

Valuation technique and key inputs

Level 1

Quoted prices (unadjusted) in an active markets for similar assets or liabilities.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Quantitative disclosures of fair value measurement hierarchy-Level 2 for financial instruments:

Particulars	As at March 31, 2020	As at March 31, 2019
Financial Assets		
Derivative financial asset	121	-
Financial Liabilities		
Derivative financial liability	174	-

The Company enters into derivative financial instruments with various counterparties principally, banks with investment grade credit ratings. Foreign exchange forward contracts and interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, etc. As at March 31, 2020 the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had insignificant impact on the hedge effectiveness assessment for derivatives designated in hedge relationships.

Level 3

Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Quantitative disclosures of fair value measurement hierarchy-Level 3 for financial instruments:

Particulars	As at March 31, 2020	As at March 31, 2019
Financial Assets		
Unquoted equity shares	9	6

The fair values of the unquoted equity shares have been estimated using a Discounted Cash Flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, earnings growth, discount rate, and probabilities of the various estimates within the range used in management's estimate of fair value for these unquoted equity investments.

Valuation inputs and relationships to fair value:

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Particulars	Significant-unobservable inputs	Valuation process	Sensitivity of the inputs to fair value
Investment in unquoted equity shares	Earnings growth rate	i) Earnings growth factor for unlisted equity shares are estimated based on the market information of similar type of companies and also considering the economic environment impact.	Any increase in earnings growth rate would increase the fair value.
	Discount rate	ii) Discount rates are determined using a capital asset pricing model, i.e., a borrowing rate at which the Company would be able to borrow funds on similar terms.	Any increase in discount rate would result in decrease in fair value.

(₹ in lakhs, unless otherwise stated)

33.4 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company has adequate internal processes to assess, monitor and manage financial risks. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The liquidity risk is measured by the Company's inability to meet its financial obligations as they become due.

Market risk

The Company is exposed to foreign exchange risk through imports from overseas suppliers in various foreign currencies, exports to customers abroad, bill discounting, buyer's credit, packing credit. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

Foreign currency exposure

The Company monitors and manages its financial risks by analysing its foreign exchange exposures. The Company, in accordance with its Board approved risk management policies and procedures, enters into foreign exchange forward contracts to manage its exposure in foreign exchange rates.

The Company has applied the hedge accounting principles set out in Indian Accounting Standard – 109 "Financial Instruments" (Ind AS - 109) in respect of such derivative contracts, designated in a hedging relationship, used to hedge its risks associated with foreign currency fluctuations. Accordingly, in respect of all such outstanding forward contracts as at March 31, 2020 that were designated as fair value hedges, gain aggregating ₹ 120 lakhs (2019: Nil) have been recognised borrowing cost.

Derivative financial instruments:

Outstanding forward exchange contracts as on March 31, 2020:

Currency	Amount in foreign currency	Nos. of contracts	₹ (in lakhs)	Buy / Sell	Cross currency
US Dollar	3,550,000	2	2,576	Buy	Rupees

All outstanding forward exchange contracts as at March 31, 2020 have maturity period of less than one year.

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2020:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	2,365,672	1,790	-	-	1,790
Trade receivables	9,684,952	7,328	-	-	7,328
Borrowings	(3,978,720)	(3,011)	-	-	(3,011)
Trade payables	(7,050,428)	(5,335)	-	-	(5,335)
Interest accrued but not due on borrowings	(11,094)	(8)	-	-	(8)
Net assets/(liabilities)	**1,010,382**	**764**	**-**	**-**	**764**

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2019:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	938,171	649	-	-	649
Trade receivables	9,561,958	6,612	116,775	91	6,703
Borrowings	(3,849,455)	(2,662)	-	-	(2,662)
Trade payables	(7,932,762)	(5,486)	-	-	(5,486)
Net assets/(liabilities)	**(1,282,088)**	**(887)**	**116,775**	**91**	**(796)**

(₹ in lakhs, unless otherwise stated)

Sensitivity analysis:

For the year ended March 31, 2020 and March 31, 2019, every increase / decrease of ₹ 1 in the respective foreign currencies compared to functional currency of the Company would impact profit before tax by ₹ 10 lakhs/ (₹ 10 lakhs) and (₹ 11 lakh)/ ₹ 11 lakhs respectively.

Interest rate risk:

The Company draws term loans, working capital demand loans, avails cash credit, foreign currency borrowings including buyer's credit, packing credit etc. for meeting its funding requirements. The Company manages the interest rate risk by maintaining appropriate mix/portfolio of borrowings having fixed and floating rate of interest. The borrowings are serviced on a timely manner and repayments of the principal and interest amounts are made on a regular basis.

Interest rate swap contract:

Under Interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amount. Such contract enables Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest is based on the outstanding balances at the end of the reporting period.

Details of the interest rate swap contracts:

Particulars	Loan amount (₹ in lakhs)	Fair Value of Interest Rate Swap as at March 31, 2020	Fair Value of Interest Rate Swap as at March 31, 2019	Coupon / Interest Rate	Fixed Interest Rate
US Dollar	3,550,000	1	Nil	Libor + 4%	7.50%

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, deposits with banks, foreign exchange transactions and other financial instrument. Credit risk is managed through credit approvals, insurance of certain receivables, monitoring the creditworthiness and establishing credit limits of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

Other price risks

The Company is exposed to valuation of equity investment risks as the Company's equity investments are held for strategic rather than trading purposes.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company's principal sources of liquidity are cash & bank balances, credit facilities and cash generated from operations.

The Company has unutilised credit limits from the banks of ₹ 6,607 lakhs and ₹ 7,520 lakhs as of March 31, 2020 and March 31, 2019 respectively.

The working capital position of the Company:

Particulars	As at March 31, 2020	As at March 31, 2019
Current assets	69,096	55,463
Current liabilities	55,329	43,122
Working capital	**13,767**	**12,341**

(₹ in lakhs, unless otherwise stated)

The table below provides details regarding the contractual maturities of significant financial liabilities (excluding current, non-current borrowings and deferred payment liabilities) as at March 31, 2020:

Particulars	Less than 1 year	1-2 years	2 years and above
Trade payables	26,817	-	-
Other current financial liabilities	2,592	-	-
Other non-current financial liabilities	-	1,264	-
Total	**29,409**	**1,264**	**-**

The table below provides details regarding the contractual maturities of significant financial liabilities (excluding current, non-current borrowings and deferred payment liabilities) as at March 31, 2019:

Particulars	Less than 1 year	1-2 years	2 years and above
Trade payables	20,900	-	-
Other current financial liabilities	211	-	-
Other non-current financial liabilities	-	1,142	-
Total	**21,111**	**1,142**	**-**

The Company's obligation towards payment of borrowings has been included in note 16 & 17.

34. Earnings per share

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit/(Loss) for the year attributable to shareholders of the Company	1,577	(838)
Basic:		
Number of shares outstanding at the year end	192,605,261	167,420,260
Weighted average number of equity shares	168,024,466	156,525,097
Earnings per share (₹)	**0.94**	**(0.54)**
Diluted:		
Effect of potential equity shares on employee stock options outstanding	68,993	169,648
Weighted average number of equity shares outstanding	168,093,459	156,694,745
Earnings per share (₹)	**0.94**	**(0.53)**

Note: EPS is calculated based on profits excluding the other comprehensive income.

35. Research and development expense charged to Statement of Profit and Loss account:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee benefits expense	30	32
Depreciation	13	24
Other expenses	44	61
Revenue Expenditure	**87**	**117**

36. Research and development expense capitalised:

Revenue Expenditure capitalised during the year under respective heads:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee benefits expense	160	154
Depreciation	70	57
Other expenses	133	142
Total	**363**	**353**

(₹ in lakhs, unless otherwise stated)

37. Leases:

The Company has adopted Ind AS 116 "Leases" with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 "Leases" and related interpretation and guidance. On transition to Ind AS 116, Right-of—use assets as at April 1, 2019 for leases previously classified as operating leases were recognised and measured with cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at April 1, 2019. As a result, the comparative information has not been restated. The Company has discounted lease payments using the incremental borrowing rate as at April 1, 2019 for measuring the lease liability.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹ 757 lakhs and a lease liability of ₹ 886 lakhs. The cumulative effect of applying the standard, amounting to ₹ 84 lakhs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
4. Applied hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at April 1, 2019 is 12.83%

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

Particulars	As on April 01, 2019	Additions	Termination during the year	Depreciation	As on March 31, 2020
Lease Godown	497	32	(31)	(252)	246
Lease Motor Vehicle	260	241	-	(150)	351
Total	**757**	**273**	**(31)**	**(402)**	**597**

Lease Liabilities

Particulars	As on March 31, 2020
Amount as on April 01, 2019	886
Additions to lease Liabilities	273
Termination during the year	(35)
Interest Expense	114
Cash Outflows during the year	(543)
Carrying value as on March 31, 2020	695
Current	379
Non - Current	316

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

Particulars	0-6 months	6-12 months	12-24 months	more than 24 months
Undiscounted Future Cash Outflows	243	202	172	202

38. Segment Reporting:

As the Company's business activities fall within a single primary segment viz-a-viz "manufacture of products - pesticides, insecticides etc.", therefore the disclosure requirements of Indian Accounting Standard 108 - Operating Segments are not applicable. The Company sells its products mainly within India where the conditions prevailing are uniform. Since the sales outside India are below the threshold limit, no separate geographical segment disclosure is considered necessary.

39. COVID-19 assessment:

In March 2020, COVID-19, an infectious disease caused by the recently discovered Coronavirus, SARS-CoV-2, was declared a pandemic by the Word Health Organization. On March 24, 2020, the Indian Government announced a strict 21-day lockdown which was further extended across the country to contain the spread of the virus. However, Government of India deemed agriculture related sectors including Pesticides as essential and permitted operations in a limited way, based on which the Company resumed activities in its production facilities. The Company adopted number of measures to protect the health of its employees while ensuring business continuity with minimal disruption. In assessing the recoverability of receivables, inventory and other financial assets, the Company has considered internal and external information up to the date of approval of these standalone and consolidated financial results. The impact of the global health pandemic may be different from that of estimates as at the date of approval of these standalone and consolidated financial results and the Company will continue to monitor closely any material changes in the emerging economic conditions.

40. Insurance claim

During the year the company has received favourable award of ₹ 2,400 lakhs towards Arbitration filed by Company under the Arbitration and Conciliation Act, 1996 in both the claims i.e. Material Damage claim (MD Claim) and Business Interruption policy claim vide order dated September 10, 2019 and September 13, 2019 respectively with respect to the claim on account of fire accident in its one of the block in Srikakulam plant on June 30, 2012. The insurance company has filed an appeal against this award before the Hon'ble High Court of Delhi. Pending final resolution, the same has not been recognised in books of accounts.

41. Approval of financial statements

The financial statements are approved for issue by the Board of Directors on May 20, 2020.

