

AVT NATURAL PRODUCTS LIMITED

34th Annual Report
2019-2020

AVT NATURAL PRODUCTS LIMITED

BOARD OF DIRECTORS

Mr. Ajit Thomas, **Chairman**
Mr. M.A. Alagappan
Mr. P. Shankar, I.A.S. (Retd.)
Mr. A.D. Bopana
Mrs. Shanthi Thomas
Mr. Habib Hussain
Mrs. Kavitha Vijay (w.e.f. 12.02.2020)

AUDIT COMMITTEE

Mr. M.A. Alagappan, **Chairman**
Mr. P. Shankar, I.A.S (Retd.)
Mr. A.D. Bopana
Mr. Habib Hussain
Mr. Ajit Thomas (w.e.f. 08.11.2019)
Mrs. Kavitha Vijay (w.e.f. 12.02.2020)

NOMINATION & REMUNERATION COMMITTEE

Mr. M.A. Alagappan, **Chairman**
Mr. P. Shankar, I.A.S. (Retd.)
Mr. Habib Hussain

STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. Ajit Thomas, **Chairman**
Mr. A.D. Bopana
Mr. Habib Hussain

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. P. Shankar, I.A.S. (Retd.), **Chairman**
Mr. Ajit Thomas
Mr. Habib Hussain

KEY MANAGERIAL PERSONNEL

Mr. M.N. Satheesh Kumar, President and CEO
Mr. A. Ramadas, Sr. Vice President and CFO
Mr. Dileepraj. P, Company Secretary

AUDITORS

M/s PKF Sridhar & Santhanam LLP,
Chartered Accountants,
KRD Gee Gee Crystal, 7th Floor,
91-92, Dr. Radhakrishnan Salai,
Mylapore, Chennai - 600004.

BANKERS

Bank of Baroda
State Bank of India
The South Indian Bank Ltd.,
Citibank N.A.,
The Hongkong and Shanghai
Banking Corporation Limited
The Federal Bank Limited

PLANT LOCATIONS

SF No. 234/1, Mysore Trunk Road, Pudukavalli,
Sathyamangalam – 638 401, Erode District, Tamil Nadu.
Tel. No.: 04295 - 243220

HL No. 1182, Halkurke Village, Honnavalli Hobli,
Tiptur Taluk - 572 201, Tumkur District, Karnataka.
Tel. No.: 08134 - 264177

Plot No.225/1A, 5-7, Kaipoorikkara,
Vazhakulam, Marampilly Post, Aluva – 683105,
Ernakulam District, Kerala.
Tel. No.: 0484-2848240, Fax: 0484 - 2677512

SUBSIDIARY COMPANIES

AVT Natural Europe Ltd.,
(formerly AVT Tea Services Ltd.,)
19, Heathman's Road, London, SW6 4TJ
United Kingdom.

AVT Natural S.A. DE C.V.
IZA Business Center
Blv. Bernanrdo Quintana Arrioja
300, Torre 57, Piso 14, Centro Sur, Queretaro,
Santiago De Queretaro, Mexico, C.P 76090

AVT Tea Services North America LLC
(subsidiary of AVT Natural Europe Ltd.,)
8805, Tamiami Trail, North suite 160, Naples FL 34108

AVT Natural North America Inc,
1013 Centre Road, Suite 403S, Delaware, Wilmington,
New Castle, Zip code - 19805

REGISTERED OFFICE

60, Rukmani Lakshmiipathy Salai,
Egmore, Chennai – 600 008.
Tel.: 044-28584147, Fax: 044-28584147
E-mail: avtnpl@avtnatural.com
Web: www.avtnatural.com
CIN: L15142TN1986PLC012780.

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Company will be held at 11.00 A.M. Indian Standard Time (IST) on Wednesday, the 23rd September 2020 through Video Conferencing ('VC')/ Other Audio Visual Means ('OAVM') to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements (including the consolidated financial statements) of the Company for the financial year ended March 31, 2020 and the reports of the Board of Directors and Auditors thereon.
2. To declare final dividend.
3. To appoint a Director in place of Mrs. Shanthi Thomas (DIN:00567935), who retires by rotation and is eligible for re-appointment.

SPECIAL BUSINESS

4. **RE-APPOINTMENT OF MR. A.D. BOPANA AS NON-EXECUTIVE & INDEPENDENT DIRECTOR OF THE COMPANY**

To consider, and if thought fit, to pass with or without the modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150 & 152 read with Schedule IV, and other applicable provisions if any, of the Companies Act 2013 ("Act"), Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in terms of Regulations 16(1) (b) & 17(1A) and other applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Mr. A.D. Bopana (DIN: 00576066), aged 79 years, who was appointed as Non-Executive & Independent Director of the Company for a term of five consecutive years, i.e. up to 25.08.2020, by members at the 29th Annual General Meeting, in terms of Section 149 of the Companies Act, 2013, who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act, be and is hereby re-appointed as Non-Executive & Independent Director of the Company, not liable to retire by rotation, for a second term of five (5) consecutive years commencing from 26.08.2020 up to 25.08.2025 (both dates inclusive)".

5. **APPOINTMENT OF MRS. KAVITHA VIJAY AS NON-EXECUTIVE & INDEPENDENT WOMAN DIRECTOR OF THE COMPANY**

To consider, and if thought fit, to pass with or without the modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 read with Schedule IV, and

other applicable provisions, if any, of the Companies Act 2013 ("Act"), Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in terms of Regulations 16(1) (b) & 17(1)(a) and other applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, Mrs. Kavitha Vijay (DIN: 01047261), Independent (Additional) Woman Director of the Company w.e.f. 12.02.2020, who has submitted a declaration that she meets the criteria of independence as provided in Section 149(6) of the Act and is eligible for appointment as an Independent Director of the Company, be and is hereby appointed as Non-Executive & Independent Woman Director of the Company, not liable to retire by rotation, for term of five (5) consecutive years commencing from 23.09.2020 up to 22.09.2025 (both dates inclusive)".

6. **RE-APPOINTMENT OF MR. M.N. SATHEESH KUMAR AS 'MANAGER' OF THE COMPANY**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Schedule V to the Act and the Rules made thereunder, as amended from time to time, approval of the Members of the Company be and hereby accorded for appointment of Mr. M.N. Satheesh Kumar, as 'Manager' and designated as President and Chief Executive Officer of the Company, to hold the office for a period of 1 (one) year w.e.f. 01.04.2020 to 31.03.2021 (both dates inclusive) on a remuneration by way of salary, allowances, benefits, performance incentive and perquisites, as are applicable and as may be decided by the Board of Directors of the Company from time to time, within overall limits specified under section 197 of the Companies Act 2013 read with the schedule V of the Companies Act, 2013, as in force from time to time.

RESOLVED FURTHER THAT Mr. M.N. Satheesh Kumar, be paid the following managerial remuneration within the overall limit specified under section 197, from the date of his appointment w.e.f. 01.04.2020 to 31.03.2021.

Remuneration:

| | |
|--------|---|
| Salary | Basic salary Rs.5,00,000/- per month in the scale of Rs. 5,00,000/- - 6,00,000/- with annual increment as may be decided by the Board of Directors from time to time. |
|--------|---|

| | |
|---|---|
| Special Allowance | Rs.50,000/- per month |
| Perquisites such as house maintenance, medical for self and family, electricity, gas, water charges, leave travel allowance etc., | Subject to a maximum of Rs.4,80,000/- per annum |
| Performance Incentive | As may be decided by the Board of Directors subject to a maximum of 4 (four) months basic salary and special allowance. |

Other Benefits:

- Contribution to provident fund and super annuation fund on salary at the rate in accordance with the rules of the Company.
- Gratuity on salary in accordance with the rules of the Company
- Encashment of leave as per the rules of the Company
- Provision for telephone and other communication facilities at residence for official purpose.
- Provision of Company's car with driver for official use.

RESOLVED FURTHER THAT the duties of the 'Manager' so appointed above shall be the overall supervision of the functioning and manage affairs of the Company under the superintendence and control of the Board of Directors and to perform all other duties that the Board may delegate to the 'Manager' from time to time.

RESOLVED FURTHER THAT where in the financial year, during the currency of his tenure, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary, allowances and perquisites not exceeding the limits specified in part II of Section II of Schedule V to the Companies Act, 2013 or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the different component of the aforesaid remuneration within the overall limit specified under Section 197 read with Schedule V of the Companies Act, 2013 as may be agreed to by the Board of Directors and Mr. M.N. Satheesh Kumar.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby severally authorized to do all such acts, deeds and things, to enter into such agreement(s), deed(s) of

amendment(s) or any such document(s), consider necessary, proper, expedient or incidental for the purpose of giving effect to this resolution."

By order of the Board

For AVT Natural Products Limited

Place : Chennai
Date : 29th July 2020

Dileepraj. P
Company Secretary

Registered office:
60, Rukmani Lakshmiipathy Salai,
Egmore, Chennai – 600 008

NOTES:

- In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and pursuant to the Circular No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 issued by the Ministry of Corporate Affairs followed by Circular No. 20/2020 dated May 05, 2020, physical attendance of the Members to the AGM venue is not required and annual general meeting (AGM) be held through video conferencing (VC) or other audio visual means (OAVM). Hence, Members can attend and participate in the ensuing AGM through VC/OAVM. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM.
- The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting annexed here to.
- The relevant details, pursuant to Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Director seeking appointment at this AGM is annexed
- Pursuant to the Circular No. 14/2020 dated April 08, 2020, issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
- Corporate members intended to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from 17. 09.2020 to 23.09.2020 (both days inclusive) for the purpose of Annual General Meeting.

7. The Voting rights of members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the Cut-off date 16.09.2020.
8. The Company has appointed M/s Cameo Corporate Services Limited, Chennai as its Registrar & Share Transfer Agent and depository interface of the Company with CDSL and NSDL. Shareholders intending to hold their shares in electronic form may approach their depository participants for dematerialisation of shares. Members are requested to notify immediately any change in their address and send their shares for effecting transfers/ transmission to M/s Cameo Corporate Services Limited.
9. The final dividend as recommended by the Board, if approved at this meeting, will be paid within 30 days from the date of AGM, to those members whose names appear in the Register of Members on that date.
10. Members are requested to lodge their e-mail ID's along with their Name and Folio No. to Company's Share Transfer Agent, M/s. Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002, Email :- investor@cameoindia.com to enable the Company to send all future communications including Annual Reports through electronic mode.
11. The Finance Act, 2020 had made the dividend declared from 01st April 2020, taxable in the hands of shareholders, where the dividend exceeds Rs.5000/- in a financial year. This has created a requirement for the investors to submit Form 15G/15H in case if they would like to be exempted from deduction of tax from their dividend. Form 15 G/ 15 H can be downloaded from the web link <https://investors.cameoindia.com> to avail the benefit and email to investor@cameoindia.com, immediately. There is also provision to upload Form 15G/15H in the web link viz. <https://investors.cameoindia.com> provided by the Company's Registrar and Share Transfer Agent M/s Cameo Corporate Services Limited.
12. Members are requested to notify the Company's Share Transfer Agent immediately of their bank account number and name of the bank and branch in the case of physical holdings, and to their respective Depository Participants in case of dematted shares, so that the payment of dividend when made through National Electronic Clearing Service (NECS), National Electronic Fund Transfer (NEFT), Direct Credit, Dividend Warrants etc., can be made without delay.
13. Shareholders who have multiple folios in identical names or in joint names in the same order, are requested to intimate to the Company these folios, to enable the Company to consolidate all such shareholdings into one folio.
14. Shareholders of the Company may avail the nomination facility by executing the prescribed nomination form, which can be obtained from the Registered Office of the Company or from the company's Share Transfer Agent.
15. The equity shares of the Company would continue to be listed on BSE Ltd., and the National Stock Exchange of India Ltd., The Annual listing fee, as prescribed, has been paid to both BSE and NSE.
16. Pursuant to provisions of Section 124 of the Companies Act, 2013, the Company has transferred the unpaid or unclaimed Final Dividend for the financial year 2011-12 and Interim Dividend for the financial year 2012-13 to the Investor Education & Protection Fund (IEPF) constituted by the Central Government. final Dividend declared for the financial year 2012-13 remaining unpaid/unclaimed over a period of 7 years is liable to be transferred to the above fund during the year and no claim shall lie against the Company or the said Fund, once it is transferred. Members are advised to claim the unpaid dividend, if any, immediately.
17. Pursuant to Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 ("Rules") notified by the Ministry of Corporate Affairs on 28th February, 2017, the Company is required to transfer all shares in respect of which dividend has not been paid or claimed for seven consecutive years to the IEPF. The shareholders are requested to claim the unpaid dividend amount(s) immediately, failing which their shares shall be transferred to the demat account of the IEPF Authority as per the procedure stipulated in the Rules as amended from time to time.
18. Members are requested to note that trading of Company's shares through Stock Exchange is permitted only in demat form. Further, the Securities and Exchange Board of India (SEBI) mandated that all the transfers of the shares in the physical form shall not be allowed after 31st March 2019. Accordingly, members who have not yet converted their holdings into electronic demat form may do so immediately for their own interest.
19. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
20. 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 electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Share Transfer Agent or to the Company.

21. Members may also note that the Notice of the 34th Annual General Meeting and the Annual Report for 2019-2020 will also be available on the Company's website: www.avtnatural.com for downloading. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. For any communication, the shareholders may also send requests to the Company's share transfer agent email ID: investor@cameoindia.com.
22. In terms of section 101 of the Companies Act 2013 read with rule 18 of the Companies (Management and Administration) Rules, 2014 and section 136 of the Companies Act 2013 read with rule 11 of Companies (Accounts) Rules, 2014, electronic copy of the notice of 34th Annual General Meeting of the Company inter-alia, indicating the process and manner of e-voting is being sent to all the members whose e-mail id's are registered with the Company / depository participant(s) for communication purpose.
23. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
24. Members whose names appear on the Register of Members / List of Beneficial Owners as on Cut-off date i.e 16.09.2020 will be considered for the purpose of availing Remote e-voting or Vote in the Annual General Meeting. A person who is not a member as on the cut-off date should treat this Notice for information purposes only.
25. Since the AGM will be held through VC in accordance with the circulars, the route map, is not attached to this Notice.

26. Voting facilities

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, the Company is pleased to provide members facility to exercise their right to vote at the 34th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL).

The facility for voting either through electronic voting system shall be made available at the meeting and members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.

Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

27. CDSL e-Voting System – For Remote e-voting and e-voting during AGM

- a. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the

Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

- b. 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.
- c. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at www.avtnatural.com. The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at www.bseindia.com and the National Stock Exchange of India Limited at www.nseindia.com. The AGM Notice is also disseminated on the website of CDSL (agency for providing the Remote e-Voting facility and e-voting system during the AGM) i.e. www.evotingindia.com.
- d. The AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies

28. Process for those shareholders whose email addresses are not registered with the depositories for obtaining login credentials for e-voting for the resolutions proposed in this notice:

- a. For Physical shareholders: 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. For Demat shareholders: 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.
- c. The company/RTA shall co-ordinate with CDSL and provide the login credentials to the above-mentioned shareholders.

29. Instructions for shareholders attending the AGM through VC/OAVM are as under:

1. Shareholders will be provided with a facility to attend the AGM through VC/OAVM facilitated by 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.
2. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
3. Further, the shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. 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.
5. Shareholders 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 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
6. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

30. Instructions for shareholders for e-voting during the AGM are as under:

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

- b. 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.
- c. 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.
- d. 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.

(a) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the “Corporates” module.
- 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 mailed 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 at the email address viz., shareholder@avtnatural.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

- (i) The voting period begins on 20.09.2020 (9.00 A.M.) ends on 22.09.2020 (5.00 P.M). During this period shareholders of the Company, holding shares either

in physical form or in dematerialized form, as on the cut-off date (record date) 16.09.2020, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter

- (ii) The shareholders should logon to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 character DP ID followed by 8 Digits Client ID.
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) 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.
- (vii) If you are a first-time user follow the steps given below:

| For Members holding shares in Demat Form and Physical Form | |
|---|---|
| PAN | <p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • 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 8 digits of the sequence number 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 in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field |
| Dividend Bank Details OR Date of Birth (DOB) | <p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <p>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</p> |

- (viii) After entering these details appropriately, click on "SUBMIT" tab.

- (ix) Members holding shares in physical form will then directly reach 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.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the AVT Natural Products Limited on which you choose to vote.
- (xii) 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.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) 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.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xvii) If a Demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) 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. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) Note for Non – Individual Shareholders and Custodians
 - a. Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - b. A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- c. 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.
- d. The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- e. 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.
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.
- (xxi) The following person shall be responsible to address grievances concerned with facility for remote e-voting: Contact Name – Mr.Rakesh Dalvi, Manager, Central Depository Services (India) Limited (CDSL). Marathon Futurex, A-Wing, 25th floor, NM Joshi Marg, Lower Parel, Mumbai 400 013. Contact No.1800225533. Email ID – helpdesk.evoting@cdslindia.com.

31. General instructions

- i) Mr. V. Suresh, Practising Company Secretary (C.P. No. 6032) has been appointed as the Scrutinizer to scrutinize the e-Voting process in a fair and transparent manner.
- ii) The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than 48 hours of conclusion of the meeting a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith. The resolutions will be deemed have been passed on the AGM date subject to receipt of the requisite number or votes in favour of the resolutions.
- iii) The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.avtnatural.com and on the website of CDSL www.evotingindia.com immediately. The Company shall simultaneously forward the results to BSE Limited, where the shares of the Company are listed. The results shall also be displayed on the notice board at the Registered Office of the Company.

- iv) The voting rights of shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on 16.09.2020. A person who is not a Member as on the cut off-date should treat this Notice for information purposes only.

32. In terms of Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Details of Directors seeking re-appointment at the forthcoming Annual General Meeting are given

a. **Mrs. Shanthi Thomas**

Mrs. Shanthi Thomas holds a Bachelor's degree in Arts. She is an Industrialist and the Promoter of the Company. She has considerable expertise in business and management with AVT Group of Companies for long time.

| | |
|---|--|
| Name | Mrs. Shanthi Thomas |
| Director Identification Number (DIN) | 00567935 |
| Date of Birth | 28.07.1954 |
| Nationality | Indian |
| Date of appointment on the Board | March 21,2015 |
| Relationship with other Directors | Mrs. Shanthi Thomas is the spouse of Mr. Ajit Thomas, Chairman |
| Qualification | B.A. |
| Expertise in specific functional areas | Mrs. Shanthi Thomas has several years of experience in the fields of Business, Administration, Plantation, Management etc., |
| Directorships held in other Companies as on March 31,2020 (excluding foreign companies) | Executive Director Neelamalai Agro Industries Limited Director Midland Rubber and Produce Company Limited AVT Gavia Foods Private Limited A.V. Thomas Leather & Allied Products Private Limited AVT Holdings Private Limited Midland Corporate Advisory Services Private Limited Life Focus Knowledge Ventures Private Limited |

| | | |
|---|---|---|
| Membership of Committee of other Companies | Stakeholders Relationship Committee Member - The Midland Rubber and Produce Company Limited | |
| Number of Shares held in the Company | 1,24,000 (0.08%) | |
| Number of Board meetings attended during FY 2019 – 20 | Held | 5 |
| | Attended | 4 |

b. Mr.A.D. Bopana

Mr. A.D. Bopana is having more than 52 years of rich and varied experience and knowledge managing diverse businesses, plantation industry, Finance, Business Management etc., He is involved in the management of the Company since 2015. In a career spanning over 5 decades, Mr. Bopana has been recognized for his superior managerial skills.

Mr. Bopana plays a key role in guiding and assisting in formulating policies and strategies. In the opinion of the Board, he fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for continuing his directorship as an Independent Director of the Company and is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail his services as an Independent Director.

| | |
|--|---|
| Name | Mr. A.D. Bopana |
| Director Identification Number (DIN) | 00576066 |
| Date of Birth | June 02, 1941 |
| Nationality | Indian |
| Date of appointment on the Board | May 29, 2015 |
| Relationship with other Directors | Not related to any Director |
| Qualification | Sr. Cambridge |
| Expertise in specific functional areas | Mr. Bopana has more than 52 years of rich and varied experience in Administration, Plantation etc., |

| | | |
|---|---|---|
| Directorships held in other Companies as on March 31,2020 (excluding foreign companies) | Director A.V. Thomas & Company Limited Neelamalai Agro Industries Limited The Midland Rubber & Produce Company Limited A.V. Thomas Exports Limited | |
| Membership/ Chairmanship of Committee of other Companies | Audit Committee Chairman - Neelamalai Agro Industries Limited Member - A.V. Thomas and Company Limited | |
| | Nomination and Remuneration Committee Chairman - Neelamalai Agro Industries Limited Member - A.V. Thomas and Company Limited | |
| | Stakeholders Relationship Committee Member - Neelamalai Agro Industries Limited Member - The Midland Rubber & Produce Company Limited | |
| | Corporate Social Responsibility Committee Member - The Midland Rubber & Produce Company Limited | |
| Number of Shares held in the Company | 6,78,000 (0.45%) | |
| Number of Board meetings attended during FY 2019 – 20 | Held | 5 |
| | Attended | 4 |

Mr. Bopana is the Member of the Stakeholders Relationship Committee and Audit Committee of the Company.

c. Mrs. Kavitha Vijay

Mrs. Kavitha Vijay is the Senior Partner of Universal Legal, a full service law firm based in Chennai carrying on business under the merged brand name 'IC Universal Legal, Advocates & Solicitors' (post brand merger effective from September 21, 2017 with 'IC Legal, Advocates & Solicitors') and presently having pan-India offices in Ahmedabad, Bengaluru, New Delhi, Mumbai and Chandigarh. Prior to this, she was working at a reputed law firm in Mumbai, Crawford Bayley & Co. under the partner, Mr. Suresh. N. Talwar and has also interned with

the retired Justice Mrs. Prabha Sridevan during her practice as an attorney in the Tamil Nadu Courts.

Mrs. Kavitha Vijay's experience spans over more than 15 years and has been leading the Chennai office since 2010. Kavitha Vijay works primarily on mergers, acquisitions, private equity investments and joint ventures. She has also been a key player in starting the micro-finance practice in the Firm and has been actively engaged in advising many non-banking financial companies and micro finance companies with regulatory compliances, structuring of loan documentations, besides assisting them raise capital. Her other practice areas involve infrastructure and media & entertainment, besides general corporate law and advisory services.

| | |
|--|--|
| Name | Mrs. Kavitha Vijay |
| Director Identification Number (DIN) | 01047261 |
| Date of Birth | September 14, 1974 |
| Nationality | Indian |
| Date of appointment on the Board | February 12, 2020 |
| Relationship with other Directors | Not related to any Director |
| Qualification | B.Sc.LL.B., |
| Expertise in specific functional areas | Mrs. Kavitha Vijay has more than 15 years experience and an expertise in handling Corporate Law matters in varied Industry verticals |

| | | |
|---|--|-----------------------------------|
| Directorships held in other Companies as on March 31,2020 (excluding foreign companies) | Director A.V. Thomas and Company Limited MM Forgings Limited Wolter Kluwer ELM Solutions Private Limited | |
| Membership/ Chairmanship of Committee of other Companies | Audit Committee Member - MM Forgings Limited Stakeholders Relationship Committee Member - MM Forgings Limited Nomination and Remuneration Committee Member - MM Forgings Limited Corporate Social Responsibility Committee Member - Wolter Kluwer ELM Solutions Private Limited | |
| Number of Shares held in the Company | NIL | |
| Number of Board meetings attended during FY 2019 – 20 | Held | 5 |
| | Attended | 1 (appointed w.e.f. 12.2.2020) |

Mrs. Kavitha Vijay is a Member of the Audit Committee of the Company

EXPLANATORY STATEMENT

The explanatory statement pursuant to section 102 of the Companies Act, 2013, which sets out the details relating to Special Business at the meeting is annexed hereto and shall be taken as forming part of this Notice.

Item No. 4

Mr. A.D. Bopana, Independent Director of the Company was appointed by the Shareholders in their meeting held on 26.08.2015 for a period of 5 years.

The Board of Directors on the recommendation of Nomination and Remuneration Committee of the

Company, re-appointed Mr. A.D. Bopana as Independent Director under Section 149, 150 & 152 read with Schedule IV of the Companies Act, 2013, Companies (Appointment and Qualification of Directors) Rules 2014 and Regulations 16 (1) (b) and 17 (1A) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time, to hold office for another five (5) consecutive years commencing from 26.08.2020 to 25.08.2025.

The Company has also received declarations from Mr. A.D. Bopana that he meets with the criteria of independence as prescribed both under Section 149 (6)

of the Companies Act 2013 and under the SEBI (LODR) Regulations, 2015.

Keeping in view the experience of and contributions made by Mr. A.D.Bopana, Board recommends the Special Resolution set out in Item Nos. 4 of the Notice, for the approval of the shareholders of the Company.

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

The Board therefore, commends the Special Resolution set out at item No.4 of the Notice for approval by the shareholders.

Item No. 5

Mrs. Kavitha Vijay, an Independent (Additional) Woman Director of the Company was appointed by the Board of Directors in its meeting held on 12.02.2020.

The Board of Directors on the recommendation of Nomination and Remuneration Committee of the Company, appointed Mrs. Kavitha Vijay as Independent Director under Section 149, 150 & 152 read with Schedule IV of the Companies Act, 2013, Companies (Appointment and Qualification of Directors) Rules 2014 and Regulations 16 (1) (b) & 17(1)(a) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time, to hold office for five (5) consecutive years from conclusion of this Annual General Meeting of the Company.

The Company has also received declarations from Mrs. Kavitha Vijay that she meets with the criteria of independence as prescribed both under Section 149 (6) of the Companies Act 2013 and under the SEBI (LODR) Regulations, 2015.

Save and except Mrs. Kavitha Vijay and her relatives, to the extent of their shareholding interest, if any, in the Company, none of other Directors or other Key Managerial Personnel or their relatives of the Company are in any way, concerned or interested financially or otherwise, in the resolution set out at item No. 5 of the Notice.

The Board therefore, commends the Ordinary Resolution set out at item No.5 of the Notice for approval by the shareholders.

Item No. 6

Mr. M.N. Satheesh Kumar was appointed as the 'Manager' of the Company by the share holders in their 31st Annual General Meeting for a period of three years from 1st April 2017 to 31st March 2020. The Board of Directors on

the recommendation of Nomination and Remuneration Committee of the Company, at their meeting held on 12th February 2020 re-appointed him as Manager and designated him as President and Chief Executive Officer under section 203 (1) of the Companies Act 2013, for a period of 1 (one) year from 01.04.2020 to 31.03.2021 on the terms of remuneration as mentioned in the resolution, subject to the approval of the members. Hence this resolution.

Mr. M.N. Satheesh Kumar, aged about 65 years is a post graduate in M.Sc (Hons.) Chemistry from BITS, Pilani with PGDBA . He has undergone an Accelerated Management Studies at ISB, Hyderabad. He has served as management executive in several premier organizations like Escorts Group of companies, Tamil Nadu Co-op Oil Seeds Growers Federation (TANCOF) under the aegis of National Diary Development Board etc.. Prior to joining the Company he was working as Plant Manager (Div. Mgr. Cadre) GOETZE (INDIA) Ltd., Escorts Group Company. His field of expertise includes organizing Co-op farming, Agriculture Produce procurement, Post-Harvest Process, Agriculture produce value additions, Operations, Project management, Manufacturing & Process Management etc., and he is with the Company since June 1996.

A copy of the draft Agreement to be entered into with the 'Manager' is available at the Registered Office of the Company and is open for inspection in physical or in electronic form by the members during the specified business hours on any working day, and the copies thereof shall also be made available for physical or electronic form at the Registered office of the Company and also at the meeting.

He holds 220 equity shares (0.0001%) of the Company.

Save and except Mr. M.N. Satheesh Kumar and his relatives, to the extent of their shareholding interest, if any, in the Company, none of other Directors or other Key Managerial Personnel or their relatives of the Company are in any way, concerned or interested financially or otherwise, in the resolution set out at item No. 6 of the Notice.

The Board therefore, commends the Ordinary Resolution set out at item No.6 of the Notice for approval by the shareholders.

By order of the Board
For AVT Natural Products Limited

Place : Chennai
Date : 29th July 2020

Dileepraj. P
Company Secretary

Registered office:
60, Rukmani Lakshmi pathy Salai,
Egmore, Chennai – 600 008

DIRECTORS' REPORT

Your Directors are pleased to present the Thirty Fourth Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2020.

FINANCIAL RESULTS

| | (Rs.in Crores) | |
|---|----------------|---------|
| Particulars | 2019-20 | 2018-19 |
| Income from Operations | 385.00 | 330.40 |
| Other Income | 7.32 | 3.87 |
| Total Income | 392.32 | 334.27 |
| Profit before tax for the year | 48.55 | 30.07 |
| Less : Provision for taxation | | |
| Current Tax | | |
| In respect of current year | 13.70 | 8.26 |
| In respect of prior year | Nil | (1.00) |
| Deferred Tax | (2.95) | 1.71 |
| Profit after Tax | 37.80 | 21.10 |
| Add: OCI classified to Retained Earnings | (0.37) | (0.58) |
| Add: Surplus brought forward | 39.26 | 36.08 |
| Less: Unrealised Fair Value gains not available for appropriation | (1.62) | 1.29 |
| Total Amount available for dividend payout | 75.07 | 55.31 |
| Less: | | |
| Interim Dividend (25%) paid on equity shares | 3.81 | 3.05 |
| Tax on Interim Dividend | 0.78 | 0.62 |
| Transfer to General Reserve | 10.00 | 10.00 |
| Final Dividend on Equity Shares paid for earlier year | 3.05 | 3.05 |
| Tax on Final Dividend | 0.62 | 0.62 |
| Net Amount available for dividend payout | 56.81 | 37.97 |
| Surplus carried Forward to balance sheet | 58.43 | 39.26 |

Proposed dividend on equity shares and tax on dividend has not been recognized as a distribution of profit in the current year's accounts in accordance with the Indian Accounting Standard.

OPERATIONS REVIEW

Total income increased by 17.37% to Rs.392.32 crores in 2019-20 from Rs.334.27 crores . The Profit after Tax for the year 2019-20 is Rs.37.80. crores (previous year 2018-19: Rs. 21.10 crores), showing an increase of 79.11%. With Property, Plant and Equipments including right of use assets. of Rs.99.20 crores (previous year Rs.98.23

crores), our Property, Plant and Equipments ratio is healthy at 3.88% with Return on Sales of 13.78%.

DIVIDEND

Your Directors are pleased to recommend a final dividend of Re.0.35 per share (35%) with face value of Re.1/- each on Equity Share Capital, for the year ended 31.03.2020, amounting to Rs.532.99 Lakhs. During the year, the Board declared an Interim Dividend of Re.0.25 per share (25%) with face value of Re.1/- each, amounting to Rs.380.71 Lakhs, excluding dividend tax. The aggregate of dividend declared during the year was Re.0.60 per share (60%) with face value of Re.1/- each amounting to Rs.913.70 Lakhs, excluding dividend tax in respect of interim dividend.

TRANSFER TO GENERAL RESERVE

Your directors are pleased to transfer a sum of Rs.10 crore for the year 2019-20 (previous year Rs.10 crore) to the General Reserve.

FINANCE

Cash and bank balances as at 31st March 2020 was Rs.1402.69 lakhs (previous year Rs.867.34 lakhs). The Company continues to focus on the judicious management of its working capital, receivables, inventories and other financial parameters and which were kept under strict check through continuous monitoring.

The outstanding term loan from Federal Bank Limited as on 31st March 2020 is Rs.13.50 crore, which is given in the note No.15 & 20 to the financial statements.

WINDMILL

The wind mill of the Company located at Kokkampalayam village, Dharapuram Taluk, Erode District, Tamil Nadu generated 8,48,988 units of electricity in the year 2019-20 against 9,60,721 units generated in 2018-19. The Company utilised the 7,99,180 units, generated as captive consumption during 2019-20 for its Satyamangalam factory.

BOARD MEETING

The Board of Directors met five times during the financial year. The details of the Board meeting are given in the Corporate Governance report. The intervening gap between the meetings were within the period stipulated under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

AUDIT COMMITTEE MEETING

The Audit Committee of the Company met five times during the financial year. The details of the Audit Committee

meetings are given in the Corporate Governance report. The intervening gap between the meetings were within the period stipulated under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

PARTICULARS OF LOANS, GUARANTEE OR INVESTMENTS

The Company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013 and Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, except the 'Corporate Guarantee' given on behalf of its wholly owned subsidiary companies viz., AVT Natural Europe Limited, London (formerly AVT Tea Services Limited) and to AVT Natural S.A. DE C.V., Mexico which is given in the note No. 36 to the financial statements.

The details of investments made by the Company are given in the note No.6 to the financial statements.

LISTING WITH STOCK EXCHANGES

The Company Shares are continued to be listed in both BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The Company has paid listing fees up to 31st March 2021 to both the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).

DSIR APPROVAL FOR IN-HOUSE R&D FACILITY AT SOUTH VAZHAKULAM AND BANGALORE

The approval by the Department of Scientific and Industrial Research (DSIR), New Delhi for the Company's R&D facilities situated at South Vazhakulam, Aluva, Kerala and the Manchenahaili Village, Kasabe Hobari, Bangalore are valid upto 31.03.2022.

MATERIAL CHANGES AND COMMITMENTS

There are no material changes or events that have occurred since the date of the Balance Sheet which could have any effect on the financial position of the Company

DIRECTORS & KEY MANAGERIAL PERSONNEL

i) Re-appointment of Independent Director

Mr. A.D. Bopana, Independent Director of the Company is proposed to be re-appointed for another term of 5 consecutive years under section 149 read with schedule IV of the Companies Act, 2013, who is not liable to retire by rotation, offer himself for re-appointment.

ii) Appointment of Independent Woman Director

The Board in its meeting held on 12.02.2020 has appointed Mrs. Kavitha Vijay as an Independent (Additional) Woman Director of the Company for a

period of 5 consecutive years. Necessary resolution is being placed before the members for their approval.

iii) Director retiring by rotation

In accordance with the provisions of Companies Act, 2013 and the Articles of Association of the Company, Mrs. Shanthi Thomas, Director retires by rotation at the 34th Annual General Meeting and being eligible, offers herself for re-appointment.

iv) Declaration from Independent Directors on Annual Basis

The Company has received necessary declarations from all the four Independent Directors of the Company under Section 149 of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149 of the Companies Act, 2013 and Regulation 25(8) of the SEBI (LODR) Regulations 2015.

v) Re-Appointment of 'Manager'

The Board in its meeting held on 12.02.2020 has re-appointed Mr. M.N. Satheesh Kumar, President & CEO as the 'Manager' under section 203 (1) of the Companies Act 2013 for a period of 1 (one) year w.e.f. 01.04.2020 to 31.03.2021. Necessary resolution is being placed before the members for their approval.

vi) Key Managerial Personnel

Mr. M.N. Satheesh Kumar, President and CEO, Mr. A. Ramadas, Sr. Vice President and CFO and Mr. Dileepraj. P, Company Secretary are the Key Managerial Personnel of the Company.

PERFORMANCE OF SUBSIDIARY/JOINT VENTURE / ASSOCIATES

a) AVT Natural SA DE C.V., Mexico (AVTN)

AVT Natural SA DE C.V , Mexico is establish with an aim to capture market for the Animal Nutritional products in South American market and other markets.

The paid up capital of the Company as on 31st March 2020 is Mexican Peso (Mxn) 0.95 million. AVTN is the marketing arm of your Company for the animal nutrition products. The AVTN recorded sales of Rs. 2.17 crores and Loss of Rs.3.33 crores, for the year 2019-20.

AVTN recorded sales of Rs. 1.29 Crores and Loss of Rs. 2.18 crores for the Mexican financial year period from 02.01.2019 to 31.12.2019.

b) AVT Natural Europe Limited, UK (AVTNEL)

During the year, the Company has changed its name as AVT Natural Europe Limited, from its original

name AVT Tea Services Limited with effect from 4th March 2020. The Board consists of Mr. Ajit Thomas, Mr. Richard Darlington and Mr. M.A. Alagappan, as Directors.

The paid up capital of the Company as on 31st March 2020 is Pound Sterling (GBP) 1 million. AVTNEL is the marketing arm of your Company for de-caffeinated tea and instant tea. The AVTNEL recorded sales of Rs.59 crores (previous year Rs.79 crores) and profit of Rs.1.15 crores (previous year Rs.0.52 crores) for the year 2019-20.

c) Step down subsidiary Companies

AVT Natural Europe Limited, London, incorporated a stepdown Subsidiary Company AVT Natural North America Inc., on 25.03.2020, under the laws of the Delaware, U.S.A as its wholly owned subsidiary Company.

The AVTNEL also has an another wholly owned subsidiary viz., AVT Tea Services North America, LLC.

d) Accounts of subsidiaries

Pursuant to Section 136 of the Companies Act, 2013, a copy of the audited financial statements of AVT Natural Europe Ltd., & AVT Natural S.A. DE C.V., for the period ended 31.03.2020, shall be provided to any shareholder, free of cost on their request. The Audited financial statements are also available on the website of the Company. The Consolidated financial statements, audited by the statutory auditors of the Company, have been attached to this Report.

Pursuant to Section 129(3) of the Companies Act, 2013, a statement containing the salient features of the financial statements of AVTN, AVTNEL & its step-down subsidiary in the prescribed Form AOC-1 is provided in the Page No. 114 of Annual report.

e) Joint Venture / Associate Company

The Company does not have any Joint Ventures / Associate Companies

f) Policy for determining material subsidiary

The Company has a Policy for determining Material Subsidiary, which is hosted on the Company website under the link www.avtnatural.com/investor_relations.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars prescribed by the section 134 (3) (m) of the Companies Act 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 relating to Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo are furnished in the Annexure-I to this Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to the provisions of Section 135 of the Companies Act 2013, a CSR Committee comprising Board of Directors was formed to recommend

- i. the policy on Corporate Social Responsibility (CSR) and
- ii. implementation of the CSR Projects

Annual Report on CSR in the prescribed format is enclosed as Annexure - II. The CSR policy of the Company has been uploaded on the web site: www.avtnatural.com/investor_relations.

CONTENTS OF CSR POLICY

The Company's CSR projects and programs will be the focus on the holistic development of host communities to create social, environmental and economic value to society.

The Company will invest resources in any program such as skill development, infrastructure development, women empowerment, Promotion of Health Care, Old age homes/ day care facilities for Senior Citizens, Education, Swachh Bharat, COVID - 19 and all other activities envisaged in the Schedule VII of the Companies Act 2013.

The Company has won the NIPM Kerala Best Corporate Citizen Award 2019, (under Category III – CSR expenditure Rs. 50 -100 Lakhs) . The award recognises the efforts of companies in integrating and internalizing Corporate Social Responsibility (CSR) into their core business operations. The award acknowledge the efforts of the companies which engage in CSR in a strategic and systematic manner and integrate it with their overall corporate strategy.

STATUTORY AUDITORS

Pursuant to section 139 and 142 of the Companies Act, 2013, the members in their 31st Annual General Meeting held on 10.8.2017 appointed M/s PKF Sridhar & Santhanam LLP, Chartered Accountants, KR D Gee Gee Crystal, 7th Floor, 91-92, Dr. Radhakrishnan Salai, Mylapore, Chennai - 600004, (Firm's Registration No. 003990S / S200018), the Statutory Auditors of the Company for a period of 5 years till the conclusion of the 36th Annual General Meeting. In view of the amendment to the Companies Act 2013 notified by the Ministry of Corporate Affairs dated 7th May 2018, no longer their appointment needs to be ratified by the Members.

AUDITORS' REPORT

There are no qualifications or adverse remarks mentioned in the Auditors' report. The notes to accounts, forming part of financial statements, are self-explanatory and need no further clarification.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed Mr. V. Suresh, Practicing Company Secretary (C.P. No.6032), Chennai-600 018 to undertake the Secretarial Audit of the Company.

The Secretarial Audit Report in Form MR-3, submitted by the Secretarial Auditor for the financial year 2019-20, is annexed to this report as Annexure – III and forms an integral part of this Report.

There is no secretarial audit qualification, reservation or adverse remarks in the Secretarial Report for the period under review.

During the year, the Company has complied with the Secretarial Standard -1 (SS-1) and Secretarial standard-2 (SS-2) issued by the Ministry of Corporate Affairs.

COST AUDIT REPORT

Cost Audit is not applicable to the Company as per the Companies (Cost Records & Audit) Rules, 2014. However, the cost records are maintained by the Company.

REPORTING OF FRAUD

The Auditors of the Company have not reported any fraud as specified under section 143 (12) of the Companies Act, 2013.

INSURANCE

The Company continues to carry adequate insurance, for all assets, against unforeseeable perils.

RELATED PARTY TRANSACTIONS

All transactions entered with related parties for the year under review were at arm's length basis and in the ordinary course of business and hence the provisions of Section 188 of the Companies Act, 2013 are not attracted. There were no related party transactions exceeding 10% of the annual consolidated turnover as per the last audited financial statements during the year.

Further, there were no material related party transactions during the year under review with the Promoters, Directors or Key Managerial Personnel or other designated persons which may have a potential conflict in the interest with Company at large, except the payment of remuneration of directors relative exceeding Rs.30 lakhs per annum, which was approved by the shareholders in its meeting held on 10.08.2017. The disclosure of Related Party transactions to be provided under section 134 (3)(h) of the Companies Act 2013, read with Rule 8(2) of the Companies (Accounts) Rules, 2014 in Form AOC -2 is given in the Annexure – IV, forming part of this report.