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

INDEPENDENT AUDITOR'S REPORT

To The Members of NACL Industries Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **NACL Industries Limited** ("the Parent"/ "the Holding Company") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group") which includes the Group's share of profit in its associate, which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, [and based on the separate financial statements of the subsidiaries and associate referred to in the Other Matters section below, the aforesaid consolidated 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 consolidated state of affairs of the Group as at March 31, 2020, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group and 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 consolidated 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 consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	**Timing of revenue recognition** The parent recognises revenue from sale of farm inputs based on the terms and conditions of transactions which varies with different customers. For sale transactions occurring close to the year end, it is essential to ensure that the control of goods have transferred to the customers. As revenue recognition is subject to management's judgement on whether the control of the goods have been transferred, we considered the risk of such sales transactions recorded in wrong financial period (cut-off) as a key audit matter. Refer notes 2.5 and 22 to the consolidated financial statements	**Principal audit procedures performed:** • We obtained an understanding of the revenue recognition process including a sample of sales contracts. • We tested the parent's key controls around the timely and accurate recording of the sales transactions. • We tested the access and change management controls of the relevant information technology system in which shipments are recorded. • We performed testing for a sample of sales invoices recorded immediately before the year-end and obtained evidences to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.

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

The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report and Management Discussion & Analysis, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon. These reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available, compare with the financial statements of the subsidiaries and associate, to the extent it relates to these entities and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries and associate, is traced from their financial statements.

When we read these reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Management's Responsibility for the Consolidated Financial Statements

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its Associate in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are also responsible for overseeing the financial reporting process of the Group and of its associate.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal financial 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 Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate 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 consolidated 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 Group and its associate to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the consolidated financial statements of which we are the independent auditors. For the other entities or business activities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated 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 consolidated financial statements.

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of ₹17 lakhs as at March 31, 2020, total revenues of ₹48 lakhs and net cash inflows amounting to ₹1 lakh for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 95 lakhs for the year ended March 31, 2020, as considered in the consolidated financial statements, in respect of one associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

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 of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.

c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated 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 of the Company as on March 31, 2020 taken on record by the Board of Directors of the Company, and its subsidiary and associate company incorporated in India, none of the directors of the Group and its associate incorporated in India is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting 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 internal financial controls over financial reporting of those companies.

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 Parent 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 consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate

   ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; or

   iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent, its subsidiary company, and associate company incorporated in India.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W–100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
(UDIN: 20201193AAAABY6644)

Place: Hyderabad
Date: May 20, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 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")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of NACL Industries Limited (hereinafter referred to as "Parent"), its subsidiary company, and its associate company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent, its subsidiary company and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary company and associate company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India 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.

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.

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 Parent, its subsidiary company and its associate company, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the Other Matters paragraph below, the Parent, its subsidiary company and its associate company, which are companies incorporated in India, have, 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, 2020, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

The Parent has consolidated financial information of one subsidiary and an associate company which are companies incorporated in India on the basis of unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, such subsidiary and associate company are not material to the Group.

Our opinion is not modified in respect of the above matters.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No.117366W/W–100018)

Ganesh Balakrishnan
Partner
(Membership No. 201193)
UDIN: 20201193AAAABY6644

Place: Hyderabad
Date: May 20, 2020

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020

(₹ in lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
I ASSETS			
1 Non-current assets			
(a) Property, plant and equipment	4	18,291	13,673
(b) Right-of-use assets	37	597	-
(c) Capital work-in-progress	4	3,482	1,517
(d) Intangible assets	5	174	470
(e) Intangible assets under development	5	751	554
(f) Financial assets			
(i) Investments	6	1,503	1,405
(ii) Other financial assets	7	482	316
(g) Other non-current assets	8	663	246
(h) Deferred tax assets (net)	19	-	103
(i) Income Tax Assets (net)		407	492
Total non-current assets		**26,350**	**18,776**
2 Current assets			
(a) Inventories	9	16,450	22,401
(b) Financial assets			
(i) Trade receivables	10	35,939	26,772
(ii) Cash and cash equivalents	11	8,358	684
(iii) Other bank balances	12	3,415	519
(iv) Other financial assets	7	394	469
(c) Income tax assets (net)	13	267	279
(d) Other current assets	8	4,278	4,348
Total current assets		**69,101**	**55,472**
Total assets		**95,451**	**74,248**
II EQUITY AND LIABILITIES			
1 Equity			
(a) Equity share capital	14	1,926	1,674
(b) Other equity	15	33,770	26,739
Total equity		**35,696**	**28,413**
2 Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	2,175	1,177
(ii) Lease Liabilities	37	316	-
(iii) Other financial liabilities	17	1,264	1,142
(b) Provisions	18	563	382
(c) Deferred tax liabilities (net)	19	101	-
Total non-current liabilities		**4,419**	**2,701**
3 Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	16	22,724	18,574
(ii) Lease Liabilities	37	379	-
(iii) Trade payables	20		
(a) total outstanding dues of micro enterprises and small enterprises		533	301
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		26,293	20,609
(iv) Other financial liabilities	17	3,767	1,551
(b) Provisions	18	154	173
(c) Income tax liabilities (net)	13	245	136
(d) Other current liabilities	21	1,241	1,790
Total current liabilities		**55,336**	**43,134**
Total liabilities		**59,755**	**45,835**
Total equity and liabilities		**95,451**	**74,248**

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

(₹ in lakhs, unless otherwise stated)

	Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
I	**INCOME**			
	Revenue from operations	22	101,489	86,549
	Other income	23	750	2,572
	Total income		**102,239**	**89,121**
II	**EXPENSES**			
	Cost of materials consumed	24	60,450	57,446
	Purchases of stock-in-trade		4,564	5,983
	Changes in inventories of finished goods, work in progress and stock-in-trade	25	6,319	(2,325)
	Employee benefits expense	26	8,664	7,992
	Finance costs	27	2,916	3,398
	Depreciation and amortisation expense	28	2,397	2,035
	Other expenses	29	14,633	16,078
	Total expenses		**99,943**	**90,607**
III	**Profit/(Loss) before tax (I - II)**		**2,296**	**(1,486)**
IV	Share of profit from associate	6	95	137
V	**Profit/(Loss) before tax (III + IV)**		**2,391**	**(1,349)**
VI	**Tax expense**			
	(i) Current tax	13.1	423	-
	(ii) Deferred tax	13.1	294	(654)
	Total tax expense		**717**	**(654)**
VII	**Profit/(loss) for the year (V - VI)**		**1,674**	**(695)**
VIII	**Other comprehensive income**			
	Items that will not be reclassified subsequently to statement of profit and loss			
	(a) Remeasurement of defined benefit obligation	18	(31)	2
	(b) Income tax expense on remeasurement above	13.1	11	(1)
	Items that will be reclassified subsequently to statement of profit and loss			
	(a) Effective portion of loss on designated portion of hedging instrument in a cash flow hedge		(174)	-
	(b) Income tax expense there on		60	-
	Total other comprehensive income		**(134)**	**1**
IX	**Total comprehensive income/(loss) for the year (VII + VIII)**		**1,540**	**(694)**
X	**Earnings per equity share of ₹ 1 each**			
	Basic (₹)	34	1.00	(0.44)
	Diluted (₹)	34	1.00	(0.44)

See accompanying notes forming part of the financial statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(₹ in lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	2,391	(1,349)
Adjustments for:		
Depreciation and amortisation expense	2,397	2,035
Finance costs	2,916	3,398
Interest income	(53)	(77)
Unrealised forex (gain)/loss	(43)	415
Share of profit from associate	(95)	(137)
Excess provisions, no longer required, written back	(68)	(1)
Provision for doubtful debts and advances	811	350
Loss on sale of property, plant and equipment (net)	166	84
Share-based payments	44	16
Bad debts written off	583	147
Operating profit before working capital changes	**9,049**	**4,881**
Changes in working capital:		
Adjustment for (increase)/decrease in operating assets:		
Inventories	5,951	(2,193)
Trade receivables	(10,065)	1,334
Other financial assets	35	(381)
Other assets	79	(1,326)
Adjustment for increase/(decrease) in operating liabilities:		
Trade payables	5,696	2,554
Provisions	162	(56)
Other financial liabilities	137	(314)
Other current liabilities	(549)	(590)
Cash generated from operations	**10,495**	**3,909**
Income taxes paid (net)	(191)	(268)
Net cash generated from operating activities (A)	**10,304**	**3,641**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment including capital advances	(6,993)	(2,251)
Proceeds from sale of property, plant and equipment	4	13
Investments made in subsidiary, associate & others	(3)	(322)
Movement in other deposits and margin money	(2,707)	(363)
Interest income received	46	219
Net cash used in investing activities (B)	**(9,653)**	**(2,704)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from allotment of share warrants	-	2,000
Proceeds on conversion of share warrants to equity shares	6,000	-
Proceeds from preferential allotment of equity shares (net of expenses incurred on such issue)	-	3,406
Proceeds from allotment of shares under ESOP	15	14
Proceeds from non-current borrowings	2,971	500
Repayment of non-current borrowings	(2,353)	(1,803)
Movement in current borrowings	3,985	(1,579)
Payment of lease liabilities	(543)	-
Dividend paid including tax thereon	(232)	(236)

(₹ in lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Finance costs paid	(2,820)	(3,226)
Net cash used in financing activities (C)	**7,023**	**(924)**
Net increase/(decrease) in cash and cash equivalents (D) = (A+B+C)	**7,674**	**13**
Cash and cash equivalents at the beginning of the year (E)	**684**	**671**
Cash and cash equivalents at the end of the year (F) = (D)+(E) (refer note 1)	**8,358**	**684**
Notes:		
1. Cash and cash equivalents comprises of (Refer note 11)		
(a) Balance with Banks		
In Current accounts	8,351	679
(b) Cash on hand	7	5
Cash and cash equivalents as per cash flows	**8,358**	**684**

2. (i) Reconciliation of liabilities from financing activities

Particulars	As at March 31, 2019	Proceeds/ Additions	Repayments	Foreign currency translation	As at March 31, 2020
Long term borrowings (including current portions)	2,517	2,971	2,353	215	3,350
Short-term borrowings	18,574	3,985	-	165	22,724
Lease liabilities (refer note 37)	-	1,238	543	-	695
Total liabilities from financing activities	**21,091**	**8,194**	**2,896**	**380**	**26,769**

2. (ii) Reconciliation of liabilities from financing activities

Particulars	As at March 31, 2018	Proceeds	Repayments	Foreign currency translation	As at March 31, 2019
Long term borrowings (including current portions)	3,820	500	1,803	-	2,517
Short-term borrowings	19,871	-	1,579	282	18,574
Total liabilities from financing activities	**23,691**	**500**	**3,382**	**282**	**21,091**

Note:

Cash Flow Statement has been prepared under the indirect method as set out in the Indian Accounting Standard 7 on cash flow statements. Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and cash equivalents which are short-term and held for the purpose of meeting short-term cash commitments.

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A. Equity share capital

(₹ in lakhs, unless otherwise stated)

Particulars	Note	Number of shares	Amount
Balance as at March 31, 2018		**156,308,384**	**1,563**
Add: Issue of equity shares under Company's employee stock option plan	14.2	174,376	2
Add: Issue of equity shares under Preferential Allotment		10,937,500	109
Balance as at March 31, 2019		**167,420,260**	**1,674**
Add: Issue of equity shares under Company's employee stock option plan	14.2	185,001	2
Add: Issue of equity shares upon conversion of share warrants		25,000,000	250
Balance as at March 31, 2020		**192,605,261**	**1,926**

B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
Balance as at March 31, 2018	37	242	4,175	18,389	(499)	-	-	22,344
Loss for the year	-	-	-	(695)	-	-	-	(695)
Other Comprehensive Income for the year net of income tax	-	-	-	1	-	-	-	1
Stock option on vesting of employee stock options	-	-	-	-	-	16	-	16
Stock option on exercise of employee stock options	-	-	-	-	-	(16)	-	(16)
Amount received on exercise of employee stock options & Preferential Allotment	-	3,419	-	-	-	-	-	3,419
Expenses incurred on issue of preferential shares	-	(94)	-	-	-	-	-	(94)
Amount received on issue of equity share warrants	-	-	-	-	-	-	2,000	2,000
Payment of dividends including tax thereon	-	-	-	(236)	-	-	-	(236)
Balance as at March 31, 2019	**37**	**3,567**	**4,175**	**17,459**	**(499)**	**-**	**2,000**	**26,739**

(₹ in lakhs, unless otherwise stated)

B. Other equity

Particulars	Reserves and surplus				Items of other comprehensive income	Stock Option Reserve	Equity Share warrants	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Equity instruments through other comprehensive income			
Profit for the year	-	-	-	1,674	-	-	-	1,674
Other Comprehensive Income for the year net of income tax	-	-	-	(134)	-	-	-	(134)
Impact on account of adoption of Ind AS 116 Lease (refer note no. 37)	-	-	-	(84)	-	-	-	(84)
Stock option on vesting of employee stock options	-	-	-	-	-	44	-	44
Stock option on exercise of employee stock options	-	-	-	-	-	(21)	-	(21)
Amount received on exercise of employee stock options & Preferential Allotment	-	7,784	-	-	-	-	-	7,784
Reversal of equity share warrants on exercise	-	-	-	-	-	-	(2,000)	(2,000)
Payment of dividends including tax thereon	-	-	-	(232)	-	-	-	(232)
Balance as at March 31, 2020	**37**	**11,351**	**4,175**	**18,683**	**(499)**	**23**	**-**	**33,770**

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : May 20, 2020

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

NACL Industries Limited ("the Company") is a Public Limited Company listed with the BSE Limited and National Stock Exchange of India Limited. The Company and two of its subsidiaries (the Company and its subsidiaries together referred to as 'the Group) are in the business of crop protection and manufactures both Technicals (Active Ingredient) and Formulations. It manufactures all kinds of pesticides, insecticides, acaricides, herbicides, fungicides and other plant growth chemicals. The Group 's formulation business is mainly in the Indian market and sells through its large retail dealer network spread across India. The Group has a range of branded formulations. It also exports technicals and formulations and does toll manufacture for certain multinational companies.

List of subsidiaries and associate considered for consolidation:

Name of the Company	Relationship	Country of incorporation	Percentage of voting power as at March 31, 2020	Percentage of voting power as at March 31, 2019
LR Research Laboratories Private Limited	Subsidiary	India	100%	100%
Nagarjuna Agrichem (Australia) Pty Limited	Subsidiary	Australia	100%	100%
Nasense Labs Private Limited	Associate	India	26%	26%

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance 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 Companies (Indian Accounting Standards) Amendment Rules, 2016.

2.2 Basis for preparation and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, and on accrual basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for similar assets or liabilities that the entity can access at the measurement date;

• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

• Level 3 inputs are unobservable inputs for the asset or liability.

Based on the nature of activities of the Group and the average time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

The principal accounting policies are set out below.

2.3 Use of estimates

The preparation of the consolidated financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses for the periods reported.

The management believes that the estimates used in preparation of the consolidated financial statements are prudent and reasonable.

Future results could differ from these estimates – estimates and underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are reflected in the financial statements in the period in which results are known and, if material, are disclosed in the consolidated financial statements.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Entities controlled by the Company are consolidated from the date control commences until the date control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised upon transfer of control of promised goods to customers in an amount that reflects the consideration which the group expects to receive in exchange for those goods. Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer which is usually on dispatch. Revenue is also recognised where goods are ready as per customer request and pending dispatch at the instance of the customer. In such cases, the products are separately identified as belonging to the customer and the group does not hold the right to redirect the product to another customer. On satisfaction of all performance obligations, invoice is raised on the customer in accordance with customer request at regular payment terms. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, rebates, scheme allowances, price concessions, incentives, and returns, if any, as specified in the contracts with the customers. Revenue excludes taxes collected from customers on behalf of the government. Accruals for discounts/incentives and returns are estimated (using the most likely method) based on accumulated experience and underlying schemes and agreements with customers.

At contract inception, since for most of the contracts it is expected that the period between the transfer of the promised goods or services to a customer and payment for these goods or services by the customer will be one year or less, practical expedient in Ind AS 115 have been applied and accordingly the Group does not adjust the promised amount of consideration for the effects of any significant financing component.

Revenue from operations includes "Other Operating Revenue" which consists of export benefits, net interest on receivables, scrap sales and conversion charges etc. Export benefits, interest on receivables (net) and conversion charges are recognised on accrual basis.

2.6 Other income

a) Dividend income from investments is recognised in the year in which the right to receive the payment is established.

b) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.7 Leasing

The group's lease asset classes primarily consist of leases for warehouses and vehicles. The group assesses whether a contract contains a lease, at inception of a 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 group assesses whether: (i) the contract involves the use of an identified asset (ii) the group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the group has the right to direct the use of the asset.

At the date of commencement of the lease, the group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

2.8 Insurance claims

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

2.9 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which entity operates (i.e. "functional currency"). The financial statements are presented in Indian Rupee (₹), the national currency of India, which is the functional currency of the Group.

2.10 Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of profit and loss in the period in which they arise.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of profit and loss in the period in which they are incurred.

2.12 Employee benefits

Employee benefits include Provident fund, Employee's State Insurance scheme, Gratuity fund and compensated absences.

2.12.1 Defined contribution plans

Contributions in respect of Employees Provident Fund and Pension Fund which are defined contribution schemes, are made to a fund administered through Regional Provident Fund Commissioner and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

2.12.2 Defined benefit plans

The Group's Gratuity scheme for its employees is a defined benefit retirement benefit plan. Obligations under the gratuity scheme is covered under a Scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognised in the consolidated statement of profit and loss. The liability as at the Consolidated Balance Sheet date is provided for using the projected unit credit method, with actuarial valuations being carried out as at the end of the year.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the consolidated balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to consolidated statement of profit and loss.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement

The Group presents the first two components of defined benefit costs in the consolidated statement of profit and loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

2.12.3 Compensated absences

The employees of the Group are entitled to compensated absences. The employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence. The Group records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Group measures the expected cost of compensated absence based on actuarial valuation made by an independent actuary as at the consolidated balance sheet date on projected unit credit method. Compensated absences expected to be maturing after 12 months from the date of balance sheet are classified as non-current.

2.13 Share based payment arrangement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

2.14 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit attributable to equity shareholders by weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

2.15 Taxation

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in consolidated statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

2.15.1 Current Tax

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income-tax Act, 1961.

2.15.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.15.3 Minimum Alternate Tax (MAT) Credit

Minimum alternate tax (MAT) credit is recognised in accordance with tax laws in India as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. The Group reviews the MAT credit at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay normal income tax during the specified period.

2.15.4 Current tax and deferred tax for the year

Current and deferred tax are recognised in the consolidated statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.16 Cash and cash equivalents

Cash comprises cash on hand and in bank. The Group considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents. Such cash equivalents are subject to insignificant risk of changes in value.

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transaction of non - cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

2.17 Property, plant and equipment

Property, plant and equipment are stated in the Consolidated Balance Sheet at cost, less accumulated depreciation and impairment losses, if any. Cost includes purchase price, attributable expenditure incurred in bringing the asset to its working condition for the intended use and cost of borrowing till the date of capitalisation in the case of assets involving material investment and substantial lead time.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of following categories of assets in whose case the life of certain assets has been assessed based on technical advice taking into account the nature of the asset, the estimated usage of the asset, the operating condition of the asset, past history of replacement, maintenance support etc.

Asset	**Useful life (in years)**	**Useful life (in years)**
Particulars	**For the year ended**	**For the year ended**
	March 31, 2020	**March 31, 2019**
Plant and equipment	15 - 20	15 - 20

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets costing ₹ 5,000 and below are depreciated over a period of one year. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit and loss.

2.18 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost of an intangible asset comprises of purchase price and attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use.

The estimated useful life of an identifiable intangible asset is as under:

- Goodwill is amortised over a period of 10 years
- Computer software is amortised over a period of 3 years
- Developed products are amortised over a period of 3 years

The estimated useful life and amortisation method are reviewed periodically at the end of each reporting period.

Intangible assets under development are carried at cost, comprising direct cost and related incidental expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit and loss when the asset is derecognized.

2.19 Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use the asset and the costs can be measured reliably. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis for preparing the asset for its intended use.

2.20 Impairment of assets

2.20.1 Non financial assets - property, plant and equipment and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset/cash generating unit may be impaired. If any indication exists the Group estimates the recoverable amount of such assets and if carrying amount exceeds the recoverable amount, impairment is recognised. The recoverable amount is the higher of the fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount factor. When there is indication that previously recognised impairment loss no longer exists or may have decreased such reversal of impairment loss is recognised in the consolidated statement of profit and loss.

2.20.2 Financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised as an impairment gain or loss in the consolidated statement of profit and loss.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. As a practical expedient, the Group uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL loss allowance (or reversal) during the year is recognised in the consolidated statement of profit and loss.

2.21 Inventories

Inventories are valued at lower of cost (on weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Net realisable value represents the estimated selling price of inventories less all the estimated costs of completion and the costs necessary to make the sale.

The method of determination of cost of various categories of inventories is as follows:

- **i. Raw Materials -** Weighted average cost. Cost includes the purchase cost and other attributable expenses;
- **ii. Work-in-progress -** Weighted average cost. Cost includes the purchase cost and other attributable expenses;
- **iii. Finished Goods -** Weighted average cost of production which comprises of direct material costs, direct wages and applicable overheads. Excise duty is included in the value of finished goods;
- **iv. Stores and Spares, Packing Material -** Weighted average cost;
- **v. Stock-in-trade -** Weighted average cost.

2.22 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reasonable estimate of the amount of obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities are disclosed for (i) possible obligation which will be confirmed only by future events not wholly within the control of the Group or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are neither recognised nor disclosed in the consolidated financial statements.

2.23 Financial Instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised when a Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit and loss.

(ii) Subsequent Recognition

Non-derivative financial instruments:

a. Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

c. Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

d. Financial liabilities

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through consolidated statement of profit and loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value Through Profit or Loss (FVTPL). Interest income is recognised in consolidated statement of profit and loss and is included in the "other income" line item.

Investment in subsidiaries and associates

On initial recognition, these investments are recognized at fair value plus any directly attributable transaction cost. Subsequently, they are measured at cost.

Derecognition of financial assets and financial liabilities

Financial asset:

The Group de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of profit and loss if such gain or loss would have otherwise been recognised in consolidated statement of profit and loss on disposal of that financial asset.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit and loss.

Foreign exchange gains and losses

For foreign currency denominated financial assets measured at amortised cost and fair value through profit or loss, the exchange differences are recognised in consolidated statement of profit and loss.

Changes in the carrying amount of investments in equity instruments at Fair Value Through Other Comprehensive Income (FVTOCI) relating to changes in foreign currency rates are recognised in other comprehensive income. For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in consolidated statement of profit and loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated statement of profit and loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in consolidated statement of profit and loss.

2.24 Fair value measurement

In determining the fair value of its financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realised.

2.25 Exceptional Items

Significant gains/losses or expenses incurred arising from external events that is not expected to recur are disclosed as 'Exceptional item.