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, all the related party transactions were placed before the Audit Committee and also the Board of Directors. Prior omnibus approval of the Audit Committee was obtained on yearly / quarterly basis for the transactions entered with related parties, except with the wholly owned subsidiary Companies, whose accounts are consolidated with the Company. The transactions entered into pursuant to the omnibus approval so granted has been placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis.

The Company has a Related Party Transaction policy and the same is hosted in the website of the Company under the link www.avtnatural.com/investor_relations.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS AND COURTS

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT - 9 is enclosed herewith as Annexure - V.

ANNUAL RETURN

The annual return of the Company has been uploaded in the web site and the same can be accessed through web site link www.avtnatural.com/investor_relations.

STATUTORY INFORMATION

The information under section 197 of Companies Act 2013 and pursuant to rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are given in the Annexure – VI.

The information required under section 197 (12) of the Companies Act 2013 read with rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of the Company have been given in the Annexure – VII.

The statement containing remuneration paid to employees and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Company's Registered Office during, business hours of all the working days of the Company, upto the date of the forthcoming Annual General Meeting. Any member

interested in obtaining a copy of the same may write to the Company Secretary and the same will be provided free of cost to the member.

INDUSTRIAL RELATIONS

Your Company during the year under review, enjoyed cordial relationship with technicians/workers and employees at all levels.

NOMINATION AND REMUNERATION POLICY

The Board on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management Personnel, Key Managerial Personnel and their remuneration etc. A copy of the policy is uploaded on the web site of the Company and the website link is www.avtnatural.com/investor_relations.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism / Whistle Blower Policy in place pursuant to Section 177 (9) of the Companies Act 2013 and as per the Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The said policy is available on the website of the Company which can be accessed from the link - www.avtnatural.com/investor_relations. During the year no instances of unethical behavior were reported.

RISK MANAGEMENT

Pursuant to Section 134 (3) (n) of the Companies Act, 2013 and the Regulation 17 (9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company had laid down the procedures to inform Board members about the risk assessment and mitigation procedures.

The Company has a 'Risk policy and risk management Procedures' in place. Mr.A. Ramadas, Sr. Vice President and CFO has been assigned the task of informing the Board about the various risks and its mitigation by the Company from time to time. At present the Company has not identified any element of risk which may threaten the existence of the Company.

ADEQUACY OF INTERNAL AUDIT AND INTERNAL FINANCIAL CONTROL

The Company has in place adequate Internal Audit and Internal Financial Controls with reference to the financial statements, which is evaluated by the Audit Committee as per Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Apart from Statutory Audit, your Company, in compliance with Section 138 of the Companies Act, 2013, had engaged M/s Varma & Varma, Chartered Accountants, Building No. 53/333, Off.Subash Chandra Bose Road, Vytila Post, Kochi – 682 019, Kerala as the Internal

Auditors of the Company for the financial year 2019-20. Findings and observations of the Internal Auditors are discussed and suitable corrective actions are taken as per the directions of the Audit Committee on an on-going basis to improve efficiency in operations.

The Company's internal control systems are well established and commensurate with the nature of its business and the size and complexities of operations and adequate with reference to the financial statements as envisaged under the Companies Act, 2013.

Your directors endorse that during the year under review, there were no reportable material weaknesses in the present systems or operations of internal controls.

ENVIRONMENT AND SAFETY

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner, so as to ensure safety of all concerned, compliances environmental regulations and preservation of natural resources.

BOARD EVALUATION

The Board of Directors has made a formal annual evaluation of its own performance and that of its Committees, individual Directors & CEO, pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015. The evaluation was done based on the evaluation criteria formulated by Nomination and Remuneration Committee which includes criteria such as fulfilment of specific functions prescribed by the regulatory framework, adequacy of board meetings, attendance and effectiveness of the deliberations etc.

Each Board member completed a questionnaire providing feedback on the functioning and overall level of engagement of the Board and its committees on the parameters such as the composition, execution of specific duties, contribution of new ideas/insights, quality, quantity and timeliness of flow of information, deliberations at the meeting, independence/non-partisan approach in decision making etc.,

Independent Directors met on 12th February 2020 to review performance evaluation of Non-Independent Directors and the entire Board of Directors including the Chairman, Non-Executive Directors etc., The Independent Directors were satisfied with the overall functioning of the Board, flow of information to the Board, its various Committees and also of the performance of other Non-executive Directors and the Chairman of the Board

DISCLOSURE OF ACCOUNTING TREATMENT

The Company has adopted the Indian Accounting Standards (Ind AS) with effect from 1st April 2017, the Ind

AS 115 with effect from 1st April 2018 & the Ind AS 116 with effect from 1st April 2019 and all its financial statements are made according to the said standards. Further, in the preparation of the financial statements, the Company has followed the Accounting Standards referred to in Section 133 of the Companies Act, 2013. The significant accounting policies which are applied are set out in the Notes to the Financial Statements.

BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report in compliance with the regulation 34(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 have been attached in the Annexure VIII to this Report.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to adhere to all the stipulations laid down in Regulation 27 read with Part E of Schedule II and Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 on corporate Governance. The Management Discussion & Analysis Report, Report on Corporate Governance, Code of Conduct Declaration by CEO and Auditors' Certificate on compliance with conditions of Corporate Governance have been Annexed IX, X, XI and XII to this Report.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Act and that an Internal Complaints Committee has been set up for redressal of complaints and that all employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the year the Company has not received any complaint under Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

CAUTIONARY STATEMENT

Statements in this Directors' Report & Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the Company's operations include raw material availability and its prices, cyclical demand and pricing in the Company's principle markets, changes in Government

regulations, Tax regimes, economic developments within India and the countries in which the Company conducts business and other ancillary factors.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134 (3) (c) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. In the preparation of the accounts for the financial year ended 31st March 2020, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors have 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 at the end of the financial year and of the profit of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the accounts for the financial year ended 31st March 2020 on a 'going concern' basis.
5. The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively.
6. The Directors have devised proper system to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ACKNOWLEDGEMENT

The Directors sincerely acknowledge the contribution and support from customers, shareholders, farmers, BSE Ltd., National Stock Exchange of India Ltd., Cameo Corporate Services Ltd., National Securities Depository Ltd., Central Depository Services Ltd., and other stakeholders for the co-operation and assistance provided to the Company.

The Directors also place on record their gratitude to the employees for their continued support, commitment, dedication and co-operation.

For and On behalf of the Board

Place : Chennai
Date : 29th July 2020

Ajit Thomas
Chairman

ANNEXURE – I

To the Directors' Report

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

The information under section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014 for the year ended March 31, 2020 is given here below and forms part of the Directors Report.

A. CONSERVATION OF ENERGY

AVT Natural Products Limited is committed to conserve energy in all our activities. The Company has been doing energy conservation projects for many years. During the financial year 2019-20 also the Company has taken steps to conserve energy.

- Started Power purchase through open access from Indian Energy exchange (IEX), after getting NOC from KSEB. By this we have savings upto 5% of the Monthly Electricity Invoice (Rs. 2 to Rs. 2.5 Lacs/ Month).
- Installed additional capacitors to improve the power factor in the electric system from 0.97 to 0.99, thereby improve the efficiency by 2%, and getting extra incentives from EB (Additional incentives worth Rs. 15000 to Rs. 20000 per month).
- Replaced 30 nos. conventional lamps with high efficiency LED lamps at QC lab and SEP consumes less power with annual savings of 12000 Kwh (Approx 1.00 Lakh / Annum).
- Replaced old conventional gearbox in FGS Blending vessels-1 no and CP conveyors-3 nos, with new energy efficient planetary gearbox and thus results the annual savings of 40000 Kwh (Aprox 3.00 Lakhs / Annum).
- All the light fittings used in the Rosemary project was LED and the savings was Rs 1 Lakh/year
- All the gearbox used was planetary type (efficiency above 90%) which consumes less power instead of conventional (efficiency 50-60%).
- Automation systems are provided in evaporators for optimising steam consumption by control valves.
- Variable Frequency drives are used in Higher HP motors which require speed control and hence reducing power consumption.
- All the motors used were energy efficient (IE2 Category) in the projects.

B. TECHNOLOGY ABSORPTION

Research and Development (R & D)

1. Specific areas in which R&D is carried out by the Company

The Company is focusing on four main areas of R & D:

- a) Process improvements
- b) Marigold Hybrid Seed Development
- c) New Ingredients and Product lines
- d) New Business Segments & Divisions

2. Benefits derived as a result of R&D efforts

- a) Process Improvements

The company has invested in process improvements and extraction technologies that bring about cost reductions and improved efficiencies in the manufacturing process.

- b) Marigold Hybrid Seed Development:

The ongoing seed development program has yielded results with new varieties of hybrids. After thorough testing and screening a new hybrid has been selected for commercial seed and flower production. This Hybrid will be cultivated on approximately 500 Ac during the Summer/Monsoon season in 2020, with the goal of producing enough seed to expand the commercial area in 2021.

Seed production techniques for in-house production have been standardized during 2019-20 and will be expanded this coming season.

- c) New Ingredients & Product Lines:

We continue to invest in developing new products to add to the ingredients portfolio. Our efforts have resulted in new soluble tea offerings for Instant Tea customers, new complimentary product lines with nutritional applications, new spice extract offerings, and new functional ingredients with various cross division applications.

- d) New Business Segments & Divisions:

The significant investment into new market segments has allowed the company to expand its operations into the animal nutrition space, where we have started to make inroads with key markets and customers. Value added, solution based approach will allow us to build a sustainable new division outside of Food and Beverage and Nutraceuticals.

3. Future Plan of Action

- a) Process Improvements

New processes and technologies, that help improve efficiencies and reduce cost, will continue to be an area of focus. Efforts on

this front will keep us competitive and relevant in the market. We will work towards a more sustainable operations and manufacturing approach which is in line with changing trends and customer needs.

b) Marigold Hybrid Seed Development:

The hybrid development program will continue to gain traction with the ongoing marker development program. We will aim to identify markers responsible for desirable characteristics like yield and active content. The ongoing work in marker development will be the foundation for new hybrid developments. The company will also screen and evaluate the existing hybrids in the pipeline.

c) New Ingredients & Product Lines:

In addition to developing new ingredients, we will expand our application of newly developed ingredients. Our focus will continue to move from product selling to solution based selling.

We will also invest in new products, that complement the existing portfolio, but allow the company to expand into new applications and service new customers. New offerings will be

in line with the changing market and consumer trends.

d) New Business Segments & Divisions:

The new Animal Nutrition division will remain an area of strategic importance, with new product offerings, new markets and new customers. Continued efforts will be taken to set the groundwork for a long and sustainable business division. In addition, two new business divisions will be launched this year targeting new market segments.

4. Expenditure on R&D (in Rupees)

| | | 2019-20 | 2018-19 |
|-----|-----------|--------------|-------------|
| I | Capital | 20,70,258 | 33,33,923 |
| ii | Recurring | 10,42,48,315 | 6,72,24,155 |
| iii | Total | 10,63,18,573 | 7,05,58,078 |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the year under review foreign exchange earnings were Rs.339.31 crores (previous year Rs.300.11 crores) and foreign exchange outgo was Rs.66.08 crores (previous year Rs.99.20 crores).

ANNEXURE – II

To the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of the project or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

CSR policy was approved by the Board of Directors at its meeting held on 28th January 2015 and has been uploaded on the Company's web site. A gist of the programs that the Company can undertake under the CSR policy is mentioned below;

Web link [http://www. http://avtnatural.com/policy.html](http://www.avtnatural.com/policy.html)

The Company has undertaken activities relating to the following areas for the financial year 2019-20.

- i. Development of Infrastructure
- ii. Promotion of Health Care
- iii. Promotion of Education

- iv. Rural Sports.
- v. Swachh bharat and;
- vi. Activities envisaged in the Schedule VII of the Companies Act 2013. The activities and funding are monitored internally by the Company.

2. Composition of the CSR Committee

| Name of the Member | Designation |
|--|-------------|
| Mr. P. Shankar, Independent Director | Chairman |
| Mr. Ajit Thomas, Non-Executive Director | Member |
| Mr. Habib Hussain, Non-Executive Director | Member |

3. Average net profit of the Company for last three financial years Rs.3312.94 Lakhs.

4. Prescribed CSR expenditure (2% of the amount as in item 3 above) The Company is required to spend Rs.66.26 Lakhs
5. Details of CSR spend for the financial year
- i Total amount spent for the financial year : Rs.66.08 Lakhs
- ii. Amount unspent if any : Rs.7.70 lakhs (includes Rs.7.52 lakhs carry forwarded from the financial year 2018-19).

- iii. Manner in which the amount spent during the financial year is detailed hereunder:

In accordance with the Company's CSR policy and in compliance with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has undertaken CSR projects directly as well as through implementing agency. During the year under review, the CSR Committee identified various projects like Development of infrastructure, Rural Sports, Promotion of health care, Swachh bharat activities, Promotion of education etc.,

Details of CSR expenditure incurred by the Company during the financial year 2019-20

(Rs.in lakh)

| Sl. No. | Projects /Activities | Sector | Location | Amount outlay (budget) project or programme wise | Amount spent on project or programme wise | Cumulative expenditure upto reporting period | Amount spent direct or through implementing Agency |
|----------|--|-------------------------------|---------------------------|--|---|--|--|
| A | Enhancement of water resources | | | | | | |
| 1 | Support for countering drinking water shortage in villages near AVT NPL factories | | | | | | |
| a | Cleaning of canals,ponds & wells in Vazhakulam Panchayath and providing drinking water to Anganawadi near Chembarakky, Vazhakulam, | Development of infrastructure | Vazhakulam, Kerala | 2.19 | 2.86 | 2.86 | Direct |
| b | Providing drinking water in 2 villages near Tiptur factory | Development of infrastructure | Tiptur | 4.50 | 4.51 | 4.51 | Direct |
| | Sub Total | | | 6.69 | 7.37 | 7.37 | |
| B | Holistic Child Development | | | | | | |
| 2 | AVT NPL Scholarship for LSS/USS exam top scorers | Promotion of education | Vazhakulam, Kerala | 1.06 | 1.09 | - | Direct |
| 3 | Encouragement for Schools which participated in last year's initiatives | Promotion of education | Vazhakulam, Kerala | 0.44 | 0.46 | - | Direct |
| 4 | Improving the academic performance of school children in Vazhakulam & Tiptur | | | | | | |
| a | Scholarship for School toppers in +2 and 10 standard exams in schools at Vazhakulam & Tiptur | Promotion of education | Vazhakulam, Kerala | 0.97 | 0.90 | 0.90 | Direct |
| b | Scholarship for School toppers in +2 and 10 standard exams in schools | Promotion of education | Tiptur, Karanataka | 0.31 | 0.31 | 0.31 | Direct |
| c | Self development motivation program for school students | Promotion of education | Vazhakulam, Kerala | 1.00 | 1.08 | 1.08 | Direct |
| d | Providing additional coaching for students in Vazhakulam Govt School | Promotion of education | Vazhakulam, Kerala | 1.15 | 1.16 | 1.16 | Direct |
| e | Career guidance seminar in association with Malayala Manorama | Promotion of education | Vazhakulam, Kerala | 1.00 | 1.00 | 1.00 | Direct |
| f | Newspaper club project in Govt Schools at Vazhakulam | Promotion of education | Vazhakulam, Kerala | 1.23 | 1.10 | 1.10 | Direct |
| g | Project for creating awareness among school students against drug abuse - cycle rally, mini marathon, walkathon | Promotion of education | Vazhakulam, Kerala | 1.00 | 1.02 | 1.02 | Direct |
| h | Organising yoga, karatte, abacus training for students at Vazhakulam | Promotion of education | Vazhakulam, Kerala | 0.72 | 0.67 | 0.67 | Direct |

| Sl. No. | Projects /Activities | Sector | Location | Amount outlay (budget) project or programme wise | Amount spent on project or programme wise | Cumulative expenditure upto reporting period | Amount spent direct or through implementing Agency |
|------------------|---|---------------------------------|-----------------------------|--|---|--|--|
| i | Providing sports training to youth of Vazhakulam Panchayath | Rural Sports | Vazhakulam, Kerala | 1.69 | 1.85 | 1.85 | Direct |
| j | Medicinal plants garden at Vazhakulam Govt School | Promotion of education | Vazhakulam, Kerala | 0.44 | 0.40 | 0.40 | Direct |
| Sub Total | | | | 9.51 | 9.48 | 9.48 | |
| 5 | Organizing LSS/USS coaching class during 2019-2020 | Promotion of education | Vazhakulam, Kerala | 0.90 | 0.97 | 0.97 | Direct |
| 6 | Organizing Communicative English coaching class during 2019-2020 | Promotion of education | Vazhakulam, Kerala | 7.96 | 7.91 | 7.91 | Direct |
| 7 | Promotion of sports among youth of Vazhakulam panchayath | Rural Sports | Vazhakulam, Kerala | 4.53 | 4.50 | 4.50 | Direct |
| 8 | World Vision Project | | | | | | |
| a | Berambadi Tank Steps | Development of infrastructure | Near agro operations centre | 0.96 | 0.00 | 0.00 | Agency |
| b | Berambadi Hoskatte Road (500m) | Development of infrastructure | Near agro operations centre | 4.01 | 2.20 | 2.20 | Agency |
| c | Berambadi tank to Arahalli Road (500m) | Development of infrastructure | Near agro operations centre | 4.91 | 2.15 | 2.15 | Agency |
| d | Consultant Engineer Charges for Road Work | Development of infrastructure | Near agro operations centre | 0.00 | 0.25 | 0.25 | Agency |
| e | Sapling Plantation | Development of infrastructure | Near agro operations centre | 0.50 | 0.00 | 0.00 | Agency |
| f | Desktop to Farmers Club (Baragi) | Development of infrastructure | Near agro operations centre | 0.40 | 0.00 | 0.00 | Agency |
| g | Child friendly Spaces | Development of infrastructure | Near agro operations centre | 3.00 | 0.00 | 0.00 | Agency |
| h | Educational kits for children | Development of infrastructure | Near agro operations centre | 1.22 | 1.17 | 1.17 | Agency |
| i | Project Management Cost | Development of infrastructure | Near agro operations centre | 2.10 | 2.10 | 2.10 | Agency |
| j | Health and Hygiene Kits | Promotion of health care | Near agro operations centre | 4.40 | 4.07 | 4.07 | Agency |
| k | Provision of Educational Kits | Promotion of education | Near agro operations centre | 2.50 | 2.50 | 2.50 | Agency |
| Sub Total | | | | 24.00 | 14.44 | 14.44 | |
| C | Rural community & Infrastructure Development | | | | | | |
| 9 | Infrastructure support in villages near AVT NPL factories | | | 10.38 | 11.37 | 11.37 | Direct |
| a | Aluva-Munnar State Highway Marampilly Junction - High Mast Light maintenance | Development of infrastructure | Vazhakulam, Kerala | 0.10 | 0.19 | 0.19 | Direct |
| b | Providing furniture at the lunch room donated by AVT NPL for North Ezhipuram School | Development of infrastructure | Vazhakulam, Kerala | 0.50 | 0.70 | 0.70 | Direct |
| c | Providing furniture at Vazhakulam UP School | Development of infrastructure | Vazhakulam, Kerala | 0.81 | 1.33 | 1.33 | Direct |
| d | Providing furniture for Punnekkadu SC Samskarika Nilayam | Development of infrastructure | Vazhakulam, Kerala | 0.25 | 0.25 | 0.25 | Direct |
| e | CCTV camera with monitoring facility for Vazhakulam Police station | Development of infrastructure | Vazhakulam, Kerala | 3.00 | 2.56 | 2.56 | Direct |

| Sl. No. | Projects /Activities | Sector | Location | Amount outlay (budget) project or programme wise | Amount spent on project or programme wise | Cumulative expenditure upto reporting period | Amount spent direct or through implementing Agency |
|-----------------------------|---|---------------------------------|-----------------------|--|---|--|--|
| f | Road maintenance : Punnakad to Kaipoorikara | Development of infrastructure | Vazhakulam, Kerala | 0.22 | 0.87 | 0.87 | Direct |
| Sub total Vazhakulam | | | | 4.88 | 5.89 | 5.89 | |
| g | Tiptur Govt. Hospital - surgical table | Development of infrastructure | Tiptur, Karanataka | 5.00 | 3.01 | 3.01 | Direct |
| h | Halkurike Govt. Hospital - surgical equipments | Development of infrastructure | Tiptur, Karanataka | | 0.54 | 0.54 | Direct |
| i | Compound Wall with Toilet Facility - Halkurike Govt. School | Development of infrastructure | Tiptur, Karanataka | 0.50 | 0.69 | 0.69 | Direct |
| j | Compound Wall- Magenahally, Halkurike Govt School | Development of infrastructure | Tiptur, Karanataka | | 0.73 | 0.73 | Direct |
| k | Renovation of toilet blocks - 7 No's (Girls & Boys) | Development of infrastructure | Tiptur, Karanataka | | 0.50 | 0.50 | Direct |
| Sub total Tiptur | | | | 5.50 | 5.48 | 5.48 | |
| D | Rural community & Infrastructure Development | | | | | | |
| 10 | Providing clinics for Vadavalli and Pudukuiyanur villages near Sathyamangalam Dehydration center | Promotion of health care | Sathyamangalam | 3.54 | 3.29 | 3.29 | Direct |
| 11 | Other CSR expenses | | | 4.77 | 5.19 | 5.19 | Direct |
| a | Swachh Bharat programme Punnakad & Marampilly Health center - cleaning on Oct 2, 2019 | Swachh Bharat | Vazhakulam, Kerala | 0.75 | 0.97 | 0.97 | Direct |
| b | CSR Coordinator Remuneration | Administrative Cost | Vazhakulam, Kerala | 3.00 | 3.40 | 3.40 | Direct |
| c | Support to Kaipoorikara Palliative Care unit and Nipah virus awareness | Promotion of health care | Vazhakulam, Kerala | 1.02 | 0.81 | 0.81 | Direct |
| Total | | | | 73.78 | 66.08 | 66.08 | |

6. During the year the Company has spent an amount of Rs.66.08 lakh instead of spending Rs.73.78 lakh and leaving a short fall of Rs.7.70 lakh. The short fall amount shall be spent by the Company in the financial year 2020-21.

Covid -19 situation has changed many of the planned CSR activities of the Company kept for the end of financial year 2019-20 and the lock down prevailed from 24th March 2020 had slowed down the CSR spending.

7. The Chairman of the CSR Committee has given a responsibility statement on behalf of the CSR Committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.

Habib Hussain
(Member)

P. Shankar
(Chairman CSR Committee)

Place : Chennai

Date : 29th July 2020

ANNEXURE – III

Form No. MR-3

Secretarial Audit Report

For the Financial Year 2019-20

[Pursuant to section 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,
M/s. AVT Natural Products Limited

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. AVT NATURAL PRODUCTS LIMITED (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of M/s. AVT Natural Products Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31st March 2020, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. AVT Natural Products Limited ("the Company") for the financial year ended on 31st March 2020 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) 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, 2009; (Not applicable to the Company during the audit period)
- (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during the audit period)
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the audit period)
- (f) 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; (Not applicable to the Company during the audit period)
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period)
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the audit period)

Other Laws specifically applicable to this Company is as follows:

- (vi) Food Safety and Standards Act, 2006
- (vii) Tea (Marketing) Control Order 2003
- (viii) Tea (Distribution & Export) Control Order, 2005
- (ix) Legal Metrology Act, 2009

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - except with the provisions relating to constitution of Audit Committee under Regulation 18(1) of the Regulation.

I further report that the Board of Directors of the Company is constituted with proper balance of Non-Executive Directors, Independent Directors and a Women Director. The changes in the composition of the Board of Directors

that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, which is sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

I further report that there are adequate systems and processes in the company commensurate with the size

and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

V. Suresh
Practising Company Secretary
FCS No. 2969
C.P.No. 6032
UDIN: F002969B000363307

Place : Chennai
Date : 22.06.2020

ANNEXURE – IV

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of Contracts or arrangements or transactions not at arm's length basis:

AVT Natural Products Limited (the Company) has not entered into any contract/ arrangement/transaction with its related parties which is not in ordinary course of business or at arm's length during financial year 2019-20. The Company has laid down policies and processes/procedures so as to ensure compliance to the subject section in the Companies Act 2013 (Act) and the corresponding Rules. In addition, the same is reviewed by the Audit Committee.

- (a) Name(s) of the related party and nature of relationship: Not Applicable
- (b) Nature of contracts / arrangements / transactions: Not Applicable
- (c) Duration of the contracts / arrangements / transactions: Not Applicable
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: Not Applicable
- (e) Justification for entering into such contracts or arrangements or transactions: *Not Applicable*
- (f) Date(s) of approval by the Board: Not Applicable
- (g) Amount paid as advances, if any: Not Applicable
- (h) Date on which the special resolution was passed in general meeting as required under the first proviso to Section 188: Not Applicable

2. Details of material contracts or arrangement or transactions at arm's length basis:

- (a) Name(s) of the related party and nature of

relationship: Mr. Rahul Thomas who is the son of Mr. Ajit Thomas, Chairman and Mrs. Shanthi Thomas, Director.

- (b) Nature of contracts/arrangements/transactions: Remuneration under section 188(1)(f) of the Companies Act, 2013.
- (c) Duration of the contracts / arrangements/ transactions: Permanent
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any : Annual remuneration exceeding Rs.30 lakhs
- (e) Date(s) of approval by the Board, if any : 6th April 2017 (shareholders passed an ordinary resolution on 10.08.2017)
- (f) Amount paid as advances, if any : Not Applicable

Note : All related party transactions are bench marked for arm's length, approved by Audit Committee and reviewed by the Statutory Auditors. The above disclosures on material transactions are based on threshold of 10% of consolidated turnover as per SEBI (LODR) Regulations 2015. The transactions with the wholly owned subsidiaries are exempt for the purpose of Section 188 (1) of the Act.

For and on behalf of the Board of Directors

Place : Chennai
Date : 29th July 2020

Ajit Thomas
Chairman

ANNEXURE – V

Form No. MGT – 9

Extract of Annual Return

As on the financial year ended on 31st March, 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

| | | |
|------|---|--|
| i) | CIN | L15142TN1986PLC012780 |
| ii) | Registration Date | 12.03.1986 |
| iii) | Name of the Company | AVT Natural Products Limited |
| iv) | Category / Sub-Category of the Company | Company Limited by Shares |
| v) | Address of the Registered office and contact details: | Regd. Office: #60,Rukmani Lakshmi pathy Salai, Egmore, Chennai – 600008, India Tele. fax : +91 44 28584147 |
| vi) | Whether listed Company | Yes |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent | Cameo Corporate Services Limited, 'Subramaniam Building' No.1 Club House Road, Chennai – 600 002. |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of main products/services | NIC code of the product / service | % to total turnover of the Company |
|----------------|---|--|---|
| 1 | Marigold Oleo Resin | 21009 | 40.88 |
| 2 | Spice Oleo Resin | 10795 | 32.71 |
| 3 | De-Caffeinated Tea | 10791 | 10.74 |
| 4 | Instant Tea | 10791 | 15.67 |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name and Address of the Company | CIN/ GLN | Holding/Subsidiary/ Associate | % of shares held | Applicable section |
|----------------|--|-----------------|---|-------------------------|---------------------------|
| 1 | AVT Natural Europe Ltd., (formerly AVT Tea Services Ltd.) 19, Heathmans Road, London, SW6 4TJ United Kingdom. | N.A | Subsidiary | 100 | 2(87) |
| 2 | AVT Natural S.A. DE C.V. IZA Business Center, Blv. Bernarndo Quintana Arrioja 300, Torre 57, Piso 14, Centro Sur, Queretaro, Santiago De Queretaro, Mexico, C.P 76090 | N.A | Subsidiary | 100 | 2(87) |
| 3 | AVT Tea Services North America LLC, 8805, Tamiami Trail North Suite 160, Naples, FL 34108 | N.A | Step down Subsidiary (100% shares held by AVT Natural Europe Ltd.) | 100 | 2(87) |
| 4 | AVT Natural North America Inc.,* 1013 Centre Road, Suite 403S, Delaware, Wilmington, New Castle, Zip code - 19805 | N.A | Step down Subsidiary (100% shares will be held by AVT Natural Europe Ltd.) | 100 | 2(87) |

*incorporated on 25.03.2020 and as on 31.03.2020 no capital infused

IV. SHAREHOLDING PATTERN (equity share capital Breakup as percentage of total equity)

(i) Category-wise Share Holding

| Category of Shareholders | No. of shares held at the beginning of the year - 01.4.2019 | | | | No. of shares held at the end of the year - 31.3.2020 | | | | % Change during the year |
|---|---|----------|------------------|-------------------|---|----------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| (a) Individual/HUF | 1698840 | 0 | 1698840 | 1.11 | 1698840 | 0 | 1698840 | 1.11 | 0 |
| (b) Central Govt | - | - | - | - | - | - | - | - | - |
| (c) State Govt(s) | - | - | - | - | - | - | - | - | - |
| (d) Bodies Corp. | 111704996 | 0 | 111704996 | 73.35 | 112457135 | 0 | 112457135 | 73.85 | 0.49 |
| (e) Banks / FI | - | - | - | - | - | - | - | - | - |
| (f) Any Other | - | - | - | - | - | - | - | - | - |
| Sub-Total (A)(1) | 113403836 | 0 | 113403836 | 74.46 | 114155975 | 0 | 114155975 | 74.96 | 0.49 |
| (2) Foreign | | | | | | | | | |
| (a) NRIs - Individuals | - | - | - | - | - | - | - | - | - |
| (b) Other - Individuals | - | - | - | - | - | - | - | - | - |
| (c) Bodies Corp. | - | - | - | - | - | - | - | - | - |
| (d) Banks / FI | - | - | - | - | - | - | - | - | - |
| (e) Any Other | - | - | - | - | - | - | - | - | - |
| sub-total (A)(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Shareholding of Promoter (A) = (A)(1)+(A)(2) | 113403836 | 0 | 113403836 | 74.46 | 114155975 | 0 | 114155975 | 74.96 | 0.49 |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| (a) Mutual Funds | - | - | - | - | - | - | - | - | - |
| (b) Banks / FI | 53100 | 0 | 53100 | 0.03 | 77583 | 0 | 77583 | 0.05 | 0.02 |
| (c) Central Govt | - | - | - | - | - | - | - | - | - |
| (d) State Govt(s) | - | - | - | - | - | - | - | - | - |
| (e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| (f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| (g) FIs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (h) Foreign Venture Capital Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (i) Any Other - Foreign Portfolio Investors | 50000 | 0 | 50000 | 0.03 | 50000 | 0 | 50000 | 0.03 | 0.00 |
| Sub-Total (B)(1) | 103101 | 1 | 103101 | 0.07 | 127583 | 0 | 127583 | 0.08 | 0.02 |
| 2. Non- institutions | | | | | | | | | |
| (a) Bodies Corporate | 1747436 | 56120 | 1803556 | 1.18 | 1670205 | 56120 | 1726325 | 1.13 | (0.05) |
| (i) Indian | - | - | - | - | - | - | - | - | - |
| (ii) Overseas | - | - | - | - | - | - | - | - | - |

IV. SHAREHOLDING PATTERN (contd.)

(i) Category-wise Share Holding (contd.)

| Category of Shareholders | No. of shares held at the beginning of the year - 01.4.2019 | | | | No. of shares held at the end of the year - 31.3.2020 | | | | % change during the year |
|--|---|----------------|------------------|-------------------|---|----------------|------------------|-------------------|--------------------------|
| | Demat | physical | total | % of total shares | Demat | Physical | total | % of total shares | |
| (b) Individuals | | | | | | | | | |
| i Individual shareholders holding nominal shares capital up to Rs.1 lakh | 21809341 | 6044082 | 2753423 | 18.29 | 21722224 | 5551362 | 27273586 | 17.91 | (0.38) |
| ii Individual shareholders holding nominal shares capital in excess of Rs.1 lakh | 2586277 | 1020080 | 3606357 | 2.37 | 3316039 | 312000 | 3628039 | 2.38 | 0.01 |
| (c) Others (specify) | | | | | | | | | |
| Directors and Relatives | 906600 | 80 | 906680 | 0.60 | 926600 | 80 | 926600 | 0.61 | 0.01 |
| Non-Resident Indians | 945943 | 0 | 197000 | 0.75 | 733769 | 197000 | 930769 | 0.61 | (0.14) |
| Hindu Undivided Family | 1207065 | 15 | 1207080 | 0.79 | 1190215 | 16 | 1190231 | 0.78 | (0.01) |
| Clearing Members | 60864 | 0 | 60864 | 0.04 | 121191 | 0 | 121191 | 0.08 | 0.04 |
| Escrow | 1195520 | 0 | 1195520 | 0.79 | 1131600 | 0 | 1131600 | 0.74 | (0.04) |
| IEPF | 1000640 | 0 | 1000640 | 0.65 | 1072021 | 0 | 1072021 | 0.70 | 0.05 |
| Sub- Total (B)(2) | 31459686 | 7317377 | 38777063 | 25.46 | 31883864 | 6116578 | 38000442 | 24.95 | (0.51) |
| Total Public Shareholding (B)= (B) (1)+(B)(2) | 31562786 | 7317378 | 38880164 | 25.53 | 32011447 | 6116578 | 38128025 | 25.04 | (0.49) |
| (c) Shares held by custodian for GDRs and ADRs | - | - | - | - | - | - | - | - | - |
| GRAND TOTAL (A)+(B)+(C) | 144966622 | 7317378 | 152284000 | 100.00 | 146167422 | 6116578 | 152284000 | 100.00 | 0.00 |

(ii) Shareholding of promoters

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | |
|---------|---|---|----------------------------------|---|-------------------------------------|----------------------------------|---|--|
| | | No of shares | % of total shares of the Company | % of shares pledged/ encumbered to total shares | No of shares | % of total shares of the Company | % of shares pledged/ encumbered to total shares | % of change in share holding during the year |
| 1 | Neelamalai Agro Industries Limited | 60913600 | 40.00 | Nil | 60913600 | 40.00 | Nil | No Change |
| 2 | The Midland Rubber & Produce Co Ltd | 44700036 | 29.35 | Nil | 45452175 | 29.85 | Nil | 0.50 |
| 3 | The Nelliampathy Tea and Produce Co. Ltd. | 6091360 | 4.00 | Nil | 6091360 | 4.00 | Nil | No Change |
| 4 | Ajit Thomas | 1522840 | 1.00 | Nil | 1522840 | 1.00 | Nil | No Change |
| 5 | Shanthy Thomas | 124000 | 0.08 | Nil | 124000 | 0.08 | Nil | No Change |
| 6 | Ashwin Thomas | 52000 | 0.03 | Nil | 52000 | 0.03 | Nil | No Change |

(iii) Change in promoters' shareholding

| Sl No | Name of the share holder | Share holding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|---|--|----------------------------------|---|----------------------------------|
| | | No of shares | % of total shares of the Company | No of shares | % of total shares of the Company |
| 1 | Neelamalai Agro Industries Limited | | | | |
| | At the beginning of the year 1 st April 2019 | 60913600 | 40.00 | 60913600 | 40.00 |
| | increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 60913600 | 40.00 | 60913600 | 40.00 |
| 2 | The Midland Rubber & Produce Co Ltd | | | | |
| | At the beginning of the year 1 st April 2019 | 44700036 | 29.35 | 44700036 | 29.35 |
| | Purchase 07-Jun-2019 | 70143 | 0.05 | 228879 | 0.15 |
| | Purchase 14-Jun-2019 | 68857 | 0.05 | 297736 | 0.20 |
| | Purchase 21-Jun-2019 | 69380 | 0.05 | 367116 | 0.24 |
| | Purchase 28-Jun-2019 | 69393 | 0.05 | 436509 | 0.29 |
| | Purchase 23-Aug-2019 | 53628 | 0.04 | 490137 | 0.32 |
| | Purchase 30-Aug-2019 | 62637 | 0.04 | 552774 | 0.36 |
| | Purchase 06-Sep-2019 | 29061 | 0.02 | 581835 | 0.38 |
| | Purchase 13-Sep-2019 | 52481 | 0.03 | 634316 | 0.42 |
| | Purchase 20-Sep-2019 | 22977 | 0.02 | 657293 | 0.43 |
| | Purchase 27-Sep-2019 | 19644 | 0.01 | 676937 | 0.44 |
| | Purchase 30-Sep-2019 | 3838 | 0.00 | 680775 | 0.45 |
| | Purchase 22-Nov-2019 | 230100 | 0.15 | 230100 | 0.15 |
| | At the end of the Year 31 st March 2020 | 45452175 | 29.85 | 45452175 | 29.85 |
| 3 | The Nelliampathy Tea and Produce Co. Ltd. | | | | |
| | At the beginning of the year 1 st April 2019 | 6091360 | 4.00 | 6091360 | 4.00 |
| | increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 6091360 | 4.00 | 6091360 | 4.00 |
| 4 | Ajit Thomas | | | | |
| | At the beginning of the year 1 st April 2019 | 1522840 | 1.00 | 1522840 | 1.00 |
| | increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 1522840 | 1.00 | 1522840 | 1.00 |
| 5 | Shanthi Thomas | | | | |
| | At the beginning of the year 1 st April 2019 | 124000 | 0.08 | 124000 | 0.08 |
| | increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 124000 | 0.08 | 124000 | 0.08 |
| 6 | Ashwin Thomas | | | | |
| | At the beginning of the year 1 st April 2019 | 52000 | 0.03 | 52000 | 0.03 |
| | Increase / (decrease) | No Change | | | |
| | At the end of the Year 31 st March 2020 | 52000 | 0.03 | 52000 | 0.03 |

IV. SHAREHOLDING PATTERN (contd.)

(iv) Shareholding pattern of top ten shareholders (other than Directors, promoters and Holders of GDRs and ADRs)

| SI No | Name of the Share holder | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|---|---|----------------------------------|---|----------------------------------|
| | | No of shares | % of total shares of the Company | No of shares | % of total shares of the Company |
| 1 | Investor Education Protection Fund | | | | |
| | At the beginning of the year 1 st April 2019 | 1000640 | 0.657 | 1000640 | 0.657 |
| | Purchase 26-Apr-2019 | 35660 | 0.023 | 1036300 | 0.681 |
| | Purchase 03-May-2019 | 61 | 0.000 | 1036361 | 0.681 |
| | Purchase 31-May-2019 | 10340 | 0.007 | 1046701 | 0.687 |
| | Purchase 08-Nov-2019 | 2100 | 0.001 | 1048801 | 0.689 |
| | Purchase 15-Nov-2019 | 23220 | 0.015 | 1072021 | 0.704 |
| | At the end of the Year 31 st March 2020 | 1072021 | 0.015 | 1072021 | 0.704 |
| 2 | K Satish | | | | |
| | At the beginning of the year 1 st April 2019 | 849282 | 0.558 | 849282 | 0.558 |
| | Purchase 21-Jun-2019 | 7742 | 0.005 | 857024 | 0.563 |
| | Purchase 23-Aug-2019 | 25276 | 0.017 | 882300 | 0.579 |
| | Sale 31-Jan-2020 | (32000) | 0.021 | 850300 | 0.558 |
| | At the end of the Year 31 st March 2020 | 850300 | 0.558 | 850300 | 0.558 |
| 3 | Kalavati P Saunshimath | | | | |
| | At the beginning of the year 1 st April 2019 | 456000 | 0.299 | 456000 | 0.299 |
| | Sale 20-Mar-2020 | (7960) | 0.005 | 448040 | 0.294 |
| | Sale 27-Mar-2020 | (37790) | 0.025 | 410250 | 0.269 |
| | At the end of the Year 31 st March 2020 | 410250 | 0.269 | 410250 | 0.269 |
| 4 | Suresh Shetty | | | | |
| | At the beginning of the year 1 st April 2019 | 320000 | 0.210 | 320000 | 0.210 |
| | Increase / Decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 320000 | 0.210 | 320000 | 0.210 |
| 5 | K Subba Reddy | | | | |
| | At the beginning of the year 1 st April 2019 | 311962 | 0.205 | 311962 | 0.205 |
| | Increase / Decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 311962 | 0.205 | 311962 | 0.205 |
| 6 | Nilesh Hastimal Shah | | | | |
| | At the beginning of the year 1 st April 2019 | 286200 | 0.188 | 286200 | 0.188 |
| | Increase / Decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 286200 | 0.188 | 286200 | 0.188 |
| 7 | Suresh Chand Chogmal Bafna | | | | |
| | At the beginning of the year 1 st April 2019 | 280000 | 0.183 | 280000 | 0.183 |
| | Sale 24-Jan-2020 | (1000) | 0.001 | 279000 | 0.183 |
| | Sale 07-Feb-2020 | (1000) | 0.001 | 278000 | 0.183 |
| | Sale 14-Feb-2020 | (3000) | 0.002 | 275000 | 0.181 |
| | Sale 21-Feb-2020 | (1000) | 0.001 | 274000 | 0.180 |
| | Sale 25-Feb-2020 | (15000) | 0.010 | 259000 | 0.170 |
| | Sale 28-Feb-2020 | (19625) | 0.013 | 239375 | 0.157 |
| | Sale 06-Mar-2020 | (180) | 0.000 | 239195 | 0.157 |
| | At the end of the Year 31 st March 2020 | 239195 | 0.157 | 239195 | 0.157 |

| SI No | Name of the Share holder | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|---|---|----------------------------------|---|----------------------------------|
| | | No of shares | % of total shares of the Company | No of shares | % of total shares of the Company |
| 8 | Reetha Shetty | | | | |
| | At the beginning of the year 1 st April 2019 | 215000 | 0.141 | 215000 | 0.141 |
| | Increase / Decrease | | | No Change | |
| | At the end of the Year 31 st March 2020 | 215000 | 0.141 | 215000 | 0.141 |
| 9 | IIFL Investment Adviser and Trustee Services Limited | | | | |
| | At the beginning of the year 1 st April 2019 | 0 | 0 | 0 | 0.000 |
| | Purchase 24-Jan-2020 | 50500 | 0.033 | 50500 | 0.033 |
| | Purchase 31-Jan-2020 | 106000 | 0.070 | 156500 | 0.103 |
| | Purchase 07-Feb-2020 | 25000 | 0.016 | 181500 | 0.119 |
| | Purchase 14-Feb-2020 | 19500 | 0.013 | 201000 | 0.132 |
| | At the end of the Year 31 st March 2020 | 201000 | 0.132 | 201000 | 0.132 |
| 10 | IIFL Investment Adviser and Trustee Services Limited | | | | |
| | At the beginning of the year 1 st April 2019 | 0 | 0 | 0 | 0.000 |
| | Purchase 24-Jan-2020 | 50500 | 0.033 | 50500 | 0.033 |
| | Purchase 31-Jan-2020 | 106000 | 0.070 | 156500 | 0.103 |
| | Purchase 07-Feb-2020 | 25000 | 0.016 | 181500 | 0.119 |
| | Purchase 14-Feb-2020 | 19500 | 0.013 | 201000 | 0.132 |
| | At the end of the Year 31 st March 2020 | 201000 | 0.132 | 201000 | 0.132 |