2.26 Recent accounting pronouncements:

Standards issued but not yet effective: -

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical Judgements

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Contingencies and commitments

In the normal course of business, contingent liabilities may arise from litigations and other claims against the Group. Where the potential liabilities have a low probability of crystallizing or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the consolidated financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. In estimating the net realisable value of inventories the Group makes an estimate of future selling prices and costs necessary to make the sale.

Revenue recognition

The Group accepts sales returns and provides various rebates & incentives as per the policy. Various estimates are made to recognise the impact of sales return provision, rebates & incentives on revenue. These estimates are made based on historical and forecasted data, contractual terms and market conditions.

Provision for doubtful receivables

The Group makes provision for doubtful receivables based on a provision matrix which takes into account historical credit loss experience and adjusted for current estimates.

Provision for employee benefits

The Group uses actuarial assumptions to determine the obligations for employee benefits at each reporting period. These assumptions include discount rate, expected long-term rate of return on plan assets, rate of increase in compensation levels and mortality rates.

(₹ in lakhs, unless otherwise stated)

4. Property, plant and equipment and capital work-in-progress

4.1 Carrying amounts of:

Particulars	As at March 31, 2020	As at March 31, 2019
Land	2,508	2,508
Buildings	3,787	3,134
Plant and equipment	11,590	7,565
Furniture and fixtures	144	192
Vehicles	64	83
Office equipment	58	55
Computers	140	136
Total	**18,291**	**13,673**
Capital work-in-progress	3,482	1,517

4.2 Movement of property, plant and equipment:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Cost or deemed cost								
Balance as at March 31, 2018	**2,508**	**4,995**	**32,175**	**600**	**151**	**227**	**570**	**41,226**
Add: Additions	-	83	303	17	24	21	50	498
Less: Disposals	-	-	2	-	23	1	27	53
Balance as at March 31, 2019	**2,508**	**5,078**	**32,476**	**617**	**152**	**247**	**593**	**41,671**
Add: Additions	-	808	5,485	5	9	20	65	6,392
Less: Disposals	-	-	210	-	24	-	15	249
Balance as at March 31, 2020	**2,508**	**5,886**	**37,751**	**622**	**137**	**267**	**643**	**47,814**

4.3 Accumulated depreciation:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Balance as at March 31, 2018	**-**	**1,794**	**23,486**	**372**	**79**	**176**	**426**	**26,333**
Less: Disposals	-	-	1	-	21	1	24	47
Add: Depreciation expense	-	150	1,426	53	11	17	55	1,712
Balance as at March 31, 2019	**-**	**1,944**	**24,911**	**425**	**69**	**192**	**457**	**27,998**
Less: Disposals	-	-	199	-	7	-	11	217
Add: Depreciation expense	-	155	1,449	53	11	17	57	1,742
Balance as at March 31, 2020	**-**	**2,099**	**26,161**	**478**	**73**	**209**	**503**	**29,523**

4.4 Carrying amounts:

Particulars	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
Balance as at March 31, 2020	**2,508**	**3,787**	**11,590**	**144**	**64**	**58**	**140**	**18,291**
Balance as at March 31, 2019	**2,508**	**3,134**	**7,565**	**192**	**83**	**55**	**136**	**13,673**

Notes:

(i) Above includes opening gross block of ₹ 2,004 lakhs (2019: ₹ 1,924 lakhs), additions amounting to ₹ 29 lakhs (2019: ₹ 45 lakhs) and net block amounting to ₹ 968 lakhs (2019: ₹ 997 lakhs) in respect of in-house research and development.

(₹ in lakhs, unless otherwise stated)

5. Intangible assets and intangible assets under development

5.1 Carrying amounts of:

Particulars	As at March 31, 2020	As at March 31, 2019
Goodwill	-	-
Computer software	18	36
Developed products	156	434
Technical knowhow	-	-
Total	**174**	**470**
Intangible assets under development	751	554

5.2 Movement of intangible assets:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
Cost or deemed cost					
Balance as at March 31, 2018	**121**	**379**	**1,254**	**65**	**1,819**
Add: Additions	-	-	-	-	-
Less: Disposals	-	-	54	-	54
Balance as at March 31, 2019	**121**	**379**	**1,200**	**65**	**1,765**
Add: Additions	-	-	40	-	40
Less: Disposals	-	-	25	-	25
Less: Adjustment	121	-	-	-	121
Balance as at March 31, 2020	**-**	**379**	**1,215**	**65**	**1,659**

5.3 Accumulated amortisation:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
Balance as at March 31, 2018	**121**	**324**	**418**	**65**	**928**
Less: Disposals	-	-	13	-	13
Add: Amortisation expense	-	19	361	-	380
Balance as at March 31, 2019	**121**	**343**	**766**	**65**	**1,295**
Less: Disposals	-	-	12	-	12
Less: Adjustment	121	-	-	-	121
Add: Amortisation expense	-	18	305	-	323
Balance as at March 31, 2020	**-**	**361**	**1,059**	**65**	**1,485**

5.4 Carrying amounts:

Particulars	Goodwill	Computer software	Developed products	Technical knowhow	Total
Balance as at March 31, 2020	**-**	**18**	**156**	**-**	**174**
Balance as at March 31, 2019	**-**	**36**	**434**	**-**	**470**

(₹ in lakhs, unless otherwise stated)

6. Non-current investments

Particulars	Nominal value	Number of shares	As at March 31, 2020	Number of shares	As at March 31, 2019
Unquoted equity investments (all fully paid)					
(a) Investment in associate at cost					
Nasense Labs Private Limited	₹ 10	6,127,513	1,399	6,127,513	1,265
Add: Share of profit for current year (including other comprehensive income)			95		134
(b) Other equity investment at fair value through other comprehensive income					
New India Co-operative Bank Limited	₹ 10	81,875	8	50,000	5
(Refer note (i) below)					
SVC Co-operative Bank Limited*	₹ 25	100	-	100	-
Total equity investments (A)			**1,502**		**1,404**
Investment in preference shares at fair value through other comprehensive income					
Nagaarjuna Shubho Green Technologies Private Limited					
10% cumulative redeemable preference shares	₹ 100	500,000	1	500,000	1
Total other investments (B)			**1**		**1**
Total unquoted investments (A) + (B)			**1,503**		**1,405**
*less than a lakh					

Notes:

(i) The Company subscribed additional share capital ₹ 3 lakhs (comprising 31,875 number of equity shares of ₹ 10 each) during the year.

(₹ in lakhs, unless otherwise stated)

7. Other financial assets

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Derivative instruments designated in hedging relationship	121	-
Security deposits (refer note below)	361	316
Total	**482**	**316**
Current		
Interest accrued on deposits and others	19	12
Insurance claims receivable	362	227
Interest receivable from dealers, considered good	-	215
Others	13	15
Total	**394**	**469**

Note:

Security deposits include rental deposit aggregating ₹ 67 lakhs (2019: ₹ 50 lakhs) with Smt. K. Lakshmi Raju, Chairperson of the Company.

8. Other assets

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Capital advances	568	141
Balance with government authorities	92	102
Prepaid expenses	3	3
Total	**663**	**246**
Current		
Advance to suppliers	1,015	796
Balance with government authorities	2,023	2,595
Prepaid expenses	279	269
Export Incentive Receivable	957	684
Advance to employees	4	4
Total	**4,278**	**4,348**

9. Inventories

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials (refer note (i) below)	6,386	6,031
Work-in-progress	1,574	1,342
Finished goods (refer note (ii) below)	6,305	10,447
Traded goods	801	3,210
Packing materials	591	667
Stores and spares	793	704
Total	**16,450**	**22,401**

Notes:

(i) Raw materials includes goods in transit ₹ 952 lakhs (2019: ₹ 640 lakhs).
(ii) Finished goods written off during the year on account of expired stock aggregated ₹ 191 lakhs (2019: ₹ 13 lakhs).
(iii) Inventory is hypothecated to working capital lenders.

(₹ in lakhs, unless otherwise stated)

10. Trade receivables

Particulars	As at March 31, 2020	As at March 31, 2019
Current		
Unsecured, considered good	35,939	26,772
Considered doubtful	489	224
Allowance for doubtful debts	(489)	(224)
Total	**35,939**	**26,772**

Note:

Expected credit loss (ECL):

(i) The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to whom the Company grants credit terms in the normal course of business. The credit period on sale of goods varies with seasons and markets and generally ranges between 30 to 180 days. Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

As a practical expedient, the Company uses a provision matrix to determine impairment loss of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. The ECL allowance (or reversal) during the year is recognised in the statement of profit and loss.

(ii) Movement in the allowance for doubtful debts

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	224	797
Provision made during the year	811	350
Provision reversed against receivables write-off	(546)	(923)
Balance at the end of the year	**489**	**224**

(iii) The concentration of risk with respect to trade receivables is reasonably low, as Company's customers are located in several jurisdictions representing large number of minor receivables operating in independent markets. No single customer constitutes more than 5% balance of the total trade receivables as at the Balance Sheet date.

11. Cash and cash equivalents

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks		
In current accounts	8,351	679
Cash on hand	7	5
Total	**8,358**	**684**

12. Other bank balances

Particulars	As at March 31, 2020	As at March 31, 2019
In earmarked accounts		
Unclaimed dividend accounts (refer note (i) below)	210	21
Margin money / deposit (refer note (ii) below)	3,205	498
Total	**3,415**	**519**

Note:

(i) Unclaimed dividend accounts

If the dividend has not been claimed within 30 days from the date of declaration, the Company is required to transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the Company in a scheduled bank to be called ""Unpaid Dividend Account"". The unclaimed dividend lying in such account is required to be transferred to the Investor Education and Protection Fund (IEPF), administered by the Central Government after a period of seven years from the date of declaration.

(ii) Margin money / deposit

Amounts in margin money represents deposit with bank against the letter of credit and bank guarantees issued by them.