(v) Shareholding of Directors and Key Managerial personnel

| SI No | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|---|---|----------------------------------|---|----------------------------------|
| | | No of shares | % of total shares of the Company | No of shares | % of total shares of the Company |
| 1 | Ajit Thomas, Chairman | | | | |
| | At the beginning of the year 1 st April 2019 | 1522840 | 1.00 | 1522840 | 1.00 |
| | Increase / decrease | | | No Change | |
| | At the end of the Year 31 st March 2020 | 1522840 | 1.00 | 1522840 | 1.00 |
| 2 | M.A. Alagappan, Director | | | | |
| | At the beginning of the year 1 st April 2019 | 28600 | 0.019 | 28600 | 0.019 |
| | Increase / decrease | | | No Change | |
| | At the end of the Year 31 st March 2020 | 28600 | 0.019 | 28600 | 0.019 |
| 3 | P. Shankar, Director | | | | |
| | At the beginning of the year 1 st April 2019 | 0 | 0 | 0 | 0 |
| | Increase / decrease | | | No Change | |
| | At the end of the Year 31 st March 2020 | 0 | 0 | 0 | 0 |
| 4 | Habib Hussain, Director | | | | |
| | At the beginning of the year 1 st April 2019 | 200080 | 0.131 | 200080 | 0.131 |
| | Increase / decrease | | | No Change | |
| | At the end of the Year 31 st March 2020 | 200080 | 0.131 | 200080 | 0.131 |

| SI No | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|-------|---|---|----------------------------------|---|----------------------------------|
| | | No of shares | % of total shares of the Company | No of shares | % of total shares of the Company |
| 5 | Shanthi Thomas, Director | | | | |
| | At the beginning of the year 1 st April 2019 | 124000 | 0.08 | 124000 | 0.08 |
| | Increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 124000 | 0.08 | 124000 | 0.08 |
| 6 | A.D. Bopana, Director | | | | |
| | At the beginning of the year 1 st April 2019 | 678000 | 0.45 | 678000 | 0.45 |
| | Increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 678000 | 0.45 | 678000 | 0.45 |
| 7 | M.N. Satheesh Kumar, President & CEO | | | | |
| | At the beginning of the year 1 st April 2019 | 220 | 0.0003 | 220 | 0.0003 |
| | Increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 220 | 0.0003 | 220 | 0.0003 |
| 8 | A. Ramadas, Sr. Vice President & CFO | | | | |
| | At the beginning of the year 1 st April 2019 | 1000 | 0.001 | 1000 | 0.001 |
| | Increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 1000 | 0.001 | 1000 | 0.001 |
| 9 | Dileepraj. P, Company Secretary | | | | |
| | At the beginning of the year 1 st April 2019 | 0 | 0 | 0 | 0 |
| | Increase / decrease | No Change | | | |
| | At the end of the Year 31 st March 2020 | 0 | 0 | 0 | 0 |

V. INDEBTEDNESS (in Rs.)

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Rs. in lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year (1.4.2019) | | | | |
| i) Principal Amount | 1921.77 | 4.10 | Nil | 1925.87 |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | 1921.77 | 4.10 | Nil | 1925.87 |
| Change in Indebtedness during the financial year | | | | |
| Addition | Nil | Nil | Nil | Nil |
| Reduction | 180.62 | Nil | Nil | 180.62 |
| Net Change | 180.62 | Nil | Nil | 180.62 |
| Indebtedness at the end of financial year (31.3.2020) | | | | |
| i) Principal Amount | | | | |
| Term Loan | 1350.00 | Nil | Nil | 1350.00 |
| Lease Liability | 391.14 | Nil | Nil | 391.14 |
| Deposits from Contractors | Nil | 4.10 | Nil | 4.10 |
| ii) Interest due but not paid | Nil | Nil | Nil | Nil |
| iii) Interest accrued but not due | Nil | Nil | Nil | Nil |
| Total (i+ii+iii) | 1741.14 | 4.10 | Nil | 1745.24 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Directors, Whole-time Director and/or Manager (in Rs.):

| Sl. No | Particulars of Remuneration | Name of Manager | Total Amount |
|--------|---|---------------------|--------------|
| 1 | Gross salary | M.N. Satheesh Kumar | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 10,313,200 | 1,03,13,200 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | Nil | Nil |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Nil | Nil |
| 2 | Stock Option | NA | NA |
| 3 | Sweat Equity | NA | NA |
| 4 | Commission | Nil | Nil |
| | as % of profit | Nil | Nil |
| | others specify | Nil | Nil |
| 5 | Other, please specify | Nil | Nil |
| | Total (A) | | 1,03,13,200 |
| | Ceiling as per the Act | | 2,37,54,703 |

B. Remuneration to other Directors (in Rs.):

| Sl No | Particulars of remuneration | Name of Directors | | | | Total Amount |
|-------|---|--------------------|----------------------|-----------------------|---------------|--------------|
| | | M.A. Alagappan | P. Shankar | A.D. Bopana | Kavitha Vijay | |
| 1 | Independent Directors Fee for attending board/ committee meetings | 1,65,000 | 1,75,000 | 1,30,000 | 15,000 | 4,85,000 |
| | Commission | Nil | Nil | Nil | Nil | Nil |
| | Others Please Specify | Nil | Nil | Nil | Nil | Nil |
| | Total (1) | 1,65,000 | 1,75,000 | 1,30,000 | 15,000 | 4,85,000 |
| | | Ajit Thomas | Habib Hussain | Shanthy Thomas | | |
| 2 | Other Non-Executive Directors Fee for attending board/ committee meetings | 1,15,000 | 1,85,000 | 60,000 | | 3,60,000 |
| | Commission | Nil | Nil | Nil | | Nil |
| | Others Please Specify | Nil | Nil | Nil | | Nil |
| | Total (2) | 1,15,000 | 1,85,000 | 60,000 | | 3,60,000 |
| | Total (B) = (1+2) | 2,80,000 | 3,60,000 | 1,90,000 | 15,000 | 8,45,000 |
| | Total Managerial Remuneration | | | | | 1,11,58,200 |
| | Overall Ceiling as per the Act | | | | | 2,85,05,644 |

C. Remuneration to key managerial personnel other than MD/Manager/WTD (in Rs.):

| Sl. No. | Particulars of remuneration | CFO | Company Secretary | Total Amount |
|---------|---|-----------|-------------------|--------------|
| 1 | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 65,20,761 | 22,24,504 | 87,45,265 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | Nil | Nil | Nil |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Nil | Nil | Nil |
| 2 | Stock Option | NA | NA | NA |
| 3 | Sweat Equity | NA | NA | NA |
| 4 | Commission | | | |
| | as % of profit | Nil | Nil | Nil |
| | others specify | Nil | Nil | Nil |
| 5 | Other, please specify | Nil | Nil | Nil |
| | Total (C) | 65,20,761 | 22,24,504 | 87,45,265 |

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES :

| Type | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ compounding fees imposed | Authority (RD/NCLT/ COURT) | Appeal made if any (give details) |
|------------------------------|------------------------------|-------------------|--|----------------------------|-----------------------------------|
| A. Company | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. Directors | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. Other Officers in Default | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |

ANNEXURE – VI

To the Directors' Report

Information pursuant to the Companies Act 2013 read with Rule 5 (2) (ii) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules 2014. Employed throughout the year under review and were in receipt of remuneration in the aggregate of not less than Rs.1,02,00,000/- per annum or employed for part of the year and were in receipt of remuneration in the aggregate of not less than Rs.8,50,000/- per month.

| Name | Age | Designation/ Nature of Duties | Remuneration (Rs.) | Qualification | Total Experience (years) | Date of Commencement of Employment | Previous Employment |
|-----------------------------|-----|--|--------------------|----------------------------|--------------------------|------------------------------------|---|
| M.N. Satheesh Kumar @ | 65 | President & CEO | 1,03,13,200 | M.Sc (Hons.) Che, PGDBA | 42 | 27.09.1995 | Plant Manager (Sr. Mgr. Cadre) GOETZE (India) Ltd., Escorts Group Company |
| Dr. Prashant Kumar Mishra # | 40 | Head (Animal Nutrition) | 29,11,988 | M.Phil, Ph.D | 11 | 1 st July 2018 | Global Business Development Manager-Bio actives Pancosma México S.A. DE C.V. AV. Allende- Calle Ignacio Allende, #187, Barrio Santa Cruz Oztzacatipan, Santa Cruz Oztzacatipan, Toluca, Estado De Mexico, CP: 5020 |
| Michael Allan Putnam * | 59 | President - North America (Animal Health & Nutrition Division) | 17,09,100 | B.A. | 35 | 1 st March 2020 | Manager, HUVE Pharma Inc., United States of America |

@ the nature of employment is contractual

The service was transferred to AVT Natural S.A. DE C.V., Mexico (wholly owned subsidiary Company) & was employed part of the year in 2019-20 (01.04.2019 to 15.08.2019)

* Employment commenced from 1.3.2020 and ceased on 1.4.2020 & the remuneration does not include compensation paid for termination of employment.

Notes :

- None of the above employees are related to any Director or Key Managerial Personnel of the Company
- Mr. M.N. Satheesh Kumar holds 220 shares of the Company as on 31.3.2020 and his remuneration includes Basic salary, allowances and contribution to Provident Fund and Super Annuation Fund.
- Dr. Prashant Kumar Mishra held NIL shares of the Company. Remuneration includes Salary, saving fund, food coupons, vehicle maintenance, insurance, etc.,

ANNEXURE – VII

Information pursuant to section 197(12) of the Companies, Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel), Rules 2014

- (1) Ratio of the remuneration of each Director / KMP to the median remuneration of all the employees of the Company in the financial year 2019-20

| | |
|---|--------------|
| Median remuneration of all the employees of the Company for the financial year 2019-20 | 23,69,22,321 |
| Percentage increase in the median remuneration of the employees in the financial year 2019-20 | 4.68% |
| Number of permanent employees on the rolls of the Company as on 31 st March 2020 | 275 |

- (2) The percentage of increase in remuneration of the President and CEO , Sr. Vice President and CFO and Company Secretary during the financial year 2019-20

| Sl. No. | Name of the Director / KMP | Designation | Remuneration during the FY 2019-20 (Rs. in Lakhs) | % increase in Remuneration during Fy 2019-20 |
|---------|----------------------------|----------------------------|---|--|
| a | Mr.M.N. Satheesh Kumar | President and CEO | 1,03,13,200 | 8.03 |
| b | Mr.A.Ramadas | Sr. Vice President and CFO | 65,20,761 | 3.79 |
| c | Mr.Dileepraj. P | Company Secretary | 22,24,504 | 6.49 |

- (3) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration :-

There is 4.54 % increase in the salaries of employees other than managerial personnel and 6.10% average increase in the salaries of managerial personnel during the year.

Justification for increase : The increase is in line with the industrial standards and the Company's performance

- (4) The remuneration is as per the remuneration policy of the Company.

Note : The calculation for median remuneration and average increase in remuneration is arrived at based on permanent employees of the Company in the regular rolls and gratuity amount not included in the remuneration.

ANNEXURE – VIII

Business Responsibility Report

for the financial year 2019-20

[Pursuant to Regulation 34(2)(f) of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015]

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

| Sl.No. | Particulars | Company Information |
|---------------|---|--|
| 1. | Corporate Identity Number (CIN) of the Company | L15142TN1986PLC012780 |
| 2. | Name of the Company | AVT Natural Products Limited |
| 3. | Registered address | 60, Rukmani Lakshmipathy Salai, Egmore, Chennai - 600008 |
| 4. | Website | www.avtnatural.com |
| 5. | E-mail id | avtnpl@avtnatural.com |
| 6. | Financial Year reported | 2019-20 |
| 7. | Sector(s) that the Company is engaged in (industrial activity code-wise) | NIC Code : 21009, 10795 and 10791 |
| 8. | List three key products/services that the Company manufactures/provides (as in Balance Sheet) | Marigold Oleoresin, Spice Oleoresin, Instant Tea and De-caffeinated Tea |
| 9. | Total number of locations where business activity is undertaken by the Company | |
| | (a) Number of International Locations | There are no international manufacturing operations for the Company. |
| | (b) Number of National Locations | Vazhakulam (Kerala), Tiptur (Karnataka) & Sathyamangalam (Tamil Nadu) |
| 10. | Markets served by the Company Local/State/ National/International | Company predominantly serves the International market. The Company services the domestic market in a very limited way. |

SECTION B: FINANCIAL DETAILS OF THE COMPANY

| Sl.No. | Particulars | Company Information |
|---------------|---|---|
| 1. | Paid up Capital (INR) | Rs.15,22,84,000 |
| 2. | Total Turnover (INR) | Rs.392.32 crore |
| 3. | Total profit after taxes (INR) | Rs.37.80 crore |
| 4. | Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | 1.75% |
| 5. | List of activities in which expenditure in 4 above has been incurred:- | Education, Infrastructure, Healthcare, Swachh Bharat etc., (please refer the CSR Annual report for details) |

SECTION C: OTHER DETAILS

| Sl.No. | Particulars | Company Information |
|--------|--|---|
| 1. | Does the Company have any Subsidiary Company/ Companies? | YES. The Company has 2 direct foreign subsidiaries and 2 step down subsidiaries. |
| 2. | Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s) | NO, the overseas subsidiaries do not participate in such initiatives. |
| 3. | Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] | The Company does not mandate its suppliers to participate in its BR activities currently. |

SECTION D: BR INFORMATION

1. Details of Director responsible for BR

(a) Details of the Director responsible for implementation of the BR policy/policies

| Sl.No. | Particulars | Company Information |
|--------|-------------|--------------------------------------|
| 1. | DIN Number | 01638317 |
| 2. | Name | Mr. P. Shankar |
| 3. | Designation | Non-Executive & Independent Director |

(b) Details of the BR head

| Sl.No. | Particulars | Company Information |
|--------|----------------------------|--------------------------------------|
| 1 | DIN Number (if applicable) | 01638317 |
| 2 | Name | Mr. P. Shankar |
| 3 | Designation | Non-Executive & Independent Director |
| 4 | Telephone number | 044-28584147 |
| 5 | e-mail id | avtnpl@avtnatural.com |

2. Principle-wise (as per NVGs) BR Policy/policies

The 9 areas of business responsibility enunciated under the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs, Government of India are:

| Principles ('P') | Area of BR |
|------------------|--|
| P1 | Business should conduct and govern themselves with Ethics, Transparency and Accountability. |
| P2 | Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle. |
| P3 | Businesses should promote the well-being of all employees, |
| P4 | Businesses should respect the interest and be responsive towards all stakeholders, especially those who are disadvantaged(s), vulnerable and marginalised. |
| P5 | Businesses should respect and promote human rights. |
| P6 | Business should respect, protect and make efforts to restore the environment. |
| P7 | Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner. |
| P8 | Businesses should support inclusive growth and equitable development. |
| P9 | Businesses should engage with and provide value to their customers and consumers in a responsible manner. |

(a) Details of compliance (Reply in Y/N)

| SI No. | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|--------|---|--|-----|-----|-----|-----|-----|-----|-----|-----|
| 1 | Do you have a policy / policies for | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2 | Has the policy been being formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3 | Does the policy conform to any national / international standards? If yes, specify? (50 words) | N | N | N | N | N | N | N | N | N |
| 4 | Has the policy been being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 5 | Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 6 | Indicate the link for the policy to be viewed online? (Note.2) | www.avtnatural.com | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8 | Does the Company have in-house structure to implement the policy / policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9 | Does the Company have a grievance redressal mechanism related to the policy / policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 10 | Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency? | N | N | N | N | N | N | N | N | N |

3. Governance related to BR

- (a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company: Within 3 months, 3-6 months, Annually or More than 1 year

The BR performance revolves around a number of policies which are assessed by the BR Head monthly, quarterly or annually based upon its importance and impact on the Company's operations and activities.

- (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently is it published?

Yes. The Company publishes a BR Report as part of its Annual Report. The said report is also available on the Company's website at www.avtnatural.com.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1 – Ethics, Transparency & Accountability

The Company is committed to developing governance structures, procedures and practices that ensure ethical conduct at all levels and to promote the adoption of this principle across its value chain. Commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, Senior Management and all employees of the Company.

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Company's policies relating to Governance rest on adhering to ethics and transparency in dealing with stakeholders with adequate and timely disclosures. These policies are similar across all entities in the Group. All the stakeholders of the Company – internal as well as external are expected to work within the framework of the aforesaid policies / principles. In the selection of its vendors and contractors, the Company strives to identify and associate with those who maintain and follow ethical standards. Moreover, the Company endeavours to reiterate awareness and impart training on these values to its employees. The relevant stakeholders of the Company are also made aware of the said values from time to time.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has set up a Whistle-blower mechanism as an avenue for voicing concerns inter-alia relating to unethical behaviour. During the year, there were no complaints under the Company's Whistle Blower Policy. Also, there were no complaints from stakeholders (viz., shareholders) under the Stakeholders' Relationship Committee established for voicing of grievances / issues by investors. There were no complaints pending as on 31st March 2020.

Principle 2 - Safety and sustainability of goods & services

The Company assures safety and optimal resource use over the life-cycle of its products. Efforts are made to ensure that everyone connected with it including the developers, producers, value chain members, customers and recyclers are made aware of their responsibilities.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.
 - (a) Marigold Oleoresin
 - (b) Spice Oleoresin
 - (c) Decaffeinated and Instant Tea
2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):
3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?

Yes. Vendor / service providers are encouraged to adopt management practices detailed under the international standard such as ISO 9001, ISO 14000 and Company's Environment Health and Safety Guidelines. The Company's integrated operations ensure sustainable exploitation of the available resources. Conscious efforts are made to ensure that everyone connected with the Company, be it the developers, producers, value chain members, customers and recyclers are made aware of their responsibilities. The Company is continuously focused on internal improvements which helps in achieving operational efficiencies which results in energy conservation and sustainable operations. Usage of materials which are either recycled or can be recycled assumes top priority.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Company has developed a vendor base around many of its manufacturing sites. The Company recognises the importance of its vendor base and continuously monitors their financial health and business practises.

5. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

The Company has sustainable processes in place to reuse and recycle waste. The Company has a robust waste water treatment and recycling system which allows it to reuse the same to replenish its cooling tower water as well as for its gardening requirements. This significantly reduces the overall consumption of water within the Company's facilities. In addition, the post-extraction waste of most products are subsequently used by the Company as fuel for boilers to generate steam. This constitutes over 10% of the waste produced during manufacturing process.

Principle 3 – Promotion of well-being of employees

The Company ensures a work environment that promotes well-being of all its employees. Focus on health, safety and preventing discrimination are part of the Company's guiding principles on employees well-being.

| | | |
|---|--|-----|
| 1 | Please indicate the total number of employees. | 275 |
| 2 | Please indicate the total number of employees hired on temporary/contractual/casual basis. | 229 |
| 3 | Please indicate the number of permanent women employees. | 13 |
| 4 | Please indicate the number of permanent employees with disabilities | NIL |
| 5 | Do you have an employee association that is recognized by management? | Yes |
| 6 | What percentage of your permanent employees are members of this recognized employee association? | 23% |

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and which are pending, as on the end of the financial year.

| Sl. No. | Category | No of complaints filed during the financial year | No of complaints pending as on end of the financial year |
|---------|--|--|--|
| 1 | Child labour/forced labour/ involuntary labour | NIL | NIL |
| 2 | Sexual harassment | NIL | NIL |
| 3 | Discriminatory employment | NIL | NIL |

8. What percentage of your undermentioned employees were given safety & skill upgradation training last year?

| Sl. No. | Particulars | Safety training (%) | Skill training (%) |
|---------|--|---------------------|--------------------|
| (a) | Permanent Employees | 86 | 95 |
| (b) | Permanent Women Employees | 92 | 94 |
| (c) | Casual/Temporary/Contractual Employees | 63 | 48 |
| (d) | Employees with Disabilities | NA | NA |

Principle 4 – Responsiveness towards stakeholders

The Company is responsive to the requirements of all its Stakeholders and this is enshrined in its Corporate Values & Beliefs which encapsulates Integrity, Passion, Quality, Respect and Responsibility. These values ensure that the Company acts as a responsible corporate citizen, behaving in a manner reflecting humility, and changing lives for the better. The Company considers its employees, business associates, suppliers, dealers, customers, shareholders/investors communities in the vicinity of its operations and regulatory authorities as its key stakeholders. The Company continues its engagement with them through various mechanisms such as consultations with local communities, supplier /vendor meetings, customer/employee engagement programmes, investor forums etc. The Company's website www.avtnatural.com provides comprehensive information to the stakeholders about the Company.

- Has the Company mapped its internal and external stakeholders?
Yes. The Company has mapped its internal and external stakeholders.
- Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders.
The Company has identified underprivileged communities as well as disadvantaged, vulnerable and marginalised stakeholders around its operational sites and continuously engages with them to identify their needs. There are systems and processes in place to systematically identify stakeholders, understand their concerns and engage with them. These systems and processes are reviewed from time to time.
- Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.
The Company on a periodic basis undertakes dedicated activities as part of its CSR initiatives for the disadvantaged, vulnerable and marginalised stakeholders in the vicinity of its factories. Support for improvement of Education, Sports and Health are provided to Government schools in rural / under-developed areas. The company also extends numerous aids to the rural community which are detailed in the CSR section of this report.

Principle 5 – Promoting human rights

The Company respects the rights and dignity of all individuals and upholds the principles of human rights. The Company's commitment to human rights and fair treatment of all is enshrined in its Code of Conduct. The policy mandates conduct of operations with honesty, integrity and openness with respect for human rights and interests of all stakeholders. The Company believes that a sustainable organisation rests on the foundation of ethics and respect for human rights.

- Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?
The Company's policy on Human rights covers not only the Company but extends to its subsidiaries. The Company encourages its suppliers, contractors and others to follow the same.
- How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?
There were no complaints pertaining to violation of human rights during the financial year ended 31st March 2020.

Principle 6 – Protecting the environment

The Company is committed to promoting a safe and healthy environment for its employees and community. Through education, auditing, monitoring, technical consultation, and direct services, the Company mitigates the organizational risks and meets its responsibilities for health, safety and environmental requirements. To improve the consistency of the organization's approach towards environment safety controls, the Company implemented ISO 9001-2015, ISO 14001 and OHSAS 18001 and introduced a series of global standards, principles and practices across all operations.

ISO 14001 and ISO 9001 focusses on managing organization's impact on the external environment, to reduce pollution and comply with regulations. OHSAS 18001 focuses on managing its internal environment to ensure a safe and healthy workplace.

Audits are conducted against these standards and improvements are ongoing. Improving safety performance continues to be a priority for the Company. Continuous progress has been made in the methods of internal communication, knowledge

sharing and reporting on safety matters. The HR team conducts Environment Health and Safety (EHS) programs to educate employees about safety, make them aware of the Company's health and safety policy and conducts formal safety trainings for all workers to prevent accidents, report unsafe conditions and protect the environment.

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

Sustainability is an important element of the Company's business processes. The Company encourages all its stakeholders to follow environment-friendly processes. Risk assessment and implementation of risk mitigation plans are followed in all areas of its processes as a part of this endeavour.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

As a manufacturing Company, all necessary mechanisms are in place to ensure compliance with the applicable environmental laws. The Company is committed to be an environment friendly organisation. It has a dedicated Environmental policy across all its business units. The Company actively pursue initiatives to address environmental issues and to ensure sustainable development. Almost all manufacturing sites of the Company have received ISO 14001 certificate for their Environment Management Systems and ISO 9001 for Quality Management Systems. The Company has been awarded second prize by Kerala State Pollution control board for its Environment management initiatives in the large industry category in 2018. All factories of the Company have a green belt around it. The Company distributes saplings and encourage local communities to plant trees as a part of Environment day celebration annually. The Company has set up a rainwater harvesting system at its facility in Vazhakulam. It plans to put up rainwater harvesting system at Tiptur in 2020.

3. Does the Company identify and assess potential environmental risks? Y/N

Yes. The Company has a mechanism to identify and assess potential environmental risk at its manufacturing sites and operational areas. Environmental risk identification and its mitigation is ingrained in the Company's risk management system.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

The Company has not undertaken any specific project related to the Clean Development Mechanism as per the Kyoto Protocol. However, all its manufacturing locations are ISO 14001 (Environment Management Systems) QMS - ISO 9001-2015 certified.

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The Company utilises its resources in an optimal and responsible manner ensuring sustainability through reduction, reuse, recycling and managing the waste generated. Continuous efforts are made to improve energy efficiency in every sphere of Company's operations. Appropriate measures are undertaken to check and prevent pollution. The Company seeks to improve its environmental performance by adopting cleaner production methods with energy efficient environment friendly technologies and appropriate processes. Systems are developed with contingency plans and processes that help in preventing, mitigating and controlling environmental damages as a result of the Company's operations. The Company also undertake regular cleaning of the water systems including water canals near its factory in coordination with the local Panchayat action force.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The Company is engaged in manufacturing activity. It ensures that the emissions / wastes generated through such activities are in compliance with the applicable environmental laws. The Company's policy on environment and the ISO-14001 certification of its facilities reinforces its commitment towards environment.

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

The Company did not receive show cause / legal notices from CPCB / SPCB during the financial year.

Principle 7 : Responsibility towards public and regulatory policy

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

The Company is a member of the following:

- (a) Confederation of Indian Industry
- (b) Cochin Chamber of Commerce
- (c) Export Promotion Council for EOUs and SEZs

- (d) Federation of Indian Export Organisation
- (e) Shellac & Forest Products Export Promotion Council

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

The Company is not actively involved in lobbying. As a responsible corporate citizen, the Company as a part of major industry associations / chambers makes recommendations / representations before regulators and associations for the advancement and improvement of industrial climate in India.

Principle 8 : Supporting inclusive growth and development

1. Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes. Please refer to the CSR Annual Report for the financial year ended 31st March 2020

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

In the financial year 2019-20, while certain budgeted CSR initiatives were implemented directly by the Company with in-house support, those projects requiring specialised experience and expertise for execution were undertaken through implementing agencies

3. Have you done any impact assessment of your initiative?

All CSR initiatives are followed by an impact assessment process to ensure that it has met its intended objective.

4. What is your Company's direct contribution to community development projects, Amount in INR and the details of the projects undertaken.

Please refer to the CSR Annual Report of the Board's Report for the financial year 2019-20 for details of the direct contribution made by the Company during the financial year ended 31st March 2020.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

Initiatives are identified and implemented based on the assessment of Community's requirements to ensure that it has an enduring impact. Please refer to the CSR Annual Report for the financial year ended 31st March 2020.

Principle 9 – Providing value to customers & consumers

The Company endeavours to be customer centric organisation offering products / goods which are of genuine value to all its discerning customers and meeting their expectations every time. The products / goods of the Company undergo several quality checks at every level of its process chain. There are well-defined Standard Operating Procedures (SOPs) and processes to aid in identifying and eradicating process / system impediments. The Company's overall approach on this aspect is guided by its Quality policy and Total Quality Management Systems.

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

Pending customer complaints / consumer cases constitute a very meagre percentage (less than 1%) as on 31st March 2020.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)

Yes. The Company displays product information on all product / goods of the Company in accordance with the Legal metrology Act, 2011 and the applicable rules thereunder / other laws. Moreover additional information about the products/ goods are provided which facilitates better usage of the same by the Customer.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

There are no cases relating to unfair trade practises, irresponsible advertising and/ or anti-competitive behaviour against the Company.

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

The Company carries out periodic consumer surveys and mapping of customer satisfaction trends. The results of these activities are collated and utilised as effective business strategy tools to better understand the customer needs and improve the service levels.

ANNEXURE – IX

Management Discussion and Analysis Report

Overview

The following operating and financial review is intended to convey the Management's perspective on the financial and operating performance of the Company at the end of the Financial Year 2019-20. This Report should be read in conjunction with the Company's financial statements, the schedules and notes thereto and other information included elsewhere in the Integrated Report. The Company's financial statements have been prepared in accordance with the Indian Accounting Standards ('Ind AS') complying with the requirements of the Companies Act, 2013, as amended, and regulations issued by the Securities and Exchange Board of India ('SEBI') from time to time.

This report is an integral part of the Board's Report. Aspects on industry structure and developments, outlook, risks, internal control systems and their adequacy, material developments in human resources and industrial relations have been covered in the Board's Report and is incorporated herein by reference and forms an integral part of this report. Your attention is also drawn to sections on Strategy, Risk and Opportunities forming part of the Integrated Report. This section gives significant details on the performance of the Company.

Business Profile:

AVT Natural Products operates in the business segment of Food & Feed Ingredients from Natural Raw materials. There are 4 product categories:

- Marigold Extracts for Eye care, Food Colouring & Poultry pigmentation
- Spice oleoresin and Oils for Food colouring and flavouring
- Value added Teas – Decaffeinated Teas and Instant Teas
- Animal Nutrition Products

The Company has 2 wholly owned subsidiaries, namely AVT Natural Europe Ltd., U.K. & AVT Natural S.A. DE C.V., Mexico. AVT Natural Europe Ltd., has 2 subsidiaries, AVT Tea Services North America LLC and AVT Natural North America Inc (incorporated on 25th March, 2020).

The wholly owned subsidiaries are responsible for the sales and marketing activities of value added teas, animal nutrition products and other natural extracts.

Financial Performance & Operational review:

For the year ended on 31st March, 2020, the Company generated revenue of Rs. 392.32 crores as compared to Rs. 334.27 crores in 2018 – 19, clocking a growth of 17.37%. The Company recorded profit after tax of Rs 37.80 crore in 2019-20 against Rs. 21.10 crores in the preceding year. In spite of the challenging business environment which is outlined below, this significant improvement in bottom line was achieved through a combination of improved operational performance over the year and higher price realizations for marigold segment, especially in the last quarter.

Climatic vagaries during the crop cycle for the fourth consecutive year had adversely impacted Marigold crop. Poor rains in the early stages of transplantation followed by excessive rains & flooding during flowering phase in the major growing area (Davangere) resulted in lower flower yields and accordingly, lower product recovery. Increasing Chinese competition resulted in subdued price levels for the product in the Global market for most part of the year. But the prices firmed up substantially in the last quarter owing to uncertainties posed by the Covid situation in China, which allowed the Company to reap benefits.

Value-added Tea segment faced stiff competition from Chinese and European players. Competition has aggressively tried to win back the market share they have lost in the preceding years. The Company was able to successfully tide these challenges through a focused approach on winning key customer accounts, newer additions to its customer base, increased production efficiencies and strategic raw material purchases to protect the margins. The Company has worked closely with key multinationals to meet their specific requirements through consistent innovation and product development. This focused approach has yielded positive results and continues to consolidate the Company's position in the value-added tea market.

Spice Oleoresin segment continues to be a pillar of strength for the Company. The business saw increasing competition from smaller fragmented players. Moreover, the trend of mergers between large food companies continues, resulting in a consolidation of buying strength. Multinationals are increasingly following a global single-point buying strategy making

the business more challenging. These challenges were overcome through a focus on winning key customer accounts and simultaneously, growing the high margin products to protect the overall business contribution.

The Animal Nutrition business is in a nascent stage. The Company continues to work on key customers and invest in market and product development.

Concerns & Risks

The major risk factors envisaged for the Company are the vagaries of climate, increasing employee & inputs costs, currency fluctuation risks & the increasing competition intensity across all product segments.

The Company diligently tracks weather patterns. Accordingly, new growing areas with different agro-climatic conditions are identified to mitigate the climatic risk. Company's Agro R&D focusses on seed improvement to produce hybrids, which can deliver higher yields and Xanthophyll, which will be evaluated for the potential use in additional growing season. We also continue to invest in adoption of new farming practices to maximize yields and recoveries. To further de-risk the business, we maintain a Safety stock to fulfill our long-term customer commitments.

Increasing competition intensity across all product segments is a reality. The Company continues to counter this risk by working with Key Customers over extended periods of time, developing customized products for specific customer requirements, and delivering high service levels. Moreover, careful strategic raw material buying plays a key role in maintaining the Company's cost competitiveness across different product segments.

To address the concerns on increasing employee costs, the Company has embarked on various internal programs to improve employee productivity, increasing operational efficiencies, scaling up production volumes and enhancing product portfolios. The costs are diligently monitored & reduction measures are taken wherever possible. Moreover, continued investments in automation will enable us to curtail and counter this risks in future.

Currency risk is mitigated through careful forex hedging. Company follows an appropriate hedging policy commensurate with the business needs.

Future Outlook

The Company maintains a very positive outlook of the future.

Marigold is expected to remain as the key business segment contributing to both the topline and bottom line. Company will aggressively increase the acreage under cultivation by expanding the farmer base. The marigold feed grade prices are looking favourable. With timely rains, the Company is expected to ramp up overall volume this year. We continue to invest significant resources in Hybrid seed development for Marigold. The Company will introduce 2 new hybrids this year which will deliver higher yields and product recoveries. This is expected to give us an edge over competition in the coming years.

In Spice oleoresins segment, the Company continues to focus on increasing the topline while retaining the margins in the years to come. Even in an increasing competitive landscape, the business is expected to remain steady with a focus on growing the specialty products within the business to protect the overall margins. The Company continues to give thrust on increasing the volumes in certain specific geographies where higher margins can be garnered.

Instant Tea segment has been recognized as a major growth area. The Company continues to increase expand its customer base. The Company expects to clock over 1000 MT product sales in the coming year with addition of more customers into the fold. Moreover, the Company continues to work closely with multinationals with the objective of garnering greater share of all their individual associates' businesses across geographies. The value-added tea business vertical is expected to grow as a key pillar for the Company in the years to come.

The Company has expanded its product range in the food & beverages market with new natural ingredients. Accordingly, we have invested in the processing of Rosemary, a widely used ingredient in the F&B market for its anti-oxidant properties. We have entered into a strategic 5-year agreement with Kemin Industries Inc., USA, one of the largest players in the anti-oxidant space, to service their requirement for this product.

The Company's foray into the Global animal nutrition market is expected to reap rewards in the years to come. The shift in animal feed market to natural ingredients presents a large opportunity. The Company is leveraging its knowledge in natural ingredients to introduce innovative new ingredients into the market. This segment is expected to contribute to the business significantly and grow as a key pillar going forward.

We will continue to invest in R&D and expect to invest in new product lines as opportunities emerge.

Impact of Covid - 19 on the Company

COVID-19 has exposed the world's vulnerability in dealing with unknown risks, which are difficult to define and difficult to measure. Most importantly, it has shown the world's inability to mount a coordinated action resulting in an unpredictable outcome.

The Company had temporarily suspended its commercial operations in accordance with the Government's lockdown declaration on 24th March, 2020. However, the production units at Vazhakulam in Kerala and Tiptur in Karnataka had started its operations with a skeleton staff from second week of April 2020, and Sathyamangalam unit followed later, after receiving all necessary approvals and implementing all safety Covid related protocols. We continue to operate with well-defined operational protocols including social distancing within the facility, frequent sanitizing, temperature monitoring & non-overlap of employees in shifts.

Being primarily involved in the food industry, the Company has not been impacted on the product demand side in this period. However, the delayed impact on our markets must be seen as the situation unfolds globally.

Internal Controls

The Company has effective and adequate internal audit and control systems, commensurate with the increasing business size to safeguard its assets and protect against loss from any un-authorized use or disposition. Regular internal & statutory audit visits are undertaken to ensure that highest standards of internal controls are maintained at all levels of the organization. The Company's internal controls are supplemented by an extensive programme of internal audits which are periodically reviewed by the management. All policies, guidelines and procedures are well documented.

The summary of the Internal Audit findings and status of implementation of action plans for risk mitigation are submitted to the Audit Committee for review, and concerns if any, are reported to the Board. This process ensures robustness of internal control systems and compliance with applicable laws and regulations and ensures optimal resource utilization and system efficacy.

All Investment decisions are subjected to formal systematic detailed evaluation and approved by the relevant authority as defined in the delegation-of-authority mechanism. The Audit Committee reviews the plan for internal audit. It also reviews all significant internal audit observations and overall functioning of the Company on a periodic basis.

Revenue and capital expenditure are strictly governed by approved budgets and the expenditure approval levels are defined by a delegation-of-authority mechanism. Review of capital expenditure is undertaken based on the expected benefits for the Company.

Human Resources

The Company strongly believes that Human Resource is its most critical asset. We strive to offer our employees a dynamic and rewarding environment based on strong organizational values and the individual's ability. While the overall emphasis is on driving the organization's business goals, we encourage individual's entrepreneurial spirit coupled with a strong sense of accountability to achieve the objective.

The Company continues to leverage its human capital by attracting the right talent as well as nurturing & developing its internal talent.

The Company has a carefully designed appraisal and performance rewarding system which fosters a growth mindset in its employees. We emphasize on nurturing and rewarding our internal talent. In this endeavor, our employees undergo carefully designed training program which prepares them for the challenges ahead. The Company follows a structured and well-defined system of internal promotions which ensures high levels of employee satisfaction.

The Company has been successful in building an internal talent pool at all levels. Employees are provided cross-functional exposures, on-job training as well as carefully chosen external training programs to prepare them for their growth into higher roles. HR team works closely with the Superiors to assess the training needs of their subordinates. The Superiors are accountable for the continuous development and growth of their subordinates.

As Company aggressively pursue new business opportunities, we have tapped into external talent pool as and when necessary. We are happy to note that the Company is an attractive destination to talented individuals. The Company follows a carefully designed recruitment and staffing process to ensure that all employee addition is immediately value accretive. The process followed has helped the Company to reduce the learning curve sharply while pursuing new businesses.

We continuously improve and update our HR systems to meet the demands of the changing business environment to ensure that the Company will remain an attractive destination for both its internal and external talent.

The Company has enjoyed a very cordial and peaceful industrial environment with a committed work force at the Shop floor.

ANNEXURE – X

Corporate Governance Report

The Company's Corporate Governance report is pursuant to regulation 34 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company submits the report on the matters mentioned in the said regulation and the practices followed by the Company.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance envisages maintaining a high level of disclosure and transparency in all its operations. It aims at enhancing the shareholder value through adoption of sound business practices, prudent financial management and a high standard of ethics throughout the organisation.

2. BOARD OF DIRECTORS

The Board of Directors is entrusted with the ultimate superintendence, control and responsibility of the affairs of the Company

a. Composition and Board Diversity

The Company has a very balanced and diverse Board of Directors, including two Women Directors. The Composition of the Board primarily takes care of the business needs and stakeholders interest. The Non-Executive Directors including Independent Directors on the Board are well qualified, experienced, competent and highly renowned persons from the field of manufacturing, economics, business, legal plantation, governance etc., They take active part at the Board and Committee Meetings by providing valuable guidance & expert advice to the Management on various aspects of business, policy direction, governance, compliances etc., and play critical role on strategic issues, which enhances the transparency and add value in the decision making process of the Board of Directors.