(₹ in lakhs, unless otherwise stated)

13. Income tax asset/liability

Particulars	As at March 31, 2020	As at March 31, 2019
Advance tax (net of provision ₹ Nil; March 31, 2019 ₹ Nil)	267	279
Provision for tax (net of advance tax ₹ 653 lakhs; March 31, 2019 ₹ 329 lakhs)	245	136

13.1 Tax expense

A. Income tax expense / (benefit) recognised in the statement of profit and loss

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current tax		
In respect of current year	423	-
Total (A)	**423**	**-**
Deferred tax credit:		
In respect of current year	294	(654)
Total (B)	**294**	**(654)**
Total tax expense (A)+(B)	**717**	**(654)**

B. Income tax expense / (benefit) recognised in the other comprehensive income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income tax expense/(benefit) recognised directly in equity consists of:		
Tax effect on actuarial gains/losses on defined benefit obligations	11	(1)
Tax effect on effective portion of loss on designated portion of hedging instrument in a cash flow hedge	60	-
Total	**71**	**(1)**

C. Reconciliation of effective tax rate

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit/(Loss) before tax	**2,296**	**(1,486)**
Enacted rate in India	34.94%	34.94%
Computed expected tax expense	**802**	**(519)**
Permanent differences on account of		
Weighted deduction under section 35(2AB) of the Income Tax Act, 1961	(165)	(166)
Write off of Intangible assets under development	51	36
Disallowances under section 43 B of the Income Tax Act, 1961	35	3
Others	(6)	(8)
Income tax expense	**717**	**(654)**
Effective tax rate	**31%**	**44%**

(₹ in lakhs, unless otherwise stated)

14. Equity

14.1 Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Authorised share capital:	250,000,000	2,500	250,000,000	2,500
Fully paid equity shares of ₹ 1 each				
Issued, subscribed and fully paid up capital	192,605,261	1,926	167,420,260	1,674
Fully paid equity shares of ₹ 1 each				
	192,605,261	**1,926**	**167,420,260**	**1,674**

14.2 Reconciliation of equity shares outstanding at the beginning and at the end of the reporting year:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of shares	Amount	Number of shares	Amount
Share capital at the beginning of the year	167,420,260	1,674	156,308,384	1,563
Add: Issue of equity shares under Company's employee stock option plan	185,001	2	174,376	2
Add: Issue of equity shares under Preferential Allotment (refer note no. 14.6)	-	-	10,937,500	109
Add: Issue of equity shares upon conversion of share warrants (refer note no. 14.7)	25,000,000	250	-	-
Share capital at the end of the year	**192,605,261**	**1,926**	**167,420,260**	**1,674**

14.3 Rights, preferences and restrictions attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 1 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

14.4 Details of shares held by each shareholder holding more than 5% shares:

Particulars	As at March 31, 2020		As at March 31, 2019	
	% of shareholding	Number of shares held	% of shareholding	Number of shares held
KLR Products Limited (Holding Company)	58.99%	113,623,500	67.87%	113,623,500

14.5 "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015"

i) The Company set up the "Nagarjuna Agrichem Limited-Employee Stock Option Scheme-2015" (hereinafter referred to as "ESOS-2015") and earmarked 11,50,000 number of equity shares of ₹ 1 each for issue to employees. The plan was approved in financial year 2015-16 and is administered by the Compensation Committee of the Board of Directors.

ii) Under the ESOS-2015 scheme, options are granted to eligible employees at an exercise price, which shall not be less than the market price as on the date of the grant. These options vest over a period of one to five years and exercisable by the employees within two years of vesting.

(₹ in lakhs, unless otherwise stated)

iii) Summary of stock option:

Particulars	As at March 31, 2020	As at March 31, 2019
	Number of stock options	Number of stock options
Options outstanding at the beginning of the year	508,748	593,124
Options granted during the year	20,000	90,000
Options forfeited / lapsed during the year	18,750	-
Options exercised during the year*	185,001	174,376
Options outstanding at the end of the year**	324,997	508,748
Options vested but not exercised at the end of the year	-	-
* options exercised by employees of subsidiary companies	10,500	10,500
** options outstanding with employees of subsidiary companies	10,500	21,000

iv) Fair value of shares granted during the year:

The weighted average fair value of the share options granted during the year is ₹ 18 - ₹ 21. Options were priced using Black Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations. Expected volatility is based on the historical share price volatility over the past years.

The following assumptions were used for calculation of fair value of grants as per Black Scholes Options Pricing model:

Particulars	As at March 31, 2020	As at March 31, 2019
Risk free Interest Rate (%)	4.90 - 6.50	6.43 - 7.29
Expected life (years)	6	6
Expected volatility (%)	61.80 - 71.00	61.84 - 82.46
Dividend yield (%)	0.40	0.32
Price of the underlying share in market at the time of the option grant ( )		
-Grant 1	17	17
-Grant 2	18	18
-Grant 3	29	29
-Grant 4	28	28
-Grant 5	26	-
Weighted average share price at the date of exercise	28	28
Weighted average remaining contractual life		
-Grant 1	2 - 3 years	3 - 4 years
-Grant 2	0 - 1 year	2 - 3 years
-Grant 3	3 - 4 years	4 - 5 years
-Grant 4	4 - 5 years	5 - 6 years
-Grant 5	5 years	-

Assumptions :

Stock price : Closing price on BSE Limited on the previous date to the date of grant has been considered.

Volatility : The historical volatility over the expected life has been considered to calculate the fair value.

Risk-free rate of return : The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity nearly equal to the expected life of the options based on the zero-coupon yield curve Government securities.

Exercise price : Exercise price of ₹ 8 as per the ESOS-2015 considered.

Expected life : Expected life of options is the period for which the Company expects the options are available to be vested.

Expected dividend yield : Expected dividend yield has been calculated as an average of dividend yields for the financial years preceding the date of grant.

(₹ in lakhs, unless otherwise stated)

14.6 Preferential allotment of equity shares:

The Board of Directors and the Shareholders, in their meetings held on February 08, 2019 and March 07, 2019 respectively, approved issuance of 10,937,500 equity shares (of face value of ₹ 1 each) on preferential basis to M/s. Krishi Rasayan Exports Private Limited and Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation (collectively referred to as "Investors") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Basis of the shareholders approval, the Company entered into a Shareholders cum Share Subscription Agreement with the aforesaid Investors. Consequently, the Company allotted 10,937,500 equity shares of ₹ 1 each at an issue price of ₹ 32 subscribed by the said Investors on March 27,2019. Upon the aforesaid allotment, the Company's paid up capital stands increased to 167,420,260 equity shares of ₹ 1 each.

14.7 Allotment of equity shares upon conversion of share warrants:

The Board of Directors and the Shareholders, in their meetings held on February 08, 2019 and March 07, 2019 respectively, approved inter-alia issuance of 2,50,00,000 share warrants (of face value of ₹ 1 each) on preferential basis to M/s. Krishi Rasayan Exports Private Limited, Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation and Mrs. K Lakshmi Raju, Promoter (collectively referred to as "Investors") in accordance with Section 42 and 62(1)(c) of the Companies Act, 2013 read with Chapter V of SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018. Consequently, the Company allotted 2,50,00,000 Warrants to the aforesaid Investors against receipt of 25% of Issued price of 32 per Warrant. i.e ₹ 8 per Warrant aggregating ₹ 20,00,00,000.

During the financial year 2019-20, warrant holders have exercised their options of converting the warrants by submitting the necessary Warrant Exercise Application Form along with paying the balance consideration amount of ₹ 24 per warrant (i.e. 75% of the issue price) aggregating ₹ 60,00,00,000 (Rupees Sixty Crores Only). Accordingly, the Company has allotted 2,50,00,000 equity shares in the ratio of one Equity Share for each Warrant exercised, on March 24, 2020. Upon the aforesaid allotment, the Company's paid up capital stands increased to 19,26,05,261 equity shares of ₹ 1 each.

The total amount aggregating ₹ 80,00,00,000 has been deposited in current accounts and cash credit facilities of the Company and is pending utilisation as at March 31, 2020.

15. Other equity

Particulars	As at March 31, 2020	As at March 31, 2019
General reserve	4,175	4,175
Capital reserve	37	37
Securities premium account	11,351	3,567
Reserve for equity instruments through other comprehensive income	(499)	(499)
Share warrants	-	2,000
Stock Option Reserve	23	-
Retained earnings	18,683	17,459
Total	**33,770**	**26,739**

(₹ in lakhs, unless otherwise stated)

15.1 Other equity

Particulars	As at March 31, 2020	As at March 31, 2019
Capital reserve	**37**	**37**
Securities premium account		
Opening balance	3,567	242
Add: On allotment of shares during the year	7,784	3,419
Less: Utilised		94
Closing balance	**11,351**	**3,567**
Amounts received on issue of shares in excess of the par value has been classified as securities premium.		
Stock option reserve		
Opening balance	-	-
Add: Stock options on vesting of employee stock options	44	16
Less: Stock option on exercise of employee stock options	21	16
Closing balance	**23**	**-**
This represents Employee stock option reserve on ESOS-2015 scheme of the Company.		
General reserve	**4,175**	**4,175**
This represents appropriation of profit by the Company.		
Reserve for equity instruments through other comprehensive income	**(499)**	**(499)**
This reserve represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, net of amounts reclassified to retained earnings when those assets have been disposed off.		
Share warrants		
Opening balance	2,000	-
Add/(less): Movement during the year	(2,000)	2,000
Closing balance	**-**	**2,000**
During the year outstanding share warrants were exercised by warrant holders i.e. M/s. Krishi Rasayan Exports Private Limited and Mr. Rajesh Kumar Agarwal and Mr. Atul Churiwal, jointly representing M/s. Agro Life Science Corporation and Mrs.K.Lakshmi Raju, a promoter of the Company, (collectively referred to as "Investors") and equity share were allotted. Hence the said amount is transferred from Share Warrants to equity share and securities premium amount.		
Retained earnings		
Opening balance	17,459	18,389
Less: Impact on account of adoption of Ind AS 116 Lease (refer note no. 37)	(84)	-
Add: (Loss)/Profit for the year	1,674	(695)
Add: Other comprehensive income arising from remeasurement of defined benefit obligation (net of taxes)	(134)	1
	18,915	17,695
Less: Dividends including corporate dividend tax (refer note below)	232	236
Closing balance	**18,683**	**17,459**
Retained earnings comprise of undistributed earnings after taxes (including current year profits).		
Total	**33,770**	**26,739**

Note

The Board of Directors in its meeting held on March 26, 2020 approved an interim dividend of ₹ 0.10 per Equity Share of ₹ 1 each.

(₹ in lakhs, unless otherwise stated)

16. Borrowings

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Secured - at amortised cost		
Term loans		
from banks (refer note (a) below)	2,175	1,177
Total - non current	**2,175**	**1,177**
Current		
Secured - at amortised cost		
Repayable on demand from banks (refer note (b) below)	21,293	17,480
Unsecured - at amortised cost		
from banks (refer note (c) below)		
Others	1,431	1,094
Total - current	**22,724**	**18,574**

Notes

(a) Terms of repayment of term loans

New-India Co-operative Bank Limited

Particulars	As at March 31, 2020	As at March 31, 2019	Payment Terms
Term loans	-	1,133	Repaid in the current year
Secured by: first ranking pari-passu charge on fixed assets of the Company and other movable assets on pari-passu basis with other term loan lenders. Repayable in 8 quarterly instalments. Rate of interest 12.50% p.a.			

SVC Co-Operative Bank Limited

Particulars	As at March 31, 2020	As at March 31, 2019	Payment Terms
Term loan	674	1,341	Repayable over next 1 year
Secured by: first ranking pari-passu charge on fixed assets of the Company, second ranking pari-passu charge on current assets of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company. Repayable in 18 quarterly instalments. Rate of interest 13.05% p.a."			

RBL Bank Limited

Particulars	As at March 31, 2020	As at March 31, 2019	Payment Terms
Term loan - External Commercial Borrowing	2,686	-	Repayable over next 4 years
Secured by: first ranking pari-passu charge on fixed assets of the Company, second ranking pari-passu charge on current assets of the company and is guaranteed by Smt. K. Lakshmi Raju, Director of the Company. Loan is denominated in foreign currency - USD 3,550,000 Repayable in 16 quarterly instalments. Interest rate is determined based on 6 months LIBOR plus 400 basis points and is payable monthly. The same is hedged against variable to fixed rate swap contract for a fixed rate of 7.50% p.a. with RBL Bank Limited.			
Current maturities of non-current borrowings have been disclosed under the head other current financial liabilities.			