The composition of the Board also complies with the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

As at the end of financial year 2019-20, the total Board strength comprises of the following:

| Category | Name of the Directors |
|--|--|
| Promoter / Chairman | Mr. Ajit Thomas |
| Promoter / Non-Executive Director | Mrs. Shanthi Thomas |
| Non-Executive Director | Mr. Habib Hussain |
| Non-Executive and Independent Director | Mr. M.A. Alagappan |
| Non-Executive and Independent Director | Mr. P. Shankar |
| Non-Executive and Independent Director | Mr. A.D. Bopana |
| Non-Executive and Independent Woman Director | Mrs. Kavitha Vijay (w.e.f. 12.02.2020) |

b. Shareholding of Non-executive / Independent Directors as on 31.03.2020

| Name of the Non-Executive/ Independent Directors | DIN | No. of shares held |
|---|------------|---------------------------|
| Mr. Ajit Thomas (Promoter/Chairman) | 00018691 | 15,22,840 |
| Mrs. Shanthi Thomas (Promoter/Director) | 00567935 | 1,24,000 |
| Mr. M.A. Alagappan | 00031805 | 28,600 |
| Mr. P. Shankar | 01638317 | Nil |
| Mr. A.D. Bopana | 00576066 | 6,78,000 |
| Mr. Habib Hussain | 00018665 | 2,00,080 |
| Mrs. Kavitha Vijay (w.e.f. 12.02.2020) | 01047261 | Nil |

Note: Mrs. Shanthi Thomas, Director is the spouse of Mr. Ajit Thomas, Chairman

c. Board Meetings

During the year 2019-20, the Board met five times. The dates on which the meetings held are on 03.04.2019, 28.05.2019, 09.08.2019, 08.11.2019 and 12.02.2020 During the year the Board was reconstituted at its meeting held on 12.02.2020 by inducting Mrs. Kavitha Vijay, Independent Woman Director. Now the Board consists of 4 independent directors and 3 non-executive directors.

The attendance of each Director at the Board Meetings, last Annual General Meeting and the Number of other Directorship and Membership / Chairmanship of the Committee of each Director in various Companies are as under:

| Name of the Directors | Attendance Particulars | | No. of Directorships and Committee Membership/ Chairmanship (including AVTNPL but excluding Private Ltd. & Foreign Companies) | | |
|---|------------------------|----------|---|----------------------|------------------------|
| | Board Meetings | Last AGM | Directorship | Committee Membership | Committee Chairmanship |
| Mr. Ajit Thomas | 5 | Yes | 9 | 7 | 5 |
| Mr. M.A. Alagappan | 5 | Yes | 2 | 1 | 1 |
| Mr. P. Shankar | 5 | Yes | 2 | 2 | 1 |
| Mr. A.D. Bopana | 4 | Yes | 5 | 6 | 1 |
| Mrs. Shanthi Thomas | 4 | Yes | 3 | 1 | 0 |
| Mr. Habib Hussain | 5 | Yes | 5 | 3 | 0 |
| Mrs. Kavitha Vijay (w.e.f. 12.02.2020) | 1 | NA | 3 | 3 | 0 |

Note : for calculation of number of Committee positions in listed / public limited companies, *considered only Audit Committee & Stakeholders Relationship Committee.*

d. Board procedure

The Board meets at least once in a quarter and the interval between two meetings is not more than 120 days. Apart from the statutory requirements the role of the board includes setting annual business plan, periodic review of operations & considering proposals for diversification, investments and business re-organisation, evaluation of the performance of Board / Committees/ its Directors etc., The information periodically placed before the board includes status of statutory compliance, proceedings / minutes of all committees including the Audit Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Nomination and Remuneration Committee. The Board also mandatorily review those stipulated in Schedule II Part A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

e. Directors Profile in other listed entities

i) Names of the listed entities in which Mr. Ajit Thomas, is a Director and his category of Directorship are:

| Name of the Company | Category of Directorship |
|------------------------------------|--------------------------|
| Saksoft Limited | Independent Director |
| Neelamalai Agro Industries Limited | Non-Executive Chairman |

ii) Names of the listed entities in which Mr. M.A. Alagappan, is a Director and his category of Directorship are:

| Name of the Company | Category of Directorship |
|---------------------|--------------------------|
| NIL | NIL |

iii) Names of the listed entities in which Mr. P. Shankar, is a Director and his category of Directorship are:

| Name of the Company | Category of Directorship |
|---------------------|--------------------------|
| NIL | NIL |

iv) Names of the listed entities in which Mr. A.D. Bopana, is a Director and his category of Directorship are:

| Name of the Company | Category of Directorship |
|------------------------------------|--------------------------|
| Neelamalai Agro Industries Limited | Independent Director |

v) Names of the listed entities in which Mrs. Shanthi Thomas, is a Director and her category of Directorship are:

| Name of the Company | Category of Directorship |
|------------------------------------|--------------------------|
| Neelamalai Agro Industries Limited | Executive Director |

vi) Names of the listed entities in which Mr. Habib Hussain, is a Director and his category of Directorship are:

| Name of the Company | Category of Directorship |
|---------------------|--------------------------|
| NIL | NIL |

vii) Names of the listed entities in which Mrs. Kavitha Vijay, is a Director and her category of Directorship are:

| Name of the Company | Category of Directorship |
|---------------------|--------------------------|
| MM Forgings Limited | Independent Director |

3. AUDIT COMMITTEE

The Company has a qualified independent Audit Committee in compliance with the section 177 of the Companies Act 2013 and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

It consists of six members all being non-executive directors and out of that four are independent directors. All the members of the Committee have excellent financial and accounting knowledge. The terms of reference stipulated by Board to the audit committee cover the matters specified for Audit Committee under section 177 of the Companies Act, 2013 under Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year, the Board re-constituted the Audit Committee twice on 08.11.2019 and 12.02.2020 by inducting Mr. Ajit Thomas as Member with effect from 08.11.2019 and by inducting Mrs. Kavitha Vijay as member of the Committee with effect from 12.02.2020 respectively.

Presently, the Committee consist of Mr. M.A. Alagappan, Mr. P. Shankar, Mr. A.D.Bopana, Mrs. Kavitha Vijay, the Independent Directors and Mr. Ajit Thomas & Mr. Habib Hussain, Non-Executive Directors.

Mr. M. A. Alagappan, Independent Director is the Chairman of the Audit Committee. Mr. Dileepraj. P, Company Secretary officiate as the Secretary to the Committee.

During the year 2019-20, the Audit Committee met five times and the dates on which the meetings held are 03.04.2019, 28.05.2019, 09.08.2019, 08.11.2019 and 12.02.2020.

The attendance of the each member of the Audit Committee at its meetings are as under:

| Name of the Committee Member | No. of meetings attended |
|--|--------------------------|
| Mr. M.A. Alagappan | 5 |
| Mr. P. Shankar | 5 |
| Mr. A.D. Bopana | 4 |
| Mr. Habib Hussain | 5 |
| Mr. Ajit Thomas (w.e.f. 08.11.2019) | 1 |
| Mrs. Kavitha Vijay (w.e.f. 12.02.2020) | - |

During the year, the Board has accepted all the recommendations of the Audit Committee.

Terms of reference :

- The recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Review and monitor the auditors independence and performance, and effectiveness of audit process;
- Examination of the financial statement and the auditor's report thereon;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raise through public offers and related matters.

The audit committee also mandatorily review the following areas, besides those stipulated in Schedule II Part C of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- management discussion and analysis of financial condition and results of operations;
- statement of significant related party transactions (as defined by the audit committee) submitted by management

- management letters / letters of internal control weakness issued by the statutory auditors;
- internal audit reports relating to internal control weaknesses;
- the appointment, removal and terms of remunerations of the chief internal auditors shall be subject to review by the audit committee; and
- statement of deviations:
 - (a) quarterly statement of deviations(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 documents/prospectus/ notice in terms of Regulations 32(7)

4. NOMINATION AND REMUNERATION COMMITTEE

The role of the Nomination & Remuneration Committee is in accordance with the requirement of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. Under the terms of reference, the Committee's role includes formulations of criteria for determining qualifications, positive attributes and independence of a Director and recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and Senior Managerial Personnel; formulation of criteria for evaluation of independent Directors and the Board; devising a policy on Board diversity and identification of persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The Committee's scope further covers recommending to the Board the appointment / re-appointment of the executive and non-executive Directors.

The Board of Directors had constituted Nomination and Remuneration Committee of the Company as required under Companies Act 2013 to consider and approve the remuneration payable to the Executive Directors / Non-executive Directors / Manager / Key Managerial Personnel / Senior Managerial Personnel of the Company based on the performance of the Company as well as the individual.

The Committee at present comprises of three Non-Executive Directors and out of which two are Independent Directors, viz., Mr. M.A. Alagappan, Independent Director, Mr. P. Shankar, Independent Director and Mr. Habib Hussain, Non-Executive Director. Mr. M.A. Alagappan is the Chairman of the Committee.

The Committee met three times during the year on 28.05.2019, 09.08.2019 and 12.02.2020.

The attendance of the each member of the Nomination & Remuneration Committee at its meetings are as under:

| Name of the Committee Member | No. of meetings attended |
|------------------------------|--------------------------|
| Mr. M.A. Alagappan | 3 |
| Mr. P. Shankar | 3 |
| Mr. Habib Hussain | 3 |

The details of remuneration paid to all the Directors and Manager for the year:

a) Manager

| Name of the Manager | Salary Rs. | PF & other * Funds Rs. | Total Rs. |
|--|------------|------------------------|-------------|
| Mr. M.N. Satheesh Kumar, President and CEO | 87,58,000 | 15,55,200 | 1,03,13,200 |

*Gratuity is not included

- i) Overall remuneration : the aggregate of salary and perquisites in any financial year shall not exceed the limits prescribed from time to time under section 197 and other applicable provisions of the Companies Act 2013 read with Schedule V of the said Act, as may for the time being in force.
- ii) Minimum remuneration : in case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule V to the Companies Act 2013.

b) Non-Executive Directors

The Company pays the sitting fees to all the Non-Executive Directors. The Board in its meeting held on 14.02.2019 had revised the sitting fees from the said meeting date to Rs.15,000/- for each of the Board meeting attended and Rs.10,000/- for attending the Audit Committee Meeting, Nomination & Remuneration Committee Meeting, Stakeholders Relationship Committee Meeting, Corporate Social Responsibility Committee Meeting, Independent Directors meeting, other sub-committee meeting etc.,

The sitting fees paid for the year ended 31st March 2020 to the Directors are as follows:

| Name of the Director | Amount (Rs.) |
|--|---------------------|
| Mr. Ajit Thomas | 1,15,000 |
| Mr. M.A. Alagappan | 1,65,000 |
| Mr. P. Shankar | 1,75,000 |
| Mr. A.D. Bopana | 1,30,000 |
| Mrs. Shanthi Thomas | 60,000 |
| Mr. Habib Hussain | 1,85,000 |
| Mrs. Kavitha Vijay (w.e.f. 12.02.2020) | 15,000 |
| Total | 8,45,000 |

5. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR)

The Board of Directors had constituted the Corporate Social Responsibility Committee of the Company which comprises of three directors viz., Mr. P. Shankar, Mr. Ajit Thomas and Mr. Habib Hussain. Mr. P Shankar, Independent Director is the Chairman of the Corporate Social Responsibility Committee (CSR)

Terms of reference

The CSR Committee has been entrusted with responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013; recommending to the Board the amount of expenditure to be incurred; monitoring the implementation of framework of CSR Policy and ensuring that implementation of the project and programmes is in compliance with the CSR Policy of the Company.

The Committee met once during the year on 28.05.2019. The attendance of the each member of the Corporate Social Responsibility Committee at its meetings is as under:

| Name of the Committee Member | No. of meeting attended |
|-------------------------------------|--------------------------------|
| Mr. P. Shankar | 1 |
| Mr. Ajit Thomas | 1 |
| Mr. Habib Hussain | 1 |

6. INDEPENDENT DIRECTORS MEETING

The Company has complied with the conditions of section 149(6) of the Companies Act 2013 and Regulation 25 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. During the year under review, the Independent Directors met on 12.02.2020 without the attendance of Non-independent Directors and members of the management. The Company has also obtained declaration of Independence from each of Independent Director pursuant to section 149 (7) of the Companies Act, 2013 and SEBI (LODR) Regulations 2015.

All the independent Directors of the Company were present at the said Meeting. The attendance of the each as Independent Director at its meetings is as under:

| Name of the Committee Member | No. of meeting attended |
|-------------------------------------|--------------------------------|
| Mr. M.A. Alagappan | 1 |
| Mr. P. Shankar | 1 |
| Mr. A.D. Bopana | 1 |

During the year, the board of directors in its meeting held on 12.02.2020 had inducted Mrs. Kavitha Vijay as the Independent Woman Director of the Company and with that the strength of Independent directors are now four .

All the Independent Directors of the Company have registered their name in the Independent Directors data base registration maintained by Indian Institute of Corporate Affairs (IICA) and the details of their registration are as under:

| Name of the Independent Director | Registration Number |
|----------------------------------|-----------------------------|
| Mr. M.A. Alagappan | IDDB – DI – 202002 - 009834 |
| Mr. P. Shankar | IDDB – DI – 202002 - 009384 |
| Mr. A.D. Bopana | IDDB – DI – 202002 - 009386 |
| Mrs. Kavitha Vijay | IDDB – DI – 202001 - 001753 |

7. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Company has constituted the Stakeholders Relationship Committee and its members are Mr. Ajit Thomas, Non-Executive Chairman, Mr. A.D. Bopana, Independent Director and Mr. Habib Hussain, Non-executive Director.

Mr. Ajit Thomas, Non-Executive Chairman of the Company is the Chairman of the Committee. Mr. Dileepraj. P, Company Secretary is the Compliance Officer.

During the year Committee met 2 times and the date of meetings are 28.05.2019 and 12.02.2020. There was no request for dematerialisation pending for approval as on 31.03.2020.

The attendance of the each member of the Stakeholders Relationship Committee at its meetings are as under:

| Name of the Committee Member | No. of meetings attended |
|------------------------------|--------------------------|
| Mr. Ajit Thomas | 2 |
| Mr. A.D. Bopana | 2 |
| Mr. Habib Hussain | 2 |

The Committee consider and resolves the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report, non-receipt of declared dividends etc.,

The secretarial department of the Company and the Registrar and share transfer agent, M/s Cameo Corporate Services Ltd., attend to all grievance of the shareholders received directly or through SCORES, Stock Exchanges etc.

Efforts are made to ensure that grievance are more expeditiously redressed to the satisfaction of the investors. Shareholders are requested to furnish their mobile number / telephone numbers and email addresses to facilitate prompt actions.

8. SUMMARY OF SHAREHOLDERS COMPLAINTS AS ON 31.03.2020

| Sl. No. | Particulars | No. of complaints |
|---------|--|-------------------|
| 1. | Number of Shareholders complaints pending as on 01.04.2019 | Nil |
| 2. | Number of shareholders complaints received during the year 2019-20 | Nil |
| 3. | Number of shareholders complaints resolved during the year 2019-20 | Nil |
| 4. | Number of Shareholders complaints pending as on 31.03.2020 | Nil |

9. VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has established a Vigil Mechanism Whistle Blower Policy for Directors and Employees to report to the management about the unethical behaviour, fraud or violation of Company's code of conduct, pursuant to section 177(9) of the Companies Act, 2013, and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and make provision for direct access to the Chairperson of the Audit Committee in and exceptional cases.

No personnel have been denied access to the Chairman of the Audit Committee to report genuine concerns. Establishment of vigil mechanism is hosted on the web site of the Company under the web link: http://www.avtnatural.com/investor_relations.com.

10. POLICY ON BOARD DIVERSITY

The Policy on Board Diversity adopted by the Company includes the following:

- a. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities.
- b. The Nomination & Remuneration Committee shall lead the process for Board appointment and for identifying and nominating, for approval of the Board, candidates for appointment to the Board.
- c. Board appointments are based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender.
- d. The Company shall also take into account factors based on its own business model and specific needs from time to time.
- e. The benefits of experience/knowledge in the areas relevant to the Company and diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of Directors to the Board.

11. FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

As per regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company familiarise the Independent Directors through various programmes about the Company as well as visit to the factory. The Company provides necessary documents, reports, internal policies etc., also make presentation to enable them to familiarise with the Company's procedures and practises.

The familiarisation programme for its Independent Directors has been uploaded in the Company's web site and the link is <http://avtnatural.com>.

12. BOARD EVALUATION

During the year under review, the Board adopted the formal mechanism for evaluating its performance and effectiveness as well as that of its committees and individual Directors, including their Chairman's of the Board. The details of the same are provided in the Directors Report.

13. CODE OF CONDUCT

The Company has laid down a Code of Conduct for all Board of Directors as well as for Senior Management Personnel of the Company. The Code of Conduct is available on www.avtnatural.com.

The President and CEO has confirmed and declared that all Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct. The declaration to that effect forms part of this report.

14. PREVENTION OF INSIDER TRADING CODE

The Company has adopted the revised Code of Conduct for Prevention of Insider Trading, in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, w.e.f. 01.04.2019 and the same has been uploaded in the website of the Company.

All the Promoters, Directors, designated employees, connected persons who could have access to the unpublished price sensitive information of the Company are governed by this code. The trading window shall be closed from the end of every quarter till 48 hours after the declaration of financial results & in case of any other events, if required, it shall be closed inter-alia for twelve (12) days prior to Board Meeting.

Further, the Board in its meeting held on 08.11.2019, revised the policy on Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Insiders, by incorporating the changes in line with SEBI (Prohibition of Insider Trading) Regulations.2019 dated 17.09.2019 and the same has been uploaded in the website www.avtnatural.com/investor_relations.com.

15. CEO / CFO CERTIFICATE

Mr. M.N. Satheesh Kumar, President and CEO and Mr. A. Ramadas, Sr. Vice President and CFO have given CEO/ CFO certificate to the Board for the quarter and year ended 31st March 2020. The Board has taken on record the CEO/ CFO certificate as per the format given under regulation 17(8) read with Part B of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 at its meeting held on 29th July 2020.

16. FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company uses forward exchange contracts to hedge its exposure in foreign currency and the details of which are given in the Note No.43 to the financial statements.

17. GENERAL BODY MEETINGS

a) Location and Time for last three Annual General Meetings were:

| Year | Location | Date | Time |
|---------|---|------------|-----------|
| 2018-19 | Hotel Vestin Park, No. 39, Montieth Road, Egmore, Chennai - 600 008 | 09.08.2019 | 11.00.A.M |
| 2017-18 | Hotel Vestin Park, No. 39, Montieth Road, Egmore, Chennai - 600 008 | 14.08.2018 | 11.00.A.M |
| 2016-17 | Hotel Vestin Park, No. 39, Montieth Road, Egmore, Chennai - 600 008 | 10.08.2017 | 11.00.A.M |

b) In the last three years, two Special Resolutions were passed through annual general meeting:

During the 33rd Annual General Meeting held on 9th August 2019, the Company had passed two special resolutions as follows :-

- i) Re-appointment of Mr. M.A. Alagappan as Non-Executive & Independent Director of the Company
- ii) Re-appointment of Mr. P.Shankar as Non-Executive & Independent Director of the Company

c) Through postal ballot on 25.03.2019, the Company had passed the following three Special Resolutions:

- i) Continuation of directorship of Mr. M.A. Alagappan, Non-Executive & Independent Director
- ii) Continuation of directorship of Mr. P. Shankar, Non-Executive & Independent Director
- iii) Continuation of directorship of Mr. A.D. Bopana, Non-Executive & Independent Director

d) The special resolutions passed in the Annual General Meetings do not require postal ballot.

e) The postal ballot exercise was conducted by Mr. V.Suresh, Practicing Company Secretary, Chennai.

18. RELATED PARTY TRANSACTIONS

All transactions entered with related parties for the year under review were at arm's length basis and in the ordinary course of business and that the provisions of Section 188 of the Companies Act, 2013 are not attracted. There were no transactions exceeding 10% of the annual consolidated turnover as per the last audited financial statements, during the year.

Further, there were no material related party transactions during the year under review with the Promoters, Directors or Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large, except the revision in salary of director's relative exceeding Rs.30 lakh per annum, which was approved by the shareholder in its meeting held on 10.08.2017. Accordingly, the disclosure of Related Party transactions to be provided under section 134 (3)(h) of the Companies Act 2013, in Form AOC -2 is given in the Annexure – IV, forming part of this report.

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, all the related party transactions were placed before the Audit Committee and also the Board of Directors. The Prior omnibus approval of the Audit Committee was obtained on yearly / quarterly basis for the transactions entered with related parties, except with the wholly owned subsidiary Company, whose accounts are consolidated with the Company. The transactions entered into pursuant to the omnibus approval so granted has been placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis.

The Company is having both the Related Party Transaction policy and the Policy for determining Material Subsidiary, which are hosted in the website of the Company under the link www.avtnatural.com/investor_relations.

19. DISCLOSURES

The Company has paid a sum of Rs.1,27,440/- as fine to each BSE and NSE during the February 2020 in view of the Re-constitution of the Audit Committee on 8.11.2019 for want of having the 2/3rd members as Independent Directors and same was rectified by the Company with effect from 12.2.2020.

The Company is prompt in complying with all requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

20. DISCLOSURE RELATING TO UNCLAIMED BONUS SHARES 2006 & 2013

The Company had issued bonus shares in the ratio of 1:1 to the shareholders in October 2006 and again September 2013. The postal authorities had returned the share certificates of some of the shareholders, during the same period, for want of proper address / non- availability of the person in the given address.

As per the Regulation 39 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 all those unclaimed shares were transferred to Unclaimed Suspense Account. The Company had opened a demat account with M/s Stock Holding Corporation of India Limited, Chennai, (SHCIL) and the said shares are kept dematerialized, purely on behalf of the allottees who are entitled for the shares. These shares are released to the shareholders after the proper verification of their identity, once the request is received from the shareholders.

The details of the Bonus shares 2006 & 2013 held in Demat (Suspense) Account with SHCIL are as under:

| Particulars | No. of Shareholders | No.of Shares |
|---|---------------------|--------------|
| Aggregate number of shareholders and the outstanding shares in the suspense account as on 01.04.2019 | 372 | 11,95,520 |
| No. of shareholders approached for transfer of shares during the year to their account | 8 | 22,000 |
| Number of shareholders to whom shares were transferred during the year | 8 | 22,000 |
| Shareholders whose shares are transferred to the demat account of the IEPF Authority as per Section 124 of the Companies Act 2013 | 2 | 41,920 |
| Aggregate number of shareholders and the outstanding shares in the suspense account as on 31.03.2020 | 362 | 11,31,600 |

Further, the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

The members, who have not yet claimed the bonus share certificate are requested to approach immediately the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 and claim the same in physical certificate or as Demat shares, as desired by them.

21. MEANS OF COMMUNICATION

The quarterly, half-yearly unaudited financial results and the annual audited financial results are submitted to both the BSE Ltd., and the National Stock Exchange of India Ltd., as envisaged under Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The financial results are also published in 'Business Line' in English and 'Makkal Kural' in Tamil. Further, the results are also uploaded in the Company's website: [www. avtnatural.com](http://www.avtnatural.com).

The Management Discussion and Analysis (MD & A) report forms part of this annual report.

During the year, the Company has not made any presentation to institutional investors or to the analysts.

- a. NSE Electronic Application Processing System (NEAPS) ; The NEAPS is web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media release, statement of investor complaints, among others are filed electronically on NEAPS.
- b. BSE Corporate Compliance & Listing Centre (the 'Listing Centre'): BSE's listing centre is a web-based application designed for corporate. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, statement of investor complaints, among other are also filed electronically on the listing centre.

22. TRANSFER OF SHARES TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF) AUTHORITY

Pursuant to Section 124 and 125 of the Companies Act 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), dividends, if not claimed for consecutive period of 7 years from the date of transfer to unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ("IEPF")

Further, Shares in respect of such dividends which have not been claimed for a period of 7 consecutive years are also liable to be transferred to the demat account of the IEPF Authority. The said requirement does not apply to shares in respect of which there is a specific order of Court, Tribunal or Statutory Authority, restraining any transfer of the shares. The provisions relating to transfer of shares were made effective by the Ministry of Corporate Affairs, vide its Notification dated October 13, 2017 read with the circular dated October 16,2017.

In the interest of the shareholders, the Company sends periodical reminders to the shareholders to claim their dividends in order to avoid transfer of dividends / shares to IEPF Authority. Notices in this regards also published in the newspapers and the details of unclaimed dividends and shareholders shares are liable to be transferred to IEPF Authority are uploaded on the Company's web site ([www.avtnatural.com/investor relations](http://www.avtnatural.com/investor%20relations)).

In the light of the aforesaid provisions, the Company had during the year, transferred to the IEPF Authority the unclaimed dividends outstanding for 7 consecutive years. Further the Company had transferred 71,381 shares during 2019-20 to the IEPF Authority, as detailed under:

| Sl. No. | Date of Transfer | Number of Shares |
|--------------|------------------|------------------|
| 1 | 25.04.2019 | 35,721 |
| 2 | 06.05.2019 | 10,340 |
| 3 | 14.10.2019 | 25,320 |
| Total | | 71,381 |

Thus the total number of shares transferred to IEPF Authority as on 31.03.2020 are 10,72,021 shares.

The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in the prescribed Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claim shall lie against the Company in respect of the dividend / shares so transferred.

23. KEY BOARD QUALIFICATIONS, EXPERTISE AND ATTRIBUTES

In accordance with Clause C (h)(i) and (ii) of Schedule V read with Regulations 34(3) of SEBI (LODR) Regulations 2015, the Board of Directors have identified the following Core Skills/Expertise/Competencies, required for Board Members in the context of Company's business and sectors, to function effectively.

The Board of the Company comprises qualified members who bring in the required skills, expertise and competence that allows them to make effective contribution to the Board and its Committees. The members of the Board are committed to ensure that the Board is in compliance with the highest standards of corporate governance.

The below table summarizes the key qualifications, skills, expertise and attributes considered while nominating a candidate to serve on the Board:

| Board Qualification Indicators | |
|---|---|
| Agriculture & Contract farming | Being a Director in an Agro based Company, proficiency in complex Agriculture, contract farming, backward integration etc., are key to develop a team. |
| Business Operations | Vast experience in driving business success across the country with an understanding of diverse business environments, economic conditions, cultures and regulatory frameworks and have a broad perspective on market opportunities. |
| Leadership | Leadership experience in a significant enterprise with a practical understanding of organizations, processes, strategic planning and risk management. Demonstrated strengths in developing talent, succession planning and driving change and long-term growth. |
| Technology | A significant background in technology resulting in knowledge of how to anticipate technological trends, generate disruptive innovation and extend or create new business models. |
| Board Governance | Service on the Board of the public Company to develop insights about maintaining board and management accountability, protecting shareholder interests and observing appropriate governance practices. |
| Sales and Marketing | Experience in developing strategies to grow sales and market share, build brand awareness and equity and enhance Company reputation. |
| Finance | Being a Director in manufacturing Company, proficiency in complex financial management, capital allocation and financial reporting processes are must. |

24. SKILL SET OF INDIVIDUAL DIRECTORS

| Name of Directors | Agriculture & Contract farming | Business Operations | Leadership | Technology | Board Governance | Sales and Marketing | Finance |
|---------------------|--------------------------------|---------------------|------------|------------|------------------|---------------------|---------|
| Mr. Ajit Thomas | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. M.A. Alagappan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. P. Shankar | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ |
| Mr.A.D. Bopana | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ |
| Mrs. Shanthi Thomas | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Mr. Habib Hussain | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ |
| Mrs. Kavitha Vijay | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ |

25. REMUNERATION PAID TO STATUTORY AUDITORS

Total fees for all services paid by the Company on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

The details of total fees paid to M/s. PKF Sridhar & Santhanam, LLP, Chartered Accountants, Statutory Auditors during the financial year 2019 - 20 for all services rendered by them is given below:

| Particulars | Amount (Rs. in lakhs) |
|---|-----------------------|
| Audit fees (including for Limited Review) | 15.00 |
| Taxation matters | NIL |
| Other services | NIL |
| Reimbursement of expenses | 3.91 |
| Total | 18.91 |

26. CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

The certificate from Mr. V. Suresh, Company Secretary in Practice has been obtained by the Company stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority.

27. CREDIT RATING

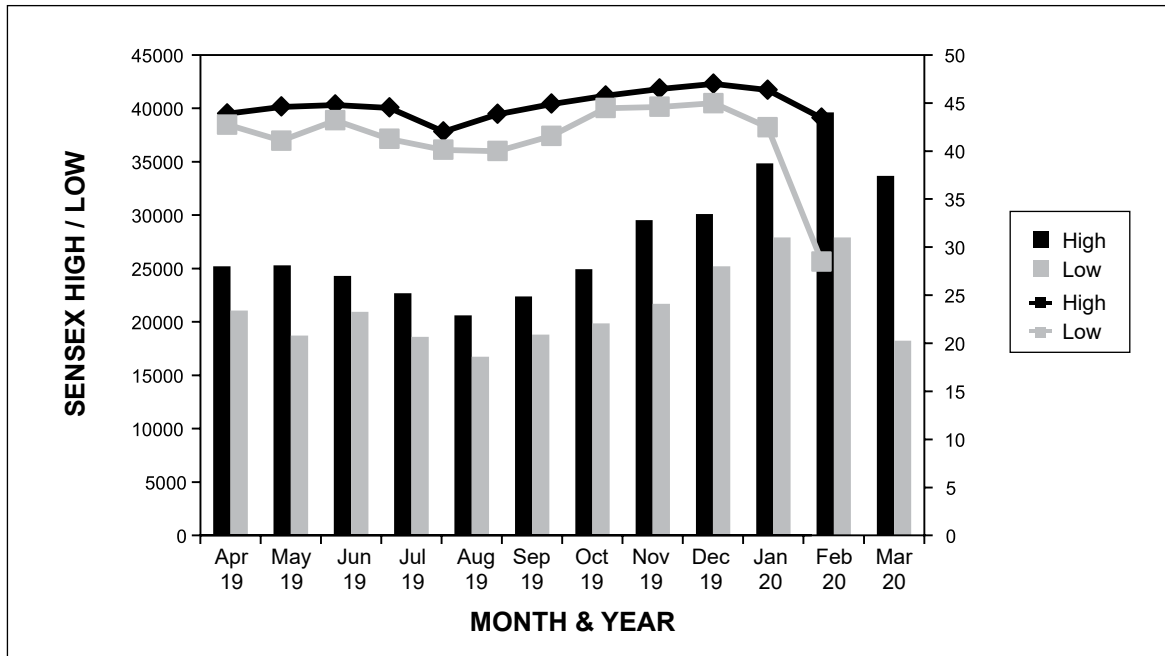
The Company has obtained the credit rating from ICRA Limited and the rating for outstanding on the bank facilities is [ICRA]A(Stable)/[ICRA]A1 and there is no change in the rating from previous year. The credit rating report is uploaded in the Company's web site ([www.avtnatural.com/investor relations](http://www.avtnatural.com/investor%20relations)).

28. GENERAL SHAREHOLDER INFORMATION

| | | |
|-------|---|--|
| 28.1. | Annual General Meeting | |
| | - Date and Time | 23 rd September 2020 at 11.00 A.M. |
| | - Mode | Video Conference/ Other Audio-Visual Means |
| 28.2. | Financial calendar | |
| | Results for the quarter ended 30.06.2020 | On 2 nd September 2020 |
| | Results for the quarter ending 30.09.2020 | Between 20 th October & 14 th of November 2020 |
| | Results for the quarter ending 31.12.2020 | Between 20 th January & 14 th of February 2021 |
| | Results for the quarter ending 31.03.2021 | Between 30 th April & 30 th May 2021 |
| 28.3. | Book Closure date | Register of Member and the Share Transfer books of the Company shall be closed from 17 th September 2020 to 23 rd September 2020 (both days are inclusive) |
| 28.4. | Dividend payment date | 1 st week of October 2020 |
| 28.5. | Listing of Equity shares | BSE Limited & The National Stock Exchange of India Ltd., Mumbai. |
| | | The Annual Listing Fees as prescribed has been paid to the above stock exchanges. |
| 28.6. | (a) Stock Code | BSE - 519105 |
| | | NSE - AVTNPL - Eq |
| | (b) Demat ISIN Number in NSDL & CDSL for equity shares. | - INE488D01021 |

28.7 Stock market data - BSE Limited (BSE)

| Month | Share Price | | Sensex | | Month | Share Price | | Sensex | |
|--------|-------------|---------|----------|----------|--------|-------------|-------|----------|----------|
| | High Rs. | Low Rs. | High | Low | | High | Low | High | Low |
| Apr-19 | 28.00 | 23.40 | 39487.45 | 38460.25 | Oct-19 | 27.70 | 22.05 | 40392.22 | 37415.83 |
| May-19 | 28.10 | 20.80 | 40124.96 | 36956.10 | Nov-19 | 32.80 | 24.10 | 41163.79 | 40014.23 |
| Jun-19 | 27.00 | 23.25 | 40312.07 | 38870.96 | Dec-19 | 33.45 | 28.00 | 41809.96 | 40135.37 |
| Jul-19 | 25.20 | 20.65 | 40032.41 | 37128.26 | Jan-20 | 38.70 | 31.00 | 42273.87 | 40476.55 |
| Aug-19 | 22.90 | 18.60 | 37807.55 | 36102.35 | Feb-20 | 44.00 | 31.00 | 41709.30 | 38219.97 |
| Sep-19 | 24.85 | 20.90 | 39441.12 | 35987.80 | Mar-20 | 37.40 | 20.25 | 39083.17 | 25638.90 |



28.8 Share Transfer Agent : Cameo Corporate Services Limited
 'Subramaniam Building', No.1, Club House Road, Chennai - 600 002.
 Tel: 044-28460390 – 94

Contact Person : Mr. Narasimhan. D, Manager
 Email id : narasimhan@cameoindia.com, investor@cameoindia.com
 Compliance Officer : Mr. Dileepraj. P, Company Secretary
 Email id : dileepraj.p@avtnatural.com

28.9 Share Transfer System: The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Pursuant to the directive issued by the Securities and Exchange Board of India, the share transfers both physical and dematted, are now handled by Company's ShareTransfer Agent viz., Cameo Corporate Services Limited, Chennai. Shares in physical mode, which are lodged for transfer either with the Company or with the Share Transfer Agent, are processed and the share certificates are returned to the transferees within 15 days of lodgement in case of transfer and within 21 days in case of transmission, as per the SEBI (LODR) Regulations 2015. However, no physical share transfers are accepted after 31.03.2019 as per SEBI Circular.

28.10 Distribution of shareholding as on 31st March 2020

| Shares | No. of share holders | % | No. of shares holding | % |
|------------------|----------------------|------------|-----------------------|------------|
| 1-5000 | 18455 | 93.55 | 11706539 | 7.68 |
| 5001 – 10000 | 640 | 3.24 | 4858310 | 3.19 |
| 10001 -20000 | 388 | 1.97 | 5539098 | 3.64 |
| 20001 – 30000 | 94 | 0.48 | 2238056 | 1.47 |
| 30001 - 40000 | 49 | 0.25 | 1797810 | 1.18 |
| 40001 - 50000 | 31 | 0.16 | 1432697 | 0.94 |
| 50001 - 100000 | 40 | 0.21 | 2887680 | 1.90 |
| 100001 and above | 29 | 0.14 | 121823810 | 80.00 |
| Total | 19726 | 100 | 152284000 | 100 |

28.11 Pattern of shareholding as on 31st March 2020

| Category | No. of shares holding | % of Holding |
|-------------------------------|-----------------------|--------------|
| Promoters | 114155975 | 74.96 |
| Residents | 35272157 | 23.17 |
| Banks / Financial Institution | 77583 | 0.05 |
| Bodies corporate | 1726325 | 1.13 |
| Clearing Member | 121191 | 0.08 |
| Non-resident Indians (NRI) | 930769 | 0.61 |
| Total | 152284000 | 100 |

28.12 Dematerialisation shares & Liquidity : 95.99% of the equity shares have been dematerialised upto 31.03.2020.
The Company's shares are listed in Stock Exchanges viz., BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

28.13. The Company has not issued any GDR / Warrants and Convertible Bonds.

28.14 Plant Locations

- 1 Plot No. 225/1A, 5-7, Kaipoorikkara, South Vazhakulam, Marampilly Post, Aluva - 683 105, Ernakulam District, Kerala. Tel : 0484-2848240 Fax: 0484- 2677512
2. SF No. 234/1, Mysore Trunk Road, Pudukavalli, Sathyamangalam - 638 401, Erode District, Tamil Nadu.
3. HL No. 1182, Harikura Village, Honnavalli Hobli, Tiptur, Taluk - 572 201, Tumkur District, Karnataka.

Subsidiary Companies

1. AVT Natural Europe Ltd.,
(formerly AVT Tea Services Ltd.,)
19, Heathman's Road, London, SW6 4TJ
2. AVT Natural S.A. DE C.V.
IZA Business Center, Blv. Bernarndo Quintana Arrijoja 300,
Torre 57, Piso 14, Centro Sur, Queretaro, Santiago De Queretaro,
Mexico, C.P 76090
3. AVT Tea Services North America LLC
(subsidiary of AVT Natural Europe Ltd.,) 8805,
Tamiami Trail North suite 160, Naples FL 34108
4. AVT Natural North America Inc,
1013 Centre Road, Suite 403S, Delaware, Wilmington,
New Castle, Zip code - 19805

Address for Correspondence

No. 60, Rukmani Lakshmi pathy Salai, Egmore, Chennai - 600 008.
Tel.: 044-2858 4147, Fax: 2858 4147,
E-mail: avtnpl@avtnatural.com
Website: www.avtnatural.com,
CIN: L15142TN1986PLC012780

E-mail ID for Investors

shareholder@avtnatural.com

29. DISCRETIONARY REQUIREMENTS

The Non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

29.1 Audit Qualifications:

The financial statements of the Company are unqualified.

29.2 Reporting of internal auditor:

The internal audit report are placed before the Audit Committee.

29.3 Separate posts of Chairman and CEO

The Chairman of the Board is Non-executive Director and his position is separate from that of the President and CEO.

ANNEXURE – XI

Declaration under regulation 34 (3) read with Schedule v (d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding adherence to the code of conduct

In accordance with Regulation 34(3) read with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, I hereby confirm that, all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them for the financial year ended 31st March 2020.

For AVT Natural Products Limited

Place : Chennai
Date : 29th July 2020

M.N. Satheesh Kumar
President and CEO

ANNEXURE – XII

Auditors Certificate on compliance with the conditions of Corporate Governance under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To

The Members of AVT Natural Products Limited

1. This Certificate is issued in accordance with the terms of our engagement letter dated 14th November 2019.
2. We have examined the compliance of conditions of Corporate Governance by AVT Natural Products Limited ('the Company') for the year ended 31st March 2020, as per Regulations 17-27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').

Management's Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance with conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of accounts and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with conditions of Corporate Governance requirements by the Company.
6. We have carried out our examination of the relevant records of the Company in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate, the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India ('ICAI') and the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial information, and Other Assurance and Related Services Engagements.

Opinion

8. Based on examination of the relevant records and according to the information and explanations provided to us and the representation made by the management, in our opinion, the Company has complied, in all material respects, with the conditions of Corporate Governance as stipulated in the Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2), and paragraphs C, D and E of Schedule V of the Listing Regulations during the year ended March 31, 2020.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor as to the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Restrictions on use

10. This certificate is provided to Board of Directors of the Company solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose. We have no responsibility to update this certificate for events and circumstances occurring after the date of this certificate. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **PKF Sridhar & Santhanam, LLP**,
Chartered Accountants
Firm's Registration No. 003990S/S200018

T.V Balasubramanian
Partner

Membership No. 027251

UDIN No.: 20027251AAAAEN6685

Place : Chennai

Date : 29th July 2020

INDEPENDENT AUDITORS' REPORT

To the members of AVT Natural Products Limited, Chennai

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of AVT Natural Products Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of Profit and Loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, the profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matter

Key audit matter are those matter that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. This matter was 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 this matter.

We have determined the matters described below to be the key audit matter to be communicated in our report.

| Sl. No. | Key audit matters | How our audit addressed the key audit matter |
|---------|--|---|
| 1. | <p>Revenue recognition:</p> <p>Revenue from sale of goods is recognized when the control of the goods has transferred to the customer and when there are no longer any unfulfilled obligations to the customer.</p> <p>Disclosure note 22 and the accounting policies provide additional information on how the Company accounts for its revenue in compliance with Ind AS 115.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considering the appropriateness of the Company's accounting policies regarding to revenue recognition, by comparing with applicable accounting standards. • Testing the design, implementation and operating effectiveness of the Company's general IT controls and key IT/manual application controls over the Company's systems which govern recording of revenue in the general ledger accounting system. • Performing substantive testing (including year-end cut-off testing) by selecting samples of revenue transactions recorded during the year (also before and after the financial year end) by verifying the underlying documents, which include sales invoices/contracts and shipping documents. • Selecting a sample on test check basis of revenue transactions and contracts with customers to re-check that sales accounting was calculated in accordance with the contract conditions. • Selecting a sample of credit note issued to the customers during the year and verifying the same is in accordance with terms of agreement with the customers. • Performed data analytical procedures to identify and evaluate a sample of manual journal entries. • Traced disclosure information to accounting records and other supporting documentation. |

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Director's report and Management Discussion and Analysis Report but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for Standalone Financial Statements

The Company's management and Board of Directors are 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 and total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting Standards (Ind AS) prescribed under section 133 of the Act. 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are 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.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 with reference to the standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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.

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1 on 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of AVT Natural Products Limited ("the Company") on the standalone financial statements as of and for the year ended 31 March 2020.