(₹ in lakhs, unless otherwise stated)

(b) Loans repayable on demand

Loans repayable on demand from banks (along with non fund based limits of letters of credit and bank guarantees) from the Consortium i.e. State Bank of India, IDBI Bank Limited, HDFC Bank Limited, SVC Co-operative Bank Limited, RBL Bank Limited, Karnataka Bank Limited and Shinhan Bank Limited are secured by way of hypothecation of current assets comprising stock in trade, book debts and stores and spares, both present and future. The aforesaid facilities are further secured by second charge on the Company's immovable and movable properties, both present and future, ranking pari-passu with other working capital lenders. The facilities sanctioned by State Bank of India and IDBI Bank Limited are guaranteed by Sri K.S. Raju Director of the Company (ceased to be a director with effect from February 3, 2017). The facilities sanctioned by HDFC Bank Limited, SVC Co-operative Bank Limited, RBL Bank Limited, Karnataka Bank Limited and Shinhan Bank Limited are guaranteed by Smt. K. Lakshmi Raju, Director of the Company.

(c) Unsecured short term loan

Unsecured others comprise of export bill discounting facilities availed from HDFC Bank Limited.

17. Other financial liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Trade deposits from dealers	1,090	1,142
Derivative instruments designated in a hedging relationship	174	-
Total - non current	**1,264**	**1,142**
Current		
Current maturities of long-term borrowings	1,175	1,297
Payable on purchase of property, plant and equipment	2,342	132
Interest accrued but not due	40	58
Deferred payment liabilities	-	43
Unclaimed dividend (refer note below)	210	21
Total - current	**3,767**	**1,551**

Notes:

As at March 31, 2020 (March 31, 2019: ₹ Nil) there are no amounts of unclaimed dividend due for remittance to the Investor Education & Protection Fund.

18. Provisions

Particulars	As at March 31, 2020	As at March 31, 2019
Non current		
Gratuity liability	220	102
Compensated absences	343	280
Total - non current	**563**	**382**
Current		
Gratuity liability	55	69
Compensated absences	99	104
Total - current	**154**	**173**

a) Defined benefit plans

Gratuity

In accordance with the 'Payment of Gratuity Act, 1972' of India, the Company, provides for Gratuity, a defined retirement benefit plan (the 'Gratuity Plan') covering eligible employees. Liabilities with regard to such Gratuity plan are determined by an independent actuarial valuation and are charged to the Statement of Profit and Loss for the period determined. The Gratuity fund is administered through a scheme of Life Insurance Corporation of India. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

(₹ in lakhs, unless otherwise stated)

Change in Defined Benefit Obligation (DBO) during the year

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Present value of DBO at the beginning of the year	634	594
Current service cost	70	69
Past service cost	-	-
Interest cost	45	45
Actuarial loss arising from changes in financial assumptions	46	17
Actuarial loss arising from changes in experience adjustments	(49)	(24)
Benefits paid	(99)	(67)
Present value of DBO at the end of the year	**647**	**634**

Change in fair value of plan assets during the year

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Fair value of plan assets at the beginning of the year	463	438
Interest income	33	33
Employer contributions	6	61
Benefits paid	(99)	(67)
Remeasurement – return on plan assets (excluding interest income)	(31)	(2)
Present value of plan assets at the end of the year	**372**	**463**

Amounts recognised in the Balance Sheet

Particulars	As at March 31, 2020	As at March 31, 2019
Present value of DBO at the end of the year	647	634
Fair value of plan assets at the end of the year	372	463
Funded status of the plans – liability	**275**	**171**
Liability recognised in the Balance Sheet	**275**	**171**

Nature and extent of investment details of the plan assets

Particulars	As at March 31, 2020	As at March 31, 2019
Insurer managed funds	100%	100%

Assumptions

Particulars	Gratuity plan	
	As at March 31, 2020	As at March 31, 2019
Discount rate	7%	8%
Estimated rate of return on plan assets	7%	8%
Expected rate of salary increase	3%	3%
Attrition rate	1% to 3%	1% to 3%
Retirement age	58 years	58 years
Mortality table	IALM(2006-08) (Mod)	

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

(₹ in lakhs, unless otherwise stated)

Sensitivity analysis

Scenario	DBO	Percentage Change
Under base scenario	647	0.00%
Salary escalation - up by 1%	707	9.30%
Salary escalation - down by 1%	593	-8.30%
Attrition rate - up by 1%	661	2.20%
Attrition rate - down by 1%	631	-2.50%
Discount rate - up by 1%	598	-7.50%
Discount rate - down by 1%	703	8.60%

Expected cash flows

Particulars	As at March 31, 2020	As at March 31, 2019
Maturity profile of Defined Benefit Obligations		
Within 1 year	55	69
Year 2	63	25
Year 3	34	71
Year 4	52	36
Year 5	70	62
> 5 years	320	371

b) Actuarial assumptions for compensated absences

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate	7%	8%
Salary escalation	3%	3%
Attrition rate	1% to 3%	1% to 3%

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at year-end as per Company's policy. The value of such leave balance eligible for carry forward, is determined by an independent actuarial valuation and charged to Statement of Profit and Loss in the period determined.

The estimates of future salary increases considered in the actuarial valuation take account of price inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

19. Deferred tax liabilities/(assets) (net)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred tax liability	1,322	1,143
MAT credit available	(1,221)	(1,246)
Total	**101**	**(103)**

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Property, plant and equipment	2,008	2,001
Employee related provisions	(304)	(248)
Carry forward losses	(172)	(422)
Provisions for doubtful debts	-	(79)
MAT credit available	(1,221)	(1,247)
Lease Liabilities	(35)	-
Others	(175)	(108)
Deferred tax liabilities / (assets) net	**101**	**(103)**

(₹ in lakhs, unless otherwise stated)

Movement in deferred tax assets and liabilities

2019-20	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availment)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment	2,001	7	-	-	2,008
Employee related provisions	(248)	(46)	(10)	-	(304)
Provisions for doubtful debts	(79)	(93)	-	-	(172)
Carry forward losses	(422)	422	-	-	-
MAT credit entitlement	(1,247)	-	-	26	(1,221)
Lease Liabilities	-	11	-	(46)	(35)
Others	(108)	(7)	(60)	-	(175)
Total	**(103)**	**294**	**(70)**	**(20)**	**101**

Movement in deferred tax assets and liabilities

2018-19	Opening balance	Recognised in statement of profit and loss	Recognised in other comprehensive income	Utilisation/ Reversals / (availment)	Closing balance
Deferred tax liability / (asset) in relation to:					
Property, plant and equipment	2,340	(339)	-	-	2,001
Employee related provisions	(157)	(93)	2	-	(248)
Provisions for doubtful debts	(282)	203	-	-	(79)
Carry forward losses	-	(422)	-	-	(422)
MAT credit entitlement	(1,118)	-	-	(129)	(1,247)
Others	(105)	(3)	-	-	(108)
Total	**678**	**(654)**	**2**	**(129)**	**(103)**

(₹ in lakhs, unless otherwise stated)

20. Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues to micro enterprises and small enterprises (refer note (i) below)	533	301
Total outstanding dues of creditors other than micro enterprises and small enterprises (refer note (iii) below)	26,293	20,609
Total	**26,826**	**20,910**

Notes:

(i) Based on the information available with the management, the balance due to micro, small and medium enterprises as defined under "Micro, Small and Medium Enterprises Development (MSMED) Act, 2006", is ₹ 533 lakhs (March 31,2019 ₹ 301 lakhs) and no interest has been paid or is payable under the terms of MSMED Act, 2006. Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of the information collected by the Management.

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Principal amount due to suppliers under MSMED Act, as at end of the year	533	301
(ii) Interest accrued and due to suppliers under MSMED Act on the above amount as at the year end	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) +(iv)	-	-

(ii) The average credit period on purchases ranges from 90 days - 120 days. No interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the agreed credit terms.

(iii) The dues above include acceptances against the letter of credit issued to bank amounting to ₹ 2,901 lakhs as at March 31, 2020 (2018: ₹ 2,706 Lakhs).

21. Other current liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Advances from customers	733	1,272
Statutory payables	508	518
Total	**1,241**	**1,790**

(₹ in lakhs, unless otherwise stated)

22. Revenue from operations

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products	100,336	85,751
Other operating revenue *	1,153	798
Total	**101,489**	**86,549**

* Other Operating Revenue comprises of export benefits, interest on receivables (net), scrap sales and conversion charges etc.

Revenue for the year ended March 31, 2020 and March 31, 2019 are as follows:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of Manufactured Products	92,396	79,499
Sale of Traded Products	7,940	6,252
Total	**100,336**	**85,751**

Disaggregation of revenue information:

The tables below presents disaggregated revenues from contracts with customers by customers and geography. The company believes that the this disaggregation best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Manufactured Products		
Domestic		
Dealer sales	44,055	39,650
Institutional sales	22,598	17,487
Exports		
Institutional sales	25,743	22,362
Total Manufactured Products	**92,396**	**79,499**
Traded Products		
Domestic		
Dealer sales	7,940	6,252
Total Traded Products	**7,940**	**6,252**
Total Sales	**100,336**	**85,751**

23. Other income

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Insurance claims	172	307
Interest income		
- On outstanding receivables	-	1,631
- Others	53	77
Bad debts written off recovered	151	138
Excess provisions written back	68	1
Miscellaneous income	306	418
Total	**750**	**2,572**

24. Cost of materials consumed

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw material consumption	56,125	53,119
Packing material consumption	4,325	4,327
Total	**60,450**	**57,446**

(₹ in lakhs, unless otherwise stated)

25. Changes in inventories of finished goods, work in progress and stock-in-trade

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance		
Work-in-progress	1,342	1,067
Finished goods	10,447	8,934
Stock-in-trade	3,210	2,673
Total opening balance	**14,999**	**12,674**
Closing balance		
Work-in-progress	1,574	1,342
Finished goods	6,305	10,447
Stock-in-trade	801	3,210
Total closing balance	**8,680**	**14,999**
Net decrease / (increase) in inventories	**6,319**	**(2,325)**

26. Employee benefits expense

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	7,404	6,814
Contribution to provident and other funds (refer note (i) below)	567	508
Employee stock compensation expense	44	16
Staff welfare expenses	649	654
Total	**8,664**	**7,992**

Notes:

(i) Contribution to provident fund and other funds

- Provident fund:

The Company makes provident fund contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the fund administered and managed by the Government of India. The Company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. Total expense recognised during the year aggregated ₹ 484 lakhs (2019 ₹ 427 lakhs).

- Gratuity (funded):

Amount recognised in statement of profit and loss in respect of gratuity ₹ 83 lakhs (2019 ₹ 81 lakhs).

27. Finance cost

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expenses		
Interest on short term and long term loans (gross)	2,522	2,491
Less: Borrowing cost capitalized	(494)	(78)
Interest on short term and long term loans (net)	2,028	2,413
Other interest expenses	502	452
Finance charges	386	533
Total	**2,916**	**3,398**

28. Depreciation and amortisation expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment (refer note 4)	1,742	1,712
Less: Depreciation capitalised during the year	70	57
	1,672	1,655
Add: Amortisation of lease assets (refer note 37)	402	-
Add: Amortisation of intangible assets (refer note 5)	323	380
Total	**2,397**	**2,035**

(₹ in lakhs, unless otherwise stated)

29. Other expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spare parts	653	936
Repairs and maintenance		
Buildings	49	66
Plant and Machinery	279	128
Others	36	47
Other manufacturing costs	1,129	1,325
Power and fuel	2,961	3,330
Rent	20	387
Rates and taxes	75	74
Communication expenses	81	103
Travel and conveyance	987	1,227
Legal and professional charges	479	457
Insurance	522	282
Directors' sitting fees	14	11
Auditors' remuneration (refer note (i) below)	33	32
Product development expenses	82	97
Bad debts written off	1,129	1,070
Less: Provision made there on	(546)	(923)
Allowances for doubtful receivables and advances	811	350
Royalty	957	775
Marketing expenses	2,389	2,975
Freight outward	1,922	2,124
Net Loss/(gain) on disposal of property, plant and equipment	28	(7)
Net Loss on write off of intangible assets and intangible assets under development	138	91
Goodwill written off	121	-
Reversal of accumulated amortization on goodwill written off	(121)	-
Net foreign exchange (gain)/loss	(230)	422
Expenditure for corporate social responsibility (refer note (ii) below)	32	79
Miscellaneous expenses	603	620
Total	**14,633**	**16,078**

Notes:

(i) Auditors' remuneration (net of applicable taxes) comprises of:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
For statutory audit	21	21
For tax audit	4	4
For others	8	7
Total	**33**	**32**

(ii) Corporate social responsibility:

The Company contributes towards Corporate Social Responsibility (CSR) activities. As per section 135 of the Companies Act, 2013, a CSR Committee has been formed by the Company. The areas for CSR activities are rural development, promoting education and other social projects. The expense is charged to the Statement of Profit and Loss under 'other expenses' amounting ₹ 32 lakhs. (2019 - ₹ 79 lakhs)

(₹ in lakhs, unless otherwise stated)

30. Related party disclosures :

(A) Names of the related parties and their relationship :

(i) Details of subsidiaries & associates :

Names	Nature of relationship	Country of incorporation	Percentage of holding as at	
			March 31, 2020	March 31, 2019
LR Research Laboratories Private Limited (LRLPL)	Subsidiary	India	100%	100%
Nagarjuna Agrichem (Australia) Pty Limited, Australia (NAPL)	Subsidiary	Australia	100%	100%
Nasense Labs Private Limited (NLPL)	Associate	India	26%	26%

(ii) Details of other related parties :

Name	Nature of relationship
KLR Products Limited (KLRPL)	Parent Company
Bhagiradha Chemicals and Industries Limited (BCIL)	Entity with common director (ceased to be a related party during the year)
Nagaarjuna Shubho Green Technologies Private Limited (NSGTPL)	Entity with common director
Krishi Rasayan Exports Pvt Ltd (KREPL)	Entity with common director (w.e.f. May 29, 2019)
Agro Life Sciences Corporation (ALSC)	Entity with common director (w.e.f. May 29, 2019)
Agma Energy pvt Ltd (AEPL)	Entity with common director (w.e.f. May 29, 2019)
Indo International Fertilizers Limited (IIFL)	Entity where KMP holds directorship. (KMP ceased to be a director w.e.f. May 2, 2018)

(iii) Key Managerial Personnel (KMP) :

Name	Designation
Mrs. K Lakshmi Raju	Chairperson
Mr. V.Vijay Shankar	Managing Director (upto May 31, 2019)
Mr. M Pavan Kumar	Managing Director and Chief Executive Officer (w.e.f. June 1, 2019)
Mr. RKS Prasad	Chief Financial Officer (CFO)

(B) Transactions during the year :

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(i) Sales		
a. Associate (NLPL)	1,160	729
b. Other related party (KREPL)	3,278	-
c. Other related party (ALSC)	1,355	-
(ii) Purchases		
a. Associate (NLPL)	1,166	983
b. Other related party (NSGTPL)	8	-
c. Other related party (BCIL)	-	1,142
d. Other related party (KREPL)	6,687	-
e. Other related party (ALSC)	1,189	-
f. Other related party (AEPL)	289	-
(iii) Rent paid		
a. Mrs.K Lakshmi Raju (KMP)	135	134
(iv) Director's sitting fees		
a. Mrs.K Lakshmi Raju (KMP)	2	1
(v) Investments		
b. Associate (NLPL)	-	322

(₹ in lakhs, unless otherwise stated)

(C) Outstanding balances as at the year end

Trade receivables

Particulars	As at March 31, 2020	As at March 31, 2019
a. Associate (NLPL)	1,068	13
b. Other related party (KREPL)	837	-

Trade payables

Particulars	As at March 31, 2020	As at March 31, 2019
a. Associate (NLPL)	484	-
b. Other related party (KREPL)	1,981	-
c. Other related party (ALSC)	369	-
d. Other related party (AEPL)	168	-

Security deposits

Particulars	As at March 31, 2020	As at March 31, 2019
a. Mrs.K Lakshmi Raju (KMP)	67	50

Investments :

Particulars	As at March 31, 2020	As at March 31, 2019
b. Associate (NLPL)	816	816
c. Other related party (NSGTPL)	1	1

(D) Transactions with key management personnel

Nature of transaction	Party name	For the year ended March 31, 2020	For the year ended March 31, 2019
Short-term employee benefits	Managing Director and CFO	236	188
Share based payments	Managing Director and CFO	3	3

Short term employee benefits does not include expenses for gratuity and leave encashment.

(₹ in lakhs, unless otherwise stated)

31. Contingent liabilities

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Claims against the Company not acknowledged as debts in respect of the matters under dispute:		
	Excise duty (refer note (a) below)	33	35
	Service tax (refer note (b) below)	66	13
	Income tax (refer note (c) below)	478	430
	Sales tax (refer note (d) below)	106	95
	Goods and Service tax (refer note (e) below)	6	-
(ii)	Counter guarantees given to bankers (refer note (f) below)	193	389
(iii)	Others (refer note (g) below)	125	125
	Total	**1,007**	**1,087**

Notes:

(a) The Company has disputed various demands raised by excise duty authorities for the Financial years 2004-05 to 2006-07, 2008-09 and FY 2016-17 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(b) The Company has disputed various demands raised by service tax authorities for the Financial years 2013-14 to 2016-17, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(c) The Company has disputed various demands raised by income tax authorities for the assessment years 2004-05 to 2009-10 and assessment year 2017-18 which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(d) The Company has disputed various demands raised by sales tax authorities for the financial years 2009-10 to 2016-17, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(e) The Company has disputed various demands raised by Goods and Service Tax authorities for the financial year 2019-20, which are pending at various stages of appeals. The Company is confident that these appeals will be decided in its favour.

(f) Guarantees given to bank for guarantees given by bank to third party in ordinary course of business.

(g) Other contingent liability majorly pertains to demand for payment of alleged deficit of stamp duty, registration fees and penalty in respect of a sales deed. The Company is confident that the case will be decided in its favour.

32. Commitments

S. No.	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Estimated amount of contracts, remaining to be executed on capital account and not provided for (net of advance)	299	1,899
	Total	**299**	**1,899**

(₹ in lakhs, unless otherwise stated)

33. Financial instruments

33.1 Capital management

The Company's capital management objective is to maximise the total shareholder return by optimising cost of capital through flexible capital structure that supports growth. Further, the Company ensures optimal credit risk profile to maintain/enhance credit rating. The Company determines the amount of capital required on the basis of annual operating plan and long-term strategic plans. The funding requirements are met through internal accruals and long-term/short-term borrowings. The Company monitors the capital structure on the basis of net debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

Gearing ratio

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current borrowings	2,175	1,177
Current borrowings, current maturities of non-current borrowings and Deferred payment liabilities	23,899	19,914
Cash and cash equivalents	(8,358)	(684)
Net debt (Refer note (i) below)	17,716	20,407
Equity (Refer note (ii) below)	35,696	28,413
Net debt to equity ratio	**0.50**	**0.72**

Notes:

(i) Net debt includes all long and short-term borrowings as reduced by cash and cash equivalents.

(ii) Equity includes issued equity capital, securities premium and all other reserves.

33.2 Financial instruments by category

Particulars	As at March 31, 2020			As at March 31, 2019		
	Amortised Cost	FVTOCI	FVTPL	Amortised Cost	FVTOCI	FVTPL
Financial assets						
Investments in equity instruments / preferential shares	-	9	-	-	6	-
Derivative financial asset	-	-	121	-	-	-
Loans	-	-	-	-	-	-
Other financial assets	755	-	-	785	-	-
Trade receivables	35,939	-	-	26,772	-	-
Cash and cash equivalents	8,358	-	-	684	-	-
Other bank balances	3,415	-	-	519	-	-
Total	**48,467**	**9**	**121**	**28,760**	**6**	**-**
Financial liabilities						
Borrowings (refer note (i) below)	24,899	-	-	19,751	-	-
Lease liabilities	695	-	-	-	-	-
Derivative financial liability	-	174	-	-	-	-
Other financial liabilities	4,857	-	-	2,693	-	-
Trade payables	26,826	-	-	20,910	-	-
Total	**57,277**	**174**	**-**	**43,354**	**-**	**-**

Notes:

(i) Borrowings include non-current and current borrowings (refer note 16)

(ii) The management assessed that fair value of cash and cash equivalents, trade receivables, other current financial assets, trade payables, borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments, and hence these are carried at amortised cost.

(iii) Investments (unquoted) are measured at fair value through initial designation in accordance with Ind-AS 109.

(₹ in lakhs, unless otherwise stated)

33.3 Fair Value by hierarchy

Valuation technique and key inputs

Level 1

Quoted prices (unadjusted) in an active markets for similar assets or liabilities.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Quantitative disclosures of fair value measurement hierarchy-Level 2 for financial instruments:

Particulars	As at March 31, 2020	As at March 31, 2019
Financial Assets		
Derivative financial asset	121	-
Financial Liabilities		
Derivative financial liability	174	-

The Company enters into derivative financial instruments with various counterparties principally, banks with investment grade credit ratings. Foreign exchange forward contracts and interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, etc. As at March 31, 2020 the mark-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had insignificant impact on the hedge effectiveness assessment for derivatives designated in hedge relationships.

Level 3

Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Quantitative disclosures of fair value measurement hierarchy-Level 3 for financial instruments:

Particulars	As at March 31, 2020	As at March 31, 2019
Financial Assets		
Unquoted equity shares	9	6

The fair values of the unquoted equity shares have been estimated using a Discounted Cash Flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, earnings growth, discount rate, and probabilities of the various estimates within the range used in management's estimate of fair value for these unquoted equity investments.

Valuation inputs and relationships to fair value:

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Particulars	Significant-unobservable inputs	Valuation process	Sensitivity of the inputs to fair value
Investment in unquoted equity shares	Earnings growth rate	i) Earnings growth factor for unlisted equity shares are estimated based on the market information of similar type of companies and also considering the economic environment impact.	Any increase in earnings growth rate would increase the fair value.
	Discount rate	ii) Discount rates are determined using a capital asset pricing model, i.e., a borrowing rate at which the Company would be able to borrow funds on similar terms.	Any increase in discount rate would result in decrease in fair value.

(₹ in lakhs, unless otherwise stated)

33.4 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The Company has adequate internal processes to assess, monitor and manage financial risks. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The liquidity risk is measured by the Company's inability to meet its financial obligations as they become due.

Market risk

The Company is exposed to foreign exchange risk through imports from overseas suppliers in various foreign currencies, exports to customers abroad, bill discounting, buyer's credit, packing credit. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

Foreign currency exposure

The Company monitors and manages its financial risks by analysing its foreign exchange exposures. The Company, in accordance with its Board approved risk management policies and procedures, enters into foreign exchange forward contracts to manage its exposure in foreign exchange rates.