- (i) In respect of the Company's fixed assets:
- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In our opinion, and 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, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of the land and buildings which are freehold, are held in the name of the Company as at Balance Sheet date. In respect of immovable properties of land and building that have been taken on lease and disclosed as right of use assets in the standalone financial statements, the lease agreements are in the name of the Company.
- (ii) The inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been dealt with in the books of account.
- (iii) Based on our audit procedures & according to the information and explanation given to us, the Company has not granted any loans, secured or unsecured to parties covered in the register maintained under section 189 of the Act and hence 3(iii) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, the Company has complied with provisions of Section 185 and 186 of the Act in respect making investments and providing guarantees. The company has not granted loans, nor provided any security, as applicable.
- (v) Based on our audit procedures & according to the information and explanation given to us, the Company has not accepted any deposits from the public within the meaning of the Act and the rules made there under and hence clause 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the books of account relating to materials, labour and other items of costs maintained by the Company as specified under Section 148(1) of the Act, for maintenance of cost records in respect of the products manufactured by the Company, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not, made a detailed examination of cost records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has generally been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of customs, Goods and Services Tax (GST), cess and any other statutory dues as applicable with the appropriate authorities. According to the information and explanation given to us and the records of the Company examined by us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of customs, Goods and Services Tax (GST), cess and any other statutory dues were in arrears, as at 31 March 2020 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and based on our examination of the records of the Company, there are no dues of Income-tax, Sales Tax, Service tax, Goods and Services Tax (GST), Duty of customs, Excise duty and Value added tax as at 31 March 2020, which have not been deposited with the appropriate authorities on account of any dispute, except as stated below:

| Nature of statute | Nature of dues | Amount (Rs. Lakhs) | Forum where dispute is pending |
|--------------------------------------|---|---------------------------|---------------------------------------|
| Andhra Pradesh General Sales Tax Act | APGST 1999-00 to 2004-05 assessments | 71.15 | Sales Tax Appellate Tribunal |
| Karnataka Sales Tax Act | KST 2006-07 assessment | 0.28 | Joint Commissioner (Appeals) |
| Service Tax | Service Tax for Business Auxiliary Services for the years 2005-09 | 541.49 | Supreme Court of India |

| | | | |
|-------------|---|--------|------------------------|
| Service Tax | Service Tax for Business Auxiliary Services for the years 2009-16 | 796.35 | Commissioner (Appeals) |
|-------------|---|--------|------------------------|

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to bank. The Company does not have any loans or borrowings from financial institutions, debenture holders or the government during the year.
- (ix) In our opinion and according to information and explanations given by the management, money raised by the Company by way of term loans were applied for the purpose for which they were raised. The Company did not raise money by way of initial public offer or further public offer (including debt instruments).
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year nor have we been informed of such case by the management.
- (xi) According to the information and explanations given to us, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) The Company is not a Nidhi company in accordance with Nidhi Rules 2014. Accordingly, the provisions of clause (xii) of the Order are not applicable.

- (xiii) Based on our audit procedures and according to the information and explanations given to us, all the transactions entered into with the related parties during the year are in compliance with Section 177 and Section 188 of the Act where applicable and the details have been disclosed in the standalone financial statements as required by the applicable Indian accounting standards.
- (xiv) Based on our audit procedures and according to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures during the year under review. Accordingly, the provisions of clause (xiv) of the Order are not applicable.
- (xv) Based on our audit procedures and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- (xvi) Based on our audit procedures and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of Reserve Bank of India Act, 1934.

For **PKF Sridhar & Santhanam LLP**,
Chartered Accountants
Firm's Registration No.003990S/S200018

T.V. Balasubramanian
Partner

Place : Chennai Membership No : 027251
Date : 29th July 2020 UDIN: 20027251AAAAEQ8357

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 2(f) on 'Report on Other Legal and Regulatory Requirements' of our report of even date

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

We have audited the internal financial controls with reference to standalone financial statements of AVT Natural Products Limited ("the Company") as of 31st March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal

financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note 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 (hereinafter referred to as "the Act").

STANDALONE BALANCE SHEET

(All amounts are in Rs. lakhs unless otherwise stated)

| | Note No. | As at 31 st March 2020 | As at 31 st March 2019 |
|--|-------------|--------------------------------------|--------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 96,06.18 | 98,23.43 |
| Capital work in progress | 4 | - | - |
| Right-of-use assets | 5 | 3,13.50 | - |
| Financial assets | | | |
| i) Investments | 6 | 9,76.46 | 9,49.25 |
| ii) Other financial assets | 7 | 2,51.96 | 2,51.64 |
| Other non-current assets | 8 | 3,58.48 | 4,54.17 |
| Total non-current assets | | 115,06.58 | 114,78.49 |
| Current assets | | | |
| Inventories | 9 | 116,96.26 | 137,93.96 |
| Financial assets | | | |
| i) Investments | 6 | 7,56.72 | 7,01.90 |
| ii) Trade receivables | 10 | 73,00.19 | 71,99.71 |
| iii) Cash and cash equivalents | 11 | 11,91.42 | 6,63.23 |
| iv) Bank balances other than cash and cash equivalents | 11A | 2,11.27 | 2,04.11 |
| v) Loans | 12 | 21.61 | 11.75 |
| vi) Other financial assets | 7 | 53.47 | 1,86.36 |
| Other current assets | 8 | 42,85.76 | 33,20.67 |
| Total current assets | | 255,16.70 | 260,81.69 |
| Total assets | | 370,23.28 | 375,60.18 |
| Equity | | | |
| Equity Share Capital | 13 | 15,22.84 | 15,22.84 |
| Other Equity | 14 | 273,44.18 | 246,34.59 |
| Total equity | | 288,67.02 | 261,57.43 |
| Non-current liabilities | | | |
| Financial Liabilities | | | |
| i) Borrowings | 15 | 10,50.00 | 15,91.15 |
| ii) Lease liabilities | 16 | 3,57.65 | - |
| Provisions | 17 | 3,40.49 | 3,31.69 |
| Deferred tax liabilities (net) | 18 | 3,28.31 | 7,05.58 |
| Total non-current liabilities | | 20,76.45 | 26,28.42 |
| Current liabilities | | | |
| Financial Liabilities | | | |
| i) Borrowings | 15 | 7,50.00 | 45,66.77 |
| ii) Trade payables | 19 | - | - |
| Total outstanding dues of micro and small enterprises | | 24.08 | 36.44 |
| Total outstanding dues of creditors other than micro and small enterprises | | 22,06.81 | 27,88.13 |
| iii) Lease liabilities | 16 | 33.49 | - |
| iv) Other financial liabilities | 20 | 12,21.82 | 6,97.76 |
| Other current liabilities | 21 | 10,72.04 | 1,34.95 |
| Provisions | 17 | 5,72.26 | 3,82.56 |
| Liabilities for current tax (net) | | 1,99.31 | 1,67.72 |
| Total current liabilities | | 60,79.81 | 87,74.33 |
| Total liabilities | | 81,56.26 | 114,02.75 |
| Total equity and liabilities | | 370,23.28 | 375,60.18 |
| Summary of significant accounting policies | 3 | | |

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAEQ8357

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

M.A. Alagappan

Director

A. Ramadas

Sr. Vice President & CFO

M N Satheesh Kumar

President & CEO

STANDALONE STATEMENT OF PROFIT AND LOSS

(All amounts are in Rs. lakhs unless otherwise stated)

| | | Note No. | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|------|--|-------------|---|---|
| I | Revenue From Operations | 22 | 385,00.33 | 330,39.54 |
| II | Other Income | 23 | 7,31.96 | 3,87.52 |
| III | Total Income (I+II) | | 392,32.29 | 334,27.06 |
| IV | EXPENSES | | | |
| | Cost of materials consumed | | 169,43.76 | 181,53.13 |
| | Changes in inventories of work-in-progress, stock-in-trade and finished goods | 24 | 14,34.20 | (31,11.90) |
| | Employee benefits expense | 25 | 45,77.57 | 42,68.09 |
| | Finance costs | 26 | 4,49.74 | 4,19.90 |
| | Depreciation and amortization expense | 27 | 13,70.06 | 10,83.90 |
| | Other expenses | 28 | 96,02.41 | 96,06.89 |
| | Total expenses (IV) | | 343,77.74 | 304,20.01 |
| V | Profit/(loss) before tax (III-IV) | | 48,54.55 | 30,07.05 |
| VI | Tax expense: | | | |
| | (1) Current tax | | | |
| | - In respect of current year | 31 | 13,70.00 | 8,25.87 |
| | - In respect of prior year | | - | (1,00.00) |
| | (2) Deferred tax | 31 | (2,95.20) | 1,70.87 |
| VII | Profit (Loss) for the year (V-VI) | | 37,79.75 | 21,10.31 |
| VIII | Other Comprehensive Income | | | |
| | A Items that will not be reclassified to profit or loss | | | |
| | (i) Remeasurement of the post-employment benefit obligations | | (48.79) | (89.28) |
| | (ii) Deferred tax relating to items that will not be reclassified to profit or loss | | 12.28 | 31.20 |
| | B Items that will be reclassified to profit or loss | | | |
| | (i) Deferred gains / (losses) on cash flow hedges | | (2,77.30) | 47.64 |
| | (ii) Deferred tax relating to items that will be reclassified to profit or loss | 31 | 69.79 | (16.65) |
| | Other comprehensive Income for the year, net of tax | | (2,44.02) | (27.09) |
| IX | Total Comprehensive Income for the year (VII+VIII) | | 35,35.73 | 20,83.22 |
| X | Earnings per equity share: | | | |
| | Equity share of par value of Rs. 1 each | | | |
| | (1) Basic | 32 | 2.48 | 1.39 |
| | (2) Diluted | 32 | 2.48 | 1.39 |
| | Summary of significant accounting policies | 3 | | |

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAEQ8357

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

M.A. Alagappan

Director

A. Ramadas

Sr. Vice President & CFO

M N Sathesh Kumar

President & CEO

STANDALONE CASH FLOW STATEMENT

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| A. Cash flow from operating activities | | |
| Profit before tax | 48,54.55 | 30,07.05 |
| <u>Adjustments for:</u> | | |
| Depreciation and amortisation expenses | 13,70.06 | 10,83.90 |
| (Profit) / Loss on sale of assets | 7.58 | - |
| Fair value gains recognised on investments | (54.82) | (47.05) |
| Dividend Income | - | (33.37) |
| Profit on Sale on Investments | - | (3.80) |
| Interest Income | (35.82) | (12.48) |
| Finance costs | 4,49.74 | 4,19.90 |
| Unrealised foreign exchange differences | (2,45.54) | 93.85 |
| Operating profit before working capital changes | 63,45.75 | 45,08.00 |
| Adjustments for working capital changes: | | |
| (Increase) / Decrease in inventories | 20,97.70 | (48,46.72) |
| (Increase) / Decrease in loans | (9.86) | (3.50) |
| (Increase) / Decrease in other current assets | (9,65.09) | (10,43.90) |
| (Increase) / Decrease in other current financial assets | 1,32.89 | (47.37) |
| (Increase) / Decrease in other non-current assets | 95.69 | 15,03.89 |
| (Increase) / Decrease in other non-current financial assets | (0.32) | (52.43) |
| (Increase) / Decrease in trade receivables | 1,53.59 | (9,05.02) |
| Increase / (Decrease) in other financial liabilities | 2,29.01 | 17.39 |
| Increase / (Decrease) in other liabilities | 9,37.09 | (1,33.99) |
| Increase / (Decrease) in trade payables | (6,02.21) | (9,57.03) |
| Increase / (Decrease) in provisions | 1,49.71 | 86.93 |
| | 85,63.95 | (18,73.75) |
| Net income tax paid (net) | (13,38.41) | (8,54.42) |
| Net cash (used) / generated in operating activities (A) | 72,25.54 | (27,28.17) |
| B. Cash flow from investing activities | | |
| Payments for purchase of property, plant & equipment | (14,28.86) | (20,38.72) |
| Proceeds from disposal of property, plant & equipment | 3.34 | - |
| Purchase of investments in subsidiary company | (27.21) | (7.62) |
| Interest received during the year | 35.82 | 9.66 |
| Proceeds from sale of investment in Mutual Funds (Net) | - | 23,58.64 |
| Dividend received during the year | - | 33.37 |
| Repayment from bank balances not considered as cash and cash equivalents: | (7.16) | 9.31 |
| Net cash generated / (used in) from investing activities (B) | (14,24.07) | 3,64.64 |

STANDALONE CASH FLOW STATEMENT (contd.)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| C. Cash flow from Financing activities* | | |
| Proceeds from term loan from banks | (1,50.00) | 15,00.00 |
| Payment of lease liabilities (including unwinding of interest) | (59.25) | - |
| (Repayment) / Proceeds from short term borrowings (net) | (38,16.77) | 22,29.61 |
| Interest Paid | (4,21.12) | (4,19.90) |
| Dividend Paid including dividend distribution tax | (8,26.14) | (7,34.35) |
| Net cash generated / (used in) from financing activities (C) | (52,73.28) | 25,75.36 |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | 5,28.19 | 2,11.82 |
| Cash and cash equivalents at the beginning of the year | 6,63.23 | 4,51.41 |
| Cash and cash equivalents at the end of the year (Refer note 11) | 11,91.42 | 6,63.23 |

Notes:

- 1 The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (IND AS 7) Statement of Cash Flows.
 - 2 The figures in brackets represent cash outflow.
- The accompanying notes are an integral part of these standalone financial statements.

* Refer foot note no.3 under Borrowings (Note 15) for Net Debt Reconciliation.

See accompanying notes to the financial statements

As per our report of even date attached

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAEQ8357

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

A. Ramadas

Sr. Vice President & CFO

M.A. Alagappan

Director

M N Satheesh Kumar

President & CEO

STANDALONE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st March 2020

(All amounts are in Rs. lakhs unless otherwise stated)

A. Equity Share Capital

| A. Equity Share Capital | Amount |
|---|-----------------|
| Balance as at 1st April 2018 | 15,22.84 |
| Changes in equity share capital during the year | - |
| Balance as at 31st March 2019 | 15,22.84 |
| Changes in equity share capital during the year | - |
| Balance as at 31st March 2020 | 15,22.84 |

B. Other Equity

| | Reserves and Surplus | | | | Other items of Other Comprehensive Income | Total other equity |
|--|----------------------|------------------|-------------------|--------------------|---|--------------------|
| | Capital Reserve | General Reserve | Retained Earnings | Investment Subsidy | Cash flow Hedging Reserve | |
| Balance as at 1st April 2018 | 0.35 | 196,02.86 | 36,08.79 | 99.02 | (25.30) | 232,85.72 |
| Profit for the year | - | - | 21,10.31 | - | - | 21,10.31 |
| Other comprehensive income net of tax for the year | - | - | (58.08) | - | 30.99 | (27.09) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | 99.02 | - | (99.02) | - | - |
| Dividends paid including dividend distribution tax | - | - | (734.35) | - | - | (7,34.35) |
| Balance as at 31st March 2019 | 0.35 | 207,01.88 | 39,26.67 | - | 5.69 | 246,34.59 |
| Profit for the year | - | - | 37,79.75 | - | - | 37,79.75 |
| Other comprehensive income for the year | - | - | (36.51) | - | (2,07.51) | (2,44.02) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | - | - | - | - | - |
| Dividends paid including dividend distribution tax | - | - | (8,26.14) | - | - | (8,26.14) |
| Balance as at 31st March 2020 | 0.35 | 217,01.88 | 58,43.77 | - | (2,01.82) | 273,44.18 |

The above standalone statement of changes in equity should be read in conjunction with the accompanying notes.

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAEQ8357

Place: Chennai

Date : 29th July 2020

Dileepraj. P
Company Secretary

Ajit Thomas

Chairman

A. Ramadas

Sr. Vice President & CFO

M.A. Alagappan

Director

M N Satheesh Kumar

President & CEO

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020

1. General information

AVT Natural Products Limited is engaged in the production, trading and distribution of Oleoresins and value added Teas. The Company has its production facilities in India and exports most of its products.

The Company is a Public Limited Company incorporated and domiciled in India and has its registered office at 60, Rukmani Lakshmi pathy Salai, Egmore, Chennai - 600008. The Company has its listings on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India.

The standalone financial statements for the year ended March 31, 2020 were approved by the Board of Directors and authorised for issue on July 29, 2020

2. Basis of Preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") issued under Section 133 of the Companies Act, 2013 and notified by the Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and guidelines issued by the Securities and Exchange Board of India (SEBI), under the historical cost convention on the accrual basis except for certain items which are measured at fair values.

The accounting policies as set out below have been applied consistently except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Division II of the Schedule III to the Companies Act 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalent, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.1 Critical judgements & Estimates in applying accounting policies

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Application of accounting policies that require critical accounting estimates and assumptions having the most significant effect on the amounts recognized in financial statements are as follows:

- **Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):**

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of inventories, trade receivables, property, plant and equipment, right of use assets and investment in subsidiaries. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal sources of information including credit reports and related information, economic forecasts. The Company has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

- **Useful lives of property, plant and equipment and intangible assets:**

The Company has estimated useful life of each class of assets based on the nature of assets, the estimated usage of the asset, the operating condition of the asset, past history of replacement, anticipated technological changes, etc. The Company reviews the carrying amount of property, plant and equipment and Intangible assets at the Balance Sheet date. This reassessment may result in change in depreciation expense in future periods.

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For the year ended 31st March 2020 (Contd.)

- **Taxation:**

Significant judgement is involved in determining the tax liability for the company which includes interpretation of tax legislation, developments in case law and the potential outcomes of tax audits and appeals which may be subject to significant uncertainty. Also, there are many transactions and calculation during the ordinary course of business for which the ultimate tax determination is uncertain. Therefore the actual results may vary from expectations resulting in adjustments to provisions, the valuation of deferred tax assets, cash tax settlements and therefore the tax charge in the statement of profit or loss. Further judgement is involved in determining the deferred tax position on the balance sheet date.

- **Defined benefit plans:**

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each Balance Sheet date.

- **Provisions & Contingencies:**

Provisions and contingencies are based on the Company Management's best estimate of the liabilities based on the facts known at the balance sheet date.

From time to time, the Company is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgment is made when evaluating, among other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for the changes in facts and circumstances.

- **Provision against obsolete and slow-moving inventories**

The Company reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Company estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. The Company reassesses the estimation on each balance sheet date.

2.2 New standards notified and adopted by the Company:

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing from 1 April 2019:

- Ind AS 116, Leases, which replaces Ind AS 17 which was applicable earlier
- A number of other accounting standards have been modified on miscellaneous issues. Such changes include clarification/guidance on:
 - o business combination accounting in case of obtaining control of a joint operation;
 - o accounting in case of obtaining joint control of an operation wherein there was no joint control earlier;
 - o income tax consequences in case of dividends;
 - o accounting for income tax when there is uncertainty over income tax treatment of an item by tax authorities;
 - o accounting treatment for specific borrowings post capitalization of corresponding qualifying asset;
 - o accounting for prepayment features with negative compensation in case of debt instruments;
 - o accounting for plan amendment, curtailment or settlement occurring in-between the reporting periods in case of long-term employee benefit plans;

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

- o accounting for long-term interests in associates and joint ventures to which the equity method is not applied but that in substance form part of the net investment in the associate or joint venture (long-term interests).

The Company had changed its accounting policies following adoption of Ind AS 116. However, it did not have any significant impact on the financials as reported by the Company. None of the other amendments had any effect on the Company's financial statements.

2.3 Accounting standards notified but effective at a later date

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.

2.4 Functional and Presentation Currency

Items included in financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). Indian rupee is the functional currency of the Company.

The Financial Statements are presented in Indian Rupees which is company's presentation currency. All financial information presented in Indian Rupees has been rounded to the nearest Lakhs with two decimals except where otherwise indicated.

3 Summary of significant accounting policies

3.1 Property, plant and equipment:

- a. Recognition and Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss based on cost model. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Cost also includes taxes and duties which are not refundable, freight and other direct or allocated expenses during construction period, net of any income earned. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent costs

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

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.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under 'Capital work-in-progress'. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the Statement of Profit and Loss.

Upon first-time adoption of Ind AS, the Company had elected to measure all its property, plant and equipment at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1st April, 2016.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

b. Depreciation:

Tangible property, plant & equipment at Tiptur and Decaffeination / Instant Tea Plant at Vazhakulam are depreciated on Written Down Value Method by adopting the useful life & residual value specified in Schedule II of the Companies Act 2013. Other assets are depreciated on straight line method adopting the useful life & residual value specified in Schedule II of the Companies Act, 2013, except in case of electrical equipment and plant and machinery relating to Continuous Processing Plant at Vazhakulam for which useful life is based on technical evaluation. Assets costing individually less than Rs.5,000/ are depreciated at 100%. Useful life considered for the Continuous Processing Plant at Vazhakulam based on technical estimate - 25 years and electrical equipment in Vazhakulam – 5 years.

Freehold land is not depreciated.

In respect of additions to /deletions from the property, plant and equipment, depreciation is provided on pro-rata basis with reference to the month of addition /deletion of the Assets.

No depreciation is provided for leasehold land since as per the lease agreements, these are renewable at the option of the company with marginal payment of further premium.

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

3.2 Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial asset to determine whether there is any Indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest possible levels for which there are independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit and loss.

3.3 Inventories

Inventories are valued as under:

a. Raw materials, Packing materials, Stores & Spares:

Valued at lower of cost or net realizable value and for this purpose cost is determined on weighted average basis except for tea which is valued based on first in first out (FIFO). The aforesaid items are valued below cost if the finished products in which they are to be incorporated are expected to be sold at a loss.

b. Work in Progress:

At cost or net realizable value, whichever is lower. Cost is determined on weighted average basis.

c. Stock - in - trade and Finished Goods

Valued at lower of cost or net realizable value and for this purpose cost is determined on weighted average basis.

Cost includes direct material cost, direct labour cost, taxes and duties other than duties and taxes for which credit is available, freight, other direct expenses and an appropriate proportion of variable and fixed overhead expenditure.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of the purchased inventory are determined after deducting rebates and discounts. Provision is made for obsolete, non-moving & defective stocks, wherever necessary.

3.4 Employee benefits - Retirement benefit costs and termination benefits

3.4.1 Defined Contribution Plans

Payment to defined contribution retirement benefit plans i.e. Provident Fund & Superannuation Schemes are recognised as an expense in the statement of profit and loss when an employee have rendered service entitling them to the contributions. Superannuation scheme are funded with an insurance Company in the form of a qualifying insurance policy.

3.4.2 Defined Benefit Plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on post employment at 15 days salary (last drawn salary) for each completed year of service as per the rules of the Company. The aforesaid liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

Remeasurement, comprising actuarial gains and losses 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 profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit cost are categorised as follows:

- Service cost (including current service cost, as well as gains and losses on curtailments and settlement)
- Net interest expense or income
- Remeasurement

The company presents the first two components of defined benefit cost in profit or loss in the line item 'employee benefit expense'. Curtailment gains or losses are accounted for as past service cost.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3.4.3 Compensated Absences

The Company has a scheme for compensated absences for employees which is a long term employee benefits, the liability for which is determined on the basis of an independent actuarial valuation using the projected unit credit method, carried out at the Balance Sheet date.

3.4.4 Short term benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related services. The accruals for employee entitlements of benefits such as salaries, bonuses and annual leave represent the amount which the Company has a present obligation to pay as a result of the employees' services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the Balance Sheet date.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

3.5 Financial Instruments

3.5.1 Financial Assets

a) Initial Recognition and Measurement

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are at fair value are adjusted through profit or loss. Purchase and sale of financial assets are recognised using trade date accounting.

b) Subsequent Measurement

i) Financial assets carried at amortised cost (AC)

A financial asset is 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.

ii) Financial assets at fair value through other comprehensive income (FVTOCI)

For equity investments which are not held for trading purposes and where the company has exercised the option to classify the investment as FVTOCI, all fair value changes on the investment are recognized in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.

iii) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

iv) Investments in subsidiaries

Investment in subsidiaries is carried at cost in the separate financial statements.

c) Other Equity Investments

All other equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through Other Comprehensive Income.

d) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In accordance with Ind-AS 109, the Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each Balance Sheet date, right from its initial recognition."

e) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

- (a) the Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.5.2 Financial Liabilities

a) Initial Recognition and Measurement

Financial liabilities are measured at amortised cost using effective interest method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

b) Subsequent Measurement

Financial liabilities are carried at amortized cost using the effective interest method. 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.

c) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

d) Derivative financial instruments and Hedge Accounting

The Company holds derivative financial instruments such as foreign exchange forward contract to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

(i) Financial assets or financial liabilities, at fair value through profit and loss

This category includes derivative financial assets or liabilities which are not designated as hedges.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated as a hedge, or is so designated but is ineffective as per Ind AS 109, is categorised as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognised initially at fair value and attributable transaction costs are recognised in the net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives re-measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income / other expenses. Assets / liabilities in this category are presented as current assets / current liabilities if they are either held for trading or are expected to be realised within 12 months after the Balance Sheet Date.

(ii) Cash flow hedges

The Company designates certain foreign exchange forward contracts as cash flow hedges to mitigate the risks of foreign exchanges exposure on highly probable forecast cash transactions.

When a derivative is designated as a cash flow hedge instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the net profit in the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in cash flow hedge reserve till the period the

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

hedge was effective remains in cash flow hedge reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedge reserve is transferred to the net profit in the Statement of Profit and Loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedge reserve is reclassified to net profit in the Statement of Profit and Loss.

e) Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

g) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.6 Foreign currency

Initial Recognition

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Subsequent Recognition

As at the reporting date, non-monetary items which are carried at historical cost and denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were fair value measured.

Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are converted at the year-end exchange rates and the resultant loss or gain, is recognised as income or expense in the statement of the profit and loss.

The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates and the resultant gain or loss is dealt with accordingly.

3.7 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date on a portfolio basis.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the standalone financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the standalone financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summaries accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)

3.8 Revenue recognition:

Revenue is recognised on their accrual and when no significant uncertainty on measurability or collectability exists. Expenditure is accounted for on their accrual.

Sale of Goods and services:

Revenue from the sale of goods and services is recognised when the performance obligations towards customers have been met at an amount that reflects the consideration to which the company believes it is entitled to in exchange for the transfer of goods and services to customers, net of any sales returns, excise duty and GST. Performance obligations are deemed to have been met when the control of goods has been transferred to the customer / benefit from the service is delivered to the customer, depending on the individual terms of the contract of sale. Considering the general terms of sales of goods and services, there is no significant financing element included in the sales consideration.

Subsidies and export incentives:

Government incentive in the form of MEIS, Transportation and marketing allowance ('TMA') and refund of goods and service tax input credit is recognised when there is a reasonable assurance that the conditions attaching to the incentive would be complied and the incentives will be received.

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For the year ended 31st March 2020 (Contd.)

3.9 Finance Income and expense

Finance income comprises of interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss. Interest income is recognized using effective interest method. Dividend income is recognized in statement of profit and loss on date when the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises of interest expense on loans and borrowings, bank charges, unwinding of discount on provision, fair value losses on financial asset through FVTPL that are recognized in the statement of profit and loss.

3.10 Borrowing costs:

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets that necessarily takes 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. Borrowing costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

Interest income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Borrowing costs that are not directly attributable to a qualifying asset are recognised in the Statement of Profit or Loss using the effective interest method.

3.11 Leases:

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.

The Company as a lessee

The Company's lease asset classes primarily consist of leases for Machineries and premises. The Company assesses whether a contract contains a lease, at inception of a contract. 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 include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities include 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

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

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.

Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method.

3.12 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 tax are recognised in profit or 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.

(i) Current tax:

Current Tax expenses are accounted in the same period to which the revenue and expenses relate. Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the applicable tax rates and the prevailing tax laws.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

(ii) Deferred tax:

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred Income tax arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date 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 deferred income tax asset to be utilised.

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 Balance Sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.13 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

3.14 Provisions & contingent liability:

Provisions are recognized, when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, the non – current provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation and the unwinding of the discount is recognised as interest expense.

Contingent liabilities are recognized only when there is a possible obligation arising from past events, due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, or where any present obligation cannot be measured in terms of future outflow of resources, or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for. The Company does not recognise contingent liability but discloses its existence in financial statements.

Contingent assets are disclosed in the Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

3.15 Cash flow statement:

Cash flows are reported using the indirect method, whereby, profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows are segregated into operating, investing and financing activities.

3.16 Dividends:

Final Dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Company's Board of Directors.

3.17 Segment Reporting:

The Company identifies operating segments based on the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. The Company operates in a single segment namely solvent extracted products and geographically operates primarily in a single segment.

3.18 Research and Development:

Expenditure on research phase is recognised as an expense as and when it is incurred. Expenditure on development phase is recognized as intangible assets if it is identifiable, capable of being controlled and from which future economic benefits are expected to flow to the enterprise. Intangible assets are stated at cost net of tax / duty credits availed, if any, less accumulated amortisation and cumulative impairment.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

NOTE 4

PROPERTY, PLANT AND EQUIPMENT & CAPITAL WORK IN PROGRESS

(All amounts are in Rs. lakhs unless otherwise stated)

| | Freehold land | Leasehold Land (Note 4.1) | Buildings | Plant & Machinery | Plant & Machinery on finance lease | Office Equipments | Furniture & Fittings | Vehicles | Total | Capital work-in-progress |
|---|---------------|---------------------------|-----------|-------------------|------------------------------------|-------------------|----------------------|----------|-----------|--------------------------|
| Cost | | | | | | | | | | |
| At 1 April 2018 | 2,32.47 | 16.18 | 11,00.10 | 53,37.03 | - | 78.58 | 40.94 | 1,95.70 | 70,01.00 | 28,41.92 |
| Additions/Transfers | 1,25.00 | - | 11,07.57 | 35,39.17 | 4,43.00 | 67.37 | 8.49 | 11.82 | 53,02.42 | - |
| Disposals/ Transfers | - | - | 1,18.64 | 44.71 | - | - | 1.80 | 2.06 | 1,67.21 | 28,41.92 |
| At 31 March 2019 | 3,57.47 | 16.18 | 20,89.03 | 88,31.49 | 4,43.00 | 1,45.95 | 47.63 | 2,05.46 | 121,36.21 | - |
| Reclassified on account of adoption of Ind AS 116 | - | - | - | - | (4,43.00) | - | - | - | (4,43.00) | - |
| Additions/Transfers | - | - | 1,27.48 | 13,12.14 | - | 6.89 | 0.53 | 30.91 | 14,77.95 | - |
| Disposals/ Transfers | - | - | 8.62 | 11.58 | - | 0.01 | - | 6.95 | 27.16 | - |
| At 31 March 2020 | 3,57.47 | 16.18 | 22,07.89 | 101,32.05 | - | 1,52.83 | 48.16 | 2,29.42 | 131,44.00 | - |
| Depreciation and impairment | | | | | | | | | | |
| At 1 April 2018 | - | - | 1,51.65 | 11,58.89 | - | 40.82 | 13.95 | 30.77 | 13,96.08 | - |
| Depreciation charge for the year | - | - | 1,51.12 | 8,04.90 | 60.17 | 33.17 | 7.44 | 27.11 | 10,83.91 | - |
| Disposals | - | - | 1,18.64 | 44.71 | - | - | 1.80 | 2.06 | 167.21 | - |
| At 31 March 2019 | - | - | 1,84.13 | 19,19.08 | 60.17 | 73.99 | 19.59 | 55.82 | 23,12.78 | - |
| Reclassified on account of adoption of Ind AS 116 | - | - | - | - | (60.17) | - | - | - | (60.17) | - |
| Depreciation charge for the year | - | - | 1,95.50 | 10,28.90 | - | 40.95 | 7.16 | 28.22 | 13,00.73 | - |
| Disposals | - | - | 2.97 | 6.33 | - | - | - | 6.22 | 15.52 | - |
| At 31 March 2020 | - | - | 3,76.66 | 29,41.65 | - | 1,14.94 | 26.75 | 77.82 | 35,37.82 | - |
| Net Block | | | | | | | | | | |
| At 31 March 2019 | 3,57.47 | 16.18 | 19,04.90 | 69,12.41 | 3,82.83 | 71.96 | 28.04 | 1,49.64 | 98,23.43 | - |
| At 31 March 2020 | 3,57.47 | 16.18 | 18,31.23 | 71,90.40 | - | 37.89 | 21.41 | 1,51.60 | 96,06.18 | - |

Note 4.1 - Leasehold land

Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Company to convert the lease into absolute sale at the expiry of the lease; subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time, is capitalised and included, without being amortised over the period of lease. The Company has a leasehold land at Tiptur for a period of 21 years commencing from 2000 to 2021 and at the end of the period, the Company has the right to acquire the land at a nominal pay out.

Note 4.2 - Property, plant and equipments pledged as security

Refer to note 15 for the information on property, plant and equipments pledged as security by the Company.

Note 4.3 - Deemed Cost Exemption availed on transition to Ind AS

The Company has availed the deemed cost exemption in relation to the property plant and equipment on the date of transition i.e. 1 April 2016 and hence the carrying amount (net block) as per previous GAAP on that date has been considered as gross block. (Refer note below for the gross block value and the accumulated depreciation on 1 April 2016 under previous GAAP).

| | Freehold land | Buildings | Leasehold Land | Plant & Machinery | Furniture & Fittings | Vehicles | Total |
|--------------------------|----------------|----------------|----------------|-------------------|----------------------|----------------|-----------------|
| Gross Block | 2,32.47 | 15,72.30 | 16.18 | 80,29.91 | 91.68 | 2,15.44 | 101,57.98 |
| Accumulated Depreciation | - | 7,68.77 | - | 34,15.58 | 53.11 | 1,10.66 | 43,48.12 |
| Net Block | 2,32.47 | 8,03.53 | 16.18 | 46,14.33 | 38.57 | 1,04.78 | 58,09.86 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 5

RIGHT-OF-USE ASSETS

| Particulars | Category of ROU asset | Total |
|---|--------------------------|-----------------------|
| | Plant and Machinery | |
| Balances as at 1 April 2019 | - | - |
| Reclassified on account of adoption of Ind AS 116 | 3,82.83 | 3,82.83 |
| Depreciation | 69.33 | 69.33 |
| At 31 March 2020 | <u>3,13.50</u> | <u>3,13.50</u> |

| | Currency | Face value | Number of units 31-Mar-20 | 31-Mar-19 | Amount 31-Mar-20 | 31-Mar-19 |
|--|----------|---------------|------------------------------|-----------|---------------------|-----------|
|--|----------|---------------|------------------------------|-----------|---------------------|-----------|

NOTE 6

INVESTMENTS

Non Current

(i) Investment stated at Cost

Investments in Equity Instruments

A) In Wholly owned subsidiary (Unquoted)

| | | | | | | |
|---|-----|---|------------------|-----------|----------------|---------|
| AVT Natural Europe Limited (Formerly known as AVT Tea Services Ltd), UK, fully paid up | GBP | 1 | 10,00,000 | 10,00,000 | 9,40.63 | 9,40.63 |
| AVT Natural SA DE CV, Mexico, fully paid up | MXN | 1 | 9,48,255 | 2,00,000 | 34.83 | 7.62 |

(ii) Investment stated at fair value through profit and loss

Investments in Equity Instruments

A) In others (Unquoted)

| | | | | | | |
|--|-----|----|---------------|--------|-------------|------|
| Kerala Enviro Infrastructure Limited fully paid up | Rs. | 10 | 10,000 | 10,000 | 1.00 | 1.00 |
|--|-----|----|---------------|--------|-------------|------|

| | | | | | | |
|--------------|--|--|--|--|-----------------------|-----------------------|
| Total | | | | | <u>9,76.46</u> | <u>9,49.25</u> |
|--------------|--|--|--|--|-----------------------|-----------------------|

| | | | | | | |
|--|--|--|--|--|----------------|---------|
| Aggregate amount of unquoted investments | | | | | 9,76.46 | 9,49.25 |
|--|--|--|--|--|----------------|---------|

| | | | | | | |
|--|--|--|--|--|---|---|
| Aggregate amount of impairment in value of investments | | | | | - | - |
|--|--|--|--|--|---|---|

Current

(i) Investment at fair value through profit and loss (at NAV)

A) Investment in Mutual Funds (Unquoted)

| | | | | | | |
|---|-----|--|------------------|-----------|----------------|---------|
| Equity Arbitrage Fund - Growth (IDFC Mutual Fund) | Rs. | | 26,48,918 | 26,48,918 | 7,56.72 | 7,01.90 |
|---|-----|--|------------------|-----------|----------------|---------|

| | | | | | | |
|--------------|--|--|--|--|-----------------------|-----------------------|
| Total | | | | | <u>7,56.72</u> | <u>7,01.90</u> |
|--------------|--|--|--|--|-----------------------|-----------------------|

| | | | | | | |
|---|--|--|--|--|---------------|---------|
| Aggregate carrying amount of unquoted investments | | | | | 756.72 | 7,01.90 |
|---|--|--|--|--|---------------|---------|

| | | | | | | |
|---------------------------------------|--|--|--|--|---------------|---------|
| Aggregate NAV of unquoted investments | | | | | 756.72 | 7,01.90 |
|---------------------------------------|--|--|--|--|---------------|---------|

| | | | | | | |
|--|--|--|--|--|---|---|
| Aggregate amount of impairment in value of investments | | | | | - | - |
|--|--|--|--|--|---|---|

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| NOTE 7 | | |
| OTHER FINANCIAL ASSETS | | |
| (Unsecured, considered good unless stated otherwise) | | |
| A) Non Current | | |
| Deposits with Public Bodies | 30.00 | 30.00 |
| Deposits with Others | 2,21.96 | 2,21.64 |
| Total | 2,51.96 | 2,51.64 |
| B) Current | | |
| Deposit with public bodies and others | | |
| Deposits with Others | 17.52 | 15.41 |
| Derivatives | | |
| Foreign-exchange forward contracts | - | 1,40.73 |
| Others | | |
| Interest accrued on deposits | 35.18 | 29.45 |
| Insurance claim | 0.77 | 0.77 |
| Total | 53.47 | 1,86.36 |
| NOTE 8 | | |
| OTHER ASSETS | | |
| (Unsecured, considered good) | | |
| A) Non Current | | |
| Accrued Income- Wind mill | 18.74 | 18.74 |
| Balance with Govt Authorities | 1,32.26 | 1,05.77 |
| Receivable from Govt. Authorities | 2,07.48 | 3,29.66 |
| Total non-current assets | 3,58.48 | 4,54.17 |
| B) Current | | |
| Export incentive receivable | 7,54.39 | 7,08.31 |
| Advance to suppliers | 2,94.04 | 3,82.39 |
| Other Advances | 5.92 | 0.21 |
| Prepaid expenses | 1,66.95 | 73.43 |
| GST Input Receivable | 30,64.46 | 21,56.33 |
| Total current assets | 42,85.76 | 33,20.67 |
| NOTE 9 | | |
| INVENTORIES | | |
| Inventories at the lower of cost or net realisable value | | |
| Raw Materials* | 30,83.00 | 40,46.24 |
| Finished goods | 65,51.60 | 86,70.90 |
| Stock in process | 9,10.20 | 2,25.10 |
| Stores, Spares and packing material | 11,51.46 | 8,51.72 |
| Total inventories | 116,96.26 | 137,93.96 |
| * Includes goods in transit of raw materials amounting to Nil (31 March 2019: Rs. 220.22 Lakhs) | | |
| Inventory Provision Movement | | |
| Write down/(back) to inventory recognised in cost during the year | 733.08 | 139.39 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|---|--------------------------------------|--------------------------------------|
| NOTE 10 | | |
| TRADE RECEIVABLES | | |
| Current (Unsecured) | | |
| (a) Considered Good* | 73,00.19 | 71,99.71 |
| Less: Allowance for doubtful trade receivables | - | - |
| | 73,00.19 | 71,99.71 |
| (b) Credit impaired | - | - |
| Less: Allowance for doubtful trade receivables | - | - |
| Total | 73,00.19 | 71,99.71 |
| * includes receivable from subsidiary companies (Refer note 35) | 5,29.37 | 3,90.71 |
| Dues from related parties includes dues from companies where directors are interested | 0.43 | 4.16 |
| The movement in allowance for bad and doubtful debts is as follows: | | |
| Opening provision for doubtful debts | - | 57.13 |
| Add- Provision made during the year (Net) | - | - |
| Less- Reversals made during the year | - | (57.13) |
| Closing provision for doubtful debts | - | - |
| NOTE 11 | | |
| CASH AND CASH EQUIVALENTS | | |
| Cash on hand | 8.83 | 2.31 |
| Balances with bank in current account | 11,82.59 | 6,60.92 |
| Total Cash and cash equivalents as per balance sheet | 11,91.42 | 6,63.23 |
| NOTE 11A | | |
| BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS | | |
| Balances with banks: | | |
| Margin money deposit* | 25.00 | 59.45 |
| Ear Marked balances - Unpaid dividend | 1,29.57 | 1,44.41 |
| Deposits with original maturity for more than 3 months but less than 12 months | 56.70 | 0.25 |
| Bank balances other than cash and cash equivalents | 2,11.27 | 2,04.11 |
| Less : Term deposit with bank maturing after 12 months from the Balance Sheet date | - | - |
| Total | 2,11.27 | 2,04.11 |

* Given as margin money for Letter of Credits & Bank Guarantees

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| NOTE 12 | | |
| LOANS | | |
| Current at amortized cost (Unsecured, considered good) | | |
| Loans to employees | 21.61 | 11.75 |
| Less; Allowances for credit Impaired loans to employees | - | - |
| Total | 21.61 | 11.75 |

NOTE 13

SHARE CAPITAL

A. Authorised Share Capital

| | | |
|--|----------|----------|
| 159,900,000 (31 March 2019: 159,900,000) equity shares of Rs. 1 each | 15,99.00 | 15,99.00 |
| 11,000 (31 March 2019: 1,000) - 12% Redeemable Cumulative Preference Shares of Rs.100 each | 1.00 | 1.00 |
| 3,000,000 (31 March 2019: 3,000,000)- 7% Redeemable Cumulative Preference Shares of Rs.10 each | 3,00.00 | 3,00.00 |

B. Issued, Subscribed & Paid Up

| | | |
|--|----------|----------|
| 152,284,000 (31 March 2019: 152,284,000) equity shares of Rs. 1 each | 15,22.84 | 15,22.84 |
|--|----------|----------|

C. Terms/ rights attached to equity shares

The company has one class of equity shares having a par value of Rs. 1 per share. Each shareholder is eligible for one vote share held. 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 the liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the shareholding.

D. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | Number of shares | Amount |
|--------------------------------------|------------------|----------|
| As at 1 April 2018 | 15,22,84,000 | 15,22.84 |
| Increase /(decrease) during the year | - | - |
| As at 31 March 2019 | 15,22,84,000 | 15,22.84 |
| Increase /(decrease) during the year | - | - |
| As at 31 March 2020 | 15,22,84,000 | 15,22.84 |

E. Details of shareholders holding more than 5% shares in the Company

| Name of the shareholder | Number of shares held | As at 31 st March 2020 % holding in that class of shares | Number of shares held | As at 31 st March 2019 % holding in that class of shares |
|--|--------------------------|--|--------------------------|--|
| Neelamalai Agro Industries Limited | 6,09,13,600 | 40.00 | 6,09,13,600 | 40.00 |
| The Midland Rubber & Produce Company Limited | 4,54,52,175 | 29.85 | 4,47,00,036 | 29.35 |

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 14

OTHER EQUITY

| Name of the reserve | Reserves & Surplus | | | | Items of Other Comprehensive Income | Total |
|--|--------------------|------------------|-------------------|---------------------|-------------------------------------|------------------|
| | Capital Reserve | General Reserve | Retained Earnings | Investment subsidy* | Cash flow Hedging Reserve | |
| At 1 April 2018 | 0.35 | 196,02.86 | 36,08.79 | 99.02 | (25.30) | 23,285.72 |
| Profit for the year | - | - | 21,10.31 | - | - | 2,110.31 |
| Other Comprehensive income for the year, net of Income tax | - | - | (58.08) | - | 30.99 | (27.09) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | 99.02 | - | (99.02) | - | - |
| Dividend & Tax Paid on Dividend | - | - | (7,34.35) | - | - | (7,34.35) |
| At 31 March 2019 | 0.35 | 207,01.88 | 39,26.67 | - | 5.69 | 246,34.59 |
| Profit for the year | - | - | 37,79.75 | - | - | 37,79.75 |
| Other Comprehensive income for the year, net of Income tax | - | - | (36.51) | - | (2,07.51) | (2,44.02) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | - | - | - | - | - |
| Dividend & Tax Paid on Dividend | - | - | (8,26.14) | - | - | (8,26.14) |
| At 31 March 2020 | 0.35 | 217,01.88 | 58,43.77 | - | (2,01.82) | 273,44.18 |

Nature and purpose of other reserves

- Capital Reserve** - Reserve of capital nature taken to this head under the erstwhile GAAP.
- General Reserve** - General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the statement of profit and loss. Mandatory transfer to general reserve is not required under the Companies Act 2013.
- Retained Earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.
- Investment Subsidy** - Investment subsidy was received when the plants were set up in the past and this has been transferred to general reserve as the period of related plant life is over.
- Cash flow Hedging Reserve:** The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to statement of profit and loss in the period in which the underlying hedged transaction occurs

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|--|--------------------------------------|--------------------------------------|
| NOTE 15 | | |
| BORROWINGS | | |
| Non Current | | |
| Term Loans from banks - fixed rate of 8.40 p.a. | 13,50.00 | 15,00.00 |
| Lease liability - fixed rate of 9.p.a. | - | 4,21.77 |
| Total | 13,50.00 | 19,21.77 |
| Less: Current Maturities of Long Term Debt clubbed under Other Current Financial liabilities | 3,00.00 | 3,30.62 |
| Net Non Current Borrowings | 10,50.00 | 15,91.15 |
| Current | | |
| Loan repayable on demand | | |
| Packing Credit from Banks (*) - floating rate - ~ 5 to ~6% p.a | 7,50.00 | 45,66.77 |
| Total | 7,50.00 | 45,66.77 |
| Aggregate secured loans | 21,00.00 | 61,57.92 |
| Aggregate unsecured loans | - | - |
| Foot Note: | | |
| 1. Term loan from banks | | |
| This loan is taken for the period of five years with six monthly instalments, last instalment repayment date is July 2024. Secured by first charge on 27.01 acres of leasehold land and movable fixed assets and buildings (value of buildings and movable fixed assets being Rs. 4,103 Lakhs) | | |
| Packing Credit from Banks (*) | | |
| Packing credit from banks secured by | | |
| <ul style="list-style-type: none"> - hypothecation of present and future current assets including stocks, semi-finished goods, finished goods, consumables, stores, spares, book debts. - 15% margin on sight import letter of credit and performance guarantee - In some cases second pari passu charge by way of hypothecation and mortgage of movable and immovable assets of the Company, second charge on entire fixed assets of the Company including EM, In some cases demand promissory note, hypothecation of book debts, letter of containing security, deposit of letter of credit | | |
| 2. The Company had access to the following undrawn borrowing facilities at the end of the reporting period: | | |
| Fund Based facilities | 78,38.00 | 25,33.23 |
| Non Fund facilities | 80,81.00 | 80,81.00 |
| 3. Net debt reconciliation | | |
| Net debt | | |
| Cash and cash equivalents | 11,91.42 | 6,63.23 |
| Current Investment | 7,56.72 | 7,01.90 |
| Non Current & Current Borrowings | (21,00.00) | (64,88.54) |
| Non-current and current lease liabilities | (3,91.14) | - |
| Net (debt)/ Cash & Cash Equivalents | (5,43.00) | (51,23.41) |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Accrued during the Year | | Paid during the Year | |
|-------------------------------------|-------------------------|----------------|----------------------|----------------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| Finance Cost | | | | |
| Interest on borrowings | 2,75.44 | 2,48.25 | 2,75.44 | 2,48.25 |
| Bank Charges on borrowings | 1,44.49 | 1,43.39 | 1,44.49 | 1,43.39 |
| Unwinding interest on finance lease | 28.62 | 23.20 | 28.62 | 23.20 |
| Total | 4,48.55 | 4,14.84 | 4,48.55 | 4,14.84 |

| | Other Assets | | Borrowings | | |
|--|---------------------------|---------------------|----------------------------|-------------------|----------------------|
| | Cash and cash equivalents | Current Investments | Short/Long Term Borrowings | Lease liabilities | Total Net borrowings |
| Net (debt)/ Cash & Cash Equivalents as at 1st April 2018 | 4,51.41 | 30,09.69 | (23,37.16) | - | 11,23.94 |
| Cash Flows | 2,11.82 | (22,60.74) | (41,51.38) | - | (62,00.30) |
| Unrealised fair value gains on current investments | - | (47.05) | - | - | (47.05) |
| Interest expense | - | - | 4,14.84 | - | 4,14.84 |
| Interest paid | - | - | (4,14.84) | - | (4,14.84) |
| (Net debt)/ Cash & Cash Equivalents as at 31 March 2019 | 6,63.23 | 7,01.90 | (64,88.54) | - | (51,23.41) |
| Net (debt)/ Cash & Cash Equivalents as at 1st April 2019 | 6,63.23 | 7,01.90 | (64,88.54) | - | (51,23.41) |
| Reclassification on adoption of Ind AS 116 | - | - | 4,21.77 | (4,21.77) | - |
| Cash inflow | 5,28.19 | - | - | - | 5,28.19 |
| Cash outflow | - | - | 39,66.77 | 59.25 | 40,26.02 |
| Unrealised fair value gains on current investments | - | 54.82 | - | - | 54.82 |
| Interest expense | - | - | 4,19.93 | (28.62) | 3,91.31 |
| Interest paid | - | - | (4,19.93) | - | (4,19.93) |
| (Net debt)/ Cash & Cash Equivalents as at 31 March 2020 | 11,91.42 | 7,56.72 | (21,00.00) | (3,91.14) | (5,43.00) |

NOTE 16

LEASE LIABILITY

Non Current

Lease liability - fixed rate of 9.p.a.

Total

Less: Current maturities of leases shown on face of balance sheet separately

| | As at 31 st March 2020 | As at 31 st March 2019 |
|--|--------------------------------------|--------------------------------------|
| | 3,91.14 | - |
| | 3,91.14 | - |
| | 33.49 | - |
| | 3,57.65 | - |

Foot Note:

1. Lease Liability

Lease liability loan is for the period of 10 years. The same is payable in monthly instalments with last repayment date is July 2029. The lease liability is secured by Plant and Machinery taken on finance lease. Refer Note no. 5

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|--|---|---|
| NOTE 17 | | |
| PROVISIONS | | |
| Non Current | | |
| Provision for Gratuity (funded)* | - | - |
| Provision for Compensated absences (unfunded)* | 3,40.49 | 3,31.69 |
| Total non-current provisions | 3,40.49 | 3,31.69 |
| Current | | |
| Provision for Gratuity (funded)* | 4,65.47 | 3,31.82 |
| Provision for Compensated absences (unfunded)* | 1,06.79 | 50.74 |
| Total current provisions | 5,72.26 | 3,82.56 |
| *Refer Note 34 for details | | |
| NOTE 18 | | |
| DEFERRED TAX LIABILITY | | |
| Components of Deferred tax | | |
| Deferred Tax Liability | | |
| On Account of depreciation | 5,81.46 | 9,13.02 |
| On account of fair valuation of investments | 46.36 | 45.22 |
| | (A) 6,27.82 | 9,58.24 |
| Deferred Tax Asset | | |
| Provisions for gratuity and compensated absences | 2,29.72 | 2,49.59 |
| On account of hedge reserve | 69.79 | 3.07 |
| | (B) 2,99.51 | 2,52.66 |
| Deferred Tax Liability (net) (A-B) | 3,28.31 | 7,05.58 |
| NOTE 19 | | |
| TRADE PAYABLES | | |
| Current | | |
| Due to micro and small enterprises (Refer Foot notes (i) & (ii)) | 24.08 | 36.44 |
| Due to other than micro and small enterprises | 21,13.82 | 24,52.77 |
| Due to related parties | 92.99 | 3,35.36 |
| Total trade payables | 22,30.89 | 28,24.57 |

Footnotes:

- (i) The amount due to Micro and Small Enterprises as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors. Also, refer Note 39 for details on the required disclosures.
- (ii) For related party balances refer Note 35.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|--|---|---|
| NOTE 20 | | |
| OTHER FINANCIAL LIABILITIES | | |
| Current | | |
| Current maturities of long term debt (Refer note 15) | 3,00.00 | 3,30.62 |
| Foreign exchange forward contracts | 3,73.45 | - |
| Creditors for capital expenditure | 48.37 | - |
| Employee related liabilities | 2,19.37 | 2,13.02 |
| Unpaid dividend | 1,29.57 | 1,44.42 |
| Other payables | 1,51.06 | 9.70 |
| Total | <u>12,21.82</u> | <u>6,97.76</u> |
| NOTE 21 | | |
| OTHER LIABILITIES | | |
| Current | | |
| Statutory dues | 1,09.25 | 1,28.26 |
| Advance from customers | 9,54.99 | - |
| Other payables | 3.70 | 2.59 |
| Deposits from contractors | 4.10 | 4.10 |
| Total | <u>10,72.04</u> | <u>1,34.95</u> |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| NOTE 22 | | |
| REVENUE FROM OPERATIONS | | |
| Sale of Products | 358,24.07 | 302,86.16 |
| Job work income | 9,73.71 | 13,08.38 |
| Other Operating Revenue | | |
| Export Incentives | 17,02.55 | 14,45.00 |
| Sub-Total of Other Operating Revenue | 17,02.55 | 14,45.00 |
| Total Revenue from Operations | 385,00.33 | 330,39.54 |
| Revenue disaggregated by products | | |
| Marigold extracts | 153,60.26 | 111,06.68 |
| Species extracts | 112,62.78 | 121,93.82 |
| Instant Tea & de-Caffeinated Tea | 97,54.02 | 82,94.04 |
| Animal Nutrition | 4,20.72 | - |
| | 367,97.78 | 315,94.54 |
| Revenue disaggregation by geography: | | |
| America | 193,98.70 | 153,28.82 |
| Europe | 86,85.29 | 83,93.04 |
| Others | 87,13.79 | 78,72.68 |
| | 367,97.78 | 315,94.54 |
| Geographical revenue is allocated based on the location of the customers. | | |
| NOTE 23 | | |
| OTHER INCOME | | |
| Fair value gain of current investments fair value through profit or loss | 54.82 | 47.05 |
| Dividend Income from Investments in mutual funds at fair value through profit or loss | - | 33.37 |
| Interest income on financial assets measured at amortised cost | 35.82 | 12.48 |
| Provision no longer required written back | - | 2,04.08 |
| Profit on sale of investments at fair value through profit or loss | - | 3.80 |
| Insurance Claim | 8.99 | 71.76 |
| Foreign exchange differences (net) | 5,91.18 | - |
| Miscellaneous income | 41.15 | 14.98 |
| Total other income | 7,31.96 | 3,87.52 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31st March 2019 |
|--|--|--|
| NOTE 24 | | |
| CHANGES IN INVENTORIES OF WORK-IN-PROGRESS, STOCK-IN-TRADE AND FINISHED GOODS | | |
| Inventory at the beginning of the year | | |
| Finished Goods | | |
| - Processed | 86,70.90 | 57,01.70 |
| Stock in process | 2,25.10 | 82.40 |
| | 88,96.00 | 57,84.10 |
| Less: inventory at the end of the year | | |
| Finished Goods | | |
| - Processed | 65,51.60 | 86,70.90 |
| Stock in process | 9,10.20 | 2,25.10 |
| | 74,61.80 | 88,96.00 |
| Net (Increase)/Decrease | 14,34.20 | (31,11.90) |
| NOTE 25 | | |
| EMPLOYEE BENEFITS EXPENSE | | |
| Salaries, wages and bonus* | 38,36.44 | 36,12.82 |
| Contribution to provident and other funds* | 4,34.07 | 3,81.63 |
| Staff welfare expenses | 3,07.06 | 2,73.64 |
| Total | 45,77.57 | 42,68.09 |
| *Refer to Note 34 for details on employee benefits | | |
| - Salaries, wages and bonus includes net incremental leave encashment provision | 64.85 | 50.74 |
| - Contribution to provident and other funds includes net incremental gratuity provision | 99.93 | 66.77 |
| NOTE 26 | | |
| FINANCE COSTS | | |
| Interest on: | | |
| Term loans | 1,23.55 | 25.66 |
| Packing credit | 1,51.89 | 2,22.59 |
| Other finance costs including bank charges | 1,44.49 | 1,43.39 |
| Unwinding interest on finance lease | 28.62 | 23.20 |
| Interest on Micro small and Medium enterprises | 1.19 | 5.06 |
| Total | 4,49.74 | 4,19.90 |
| NOTE 27 | | |
| DEPRECIATION AND AMORTISATION EXPENSES | | |
| Depreciation and amortisation expenses on property, plant and equipments | 13,00.73 | 10,83.91 |
| Depreciation on right of use assets | 69.33 | - |
| | 13,70.06 | 10,83.91 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31 st March 2019 |
|---|--|---|
| NOTE 28 | | |
| OTHER EXPENSES | | |
| Consumption of stores, spares and packing materials | 26,91.06 | 28,93.71 |
| Processing Charges | 62.01 | 23.83 |
| Commission | 2,40.76 | 1,94.98 |
| Crop promotional and ago meeting expense | 14.77 | 9.53 |
| Sales Promotion Expenses | - | - |
| Power and fuel | 26,27.25 | 29,42.58 |
| Short term leases | 4,25.39 | - |
| Rent (Refer note 37) | - | 3,64.65 |
| Product testing charges | 2,07.19 | 2,33.57 |
| Freight and Forwarding charges | 6,00.11 | 6,06.74 |
| Rates and taxes | 1,20.10 | 1,39.30 |
| Insurance | 75.73 | 66.64 |
| Repairs and maintenance | | |
| Plant and machinery | 6,22.46 | 5,64.14 |
| Buildings | 32.89 | 38.95 |
| Vehicles | 1,11.37 | 1,01.39 |
| Others | 4,12.25 | 3,69.98 |
| CSR expenditure (Refer Note No. 29) | 66.08 | 63.13 |
| Donations and charity | 50.93 | 26.10 |
| Advertisement | 4.64 | 4.43 |
| Travelling and conveyance | 2,64.67 | 2,69.85 |
| Postage and telephones | 49.20 | 57.66 |
| Security Service Charges | 78.89 | 86.19 |
| Legal and professional fees | 3,15.16 | 91.48 |
| Commission to Chairman | - | 29.60 |
| Printing and stationery | 37.68 | 40.53 |
| Directors' sitting fees | 8.45 | 4.79 |
| Payment to auditor (Refer Note No. 30) | 18.91 | 21.42 |
| Product Development Expense | 44.97 | 18.77 |
| Loss on sales/ discard of property, plant and equipment (net) | 7.58 | - |
| Exchange difference (net) | - | 92.91 |
| Other Expenses | 4,11.90 | 2,50.04 |
| Total | 96,02.41 | 96,06.89 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31st March 2019 |
|--|--|--|
| NOTE 29 | | |
| CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE: | | |
| Amount required to be spent as per Section 135 of the Act by the Company | 66.26 | 70.65 |
| Amount spent during the year on: | | |
| (i) Construction / acquisition of an asset | - | - |
| (ii) On purposes other than (i) above | 66.09 | 63.13 |
| Total Amount spent | 66.09 | 63.13 |
| Amount yet to be paid/spent | 0.17 | 7.52 |
| NOTE 30 | | |
| PAYMENT MADE TO STATUTORY AUDITORS: | | |
| As Auditor: | | |
| Audit Fee | 15.00 | 15.00 |
| Reimbursement of expenses | 3.91 | 6.42 |
| Total | 18.91 | 21.42 |
| NOTE 31 | | |
| INCOME TAX | | |
| The major components of income tax expense for the years ended 31 March 2020 and 31 March 2019 are: | | |
| Statement of profit and loss: | | |
| Income Tax | | |
| In respect of the current year | 13,70.00 | 8,25.87 |
| In respect of prior year | - | (1,00.00) |
| | 13,70.00 | 7,25.87 |
| Deferred Tax | | |
| In respect of the current year | (2,95.20) | 1,70.87 |
| | (2,95.20) | 1,70.87 |
| Income tax expense reported in the statement of profit or loss | 10,74.80 | 8,96.74 |
| Other Comprehensive Income | | |
| Net (gain)/loss on revaluation of cash flow hedges | 69.79 | (16.65) |
| Net loss/(gain) on remeasurements of defined benefit plans | 12.28 | 31.20 |
| Income tax charged to OCI | 82.07 | 14.55 |
| Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate for 31 March 2020 and 31 March 2019: | | |
| Accounting profit before tax (a) | 48,54.55 | 30,07.05 |
| Income Tax Rate (b) | 25.17% | 34.94% |
| Calculated taxes based on above, without any adjustments for deductions [(a) x (b)] | 12,21.79 | 10,50.78 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31 st March 2019 |
|--|--|---|
| Adjustments | | |
| On account of revaluation of opening deferred tax due to tax rate change | (1,97.40) | - |
| On account of Corporate Social Responsibility Costs | 16.63 | 22.06 |
| On account of weighted deduction for R&D expenditure | - | (77.22) |
| On account of exempt dividend income | - | (11.66) |
| On account of income tax write back with respect to prior years | - | (1,00.00) |
| On account of other items | 33.77 | 12.78 |
| Income tax expense reported in the statement of profit and loss | <u>10,74.80</u> | <u>8,96.74</u> |
| Reconciliation of deferred tax liabilities (net): | | |
| Opening balance as of 1 April | (7.05.58) | (5,49.26) |
| Tax income/(expense) during the year recognised in profit or loss | 2,95.20 | (1,70.87) |
| Tax income/(expense) during the year recognised in OCI | 82.07 | 14.55 |
| Closing balance as at 31 March | <u>(3,28.31)</u> | <u>(7,05.58)</u> |

Given that the Company does not have any intention to dispose investments in subsidiaries in the foreseeable future, deferred tax asset on indexation benefit in relation to such investments has not been recognised. Similarly, the Company does not have any intention to dispose of its free hold and lease hold land in the foreseeable future, therefore, deferred tax asset on indexation benefit in relation to these assets has not been recognised.

NOTE 32

EARNINGS PER SHARE

| | | |
|---|--------------|--------------|
| Profit after Taxation in Rs. In Lakhs | 37,79.75 | 21,10.31 |
| Weighted average number of Equity Shares outstanding at the end of the year * | 15,22,84,000 | 15,22,84,000 |
| Earnings per share (Basic and Diluted) in Rs. | 2.48 | 1.39 |

* There have been no other transactions involving equity shares or potential equity shares between the reporting date and the date of authorisation of these financial statements.

NOTE 33

SEGMENT REPORTING

The Company operates in a single segment, namely solvent extracted products. Even geographically, there is no material separate segment.

Additional Information:

Segment Revenue

| | | |
|--|-------------------------|-------------------------|
| India | 25,99.64 | 3,98.78 |
| Rest of the World | 332,24.43 | 298,87.38 |
| Total Revenue from Sale of Products | <u>358,24.07</u> | <u>302,86.16</u> |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|--|---|---|
| NOTE 34 | | |
| EMPLOYEE BENEFITS | | |
| (a) The Company has recognised the following expenses as defined contribution plan under the head "Company's Contribution to Provident Fund and Other Funds" (net of recoveries) : | | |
| Provident fund | 2,10.16 | 1,86.15 |
| Superannuation fund | 90.21 | 90.82 |
| Employee state insurance contribution | 30.36 | 36.07 |
| (b) The Company operates post retirement defined benefit plans as follows :- | | |
| Gratuity Scheme: | | |
| This is a funded defined benefit plan for qualifying employees for which, the Company is making contributions to the Gratuity Fund managed by Life Insurance Corporation of India. The scheme provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service. | | |
| Defined Benefit Plans (Gratuity)– As per Actuarial Valuation on March 31, 2020:- | | |
| (i) Expense recognized in the statement of profit and loss | | |
| Current Service Cost | 76.19 | 51.54 |
| Net Interest | 23.74 | 15.23 |
| Expense recognized in the statement of profit and loss | 99.93 | 66.77 |
| (ii) Other Comprehensive Income (OCI) | | |
| Actuarial (Gain)/Loss recognized for the period | 51.26 | 89.56 |
| Return on Plan Assets excluding net interest | (2.47) | (0.28) |
| Total Actuarial (Gain)/Loss recognized in (OCI) | 48.79 | 89.28 |
| (iii) Reconciliation of Defined Benefit Obligation | | |
| Opening Defined Benefit Obligation | 10,28.85 | 8,70.54 |
| Interest Cost | 73.38 | 67.38 |
| Current Service Cost | 76.19 | 51.54 |
| Benefits paid | (52.81) | (50.17) |
| Actuarial Losses / (Gain) on obligation | 51.26 | 89.56 |
| Closing Defined Benefit Obligation | 11,76.87 | 10,28.85 |
| (iv) Reconciliation of Fair Value of Plan Assets | | |
| Opening Fair Value of Plan Assets | 6,97.01 | 6,64.18 |
| Return on plan assets | 2.47 | 0.28 |
| Interest income | 49.64 | 52.15 |
| Contributions made | 15.09 | 30.57 |
| Benefits Paid | (52.81) | (50.17) |
| Closing Fair Value of Plan Assets | 7,11.40 | 6,97.01 |
| (vi) Reconciliation of Net Liability/ Asset | | |
| Opening Net Benefit Liability | 3,31.84 | 2,06.36 |
| Expense charged to profit and loss | 99.93 | 66.77 |
| Amount recognized outside profit and loss (in OCI) | 48.79 | 89.28 |
| Employer Contribution | (15.09) | (30.57) |
| Closing Net Defined Benefit Liability/ (Asset) - Current | 4,65.47 | 3,31.84 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| (v) Amount to be recognized in Balance Sheet and movement in net liability | | |
| Present Value of Funded Obligations | 11,76.87 | 10,28.85 |
| Fair Value of Plan Assets | 7,11.40 | 6,97.01 |
| Net (asset) / Liability - Current | 4,65.47 | 3,31.84 |
| (vii) Description of Plan Assets | | |
| Funds managed by Insurer | 100% | 100% |
| Grand Total | 100% | 100% |
| (viii) Actuarial Assumptions | | |
| Discount rate (p.a.) | 6.80% | 7.32% |
| Salary Escalation Rate (p.a.) | 10.75% | 10.75% |
| Attrition Rate (p.a.) | 5.00% | 5.00% |
| Expected rate of return on Plan Assets (p.a.) | 6.80% | 7.32% |
| Mortality Rate | Indian Assured Lives Mortality (2006-08) Ult | Indian Assured Lives Mortality (2006-08) Ult |

The discount rates are based on the benchmark yields available on government bonds at the valuation date with terms matching that of the liabilities and salary increases rates take into account inflation, Seniority, Promotion and other relevant factors.

| (ix) Assets liability comparison | 31-03-2020 | 31-03-2019 | 31-03-2018 | 31-03-2017 | 31-03-2016 |
|---|------------|------------|------------|------------|------------|
| Present value obligation at the end of the period | 11,76.87 | 10,28.85 | 8,70.54 | 7,94.77 | 6,41.18 |
| Plan assets | 7,11.40 | 6,97.01 | 6,64.18 | 5,89.81 | 4,52.62 |
| Surplus/(Deficit) | (4,65.47) | (3,31.84) | (2,06.36) | (2,04.96) | (1,88.56) |
| Experience adjustments on plan assets | 2.46 | 0.28 | 6.36 | (6.32) | (0.26) |

| (x) Expected Pay-out | As at 31st March 2020 | As at 31st March 2019 |
|-----------------------------|---|---|
| Year 1 | 2,22.80 | 1,74.74 |
| Year 2 | 62.48 | 98.08 |
| Year 3 | 73.79 | 57.77 |
| Year 4 | 1,20.89 | 66.64 |
| Year 5 | 76.10 | 1,10.78 |
| Next 5 years | 5,12.54 | 4,28.98 |

Average Duration of Defined Benefit Obligations - 6.30 years (31 March 2019: 6.32 years)

Project service costs for financial year 31 March 2021 is Rs. 88.65 Lakhs (31 March 2019: Rs. 76.18 Lakhs)

(xi) Effect of Change in Key Assumptions

Discount Rate

| | | |
|--------------------------------------|------------|-----------|
| Impact of increase in 100 bps on DBO | 11,02.90 | (9,65.05) |
| Impact of decrease in 100 bps on DBO | (12,60.91) | 11,01.06 |

Salary Escalation Rate

| | | |
|--------------------------------------|------------|-----------|
| Impact of increase in 100 bps on DBO | 12,55.18 | 10,96.45 |
| Impact of decrease in 100 bps on DBO | (11,06.36) | (9,67.81) |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|--|---|---|
| <p>The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.</p> | | |
| <p>(c) Other Long Term Employee Benefits :-</p> | | |
| <p>i) Leave Encashment:</p> | | |
| <p>The company also operates a non funded leave encashment scheme for its employees.</p> | | |
| <p>Other Long Term Employee Benefits (Leave encashment)– As per Actuarial Valuation on March 31, 2020:-</p> | | |
| <p>(i) Amount to be recognized in Balance Sheet and movement in net liability</p> | | |
| Present Value of Funded Obligations | 4,47.28 | 3,82.43 |
| Fair Value of Plan Assets | - | - |
| Net (asset) / Liability | 4,47.28 | 3,82.43 |
| <p>(ii) Actuarial Assumptions</p> | | |
| Discount rate (p.a.) | 6.80% | 7.32% |
| Salary Escalation Rate (p.a.) | 10.75% | 10.75% |
| Attrition Rate (p.a.) | 5.00% | 5.00% |
| <p>(iii) Effect of Change in Key Assumptions</p> | | |
| <p>Discount Rate</p> | | |
| Impact of increase in 100 bps on DBO | 4,17.63 | (3,43.03) |
| Impact of decrease in 100 bps on DBO | (4,81.60) | 3,90.07 |
| <p>Salary Escalation Rate</p> | | |
| Impact of increase in 100 bps on DBO | 4,79.27 | 3,88.61 |
| Impact of decrease in 100 bps on DBO | (4,18.99) | (3,43.85) |

The estimate of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotions and other relevant factors. The above information has been certified by the actuary and has been relied upon by the Auditors.

Exposure to Risks:

These plans typically expose the Company to actuarial risks such as: interest rate risk, longevity risk and salary risk.

Interest risk: A decrease in the Government Securities (G-Sec Bonds) interest rate will increase the plan liability.

Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at | As at |
|--|-----------------------------|-----------------------------|
| | 31 st March 2020 | 31 st March 2019 |

NOTE 35

RELATED PARTY TRANSACTIONS

A: Details of related parties:

(a) **Directors who held the office during the year:**

Mr. Ajit Thomas, Chairman
Mr. M.A.Alagappan
Mr. P.Shankar.I.A.S. (Retd.)
Mr. A.D.Bopana
Mrs. Shanthi Thomas
Mr. Habib Hussain
Mrs. Kavitha Vijay (w.e.f. 12th February 2020)

(b) **Key Management Personnel (KMP):**

Mr. M.N.Satheesh Kumar, President and CEO
Mr. A.Ramadas, Chief Financial Officer
Mr. Dileepraj.P, Company Secretary

(c) **Subsidiaries**

AVT Natural Europe Limited, UK (formerly known as 'AVT Tea Services Limited')
AVT Natural S.A. DE C.V
AVT Tea Services North America LLC (step down subsidiary)

Entities/Persons with whom transactions carried out during the year

(d) **Entities having significant influence over the reporting entity**

The Midland Rubber and Produce Company Limited
Neelamalai Agro Industries Limited

(e) **Entities with common control through board composition / shareholding**

AVT Gavia Foods Private Limited
The Nelliampathy Tea and Produce Company Limited
A V Thomas & Company Limited
Midland Corporate Advisory Services Private Limited
AVT McCormick Ingredients Private Limited
Midland Charitable Trust
AVT Leather Inc.

(f) **Relatives of the directors**

Mr. Rahul Thomas

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

B. Details of related party transactions during the year ended 31 March, 2020

(All amounts are in Rs. lakhs unless otherwise stated)

| S. No. | Particulars | Entities having significant influence | | Subsidiary - AVT Natural Europe Limited, UK (formerly known as 'AVT Tea Services Limited') | | Subsidiary - AVT Natural SA DE CV | | Directors and other relatives | | Key Management Personnel (KMP) | | Entities with common control through board composition / shareholding | |
|--------|---|---------------------------------------|-----------|--|-----------|-----------------------------------|-----------|-------------------------------|-----------|--------------------------------|-----------|---|-----------|
| | | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | Transactions during the year. | | | | | | | | | | | | |
| 1 | Purchase of finished goods/raw materials | 26.56 | 107.26 | 4,14.62 | 21,30.31 | - | - | - | - | - | - | 1,31.15 | 1,36.89 |
| 2 | Sale of goods / consumables and ingredients | 1,85.45 | - | 41,53.48 | 48,84.42 | 4,05.62 | - | - | - | - | - | 73.23 | 37.62 |
| 3 | Freight & Transport Expenses | - | - | - | - | - | - | - | - | - | - | 2,75.96 | 2,38.47 |
| 4 | Dividend Paid | 4,77.70 | 421.82 | - | - | - | - | 8.31 | 7.39 | - | - | 27.41 | 24.37 |
| 5 | Expense reimbursement from related party | 0.14 | - | - | - | - | - | - | - | - | - | 21.61 | 26.64 |
| 6 | Expense reimbursement to related party | 13.11 | 0.23 | - | - | - | 1,70.53 | - | - | - | - | 18.91 | 12.12 |
| 7 | Sales Commission | - | - | 1,49.00 | 1,67.46 | - | - | - | - | - | - | - | - |
| 8 | Commission to Chairman | - | - | - | - | - | - | - | 29.60 | - | - | - | - |
| 9 | Director sitting fees | - | - | - | - | - | - | 8.45 | 4.79 | - | - | - | - |
| 10 | Professional fees | - | - | - | - | - | 30.20 | - | - | - | - | - | - |
| 11 | Fee for Technical services | - | - | 69.11 | 47.68 | - | - | - | - | - | - | - | - |
| 12 | Investment made in Subsidiary company during the current year | - | - | - | - | 27.21 | 7.62 | - | - | - | - | - | - |
| 13 | Donation | - | - | - | - | - | - | - | - | - | - | 50.00 | - |
| 14 | Remuneration* | - | - | - | - | - | - | 61.87 | 45.74 | 1,90.58 | 1,79.18 | - | - |

Outstanding Balances at the year end

| S.No. | Particulars | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
|-------|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1 | Trade receivables | - | 0.03 | 3,96.07 | 3,86.55 | 1,33.30 | - | - | - | - | - | 0.43 | 4.13 |
| 2 | Trade payables | 0.15 | 2.08 | 36.44 | 2,50.49 | - | - | - | - | - | - | 56.40 | 82.79 |
| 3 | Investments | - | 2.05 | 9,40.63 | 9,40.63 | 34.83 | 7.62 | - | - | - | - | - | 78.02 |

* The above figures do not include provisions for compensated leave and gratuity.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|---|--------------------------------------|--------------------------------------|
| NOTE 36 | | |
| COMMITMENTS AND CONTINGENCIES | | |
| a) On account of Sales Tax matters in dispute: (against which Rs.71.23 lakhs has been paid in the past 31 March 2019: against which Rs.71.23 lakhs has been paid in the past) | 71.43 | 71.23 |
| b) On account of Service Tax matters in dispute: (against which Nil has been paid in the past 31 March 2019: against which Rs.21.36 lakhs has been paid in the past) | 13,37.84 | 14,31.54 |
| c) On account of Customs Duty matters in dispute: | 30.00 | - |
| d) Corporate Guarantee given for Subsidiaries Company has given a Corporate Guarantee to a Bank for a loan to the Subsidiaries* (31 March 2020: US \$ 4 Million; 31 March 2019: US \$ 4 Million) | 29,92.80 | 27,78.40 |
| * Exchange rates used as on reporting date 31 March 2020 | | |
| Capital Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account net of capital advances and not provided for is Nil (31 March 2019: Rs. Nil). | | |
| NOTE 37 | | |
| LEASES | | |
| Company as a lessee | | |
| The Company has taken on lease equipment and warehouses. Most of the leases include renewal and escalation clauses. Lease rent expenses were Rs. 425.39 Lakhs and Rs. Rs. 364.65 Lakhs for the years ended March 31, 2020 and March 31, 2019, respectively. | | |
| The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2020 on an undiscounted basis: | | |
| Ind AS 116 - Lease liabilities | | |
| Due within one year | 59.24 | - |
| Due in a period between one year and five years | 2,36.96 | - |
| Due after five years | 1,92.53 | - |
| Total minimum lease commitments | 4,88.73 | - |
| Finance Lease - Company as a lessee | | |
| Due within one year | - | 97.95 |
| Due in a period between one year and five years | - | 2,55.43 |
| Due after five years | - | 1,33.37 |
| Total minimum lease commitments | - | 4,86.75 |
| Operating Lease - Company as a lessee | | |
| Due within one year | - | 3.18 |
| Due in a period between one year and five years | - | 10.22 |
| Due after five years | - | - |
| Total minimum lease commitments | - | 13.40 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 38

RESEARCH AND DEVELOPMENT EXPENDITURE :

Expenditure incurred at R&D Centres approved by Department of Scientific and Industrial Research (DSIR) eligible for Weighted deduction under the Income Tax Act

| a) Revenue Expenditure | 31 March 2020 | | 31 March 2019 | |
|--|----------------|----------------|----------------|----------------|
| | Vazhakulam | Bangalore | Vazhakulam | Bangalore |
| Salaries, Wages and Bonus | 2,12.92 | 91.11 | 1,94.29 | 92.64 |
| Contribution to Provident and other Funds | 27.52 | 7.00 | - | - |
| Consumption of Stores, Spares & Packing Materials | 39.13 | - | 29.90 | - |
| Product Development Expense | - | 44.97 | - | 18.77 |
| Others | 3.66 | - | 6.35 | - |
| (A) | 2,83.23 | 1,43.08 | 2,30.54 | 1,11.41 |
| b) Capital Expenditure | | | | |
| Plant and Machinery | 13.30 | 5.84 | 9.32 | - |
| Office Equipment | - | 1.56 | - | 13.65 |
| Buildings | - | - | - | 10.37 |
| (B) | 13.30 | 7.40 | 9.32 | 24.02 |
| Total [(A) + (B)] | 2,96.53 | 1,50.48 | 2,39.86 | 1,35.43 |

NOTE 39

OTHER REGULATORY MATTERS BY THE COMPANY

Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:

| Particulars | As at | As at |
|---|-----------------------------|-----------------------------|
| | 31 st March 2020 | 31 st March 2019 |
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | 24.09 | 36.44 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | 6.25 | 5.06 |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | - | - |
| (iv) The amount of interest accrued and remaining unpaid at the end of the accounting year | 6.25 | 5.06 |
| (v) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | 0.71 | - |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

NOTE 40

GUARANTEE GIVEN BY THE COMPANY

Bank Guarantees of Rs.48.78 Lakhs (31 March 2019: Rs.51.65 Lakhs) have been given by the company to various government authorities & other parties. These guarantees were issued against the margin money kept with bank of Rs. 25.00 Lakhs (31 March 2019: Rs. 59.45 Lakhs) made with the bank.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 41

FAIR VALUE MEASUREMENT

Financial Instruments by category

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed.

Financial assets and liabilities

| Particulars | 31-Mar-20 | | | 31-Mar-19 | | |
|--|----------------|----------------|-----------------|---------------|----------------|-----------------|
| | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| Financial assets (other than investment in subsidiary): | | | | | | |
| Non Current | | | | | | |
| Investments* | - | 1.00 | - | - | 1.00 | - |
| Other financial assets | - | - | 2,51.96 | - | - | 2,51.64 |
| Current | | | | | | |
| Investments | 7,56.72 | | | 701.90 | - | - |
| Trade Receivables | - | - | 73,00.19 | - | - | 71,99.71 |
| Cash and Cash Equivalents | - | - | 11,91.42 | - | - | 6,63.23 |
| Bank Balances other than Cash & Cash Equivalents | - | - | 2,11.27 | - | - | 2,04.11 |
| Loans | - | - | 21.61 | - | - | 11.75 |
| Other financial assets | - | - | 53.47 | - | 1,40.73 | 45.63 |
| Total | 7,56.72 | 1.00 | 90,29.92 | 701.90 | 1,41.73 | 83,76.07 |
| Financial liabilities: | | | | | | |
| Borrowings - Non Current | - | - | 10,50.00 | - | - | 15,91.15 |
| Lease liabilities - Non-current | | | 3,57.65 | | | - |
| Borrowings - Current | - | - | 7,50.00 | - | - | 45,66.77 |
| Lease liabilities - Current | | | 33.49 | | | - |
| Trade Payables | - | - | 22,30.89 | - | - | 28,24.57 |
| Other financial liabilities - Current | - | 3,73.45 | 8,48.37 | - | - | 6,97.76 |
| Total | - | 3,73.45 | 52,70.40 | - | - | 96,80.25 |

* Does not include investments in subsidiary companies at cost.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 42

FAIR VALUE HIERARCHY

A.1 Fair value of Financial Instruments measured through FVTPL:

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2020:

| | Notes | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|-------|---------|---------|---------|---------|
| Investment in Mutual Funds | A.2 | 7,56.72 | - | - | 7,56.72 |

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2019:

| | | | | | |
|----------------------------|-----|---------|---|---|---------|
| Investment in Mutual Funds | A.2 | 7,01.90 | - | - | 7,01.90 |
|----------------------------|-----|---------|---|---|---------|

A.2 Valuation inputs and relationship to fair value

The fair value of investment in mutual funds is determined using the Net Asset Value (NAV) per unit at the balance sheet date.

B.1 Fair value of Financial Instruments measured through FVTOCI:

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2020:

Derivatives designated as hedges - Asset

| | | | | | |
|--------------------------------------|-----|---|---|------|------|
| - Foreign exchange forward contracts | B.2 | - | - | - | - |
| - Investment in Equity Shares | B.2 | - | - | 1.00 | 1.00 |

Derivatives designated as hedges - Liabilities

| | | | | | |
|--------------------------------------|-----|---|---------|---|---------|
| - Foreign exchange forward contracts | B.2 | - | 3,73.45 | - | 3,73.45 |
|--------------------------------------|-----|---|---------|---|---------|

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2019:

Derivatives designated as hedges - Asset

| | | | | | |
|--------------------------------------|-----|---|---------|------|---------|
| - Foreign exchange forward contracts | B.2 | - | 1,40.73 | - | 1,40.73 |
| - Investment in Equity Shares | B.2 | - | - | 1.00 | 1.00 |

Derivatives designated as hedges - Liabilities

| | | | | | |
|--------------------------------------|-----|---|---|---|---|
| - Foreign exchange forward contracts | B.2 | - | - | - | - |
|--------------------------------------|-----|---|---|---|---|

B.2 Valuation inputs and relationship to fair value

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date. In respect of the investment in equity share, considering the nature of the investment, fair value is considered close to the carrying value by the management

C. Fair value of Financial Instruments measured at amortised cost :

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables, loans, borrowings-current, financial liabilities and assets the management considers that the carrying amount of assets and liabilities recognised at amortised cost in financial statements is approximate to their fair value.