The Company has applied the hedge accounting principles set out in Indian Accounting Standard – 109 "Financial Instruments" (Ind AS - 109) in respect of such derivative contracts, designated in a hedging relationship, used to hedge its risks associated with foreign currency fluctuations. Accordingly, in respect of all such outstanding forward contracts as at March 31, 2020 that were designated as fair value hedges, gain aggregating ₹ 120 lakhs (2019: Nil) have been recognised borrowing cost.

Derivative financial instruments:

Outstanding forward exchange contracts as on March 31, 2020:

Currency	Amount in foreign currency	Nos. of contracts	₹ (in lakhs)	Buy / Sell	Cross currency
US Dollar	3,550,000	2	2,576	Buy	Rupees

All outstanding forward exchange contracts as at March 31, 2020 have maturity period of less than one year.

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2020:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	2,365,672	1,790	-	-	1,790
Trade receivables	9,684,952	7,328	-	-	7,328
Borrowings	(3,978,720)	(3,011)	-	-	(3,011)
Trade payables	(7,050,428)	(5,335)	-	-	(5,335)
Interest accrued but not due on borrowings	(11,094)	(8)	-	-	(8)
Net assets/(liabilities)	**1,010,382**	**764**	**-**	**-**	**764**

The following table analyses foreign currency exposures from financial instruments that have not been hedged by a derivative instrument as of March 31, 2019:

Particulars	US Dollars	₹ (in lakhs)	EURO / GBP	₹ (in lakhs)	Total (₹ lakhs)
Cash and cash equivalents	938,171	649	-	-	649
Trade receivables	9,561,958	6,612	116,775	91	6,703
Borrowings	(3,849,455)	(2,662)	-	-	(2,662)
Trade payables	(7,932,762)	(5,486)	-	-	(5,486)
Net assets/(liabilities)	**(1,282,088)**	**(887)**	**116,775**	**91**	**(796)**

(₹ in lakhs, unless otherwise stated)

Sensitivity analysis:

For the year ended March 31, 2020 and March 31, 2019, every increase / decrease of ₹ 1 in the respective foreign currencies compared to functional currency of the Company would impact profit before tax by ₹ 10 lakhs/ (₹ 10 lakhs) and (₹ 11 lakh)/ ₹ 11 lakhs respectively.

Interest rate risk:

The Company draws term loans, working capital demand loans, avails cash credit, foreign currency borrowings including buyer's credit, packing credit etc. for meeting its funding requirements. The Company manages the interest rate risk by maintaining appropriate mix/portfolio of borrowings having fixed and floating rate of interest. The borrowings are serviced on a timely manner and repayments of the principal and interest amounts are made on a regular basis.

Interest rate swap contract:

Under Interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amount. Such contract enables Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest is based on the outstanding balances at the end of the reporting period.

Details of the interest rate swap contracts:

Particulars	Loan amount (₹ in lakhs)	Fair Value of Interest Rate Swap as at March 31, 2020	Fair Value of Interest Rate Swap as at March 31, 2019	Coupon / Interest Rate	Fixed Interest Rate
US Dollar	3,550,000	1	Nil	Libor + 4%	7.50%

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, deposits with banks, foreign exchange transactions and other financial instrument. Credit risk is managed through credit approvals, insurance of certain receivables, monitoring the creditworthiness and establishing credit limits of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of expected losses in respect of trade and other receivables and investments.

Other price risks

The Company is exposed to valuation of equity investment risks as the Company's equity investments are held for strategic rather than trading purposes.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company's principal sources of liquidity are cash & bank balances, credit facilities and cash generated from operations.

The Company has unutilised credit limits from the banks of ₹ 6,607 lakhs and ₹ 7,520 lakhs as of March 31, 2020 and March 31, 2019 respectively.

The working capital position of the Company:

Particulars	As at March 31, 2020	As at March 31, 2019
Current assets	69,101	55,472
Current liabilities	55,336	43,134
Working capital	**13,765**	**12,338**

(₹ in lakhs, unless otherwise stated)

The table below provides details regarding the contractual maturities of significant financial liabilities (excluding current, non-current borrowings and deferred payment liabilities) as at March 31, 2020:

Particulars	Less than 1 year	1-2 years	2 years and above
Trade payables	26,826	-	-
Other current financial liabilities	2,592	-	-
Other non-current financial liabilities	-	1,264	-
Total	**29,418**	**1,264**	**-**

The table below provides details regarding the contractual maturities of significant financial liabilities (excluding current, non-current borrowings and deferred payment liabilities) as at March 31, 2019:

Particulars	Less than 1 year	1-2 years	2 years and above
Trade payables	20,910	-	-
Other current financial liabilities	211	-	-
Other non-current financial liabilities	-	1,142	-
Total	**21,121**	**1,142**	**-**

The Company's obligation towards payment of borrowings has been included in note 16 & 17.

34. Earnings per share

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit/(Loss) for the year attributable to shareholders of the Company	1,674	(695)
Basic:		
Number of shares outstanding at the year end	192,605,261	167,420,260
Weighted average number of equity shares	168,024,466	156,525,097
Earnings per share (₹)	**1.00**	**(0.44)**
Diluted:		
Effect of potential equity shares on employee stock options outstanding	68,993	169,648
Weighted average number of equity shares outstanding	168,093,459	156,694,745
Earnings per share (₹)	**1.00**	**(0.44)**

Note: EPS is calculated based on profits excluding the other comprehensive income.

35. Research and development expense charged to Statement of Profit and Loss account:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee benefits expense	30	32
Depreciation	13	24
Other expenses	44	61
Revenue Expenditure	**87**	**117**

36. Research and development expense capitalised:

Revenue Expenditure capitalised during the year under respective heads:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee benefits expense	160	154
Depreciation	70	57
Other expenses	133	142
Total	**363**	**353**

(₹ in lakhs, unless otherwise stated)

37. Leases:

The Company has adopted Ind AS 116 "Leases" with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 "Leases" and related interpretation and guidance. On transition to Ind AS 116, Right-of—use assets as at April 1, 2019 for leases previously classified as operating leases were recognised and measured with cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as at April 1, 2019. As a result, the comparative information has not been restated. The Company has discounted lease payments using the incremental borrowing rate as at April 1, 2019 for measuring the lease liability.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of ₹ 757 lakhs and a lease liability of ₹ 886 lakhs. The cumulative effect of applying the standard, amounting to ₹ 84 lakhs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
4. Applied hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at April 1, 2019 is 12.83%

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

Particulars	As on April 01, 2019	Additions	Termination during the year	Depreciation	As on March 31, 2020
Lease Godown	497	32	(31)	(252)	246
Lease Motor Vehicle	260	241	-	(150)	351
Total	**757**	**273**	**(31)**	**(402)**	**597**

Lease Liabilities

Particulars	As on March 31, 2020
Amount as on April 01, 2019	887
Additions to lease Liabilities	272
Termination during the year	(35)
Interest Expense	114
Cash Outflows during the year	(543)
Carrying value as on March 31, 2020	695
Current	379
Non - Current	316

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

Particulars	0-6 months	6-12 months	12-24 months	more than 24 months
Undiscounted Future Cash Outflows	243	202	172	202

38. Segment Reporting:

As the Company's business activities fall within a single primary segment viz-a-viz "manufacture of products - pesticides, insecticides etc.", therefore the disclosure requirements of Indian Accounting Standard 108 - Operating Segments are not applicable. The Company sells its products mainly within India where the conditions prevailing are uniform. Since the sales outside India are below the threshold limit, no separate geographical segment disclosure is considered necessary.

39. Additional disclosure related to consolidated financial statements:

(₹ in lakhs, unless otherwise stated)

List of subsidiaries and associates considered for consolidation

Name of the Company	Relationship	Country of incorporation	Percentage of voting power as at March 31, 2020	Net assets		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
				March 31, 2020		March 31, 2020		March 31, 2020		March 31, 2020	
				% of consolidated net assets	Amount in lakhs	% of consolidated profit/(loss)	Amount in lakhs	% of consolidated other comprehensive income	Amount in lakhs	% of consolidated total comprehensive income	Amount in lakhs
NACL Industries Limited (formerly Nagarjuna Agrichem Limited)	Company	India		96%	34,204	94%	1,577	99%	(132)	94%	1,445
LR Research Laboratories Private Limited	Subsidiary	India	100%	*	(4)		-		-		-
Nagarjuna Agrichem (Australia) Pty Limited	Subsidiary	Australia	100%	*	2	0%	2		-	0%	2
Nasense Labs Private Limited	Associate	India	26%	4%	1,494	6%	95	1%	(2)	6%	93
Total					**35,696**		**1,674**		**(134)**		**1,540**

* less than 1%

List of subsidiaries and associates considered for consolidation

Name of the Company	Relationship	Country of incorporation	Percentage of voting power as at March 31, 2019	Net assets		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
				March 31, 2019		March 31, 2019		March 31, 2019		March 31, 2019	
				% of consolidated net assets	Amount in lakhs	% of consolidated profit/(loss)	Amount in lakhs	% of consolidated other comprehensive income	Amount in lakhs	% of consolidated total comprehensive income	Amount in lakhs
NACL Industries Limited (formerly Nagarjuna Agrichem Limited)	Company	India		95%	27,016	121%	(838)	300%	3	120%	(835)
LR Research Laboratories Private Limited	Subsidiary	India	100%	*	(4)	*	1		-	*	1
Nagarjuna Agrichem (Australia) Pty Limited	Subsidiary	Australia	100%	*	-	-1%	5		-	-1%	5
Nasense Labs Private Limited	Associate	India	26%	5%	1,401	-20%	137	-200%	(2)	-19%	135
Total					**28,413**		**(695)**		**1**		**(694)**

40. COVID-19 assessment:

In March 2020, COVID-19, an infectious disease caused by the recently discovered Coronavirus, SARS-CoV-2, was declared a pandemic by the Word Health Organization. On March 24, 2020, the Indian Government announced a strict 21-day lockdown which was further extended across the country to contain the spread of the virus. However, Government of India deemed agriculture related sectors including Pesticides as essential and permitted operations in a limited way, based on which the Group resumed activities in its production facilities. The Group adopted number of measures to protect the health of its employees while ensuring business continuity with minimal disruption. In assessing the recoverability of receivables, inventory and other financial assets, the Group has considered internal and external information up to the date of approval of these standalone and consolidated financial results. The impact of the global health pandemic may be different from that of estimates as at the date of approval of these standalone and consolidated financial results and the Group will continue to monitor closely any material changes in the emerging economic conditions.

41. Insurance claim

During the year the Group has received favourable award of ₹ 2,400 lakhs towards Arbitration filed by Group under the Arbitration and Conciliation Act, 1996 in both the claims i.e. Material Damage claim (MD Claim) and Business Interruption policy claim vide order dated September 10, 2019 and September 13, 2019 respectively with respect to the claim on account of fire accident in its one of the block in Srikakulam plant on June 30, 2012. The insurance company has filed an appeal against this award before the Hon'ble High Court of Delhi. Pending final resolution, the same has not been recognised in books of accounts.

42. Approval of financial statements

The financial statements are approved for issue by the Board of Directors on May 20, 2020.

for and on behalf of the Board of Directors

M Pavan Kumar
Managing Director & CEO
(DIN:01514557)

Raghavender Mateti
Director
(DIN:06826653)

R.K.S. Prasad
Chief Financial Officer

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : May 20, 2020

Advisory, Content & Visualization

Corp Comm Studio

NAGARJUNA

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