Financial instruments carried at fair value as at March 31, 2020 is Rs.7,57.72 lakhs and financial instruments carried at amortised cost as at March 31, 2020 is Rs.90,29.92 lakhs. A significant part of the financial assets are classified

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

as Level 1 having fair value of Rs.7,56.72 lakhs as at March 31, 2020. The fair value of these assets is marked to an active market which factors the uncertainties arising out of COVID-19. The financial assets carried at fair value by the Company are mainly investments in mutual funds wherein the uncertainties arising out of COVID-19 which are based on net asset value as at 31 March 2020. The company also has investment in unlisted shares of Rs. 1.00 Lakhs which is valued based on Level category 3, as per Ind AS 113 - Fair value, which is subject to volatility. Financial assets of Rs.14,02.69 lakhs as at March 31, 2020 carried at amortised cost is in the form of cash and cash equivalents, bank deposits and earmarked balances with banks where the Company has assessed the counterparty credit risk. Trade receivables, loans and other financial assets of Rs.73,75.27 lakhs as at March 31, 2020 forms a significant part of the financial assets carried at amortised cost, which is valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit loss, we have considered the likelihood of increased credit risk and consequential default considering emerging situations due to COVID-19. This assessment is not based on any mathematical model but an assessment considering the nature of verticals, impact immediately seen in the demand outlook of these verticals and the financial strength of the customers in respect of whom amounts are receivable. Basis this assessment, the allowance for doubtful trade receivables of Nil lakhs as at March 31, 2020 is considered adequate.

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

D. Valuation inputs and relationship to fair value

There are no material level 3 fair value measurements in respect of the financial assets and liabilities of the company.

NOTE 43

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed by the senior management in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by professionals who have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

(A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2020 and 31 March 2019.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at 31 March 2020.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2020 and 31 March 2019 including the effect of hedge accounting.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations with fixed & floating interest rates.

Sensitivity Analysis of the Interest Rate

Profit or loss is sensitive to higher/lower interest expense from borrowings at the floating rate as a result of change in interest rates.

| | Effect on profit before tax in Rs. lakhs | |
|----------------|--|-----------|
| | 31-Mar-20 | 31-Mar-19 |
| 100bp increase | (7.50) | (45.67) |
| 100bp decrease | 7.50 | 45.67 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company manages its foreign currency risk by using foreign currency forward contracts.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

(1) Foreign Currency Risk Exposure

The Company exposure to foreign currency risk at the end of the year expressed in Rs. as follows:

| | Amount in foreign currency | | Amount in Rs. | |
|-------------------------------|----------------------------|-----------|---------------|-----------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | In '000 | | Rs. In Lakhs | |
| Financial Assets | | | | |
| Trade Receivables - USD | 90,89.80 | 101,63.69 | 67,97.22 | 69,58.06 |
| Trade Receivables - GBP | - | - | - | - |
| Derivative assets | | | | |
| Forward Cover Contracts - USD | 51,70.40 | 64,30.50 | 38,68.49 | 44,02.32 |
| Financial Liabilities | | | | |
| Trade Payables - USD | 2,81.05 | 8,82.39 | 2,13.49 | 6,12.91 |
| Trade Payables - GBP | 5.21 | 6.20 | 4.88 | 5.64 |
| Other Payables - SGD | 1.99 | 38.45 | 1.07 | 19.79 |
| Other Payables - CHF | - | 0.90 | - | 0.63 |
| Net Exposure - USD | 36,38.35 | 28,50.80 | 27,15.24 | 19,42.83 |
| Net Exposure - GBP | (5.21) | (6.20) | (4.88) | (5.64) |
| Net Exposure - SGD | (1.99) | (38.45) | (1.07) | (19.79) |
| Net Exposure - CHF | - | (0.90) | - | (0.63) |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(2) Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, GBP, SGD & CHF exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

| Sensitivity Analysis | Effect on profit before tax in Rs. lakhs | |
|----------------------------|--|-----------|
| | 31-Mar-20 | 31-Mar-19 |
| USD Exposure in Rs. | | |
| 1% -Strengthening | 27.15 | 19.43 |
| 1% -Weakening | (27.15) | (19.43) |
| GBP Exposure in Rs. | | |
| 1% -Strengthening | (0.05) | (0.06) |
| 1% -Weakening | 0.05 | 0.06 |
| SGD Exposure in Rs. | | |
| 1% -Strengthening | (0.01) | (0.20) |
| 1% -Weakening | 0.01 | 0.20 |
| CHF Exposure in Rs. | | |
| 1% -Strengthening | - | (0.01) |
| 1% -Weakening | - | 0.01 |

Impact of hedging activities

(a) Disclosure of effects of hedge accounting on financial position :

The following are outstanding foreign currency forward contracts, which have been designated as cash flow hedges:

| | Number of contracts | Notional amount of contracts (Rs. In Lakhs) | Fair value (Amount in Lakhs) |
|------------------|---------------------|---|------------------------------|
| 31-Mar-20 | | | |
| US Dollar | 172 | 93,94.28 | (3,73.45) |
| 31-Mar-19 | | | |
| US Dollar | 99 | 44,02.32 | 1,40.72 |

For notional amount of contracts, amounts in foreign currency are converted at 31 March 2019 and 31 March 2018 rate respectively.

Movements in Cash Flow Hedge Reserve

| Derivative Instruments | Foreign Exchange Forward Contracts |
|---|------------------------------------|
| (i) Cash Flow Hedge Reserve | |
| As at 1 April 2018 | (25.30) |
| Add: Changes in discounted spot element of foreign exchange forward contracts (net of deferred tax) | 30.99 |
| As at 31st March 2019 | 5.69 |
| Add: Changes in discounted spot element of foreign exchange forward contracts (net of deferred tax) | (2,07.51) |
| As at 31st March 2020 | (2,01.82) |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(c) Commodity price risk

The prices of agricultural commodities are subject to fluctuations due to various factors. In the ordinary course of business, the company is exposed to commodity price risk to the extent its open sales are not balanced by the purchase contracts and inventory. The company has in place in a risk management policy to manage such risk by hedging the sales by direct purchases of the commodity and strategic stocking policies.

(B) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness' of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. The Company is exposed to credit risk to credit risk from its operating activities (primarily trade receivables) and from its financing activity, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(a) Trade receivables

Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are set with approvals on the basis of the defined policies. Outstanding customer receivables are regularly monitored and exposures are kept within the credit limits fixed for each customer.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|-----------|-----------|
| No of Customers to whom Sales made is more than 10% of the Turnover | 2 | 4 |
| Contribution of Customers in Sales more than 10% of Turnover | 33.97% | 64.00% |

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|-----------|-----------|
| No of Customers who owed more than 10% of the Total receivables | 3 | 2 |
| Contribution of Customers in owing more than 10% of Total receivables | 39.36% | 48.90% |

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous company's and assessed for impairment collectively. The calculation is based on exchange losses historical data. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

(b) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2020 and 31 March 2019 is the carrying amounts as mentioned in Notes.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(C) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and lease liabilities. Approximately, 43% of the Company's debt will mature in less than one year at 31 March 2020 (31 March 2019: 75% Company's debt will mature in less than one year) based on the carrying value of borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| | On demand | "Less than 3 months" | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---------------------------------------|-----------|----------------------|----------------|--------------|-----------|----------|
| Year ended 31 March 2020 | | | | | | |
| Interest-bearing loans and borrowings | 7,50.00 | 1,50.00 | 1,50.00 | 10,50.00 | - | 21,00.00 |
| Lease liabilities | - | 14.81 | 44.43 | 2,36.96 | 1,92.53 | 4,88.73 |
| Other financial liabilities | 1,29.57 | 1,51.06 | 6,41.19 | - | - | 9,21.82 |
| Trade and other payables | - | 22,30.89 | - | - | - | 22,30.89 |
| Year ended 31 March 2019 | | | | | | |
| Interest-bearing loans and borrowings | 45,66.77 | - | 3,30.62 | 14,02.00 | 1,89.15 | 64,88.54 |
| Other financial liabilities | 1,44.42 | 9.70 | 2,13.02 | - | - | 3,67.14 |
| Trade and other payables | - | 28,24.57 | - | - | - | 28,24.57 |

NOTE 44

CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by fund attributable to Equity Shares Holders. The company includes within net debt, interest bearing loans and borrowings less cash and short-term deposits and current investments.

| | | |
|--|------------------|-----------|
| | 31-Mar-20 | 31-Mar-19 |
| | Rs. lakhs | Rs. lakhs |
| Interest-bearing borrowings (Refer Note No. 15) | 21,00.00 | 64,88.54 |
| Interest bearing lease liabilities (Refer Note No. 16) | 3,91.14 | - |
| Less: cash and short-term deposits (Refer Note No. 11) | 11,91.42 | 6,63.23 |
| Less: current investments (Refer Note No. 6) | 7,56.72 | 7,01.90 |
| Net debt | 5,43.00 | 51,23.41 |
| Equity (Refer Note No. 13) | 15,22.84 | 15,22.84 |
| Reserves (Refer Note No. 14) | 273,44.18 | 246,34.59 |
| Total capital | 288,67.02 | 261,57.43 |
| Gearing ratio | 2% | 20% |

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 45

LOWER RATE OF INCOME TAX

The Taxation Laws (Amendment) Ordinance, 2019 was promulgated on September 20, 2019. The ordinance amends the Income Tax Act, 1961 and the Finance (No. 2) Act, 2019 by inserting section 115BAA which provides domestic companies with an option to opt for lower tax rates, provided they do not claim certain deductions. The Company has elected to exercise the option and has accordingly recognised Provision for Income Tax for the year ended March 31, 2020 and remeasured Deferred Tax Assets at the lower tax rate prescribed in the said section. This change which has been recognised in the statement of profit and loss in the current year and has reduced provision for taxation by Rs. 5,72.47 Lakhs.

NOTE 46

UNCERTAINTIES RELATED TO COVID 19

The management has considered the possible effects, if any, that may result from the pandemic relating to COVID 19 on the carrying amounts of property, plant and equipment, investments, trade receivables and inventories. In developing the assumptions and estimates relating to uncertainties as at the balance sheet date in relation to recoverable amounts of these assets, the management has considered the global economic conditions prevailing as at the date of approval of these financial results and has used internal and external source of information to the extent determined by it. The actual outcome of these assumptions and estimates may vary in future due to the impact of the pandemic.

NOTE 47

PLANT OPERATIONS

The Company's units which had to suspend operations temporarily, due to Government's directives relating to COVID 19, have since resumed partial operations in April 2020 and full operations since May 2020, as per the guidelines and norms prescribed by the government authorities.

NOTE 48

DEPOSITS AND ADVANCES IN THE NATURE OF LOANS TO SUBSIDIARIES & OTHERS:

(Amounts in Rs. lakhs)

| Particulars | 31-Mar-20 | | 31-Mar-19 | |
|------------------------------------|--|---------------------|---|---------------------|
| | Maximum amount outstanding during the year | Balance Outstanding | Maximum amount outstanding during the previous year | Balance Outstanding |
| AVT Tea Services Limited | - | - | - | - |
| AVT Tea Services North America LLC | - | - | - | - |
| AVT Natural S.A. DE C.V | - | - | - | - |
| Others* | - | - | - | - |

* There were no deposits and advances in the nature of loans made by company to the firms/companies in which directors are interested.

NOTE 49

The list of investments in subsidiaries are as given below:

The parent's subsidiaries at March 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held by the group and the effective ownership of the group is enumerated in the table below. The country of incorporation or registration is also their principal place of business.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| International Subsidiaries | Country of Incorporation | Held directly by Parent or through its subsidiaries & Effective Holding | |
|---|--------------------------|---|-----------|
| | | 31-Mar-20 | 31-Mar-19 |
| AVT Natural Europe Limited, UK (formerly known as 'AVT Tea Services Limited') | United Kingdom | 100% | 100% |
| AVT Tea Services North America LLC | USA | 100% | 100% |
| AVT Natural S.A. DE C.V | Mexico | 100% | 100% |

NOTE 50

NEW SUBSIDIARY COMPANY FORMED

The Company has formed a new step down subsidiary company by name of AVT Natural North America Inc - USA on 25 March 2020, where capital is yet to be infused as at the balance sheet date.

NOTE 51

SUBSEQUENT EVENT

Dividends paid during the year 2019-20 represent 20% final dividend for the financial year 2018-19 (Rs.3,67.17 Lakhs inclusive of DDT) and interim dividend of 25% declared in the financial year 2019-20 (Rs.4,58.97 Lakhs inclusive of DDT).

The dividends declared by the Company are in Indian Rupees and are based on the profits available for distribution as reported in the statutory financial statements of the Company. Subsequent to March 31, 2020, the Board of Directors of Company have proposed a final dividend of Re. 0.35 per share (35%) in respect of financial year 2019-20. The proposal is subject to the approval of shareholders at the Annual General Meeting, and if approved, would result in a cash outflow of approximately Rs. 5,32.99 Lakhs.

NOTE 52

Figures for the previous periods have been regrouped / reclassified to conform to the classification of the current period.

See accompanying notes to the financial statements

As per our report of even date attached

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAEQ8357

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

A. Ramadas

Sr. Vice President & CFO

M.A. Alagappan

Director

M N Sathesh Kumar

President & CEO

For and on behalf of the board

Form AOC - 1

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

Statement containing salient features of the financial statements of subsidiaries

Part "A" : Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

| 1. | Sl. No. | 01 | | 02 | | 03 | |
|-----|---|--|---------------|---|---------------|---|--------|
| 2. | Name of Subsidiary | AVT Natural Europe Ltd., U.K. (formerly AVT Tea Services Ltd.,) | | AVT Natural S.A. DE C.V, Mexico | | AVT Tea Services North America LLC, U.S.A. (wholly owned subsidiary of AVT Natural Europe Ltd.,) | |
| 3. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 st April 2019 to 31 st March 2020 | | 1 st April 2019 to 31 st March 2020 | | 1 st April 2019 to 31 st March 2020 | |
| 4. | Reporting currency and Exchange rate as on the last date of the relevant Financial Year in the case of foreign subsidiaries | US\$ - Reporting Currency (1\$ = ₹ Rs. 74.82) | In Rs. | MXN Peso- Reporting Currency (1\$ mxn = ₹ Rs. 3.1689) | In Rs. | USD-Reporting Currency (1\$ USD = ₹ Rs. 74.82) | In Rs. |
| 5. | Share Capital | \$ 1,526,702 | 11,42,27,844 | \$ 948,255 | 30,04,925 | \$ 1,000 | 74,820 |
| 6. | Reserves & Surplus | \$ (1,221,282) | (9,13,76,319) | \$ (10,576,403) | (3,35,15,563) | \$ 1,000 | 74,820 |
| 7. | Total Assets | \$ 2,948,623 | 22,06,15,973 | \$ 12,385,821 | 3,92,49,428 | - | - |
| 8. | Total Liabilities | \$ 2,645,009 | 19,78,99,573 | \$ 22,186,892 | 7,03,08,042 | - | - |
| 9. | Investments | \$ 1,000 | 74,820 | - | - | - | - |
| 10. | Turnover | \$ 8,477,257 | 60,73,10,763 | \$ 6,432,592 | 2,17,42,161 | - | - |
| 11. | Profit before taxation | \$ 127,677 | 1,19,92,939 | \$ (9,842,527) | (3,32,64,747) | - | - |
| 12. | Provision for taxation | \$ 6,278 | 4,49,756 | - | - | - | - |
| 13. | Profit after taxation | \$ 121,399 | 1,15,43,183 | \$ (9,842,527) | (3,32,64,747) | - | - |
| 14. | Proposed Dividend | - | - | - | - | - | - |
| 15. | % of shareholding | 100 | 100 | 100 | 100 | 100 | 100 |

Note: AVT Natural North America Inc. (wholly owned subsidiary of AVT Natural Europe Limited) incorporated on 25.03.2020 and do not have any financials to report as on 31.03.2020

For and on behalf of the board

Ajit Thomas
Chairman

M.A. Alagappan
Director

Place: Chennai
Date : 29th July 2020

Dileepraj. P
Company Secretary

A. Ramadas
Sr. Vice President & CFO

M N Satheesh Kumar
President & CEO

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

| Particulars | 2015-2016 | 2016-2017 | 2017-2018 # | 2018-2019 # | 2019-2020 # |
|------------------------------------|-----------|-----------|-------------|-------------|------------------|
| Sales and Services (Rs.Lakhs) | 267,30.80 | 307,85.62 | 300,22.41 | 330,39.54 | 385,00.33 |
| Net Profit after OCI (Rs.Lakhs) | 23,26.03 | 27,22.04 | 21,50.60 | 20,21.03 | 37,30.96 |
| Net Worth (Rs.Lakhs) | 209,62.99 | 235,49.65 | 248,08.56 | 261,57.43 | 288,67.02 |
| Fixed Assets (Rs.Lakhs) | 59,01.81 | 57,42.92 | 84,46.85 | 98,23.43 | 99,19.68 |
| Interim Dividend % | 20 | 20 | 20 | 20 | 25 |
| Final Dividend % | 20 | 20 | 20 | 20 | 35* |
| Interim Dividend Amount (Rs.Lakhs) | 3,04.57 | 3,04.57 | 3,04.57 | 3,04.57 | 3,80.71 |
| Final Dividend Amount (Rs.Lakhs) | 3,04.57 | 3,04.57 | 3,04.57 | 3,04.57 | ** |
| Earnings per share (Rs.) | 1.53 | 1.79 | 1.41 | 1.33 | 2.45 |
| Interim Dividend per share (Rs.) | 0.20 | 0.20 | 0.20 | 0.20 | 0.25 |
| Final Dividend per share (Rs.) | 0.20 | 0.20 | 0.20 | 0.20 | 0.35 |
| Book value per share (Rs.) | 13.77 | 15.46 | 16.29 | 17.18 | 18.96 |
| Return on Networth (%) | 11.10 | 11.56 | 8.67 | 7.73 | 12.92 |
| PAT/Sales (%) | 8.70 | 8.84 | 7.16 | 6.12 | 9.69 |
| Fixed Assets Turnover (times) | 4.53 | 5.36 | 3.55 | 3.36 | 3.88 |

Financial year 2017-18, 2018-19 and 2019-20 are stated as prepared under Ind AS.

* Final dividend of 35% subject to approval of the shareholders at the ensuing Annual General Meeting.

** Proposed dividend on Equity Shares has not been recognised as a distribution of profit in the current year accounts.

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CONSOLIDATED STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the members of AVT Natural Products Limited, Chennai

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of AVT Natural Products Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated Balance Sheet as at 31 March 2020, and the consolidated statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated cash flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on financial statements and on the other financial information of the subsidiaries, 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 accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2020, and their consolidated profit, consolidated total comprehensive income, its consolidated statement

of changes in equity and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained and evidence obtained by other auditors in terms of their reports referred to in the 'Other Matters' paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matter

Key audit matter are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

We have determined the matters described below to be the key audit matter to be communicated in our report.

| Sl. No. | Key audit matters | How our audit addressed the key audit matter |
|---------|--|---|
| 1. | <p>Revenue recognition:</p> <p>Revenue from sale of goods is recognized when the control of the goods has transferred to the customer and when there are no longer any unfulfilled obligations to the customer.</p> <p>Disclosure note 22 and the accounting policies provide additional information on how the Company accounts for its revenue in compliance with Ind AS 115.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considering the appropriateness of the Company's accounting policies regarding to revenue recognition, by comparing with applicable accounting standards. • Testing the design, implementation and operating effectiveness of the Company's general IT controls and key IT/manual application controls over the Company's systems which govern recording of revenue in the general ledger accounting system. • Performing substantive testing (including year- end cut-off testing) by selecting samples of revenue transactions recorded during the year (also before and after the financial year end) by verifying the underlying documents, which include sales invoices/contracts and shipping documents. • Selecting a sample on test check basis of revenue transactions and contracts with customers to re- check that sales accounting was calculated in accordance with the contract conditions. • Selecting a sample of credit note issued to the customers during the year and verifying the same is in accordance with terms of agreement with the customers. • Performed data analytical procedures to identify and evaluate a sample of manual journal entries. • Traced disclosure information to accounting records and other supporting documentation. |

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Company's management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Director's report and Management Discussion and Analysis Report but does not include the standalone and consolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 the 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 Board of Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group 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 Group 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 are also responsible for overseeing the financial reporting process of each company.

Auditors' Responsibilities 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 auditors' 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to the consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group 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 to express an opinion on the consolidated financial statements. For the entities 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 believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

- (a) We did not audit the financial statements / financial information of two subsidiary companies, whose financial statements / financial information reflect total assets of Rs.2,593.40 lakhs and net assets of Rs.(88.66) lakhs as at 31 March 2020, total revenues of Rs.6,290.53 lakhs and net cash flows amounting to Rs.154.96 lakhs for the year ended on that date, as

considered in the consolidated financial statements. These financial statements / financial information has been audited by other auditors whose reports has 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.

- (b) We did not audit the financial statements / financial information of one step down subsidiary company, whose financial statements / financial information reflect total assets of Nil and net assets of Nil as at 31 March 2020, total revenues of Nil and net cash flows amounting to Nil for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information 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 one step down subsidiary company, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

The above subsidiary companies are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors or local management certified under generally accepted auditing standards applicable in its respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors, management certified accounts and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated financial statements, 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 work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit and on the consideration of report of other auditors on separate financial statements and other financial information of subsidiary companies as noted in the 'Other matters' paragraph, we report, to the extent applicable, 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 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 Statement of Changes in Equity and the Consolidated Cash Flow Statement 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 Indian Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies incorporated in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to adequacy of the internal financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our

information and according to the explanations given to us and based on the consideration of the reports of the other auditors on consolidated financial statements as also the other financial information of the subsidiary companies as noted in the 'Other Matters' paragraph:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 36 to the consolidated financial statements.
 - 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 – Refer Note 43 to the consolidated financial statements in respect of such items as it relates to the Group
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
2. With respect to the matter to be included in the Auditor's report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act.

For **PKF Sridhar & Santhanam LLP**,
Chartered Accountants
Firm's Registration No.003990S/S200018

T.V. Balasubramanian
Partner

Place : Chennai Membership No : 027251
Date : 29th July 2020 UDIN: 20027251AAAAER5184

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 1(f) on 'Report on Other Legal and Regulatory Requirements' of our report of even date on the consolidated financial statements of AVT Natural Products Limited

Report on the Internal Financial Controls with reference to the aforesaid consolidated financial statements 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 financial statements of Limited (hereinafter referred to as "the Holding Company") as of and for the year ended 31st March 2020, we have audited the internal financial controls with reference to the financial statements of the Holding Company, as of that date. All the subsidiary companies are located outside India and hence internal financial controls with reference to the financial statements is reported only for the Holding Company.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Holding Company, are responsible for establishing and maintaining internal financial controls with reference to the financial statements 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 ("the ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements 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") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were 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 with reference to the consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 with reference to the consolidated financial statements.

Meaning of Internal Financial Controls with reference to consolidated financial statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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 with reference to consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial

statements to future periods are subject to the risk that the internal financial control with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Holding Company, have, in all material respects, adequate internal financial controls with reference to the consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to

financial statements criteria established by the respective companies considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **PKF Sridhar & Santhanam LLP,**
Chartered Accountants
Firm's Registration No.003990S/S200018

T.V. Balasubramanian
Partner

Place : Chennai Membership No : 027251
Date : 29th July 2020 UDIN: 20027251AAAAER5184

CONSOLIDATED BALANCE SHEET

(All amounts are in Rs. lakhs unless otherwise stated)

| | Note No. | As at 31 st March 2020 | As at 31 st March 2019 |
|--|-------------|--------------------------------------|--------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 96,08.87 | 98,26.83 |
| Capital work in progress | 4 | - | - |
| Right-of-use assets | 5 | 3,13.50 | - |
| Financial assets | | | |
| i) Investments | 6 | 1.00 | 1.00 |
| ii) Other financial assets | 7 | 2,55.73 | 2,51.64 |
| Other non-current assets | 8 | 3,58.48 | 4,54.17 |
| Total non-current assets | | 105,37.58 | 105,33.64 |
| Current assets | | | |
| Inventories | 9 | 122,50.34 | 143,77.12 |
| Financial assets | | | |
| i) Investments | 6 | 7,56.72 | 7,01.90 |
| ii) Trade receivables | 10 | 75,32.21 | 81,78.65 |
| iii) Cash and cash equivalents | 11 | 16,53.95 | 9,70.80 |
| iv) Bank balances other than cash and cash equivalents | 11A | 2,11.27 | 2,04.11 |
| v) Loans | 12 | 21.61 | 11.75 |
| vi) Other financial assets | 7 | 54.82 | 2,22.96 |
| Other current assets | 8 | 47,39.20 | 36,77.57 |
| Total current assets | | 272,20.12 | 283,44.86 |
| Total assets | | 377,57.70 | 388,78.50 |
| Equity | | | |
| Equity Share Capital | 13 | 15,22.84 | 15,22.84 |
| Other Equity | 14 | 259,62.32 | 236,39.05 |
| Total equity | | 274,85.16 | 251,61.89 |
| Non-current liabilities | | | |
| Financial Liabilities | | | |
| i) Borrowings | 15 | 10,50.00 | 15,91.15 |
| ii) Lease liabilities | 16 | 3,57.65 | - |
| Provisions | 17 | 3,40.49 | 3,31.69 |
| Deferred tax liabilities (net) | 18 | 3,28.31 | 7,05.58 |
| Total non-current liabilities | | 20,76.45 | 26,28.42 |
| Current liabilities | | | |
| Financial Liabilities | | | |
| i) Borrowings | 15 | 28,26.34 | 62,19.48 |
| ii) Trade payables | 19 | - | - |
| Total outstanding dues of micro enterprises and small enterprises | | 24.08 | 36.44 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 22,40.42 | 34,30.92 |
| iii) Lease liabilities | 16 | 33.49 | - |
| iv) Other financial liabilities | 20 | 12,23.32 | 7,11.65 |
| Other current liabilities | 21 | 10,76.87 | 1,34.95 |
| Provisions | 17 | 5,72.26 | 3,82.56 |
| Liabilities for current tax (net) | | 1,99.31 | 1,72.19 |
| Total current liabilities | | 81,96.09 | 110,88.19 |
| Total liabilities | | 102,72.54 | 137,16.61 |
| Total equity and liabilities | | 377,57.70 | 388,78.50 |
| Summary of significant accounting policies | 3 | | |

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAER5184

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

M.A. Alagappan

Director

A. Ramadas

Sr. Vice President & CFO

M N Satheesh Kumar

President & CEO

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(All amounts are in Rs. lakhs unless otherwise stated)

| | | Note No. | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|------|--|-------------|---|---|
| I | Revenue From Operations | 22 | 396,41.05 | 339,15.36 |
| II | Other Income | 23 | 6,98.99 | 4,09.78 |
| III | Total Income (I+II) | | 403,40.04 | 343,25.14 |
| IV | EXPENSES | | | |
| | Cost of materials consumed | | 169,43.76 | 181,53.13 |
| | Purchases of stock-in-trade | | 6,50.86 | 4,71.11 |
| | Changes in inventories of work-in-progress, stock-in-trade and finished goods | 24 | 14,63.28 | (32,45.67) |
| | Employee benefits expense | 25 | 50,54.54 | 46,43.69 |
| | Finance costs | 26 | 5,55.61 | 5,08.98 |
| | Depreciation and amortization expense | 27 | 13,72.41 | 10,85.32 |
| | Other expenses | 28 | 98,20.13 | 97,22.95 |
| | Total expenses (IV) | | 358,60.59 | 313,39.51 |
| V | Profit before tax (III-IV) | | 44,79.45 | 29,85.63 |
| VI | Tax expense: | | | |
| | (1) Current tax | | | |
| | - In respect of current year | 31 | 13,74.50 | 8,30.38 |
| | - In respect of prior year | | - | (1,00.00) |
| | (2) Deferred tax | 31 | (2,95.20) | 1,70.87 |
| VII | Profit for the year (V-VI) | | 34,00.15 | 20,84.38 |
| VIII | Other Comprehensive Income | | | |
| | A Items that will not be reclassified to profit or loss | | | |
| | (i) Remeasurement of the post-employment benefit obligations | | (48.79) | (89.28) |
| | (ii) Income tax relating to items that will not be reclassified to profit or loss | | 12.28 | 31.20 |
| | B Items that will be reclassified to profit or loss | | | |
| | (i) Exchange differences on translating the financial statement of foreign operations | | (6.72) | 4.15 |
| | (ii) Deferred gains / (losses) on cash flow hedges | | (2,77.30) | 47.64 |
| | (iii) Income tax relating to items that will be reclassified to profit or loss | 31 | 69.79 | (16.65) |
| | Other comprehensive Income for the year, net of tax | | (2,50.74) | (22.94) |
| IX | Total Comprehensive Income for the year (VII+VIII) | | 31,49.41 | 20,61.44 |
| X | Earnings per equity share: | | | |
| | Equity share of par value of Rs. 1 each | | | |
| | (1) Basic | 32 | 2.23 | 1.37 |
| | (2) Diluted | 32 | 2.23 | 1.37 |
| | Summary of significant accounting policies | 3 | | |

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAER5184

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

A. Ramadas

Sr. Vice President & CFO

M.A. Alagappan

Director

M N Satheesh Kumar

President & CEO

CONSOLIDATED CASH FLOW STATEMENT

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| A. Cash flow from operating activities | | |
| Profit before tax | 44,79.45 | 29,85.63 |
| Adjustments for: | | |
| Depreciation and amortisation expenses | 13,72.41 | 10,85.32 |
| (Profit) / Loss on sale of property, plant and equipment | 7.58 | - |
| Fair value gains recognised on investments | (54.82) | (47.05) |
| Dividend Income from Mutual Funds | - | (33.37) |
| Profit on Sale on Investments | - | (3.80) |
| Exchange differences on translating the financial statement of foreign operations | (6.72) | 4.15 |
| Interest Income | (35.82) | (12.48) |
| Interest Expense | 5,55.61 | 5,08.98 |
| Unrealised foreign exchange differences | (2,45.54) | 93.85 |
| Operating profit before working capital changes | 60,72.15 | 45,81.23 |
| Adjustments for working capital changes: | | |
| (Increase) / Decrease in inventories | 21,26.78 | (49,80.49) |
| (Increase) / Decrease in loans | (9.86) | (3.50) |
| (Increase) / Decrease in other current assets | (10,61.63) | (10,70.92) |
| (Increase) / Decrease in other current financial assets | 1,68.14 | (86.79) |
| (Increase) / Decrease in other non-current assets | 95.69 | 15,03.89 |
| (Increase) / Decrease in other non-current financial assets | (4.09) | (51.61) |
| (Increase) / Decrease in trade receivables | 9,00.51 | (19,36.11) |
| Increase / (Decrease) in other financial liabilities | 2,34.37 | 31.28 |
| Increase / (Decrease) in other liabilities | 9,41.92 | (1,76.84) |
| Increase / (Decrease) in trade payables | (12,11.39) | (1.14) |
| Increase / (Decrease) in provisions | 1,49.71 | 86.92 |
| | 84,02.30 | (21,04.08) |
| Net income tax paid (net) | (13,47.38) | (8,57.97) |
| Net cash (used) / generated in operating activities (A) | 70,54.92 | (29,62.05) |
| B. Cash flow from investing activities | | |
| Payments for purchase of property, plant & equipment | (14,48.25) | (20,41.04) |
| Proceeds from disposal of property, plant & equipment | 3.34 | - |
| Interest received during the year | 35.82 | 12.48 |
| Dividend received during the year | - | 33.37 |
| Proceeds from sale of investment in Mutual Funds (Net) | - | 23,58.64 |
| Repayment from bank balances not considered as cash and cash equivalents: | (7.16) | 9.31 |
| Net cash generated / (used in) from investing activities (B) | (14,16.25) | 3,72.76 |

CONSOLIDATED CASH FLOW STATEMENT (contd.)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| C. Cash flow from Financing activities* | | |
| Proceeds from term loan from banks | (1,50.00) | 15,00.00 |
| Payment of lease liabilities (including unwinding of interest) | (59.25) | - |
| (Repayment) / Proceeds from short term borrowings (net) | (33,93.14) | 26,12.22 |
| Interest Paid | (5,26.99) | (5,08.98) |
| Dividend Paid including dividend distribution tax | (8,26.14) | (7,34.35) |
| Net cash generated / (used in) from financing activities (C) | (49,55.52) | 28,68.89 |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | 6,83.15 | 2,79.60 |
| Cash and cash equivalents at the beginning of the year | 9,70.80 | 6,91.20 |
| Cash and cash equivalents at the end of the year (Refer note 11) | 16,53.95 | 9,70.80 |

Notes:

- 1 The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (IND AS 7) Statement of Cash Flows.
- 2 The figures in brackets represent cash outflow.
- 3 The accompanying notes are an integral part of these consolidated financial statements.

* Refer foot note no.3 under Borrowings (Note 15) for Net Debt Reconciliation.

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam** LLP

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAER5184

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

A. Ramadas

Sr. Vice President & CFO

M.A. Alagappan

Director

M N Satheesh Kumar

President & CEO

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st March 2020

(All amounts are in Rs. lakhs unless otherwise stated)

A. Equity Share Capital

| A. Equity Share Capital | Amount |
|---|-----------------|
| Balance as at 1st April 2018 | 15,22.84 |
| Changes in equity share capital during the year | - |
| Balance as at 31st March 2019 | 15,22.84 |
| Changes in equity share capital during the year | - |
| Balance as at 31st March 2020 | 15,22.84 |

B. Other Equity

| | Reserves and Surplus | | | | Other items of Other Comprehensive Income | | Total other equity |
|--|----------------------|------------------|-------------------|--------------------|---|--------------------------------------|--------------------|
| | Capital Reserve | General Reserve | Retained Earnings | Investment Subsidy | Cash flow Hedging Reserve | Foreign Currency Translation Reserve | |
| Balance as at 1st April 2018 | 0.35 | 196,02.86 | 26,20.73 | 99.02 | (25.30) | 14.30 | 223,11.96 |
| Profit for the year | - | - | 20,84.38 | - | - | - | 20,84.38 |
| Other comprehensive income net of tax for the year | - | - | (58.08) | - | 30.99 | 4.15 | (22.94) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | 99.02 | - | (99.02) | - | - | - |
| Dividends paid including dividend distribution tax | - | - | (7,34.35) | - | - | - | (7,34.35) |
| Balance as at 31st March 2019 | 0.35 | 207,01.88 | 29,12.68 | - | 5.69 | 18.45 | 236,39.05 |
| Profit for the year | - | - | 34,00.15 | - | - | - | 34,00.15 |
| Other comprehensive income for the year | - | - | (36.51) | - | (2,07.51) | (6.72) | (2,50.74) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | - | - | - | - | - | - |
| Dividends paid including dividend distribution tax | - | - | (8,26.14) | - | - | - | (8,26.14) |
| Balance as at 31st March 2020 | 0.35 | 217,01.88 | 44,50.18 | - | (2,01.82) | 11.73 | 259,62.32 |

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

As per our report of even date attached

For and on behalf of the board

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants
FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAER5184

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

Ajit Thomas

Chairman

A. Ramadas

Sr. Vice President & CFO

M.A. Alagappan

Director

M N Satheesh Kumar

President & CEO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020

1. General information

AVT Natural Products Limited (referred as the “the Holding Company”) and its subsidiaries (referred collectively as the “Group”) is primarily engaged in the business in the production, trading and distribution of Oleoresins and value added Teas.

The Group has its business operations mainly in India, USA and UK. The parent was incorporated on 12th March 1986 under the Indian Companies Act 1956. The address of its registered office is 60, Rukmani Lakshmipathy Salai Egmore, Chennai – 600 008. The Holding Company has its listings on the Bombay stock Exchange (BSE) and National Stock Exchange (NSE) in India.

The consolidated financial statements for the year ended March 31, 2020 were approved by the Board of Directors and authorised for issue on July 29, 2020.

2. Basis of Preparation

The financial statements of the Group have been prepared in accordance with Indian Accounting Standards (“Ind AS”) issued under Section 133 of the Companies Act, 2013 and notified by the Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and guidelines issued by the Securities and Exchange Board of India (SEBI), under the historical cost convention on the accrual basis except for certain items which are measured at fair values.

The accounting policies as set out below have been applied consistently except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in Division II of the Schedule III to the Companies Act 2013. Based on the nature of products and services and the time between the acquisition of assets for processing and their realization in cash and cash equivalent, the Group has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.1 Critical judgements & Estimates in applying accounting policies

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

Application of accounting policies that require critical accounting estimates and assumptions having the most significant effect on the amounts recognized in financial statements are as follows:

- **Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):**

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of inventories, trade receivables, property, plant and equipment and right of use assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Group, as at the date of approval of these financial statements has used internal sources of information, related information and economic forecasts. The Group has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

- **Useful lives of property, plant and equipment and intangible assets:**

The Group has estimated useful life of each class of assets based on the nature of assets, the estimated usage of the asset, the operating condition of the asset, past history of replacement, anticipated technological changes, etc. The Group reviews the carrying amount of property, plant and equipment and Intangible assets at the Balance Sheet date. This reassessment may result in change in depreciation expense in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

- **Taxation:**

Significant judgement is involved in determining the tax liability for the Group which includes interpretation of tax legislation, developments in case law and the potential outcomes of tax audits and appeals which may be subject to significant uncertainty. Also, there are many transactions and calculation during the ordinary course of business for which the ultimate tax determination is uncertain. Therefore the actual results may vary from expectations resulting in adjustments to provisions, the valuation of deferred tax assets, cash tax settlements and therefore the tax charge in the statement of profit or loss. Further judgement is involved in determining the deferred tax position on the balance sheet date.

- **Defined benefit plans:**

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each Balance Sheet date.

- **Provisions & Contingencies:**

Provisions and contingencies are based on the Group Management's best estimate of the liabilities based on the facts known at the balance sheet date.

From time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. A provision for litigation is made when it is considered probable that a payment will be made and the amount of the loss can be reasonably estimated. Significant judgment is made when evaluating, among other factors, the probability of unfavourable outcome and the ability to make a reasonable estimate of the amount of potential loss. Litigation provisions are reviewed at each accounting period and revisions made for the changes in facts and circumstances.

- **Provision against obsolete and slow-moving inventories**

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. The Group reassesses the estimation on each balance sheet date.

2.2 New standards notified and adopted by the Group:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing from 1 April 2019 :

- Ind AS 116, Leases, which replaces Ind AS 17 which was applicable earlier
- A number of other accounting standards have been modified on miscellaneous issues. Such changes include clarification/guidance on:
 - o business combination accounting in case of obtaining control of a joint operation;
 - o accounting in case of obtaining joint control of an operation wherein there was no joint control earlier;
 - o income tax consequences in case of dividends;
 - o accounting for income tax when there is uncertainty over income tax treatment of an item by tax authorities;
 - o accounting treatment for specific borrowings post capitalization of corresponding qualifying asset;
 - o accounting for prepayment features with negative compensation in case of debt instruments;
 - o accounting for plan amendment, curtailment or settlement occurring in-between the reporting periods in case of long-term employee benefit plans;
 - o accounting for long-term interests in associates and joint ventures to which the equity method is not applied but that in substance form part of the net investment in the associate or joint venture (long-term interests).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

The Group had changed its accounting policies following adoption of Ind AS 116. However, it did not have any significant impact on the financials as reported by the Group. None of the other amendments had any effect on the Group's financial statements.

2.3 Accounting standards notified but effective at a later date

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.

2.4 Functional and Presentation Currency

Items included in financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). Indian rupee is the functional currency of the Group.

The Financial Statements are presented in Indian Rupees which is Group's presentation currency. All financial information presented in Indian Rupees has been rounded to the nearest Lakhs with two decimals except where otherwise indicated.

2.5 Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of that entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intra-Group transactions, balances and unrealised gains on transactions between entities within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Summary of significant accounting policies

3.1 Property, plant and equipment:

a. Recognition and Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss based on cost model. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Cost also includes taxes and duties which are not refundable, freight and other direct or allocated expenses during construction period, net of any income earned. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent costs

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

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.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under 'Capital work-in-progress'. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the Statement of Profit and Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

Upon first-time adoption of Ind AS, the Holding Company had elected to measure all its property, plant and equipment at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1st April, 2016.

b. Depreciation:

With respect to Holding Company:

Tangible property, plant & equipment at Tiptur and Decaffeination / Instant Tea Plant at Vazhakulam are depreciated on Written Down Value Method by adopting the useful life & residual value specified in Schedule II of the Companies Act 2013. Other assets are depreciated on straight line method adopting the useful life & residual value specified in Schedule II of the Companies Act, 2013, except for in the case of electrical equipment and plant and machinery relating to Continuous Processing Plant at Vazhakulam for which useful life is based on technical evaluation. Assets costing individually less than Rs.5000/ are depreciated at 100%. Useful life considered for the Continuous Processing Plant at Vazhakulam based on technical estimate - 25 years and electrical equipment in Vazhakulam – 5 years.

Freehold land is not depreciated.

In respect of additions to /deletions from the property, plant and equipment, depreciation is provided on pro-rata basis with reference to the month of addition/deletion of the Assets.

No depreciation is provided for leasehold land since as per the lease agreements, these lease are renewable at the option of the Holding company with marginal payment of further premium.

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

With respect to subsidiary companies

Depreciation is provided on a straight line method as per table below

| Description of assets | Useful life of assets |
|------------------------|--|
| Office equipment | 3 years |
| Fixtures and fittings | 5 years |
| Leasehold improvements | 3 years (lease expires on 20 March 2025 with option to terminate on 20 March 2020) |

3.2 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial asset to determine whether there is any Indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest possible levels for which there are independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit and loss. Impairment losses recognized in respect of cash generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

3.3 Inventories

Inventories are valued as under:

a. Raw materials, Packing materials, Stores & Spares:

Valued at lower of cost or net realizable value and for this purpose cost is determined on weighted average basis except for tea which is valued based on first in first out (FIFO). The aforesaid items are valued below cost if the finished products in which they are to be incorporated are expected to be sold at a loss.

b. Work in Progress:

At cost or net realizable value, whichever is lower. Cost is determined on weighted average basis.

c. Stock - in - trade and Finished Goods

Valued at lower of cost or net realizable value and for this purpose cost is determined on weighted average basis.

Cost includes direct material cost, direct labour cost, taxes and duties other than duties and taxes for which credit is available, freight, other direct expenses and an appropriate proportion of variable and fixed overhead expenditure.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of the purchased inventory are determined after deducting rebates and discounts. Provision is made for obsolete, non-moving & defective stocks, wherever necessary.

3.4 Employee benefits - Retirement benefit costs and termination benefits

3.4.1 Defined Contribution Plans

Payment to defined contribution retirement benefit plans i.e. Provident Fund, pension costs & Superannuation Schemes are recognised as an expense in the statement of profit and loss when an employee have rendered service entitling them to the contributions. The provident fund and superannuation scheme are funded with an insurance Group in the form of a qualifying insurance policy.

3.4.2 Defined Benefit Plans

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on post-employment at 15 days salary (last drawn salary) for each completed year of service as per the rules of the Group. The aforesaid liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The scheme is funded with an insurance Group in the form of a qualifying insurance policy.

Remeasurement, comprising actuarial gains and losses 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 profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit cost are categorised as follows:

- Service cost (including current service cost, as well as gains and losses on curtailments and settlement)
- Net interest expense or income
- Remeasurement

The Group presents the first two components of defined benefit cost in profit or loss in the line item 'employee benefit expense'. Curtailment gains or losses are accounted for as past service cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3.4.3 Compensated Absences

The Holding Company has a scheme for compensated absences for employees which is a long term employee benefits, the liability for which is determined on the basis of an independent actuarial valuation using the projected unit credit method, carried out at the Balance Sheet date. The subsidiary companies have measured compensated absences at undiscounted salary costs of future holiday entitlement so accrued at the balance sheet date.

3.4.4 Short term benefits

The costs of all short-term employee benefits (that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service) are recognised during the period in which the employee renders the related services. The accruals for employee entitlements of benefits such as salaries, bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of the employees' services and the obligation can be measured reliably. The accruals have been calculated at undiscounted amounts based on current salary levels at the Balance Sheet date.

3.5 Financial Instruments

3.5.1 Financial Assets

a) Initial Recognition and Measurement

All financial assets are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are at fair value are adjusted through profit or loss. Purchase and sale of financial assets are recognised using trade date accounting.

b) Subsequent Measurement

i) Financial assets carried at amortised cost (AC)

A financial asset is 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.

ii) Financial assets at fair value through other comprehensive income (FVTOCI)

For equity investments which are not held for trading purposes and where the Group has exercised the option to classify the investment as FVTOCI, all fair value changes on the investment are recognized in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.

iii) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

c) Other Equity Investments

All other equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through Other Comprehensive Income.

d) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In accordance with Ind-AS 109, the Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each Balance Sheet date, right from its initial recognition.

e) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.5.2 Financial Liabilities

a) Initial Recognition and Measurement

Financial liabilities are measured at amortised cost using effective interest method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

b) Subsequent Measurement

Financial liabilities are carried at amortized cost using the effective interest method. 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.

c) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

d) Derivative financial instruments and Hedge Accounting

The Holding Company holds derivative financial instruments such as foreign exchange forward contract to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

- (i) Financial assets or financial liabilities, at fair value through profit and loss

This category includes derivative financial assets or liabilities which are not designated as hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

Although the Holding Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated as a hedge, or is so designated but is ineffective as per Ind AS 109, is categorised as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognised initially at fair value and attributable transaction costs are recognised in the net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives re measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income / other expenses. Assets / liabilities in this category are presented as current assets / current liabilities if they are either held for trading or are expected to be realised within 12 months after the Balance Sheet Date.

(ii) **Cash flow hedges**

The Group designates certain foreign exchange forward contracts as cash flow hedges to mitigate the risks of foreign exchanges exposure on highly probable forecast cash transactions.

When a derivative is designated as a cash flow hedge instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the net profit in the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in cash flow hedge reserve till the period the hedge was effective remains in cash flow hedge reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedge reserve is transferred to the net profit in the Statement of Profit and Loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedge reserve is reclassified to net profit in the Statement of Profit and Loss.

d) Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

f) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group 's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Group 's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

3.6 Foreign currency

Initial Recognition

On initial recognition, all foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Subsequent Recognition

As at the reporting date, non-monetary items which are carried at historical cost and denominated in a foreign currency are reported using the exchange rate at the date of the transaction. All non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were fair value measured.

Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are converted at the year-end exchange rates and the resultant loss or gain, is recognised as income or expense in the statement of the profit and loss.

The Group uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates and the resultant gain or loss is dealt with accordingly.

Translation of financial statements of foreign operations

Assets and liabilities of foreign entities are translated into Indian Rupees on the basis of the closing exchange rates as at the end of the period. Income and expenditure and cash flow are generally translated using average exchange rates for the period unless those rates do not approximate the actual exchange rates at the dates of specific transactions, in which the exchange rates as at the dates of transaction are used. All resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in Other Comprehensive Income. When a foreign operation is sold, the associated exchange differences are reclassified to the Statement of Profit and Loss, as a part of gain or loss on sale.

3.7 Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date on a portfolio basis.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

'All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summaries accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Quantitative disclosures of fair value measurement hierarchy
- Financial instruments (including those carried at amortised cost)

3.8 Revenue recognition:

Revenue is recognised on their accrual and when no significant uncertainty on measurability or collectability exists. Expenditure is accounted for on their accrual.

Sale of Goods and services:

Revenue from the sale of goods and services is recognised when the performance obligations towards customers have been met at an amount that reflects the consideration to which the Group believes it is entitled to in exchange for the transfer of goods and services to customers, net of any sales returns, excise duty and GST. Performance obligations are deemed to have been met when the control of goods has been transferred to the customer / benefit from the service is delivered to the customer, depending on the individual terms of the contract of sale. Considering the general terms of sales of goods and services, there is no significant financing element included in the sales consideration.

Subsidies and export incentives:

Government incentive in the form of MEIS, Transportation and marketing allowance ('TMA') and refund of goods and service tax input credit is recognised when there is a reasonable assurance that the conditions attaching to the incentive would be complied and the incentives will be received.

3.9 Finance Income and expense

Finance income comprises of interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss. Interest income is recognized using effective interest method. Dividend income is recognized in statement of profit and loss on date when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises of interest expense on loans and borrowings, bank charges, unwinding of discount on provision, fair value losses on financial asset through FVTPL that are recognized in the statement of profit and loss.

3.10 Borrowing costs:

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets that necessarily takes 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. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Interest income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

Borrowing costs that are not directly attributable to a qualifying asset are recognised in the Statement of Profit or Loss using the effective interest method.

3.11 Leases :

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.

The Group as a lessee

The Group's lease asset classes primarily consist of leases for Machineries and premises. The Group assesses whether a contract contains a lease, at inception of a contract. 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 include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities include 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.

Transition

Effective April 1, 2019, the Group adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method.

3.12 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 tax are recognised in profit or 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.

(i) Current tax:

Current Tax expenses are accounted in the same period to which the revenue and expenses relate. Provision for current income tax is made for the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the applicable tax rates and the prevailing tax laws.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

(ii) Deferred tax:

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred Income tax arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date 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 deferred income tax asset to be utilised.

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 Balance Sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.13 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

3.14 Provisions & contingent liability:

Provisions are recognized, when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, the non – current provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation and the unwinding of the discount is recognised as interest expense.

Contingent liabilities are recognized only when there is a possible obligation arising from past events, due to occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, or where any present obligation cannot be measured in terms of future outflow of resources, or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for. The Group does not recognise contingent liability but discloses its existence in financial statements.

Contingent assets are disclosed in the Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

3.15 Cash flow statement:

Cash flows are reported using the indirect method, whereby, profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows are segregated into operating, investing and financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

3.16 Dividends:

Final Dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Group 's Board of Directors.

3.17 Segment Reporting:

The Group identifies operating segments based on the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment. The Group operates in a single segment namely solvent extracted products and geographically operates primarily in a single segment.

3.18 Research and Development:

Expenditure on research phase is recognised as an expense as and when it is incurred. Expenditure on development phase is recognized as intangible assets if it is identifiable, capable of being controlled and from which future economic benefits are expected to flow to the enterprise. Intangible assets are stated at cost net of tax / duty credits availed, if any, less accumulated amortisation and cumulative impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

NOTE 4

PROPERTY, PLANT AND EQUIPMENT & CAPITAL WORK IN PROGRESS

(All amounts are in Rs. lakhs unless otherwise stated)

| | Freehold land | Leasehold Land (Note 4.1) | Buildings | Plant & Machinery | Plant & Machinery on finance lease | Office Equip-ments | Furniture & Fittings | Vehicles | Total | Capital work-in-progress |
|---|----------------|---------------------------|-----------------|-------------------|------------------------------------|--------------------|----------------------|----------------|------------------|--------------------------|
| At Deemed cost | | | | | | | | | | |
| At 1 April 2018 | 2,32.47 | 16.18 | 10,99.86 | 53,44.19 | - | 78.59 | 42.03 | 1,95.70 | 70,09.02 | 28,41.92 |
| Additions/Transfers | 1,25.00 | - | 11,07.57 | 35,41.23 | 4,43.00 | 67.37 | 8.49 | 11.82 | 53,04.49 | - |
| Disposals/ Transfers | - | - | 1,18.64 | 45.04 | - | - | 1.80 | 2.06 | 1,67.54 | 28,41.92 |
| Exchange difference | - | 0.24 | - | -0.17 | - | - | 0.17 | - | 0.24 | - |
| At 31 March 2019 | 3,57.47 | 16.42 | 20,88.79 | 88,40.21 | 4,43.00 | 1,45.96 | 48.89 | 2,05.46 | 121,46.21 | - |
| Reclassified on account of adoption of Ind AS 116 | - | - | - | - | (4,43.00) | - | - | - | (4,43.00) | - |
| Additions/Transfers | - | - | 1,27.48 | 13,12.14 | - | 8.10 | 0.96 | 30.91 | 14,79.59 | - |
| Disposals/ Transfers | - | - | 8.62 | 11.58 | - | 0.01 | - | 6.95 | 27.16 | - |
| Exchange difference | - | - | - | - | - | - | - | - | - | - |
| At 31 March 2020 | 3,57.47 | 16.42 | 22,07.65 | 101,40.77 | - | 1,54.05 | 49.85 | 2,29.42 | 131,55.64 | - |
| Depreciation and impairment | | | | | | | | | | |
| At 1 April 2018 | - | - | 1,51.65 | 11,63.14 | - | 40.82 | 15.22 | 30.77 | 14,01.60 | - |
| Depreciation charge for the year | - | - | 1,51.12 | 8,06.31 | 60.17 | 33.17 | 7.44 | 27.11 | 10,85.32 | - |
| Disposals | - | - | 1,18.64 | 45.04 | - | - | 1.80 | 2.06 | 1,67.54 | - |
| At 31 March 2019 | - | - | 1,84.13 | 19,24.41 | 60.17 | 73.99 | 20.86 | 55.82 | 23,19.38 | - |
| Reclassified on account of adoption of Ind AS 116 | - | - | - | - | (60.17) | - | - | - | (60.17) | - |
| Depreciation charge for the year | - | - | 1,95.50 | 10,28.90 | - | 43.26 | 7.20 | 28.22 | 13,03.08 | - |
| Disposals | - | - | 2.97 | 6.33 | - | - | - | 6.22 | 15.52 | - |
| At 31 March 2020 | - | - | 3,76.66 | 29,46.98 | - | 1,17.25 | 28.06 | 77.82 | 35,46.77 | - |
| Net Block | | | | | | | | | | |
| at 31 March 2019 | 3,57.47 | 16.42 | 19,04.66 | 69,15.80 | 3,82.83 | 71.97 | 28.03 | 1,49.64 | 98,26.83 | - |
| at 31 March 2020 | 3,57.47 | 16.42 | 18,30.99 | 71,93.79 | - | 36.80 | 21.79 | 1,51.60 | 96,08.87 | - |

Note 4.1 - Leasehold land

Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Group to convert the lease into absolute sale at the expiry of the lease, subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time. is capitalised and included, without being amortised over the period of lease. The Group has a leasehold land at Tiptur for a period of 21 years commencing from 2000 to 2021 and at the end of the period, the Group has the right to acquire the land at a nominal pay-out.

Note 4.2 - Property, plant and equipment's pledged as security

Refer to note 15 for the information on property, plant and equipments pledged as security by the Group.

Note 4.3 - Deemed Cost Exemption availed on transition to Ind AS

The Group has availed the deemed cost exemption in relation to the property plant and equipment on the date of transition i.e. 1 April 2016 and hence the carrying amount (net block) as per previous GAAP on that date has been considered as gross block. (Refer note below for the gross block value and the accumulated depreciation on 1 April 2016 under previous GAAP).

| | Freehold land | Buildings | Leasehold Land | Plant & Machinery | Furniture & Fittings | Vehicles | Total |
|--------------------------|----------------|----------------|----------------|-------------------|----------------------|----------------|-----------------|
| Gross Block | 2,32.47 | 15,75.21 | 16.18 | 80,40.88 | 95.96 | 2,15.45 | 101,76.15 |
| Accumulated Depreciation | - | 7,71.92 | - | 34,22.89 | 56.30 | 1,10.67 | 43,61.77 |
| Net Block | 2,32.47 | 8,03.29 | 16.18 | 46,17.99 | 39.66 | 1,04.78 | 58,14.37 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 5

RIGHT-OF-USE ASSETS

| Particulars | Category of ROU asset | Total |
|---|--------------------------|-----------------------|
| | Plant and Machinery | |
| Balances as at 1 April 2019 | - | - |
| Reclassified on account of adoption of Ind AS 116 | 3,82.83 | 3,82.83 |
| Depreciation | 69.33 | 69.33 |
| At 31 March 2020 | <u>3,13.50</u> | <u>3,13.50</u> |

| | Currency | Face value | Number of units | | Amount | |
|--|----------|---------------|-----------------|-----------|-----------|-----------|
| | | | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |

NOTE 6

INVESTMENTS

Non Current

Non Current - Investments in Equity Instruments (Unquoted)

A) In Wholly owned subsidiary

(i) Investment stated at fair value through profit and loss

Investments in Equity Instruments

A) In others (Unquoted)

Kerala Enviro Infrastructure Limited
- equity shares of Rs.10 each

| | | | | | | |
|--------------|-----|----|---------------|--------|--------------------|--------------------|
| | Rs. | 10 | 10,000 | 10,000 | 1.00 | 1.00 |
| Total | | | | | <u>1.00</u> | <u>1.00</u> |

Aggregate amount of unquoted investments

1.00 1.00

Aggregate amount of impairment in value of investments

- -

Current

(i) Investment at fair value through profit and loss (at NAV)

A) Investment in Mutual Funds (Unquoted)

Equity Arbitrage Fund - Growth (IDFC Mutual Fund) Rs.

26,48,918 26,48,918 **7,56.72** 701.90

Total **7,56.72** **701.90**

Aggregate carrying amount of unquoted investments

7,56.72 701.90

Aggregate NAV of unquoted investments

7,56.72 701.90

Aggregate amount of impairment in value of investments

- -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|--|---|---|
| NOTE 7 | | |
| OTHER FINANCIAL ASSETS | | |
| (Unsecured, considered good unless stated otherwise) | | |
| A) Non Current | | |
| Deposits with Public Bodies | 30.00 | 30.00 |
| Deposits with Others | 2,25.73 | 2,21.64 |
| Total | 2,55.73 | 2,51.64 |
| B) Current | | |
| Deposit with public bodies and others | | |
| Deposits with Others | 17.52 | 16.65 |
| Derivatives | | |
| Foreign-exchange forward contracts | - | 1,40.73 |
| Others | | |
| Interest accrued on deposits | 35.18 | 29.45 |
| Insurance claim | 2.12 | 0.77 |
| Other Receivables | - | 35.36 |
| Total | 54.82 | 2,22.96 |
| NOTE 8 | | |
| OTHER ASSETS | | |
| (Unsecured, considered good) | | |
| A) Non Current | | |
| Accrued Income- Wind mill | 18.74 | 18.74 |
| Balance with Govt Authorities | 1,32.26 | 1,05.77 |
| Receivable from Govt. Authorities | 2,07.48 | 3,29.66 |
| | 3,58.48 | 4,54.17 |
| B) Current | | |
| Export incentive receivable | 7,54.39 | 7,08.31 |
| Advance to suppliers | 6,72.28 | 7,24.70 |
| Other Advances | 81.12 | 0.21 |
| Other deposit | - | 4.72 |
| Prepaid expenses | 1,66.95 | 79.73 |
| GST Input Receivable | 30,64.46 | 21,56.33 |
| VAT Input | - | 3.57 |
| | 47,39.20 | 36,77.57 |
| NOTE 9 | | |
| INVENTORIES | | |
| Inventories at the lower of cost or net realisable value | | |
| Raw Materials* | 30,83.00 | 40,46.24 |
| Finished goods | 71,05.68 | 92,54.06 |
| Stock in process | 9,10.20 | 2,25.10 |
| Stores, Spares and packing material | 11,51.46 | 8,51.72 |
| Total | 122,50.34 | 143,77.12 |
| * Includes goods in transit of raw materials amounting to Nil (31 March 2019: Rs. 2,20.22 Lakhs) | | |
| Inventory Provision Movement | | |
| Write down/(back) to inventory recognised in cost during the year | 7,33.08 | 1,39.39 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|--|--------------------------------------|--------------------------------------|
| NOTE 10 | | |
| TRADE RECEIVABLES | | |
| Current (Unsecured) | | |
| (a) Considered Good* | 75,32.21 | 81,78.65 |
| Less: Allowance for doubtful trade receivables | - | - |
| | 75,32.21 | 81,78.65 |
| (b) Credit impaired | - | 57.13 |
| Less: Allowance for doubtful trade receivables | - | (57.13) |
| Total | 75,32.21 | 81,78.65 |
| Dues from related parties (Refer note 35) | - | 10.78 |
| The movement in allowance for bad and doubtful debts is as follows: | | |
| Opening provision for doubtful debts | - | 57.13 |
| Add- Provision made during the year (Net) | - | - |
| Less- Reversals made during the year | - | 57.13 |
| Closing provision for doubtful debts | - | - |
| NOTE 11 | | |
| CASH AND CASH EQUIVALENTS | | |
| Cash on hand | 8.83 | 2.31 |
| Balances with bank in current account | 16,45.12 | 9,68.49 |
| Cash and cash equivalents as per balance sheet | 16,53.95 | 9,70.80 |
| NOTE 11A | | |
| Bank balances other than cash and cash equivalents: | | |
| Balances with banks: | | |
| Margin money deposit* | 25.00 | 59.45 |
| Ear marked balances - unpaid dividend | 1,29.57 | 1,44.41 |
| Deposits with original maturity for more than 3 months but less than 12 months | 56.70 | 0.25 |
| Bank balance | 2,11.27 | 2,04.11 |
| Less : Term deposit with bank maturing after 12 months from the Balance Sheet date and other earmarked / margin money / pledged deposits classified as non-current | - | - |
| Net Bank balances other than cash and cash equivalents | 2,11.27 | 2,04.11 |

* Given as margin money for Letter of Credits & Bank Guarantees

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| NOTE 12 | | |
| LOANS | | |
| Current | | |
| (Unsecured, considered good) | | |
| Loans to employees | 21.61 | 11.75 |
| Less; Allowances for credit Impaired loans to employees | - | - |
| Total | 21.61 | 11.75 |

NOTE 13

SHARE CAPITAL

A. Authorised Share Capital

| | | |
|--|----------|----------|
| 159,900,000 (31 March 2019: 159,900,000) equity shares of Rs. 1 each | 15,99.00 | 15,99.00 |
| 1,000 (31 March 2019: 1,000) - 12% Redeemable Cumulative Preference Shares of Rs.100 each | 1.00 | 1.00 |
| 3,000,000 (31 March 2019: 3,000,000)- 7% Redeemable Cumulative Preference Shares of Rs.10 each | 3,00.00 | 3,00.00 |

B. Issued, Subscribed & Paid Up

| | | |
|---|----------|----------|
| 152,284,000 (31 March 2019:152,284,000) equity shares of Rs. 1 each | 15,22.84 | 15,22.84 |
|---|----------|----------|

C. Terms/ rights attached to equity shares

The Holding company has one class of equity shares having a par value of Rs. 1 per share. Each shareholder is eligible for one vote share held. 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 the liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the shareholding.

D. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

| Particulars | Number of shares | Amount |
|--------------------------------------|---------------------|----------|
| As at 1 April 2018 | 15,22,84,000 | 15,22.84 |
| Increase /(decrease) during the year | - | - |
| As at 31 March 2019 | 15,22,84,000 | 15,22.84 |
| Increase /(decrease) during the year | - | - |
| As at 31 March 2020 | 15,22,84,000 | 15,22.84 |

E. Details of shareholders holding more than 5% shares in the holding company

| Name of the shareholder | Number of shares held | As at 31 st March 2019 % holding in that class of shares | Number of shares held | As at 31 st March 2018 % holding in that class of shares |
|--|-----------------------|--|-----------------------|--|
| Neelamalai Agro Industries Limited | 6,09,13,600 | 40.00 | 6,09,13,600 | 40.00 |
| The Midland Rubber & Produce Company Limited | 4,54,52,175 | 29.85 | 4,47,00,036 | 29.35 |

As per records of the Holding company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 14

OTHER EQUITY

| Name of the reserve | Reserves & Surplus | | | | Items of Other Comprehensive Income | | Total |
|--|--------------------|------------------|-------------------|--------------------|-------------------------------------|--------------------------------------|------------------|
| | Capital Reserve | General Reserve | Retained Earnings | Investment subsidy | Cash flow Hedging Reserve | Foreign Currency Translation Reserve | |
| At 1 April 2018 | 0.35 | 196,02.86 | 26,20.73 | 99.02 | (25.30) | 14.30 | 223,11.96 |
| Profit for the year | - | - | 20,84.38 | - | - | - | 20,84.38 |
| Other comprehensive income net of tax for the year | - | - | (58.08) | - | 30.99 | 4.15 | (22.94) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | 99.02 | - | (99.02) | - | - | - |
| Dividends paid including dividend distribution tax | - | - | (7,34.35) | - | - | - | (7,34.35) |
| At 31 March 2019 | 0.35 | 207,01.88 | 29,12.68 | - | 5.69 | 18.45 | 236,39.05 |
| Profit for the year | - | - | 34,00.15 | - | - | - | 34,00.15 |
| Other Comprehensive income for the year, net of Income tax | - | - | (36.51) | - | (2,07.51) | (6.72) | (2,50.74) |
| Transfer to General Reserve | - | 10,00.00 | (10,00.00) | - | - | - | - |
| Transfer of Investment Subsidy to General Reserve | - | - | - | - | - | - | - |
| Dividends paid including dividend distribution tax | - | - | (8,26.14) | - | - | - | (8,26.14) |
| At 31 March 2020 | 0.35 | 217,01.88 | 44,50.18 | - | (2,01.82) | 11.73 | 259,62.32 |

Nature and purpose of other reserves

- 1 **Capital Reserve** - Reserve of capital nature taken to this head under the erstwhile GAAP.
- 2 **General Reserve** - General Reserve is created out of the profits earned by the Group by way of transfer from surplus in the statement of profit and loss. Mandatory transfer to general reserve is not required under the Companies Act 2013.
- 3 **Retained Earnings:** Retained earnings are the profits that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.
- 4 **Investment Subsidy** - Investment subsidy was received when the plants were set up in the past and this has been transferred to general reserve as the period of related plant life is over.
- 5 **Cash flow Hedging Reserve:** The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to statement of profit and loss in the period in which the underlying hedged transaction occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|---|--------------------------------------|--------------------------------------|
| NOTE 15 | | |
| BORROWINGS | | |
| Non Current | | |
| Term Loans from banks - fixed rate of 8.40 p.a. | 13,50.00 | 15,00.00 |
| Lease liability - fixed rate of 9.p.a. | - | 4,21.77 |
| Total | 13,50.00 | 19,21.77 |
| Less: Current Maturities of Long Term Debt clubbed under "Other Current Financial liabilities | 3,00.00 | 3,30.62 |
| Net Non Current Borrowings | 10,50.00 | 15,91.15 |
| Current | | |
| Loan repayable on demand | | |
| Packing Credit from Banks - floating rate ~5 to 6% p.a | 7,50.00 | 45,66.77 |
| Working Capital loan in foreign currency - fixed rate of 2.90.p.a. | 20,76.34 | 16,52.71 |
| Total | 28,26.34 | 62,19.48 |
| Aggregate secured loans | 41,76.34 | 81,41.25 |
| Aggregate unsecured loans | - | - |
| Foot Note: | | |
| 1. Term loan from banks | | |
| This loan is taken for the period of five years with six monthly instalments, last instalment repayment date is July 2024. Secured by first charge on 27.01 acres of leasehold land and movable fixed assets and buildings (value of buildings and movable fixed assets being Rs. 41,03 Lakhs) | | |
| 2. Packing Credit from Banks (*) | | |
| Packing credit from banks secured by | | |
| – hypothecation of present and future current assets including stocks, semi-finished goods, finished goods, consumables, stores, spares, book debts. | | |
| – 15% margin on sight import letter of credit and performance guarantee | | |
| – In some cases second pari passu charge by way of hypothecation and mortgage of movable and immovable assets of the Group, second charge on entire fixed assets of the Group including EM, In some cases demand promissory note, hypothecation of book debts, letter of containing security, deposit of letter of credit | | |
| 2. Working capital loan | | |
| Working capital loan availed by AVT Tea Services Limited - the Subsidiary Company is secured by a fixed and floating charge against the present & future assets of the subsidiary companies. Further, the parent has given a corporate guarantee for the same to HSBC bank. | | |
| 3. The Group had access to the following undrawn borrowing facilities at the end of the reporting period: | | |
| Fund Based facilities - INR | 78,38.00 | 25,33.23 |
| Fund Based facilities - USD (converted in to INR) | 1,99.95 | 2,88.29 |
| 4. Net debt reconciliation | | |
| Net debt | | |
| Cash and cash equivalents | 16,53.95 | 9,70.80 |
| Current Investment | 7,56.72 | 7,01.90 |
| Non-current & current borrowings | (41,76.34) | (81,41.25) |
| Non-current & current lease liabilities | (3,91.14) | - |
| Net (debt)/ Cash & Cash Equivalents | (21,56.81) | (64,68.55) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Accrued during the Year | | Paid during the Year | |
|----------------------------|-------------------------|-----------|----------------------|-----------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| Finance Cost | | | | |
| Interest on borrowings | 3,72.13 | 3,26.64 | 3,72.13 | 3,26.64 |
| Bank Charges on borrowings | 1,53.67 | 1,54.08 | 1,53.67 | 1,54.08 |
| Finance cost on lease | 28.62 | 23.20 | 28.62 | 23.20 |
| Total | 5,54.42 | 5,03.92 | 5,54.42 | 5,03.92 |

| | Other Assets | | Borrowings | | |
|--|---------------------------|---------------------|----------------------------|-------------------|----------------------|
| | Cash and cash equivalents | Current Investments | Short/Long Term Borrowings | Lease liabilities | Total Net borrowings |
| Net (debt)/ Cash & Cash Equivalents as at 1st April 2018 | 6,91.20 | 30,09.69 | (36,07.26) | - | 93.63 |
| Cash Flows | 2,79.60 | (23,41.16) | (45,33.99) | - | (65,95.55) |
| Unrealised fair value gains on current investments | - | 33.37 | - | - | 33.37 |
| Interest expense | - | - | 5,03.92 | - | 5,03.92 |
| Interest paid | - | - | (5,03.92) | - | (5,03.92) |
| (Net debt)/ Cash & Cash Equivalents as at 31 March 2019 | 9,70.80 | 7,01.90 | (81,41.25) | - | (64,68.55) |
| Net (debt)/ Cash & Cash Equivalents as at 1st April 2019 | 9,70.80 | 7,01.90 | (81,41.25) | - | (64,68.55) |
| Reclassification on adoption of Ind AS 116 | | | 4,21.77 | (4,21.77) | - |
| Cash inflow | 6,83.15 | - | | | 6,83.15 |
| Cash outflow | - | - | 35,43.14 | 59.25 | 36,02.39 |
| Unrealised fair value gains on current investments | - | 54.82 | - | - | 54.82 |
| Interest expense | - | - | 5,25.80 | (28.62) | 4,97.18 |
| Interest paid | - | - | (5,25.80) | - | (5,25.80) |
| (Net debt)/ Cash & Cash Equivalents as at 31 March 2020 | 16,53.95 | 7,56.72 | (41,76.34) | (391.14) | (21,56.81) |

| | | |
|--|-----------------------------------|-----------------------------|
| | As at | As at |
| | 31st March 2020 | 31 st March 2019 |

NOTE 16

LEASE LIABILITY

Non Current

| | | |
|--|---------|---|
| Lease liability - fixed rate of 9.p.a. | 3,91.14 | - |
| Total | 3,91.14 | - |
| Less: Current maturities of leases shown on face of balance sheet separately | 33.49 | - |
| | 3,57.65 | - |

Foot Note:

1. Lease Liability

Lease Liability Lease liability loan is for the period of 10 years. The same is payable in monthly instalments with last repayment date is July 2029. The lease liability is secured by Plant and Machinery taken on finance lease. Refer Note no. 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|--|---|---|
| NOTE 17 | | |
| PROVISIONS | | |
| Non Current | | |
| Provision for Gratuity (funded)* | - | - |
| Provision for Compensated absences* | 3,40.49 | 3,31.69 |
| Total | <u>3,40.49</u> | <u>3,31.69</u> |
| Current | | |
| Provision for Gratuity (funded)* | 4,65.47 | 3,31.82 |
| Provision for Compensated absences* | 1,06.79 | 50.74 |
| Total | <u>5,72.26</u> | <u>3,82.56</u> |
| *Refer Note 34 for details | | |
| NOTE 18 | | |
| DEFERRED TAX LIABILITY | | |
| Components of Deferred tax | | |
| Deferred Tax Liability | | |
| On Account of Depreciation | 5,81.46 | 9,13.02 |
| On Account of Fair Valuation of Investments | 46.36 | 45.22 |
| | (A) <u>6,27.82</u> | <u>9,58.24</u> |
| Deferred Tax Asset | | |
| Provisions for Gratuity and Compensated Absences | 2,29.72 | 2,49.59 |
| On account of Hedge Reserve | 69.79 | 3.07 |
| | (B) <u>2,99.51</u> | <u>2,52.66</u> |
| Deferred Tax Liability (net) (A-B) | <u>3,28.31</u> | <u>7,05.58</u> |
| NOTE 19 | | |
| TRADE PAYABLES | | |
| Current | | |
| Due to Micro and Small Enterprises (Refer Foot notes (i) & (ii)) | 24.08 | 36.44 |
| Due to other than Micro and Small Enterprises | 21,47.43 | 33,15.14 |
| Due to Related parties | 92.99 | 1,15.78 |
| Total | <u>22,64.50</u> | <u>34,67.36</u> |

Foot notes:

- (i) The amount due to Micro and Small Enterprises as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors. Also, refer Note 39 for details on the required disclosures.
- (ii) For related party balances refer Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31st March 2020 | As at 31st March 2019 |
|--|---|---|
| NOTE20 | | |
| OTHER FINANCIAL LIABILITIES | | |
| Current | | |
| Current maturities of long term debt (Refer note 15) | 3,00.00 | 3,30.62 |
| Foreign exchange forward contracts | 3,73.45 | - |
| Creditors for capital expenditure | 48.37 | - |
| Employee Related Liabilities | 2,20.87 | 2,23.28 |
| Unpaid dividend | 1,29.57 | 1,44.42 |
| Interest payable | - | 3.63 |
| Other payables | 1,51.06 | 9.70 |
| Total | <u>12,23.32</u> | <u>7,11.65</u> |
| NOTE 21 | | |
| OTHER LIABILITIES | | |
| Current | | |
| Statutory dues | 1,09.25 | 1,28.26 |
| Advance from customers | 9,54.99 | - |
| Other Payables | 8.53 | 2.59 |
| Deposits from Contractors | 4.10 | 4.10 |
| Total | <u>10,76.87</u> | <u>1,34.95</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2019 | Year ended 31 st March 2018 |
|---|---|---|
| NOTE 22 | | |
| REVENUE FROM OPERATIONS | | |
| Sale of Products | 369,64.79 | 311,61.98 |
| Job work income | 9,73.71 | 13,08.38 |
| Other Operating Revenue | - | - |
| Sale of Wind Power | - | - |
| Export Incentives | 17,02.55 | 14,45.00 |
| Sub-Total of Other Operating Revenue | 17,02.55 | 14,45.00 |
| Total Revenue from Operations | 396,41.05 | 339,15.36 |
| Revenue disaggregated by products | | |
| Marigold Oleo Resin | 153,60.26 | 111,06.68 |
| Spice Oleo Resin | 112,62.78 | 121,93.82 |
| Instant and De-Caffeinated Tea | 110,82.93 | 91,69.86 |
| Animal nutrition | 2,32.53 | - |
| | 379,38.50 | 324,70.36 |
| Revenue disaggregation by geography is as follows: | | |
| America | 192,10.51 | 153,28.82 |
| Europe | 100,14.20 | 83,93.04 |
| Others | 87,13.79 | 87,48.50 |
| | 379,38.50 | 324,70.36 |
| NOTE 23 | | |
| OTHER INCOME | | |
| Fair value gain of current investments fair value through profit or loss | 54.82 | 47.05 |
| Dividend Income from Investments in mutual funds at fair value through profit or loss | - | 33.37 |
| Interest income on financial assets measured at amortised cost | 35.82 | 12.48 |
| Provision no longer required written back | - | 2,04.08 |
| Profit on sale of investments | - | 3.80 |
| Foreign exchange differences (net) | 5,32.98 | - |
| Net gain on sale of property, plant and equipment | - | - |
| Insurance Claim | 8.99 | 71.76 |
| Miscellaneous income | 66.38 | 37.24 |
| | 6,98.99 | 4,09.78 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31 st March 2019 |
|---|--|---|
| NOTE 24 | | |
| CHANGES IN INVENTORIES OF FINISHED PRODUCTS AND STOCK IN TRADE | | |
| Inventory at the beginning of the year | | |
| Finished Goods | | |
| - Processed | 86,70.90 | 57,01.70 |
| - Trade | 5,83.16 | 4,49.39 |
| Stock in process | 2,25.10 | 82.40 |
| | 94,79.16 | 62,33.49 |
| Less: inventory at the end of the year | | |
| Finished Goods | | |
| - Processed | 65,51.60 | 86,70.90 |
| - Trade | 5,54.08 | 5,83.16 |
| Stock in process | 9,10.20 | 2,25.10 |
| | 80,15.88 | 94,79.16 |
| Net (Increase)/Decrease | 14,63.28 | (32,45.67) |
| NOTE 25 | | |
| EMPLOYEE BENEFITS EXPENSE | | |
| Salaries, wages and bonus | 42,93.54 | 39,78.57 |
| Contribution to provident and other funds* | 4,49.71 | 3,81.63 |
| Staff welfare expenses | 3,11.29 | 2,83.49 |
| Total | 50,54.54 | 46,43.69 |
| Refer to Note 34 for details on employee benefits | | |
| The above includes | | |
| - Salaries, wages and bonus includes net incremental gratuity provision | 64.85 | 1,25.46 |
| - Contribution to provident and other funds includes net incremental leave encashment provision | 99.93 | 50.74 |
| NOTE 26 | | |
| FINANCE COSTS | | |
| Interest on: | | |
| Term loans | 1,23.55 | 25.66 |
| Packing credit | 1,51.89 | 3,00.98 |
| Working capital loan | 96.69 | - |
| Other finance costs including bank charges | 1,53.67 | 1,54.08 |
| Unwinding interest on finance lease | 28.62 | 23.20 |
| Interest on Micro small and Medium enterprises | 1.19 | 5.06 |
| Total | 5,55.61 | 5,08.98 |
| NOTE 27 | | |
| DEPRECIATION AND AMORTISATION EXPENSES | | |
| Depreciation and amortisation expenses on property, plant and equipments | 13,03.08 | 10,85.32 |
| Depreciation on right of use assets | 69.33 | - |
| | 13,72.41 | 10,85.32 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31 st March 2019 |
|---|--|---|
| NOTE 28 | | |
| OTHER EXPENSES | | |
| Consumption of stores, spares and packing materials | 26,91.06 | 28,93.71 |
| Processing Charges | 62.01 | 23.83 |
| Commission | 1,21.96 | 44.63 |
| Crop promotional and agro meeting expense | 14.77 | 9.53 |
| Sales Promotion Expenses | 1.01 | - |
| Power and fuel | 26,27.25 | 29,43.19 |
| Short term leases | 4,88.71 | - |
| Rent (Refer note 37) | - | 4,48.45 |
| Product testing charges | 2,15.54 | 2,64.29 |
| Freight and Forwarding charges | 6,39.44 | 6,06.74 |
| Rates and taxes | 1,34.10 | 1,42.88 |
| Insurance | 77.32 | 67.54 |
| Repairs and maintenance | - | - |
| Plant and machinery | 6,22.81 | 5,64.14 |
| Buildings | 42.58 | 38.95 |
| Vehicles | 1,18.04 | 1,01.39 |
| Others | 4,12.25 | 3,69.98 |
| CSR expenditure (Refer Note No. 29) | 66.08 | 63.13 |
| Donation and charity | 50.93 | 26.10 |
| Advertisement | 18.12 | 5.44 |
| Travelling and conveyance | 3,43.17 | 3,00.74 |
| Postage and telephones | 58.45 | 68.84 |
| Security Service Charges | 78.89 | 86.19 |
| Legal and professional fees | 3,31.01 | 1,03.90 |
| Commission to Chairman | - | 29.60 |
| Printing and stationery | 41.88 | 41.18 |
| Directors' sitting fees | 8.45 | 4.79 |
| Payment to auditor (Refer Note No. 30) | 40.01 | 25.93 |
| Bad debts / advances written off | - | - |
| Provision for bad and doubtful debts | - | - |
| Product Development Expense | 80.86 | 18.77 |
| Loss on sales/ discard of property, plant and equipment (net) | 7.58 | - |
| Net foreign exchange differences | - | 1,59.12 |
| Other Expenses | 4,25.84 | 2,69.97 |
| Total | <u>98,20.13</u> | <u>97,22.95</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31 st March 2019 |
|--|--|---|
| NOTE 29 | | |
| CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE: | | |
| Amount required to be spent as per Section 135 of the Act by the Company | 66.26 | 70.65 |
| Amount spent during the year on: | | |
| (i) Construction / acquisition of an asset | - | - |
| (ii) On purposes other than (i) above | 66.09 | 63.13 |
| Total Amount spent | 66.09 | 63.13 |
| Amount yet to be paid/spent | 0.17 | 7.52 |
| NOTE 30 | | |
| PAYMENT MADE TO STATUTORY AUDITORS: | | |
| As Auditor: | | |
| Audit Fee* | 36.10 | 18.60 |
| Reimbursement of expenses | 3.91 | 6.42 |
| In Other Capacity | | |
| Tax Representation* | - | 0.90 |
| Total | 40.01 | 25.93 |
| * includes payments to the erstwhile auditors in previous year and to the auditors of the subsidiaries. | | |
| NOTE 31 | | |
| INCOME TAX | | |
| The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are: | | |
| Statement of profit and loss: | | |
| Income Tax | | |
| - In respect of current year | 13,74.50 | 8,30.38 |
| - In respect of prior year | - | (1,00.00) |
| | 13,74.50 | 7,30.38 |
| Deferred Tax | | |
| In respect of the current year | (2,95.20) | 1,70.87 |
| Income tax expense reported in the statement of profit or loss | 10,79.30 | 9,01.25 |
| Other Comprehensive Income | | |
| Deferred tax related to items recognised in OCI during | | |
| Net (gain)/loss on revaluation of cash flow hedges | 69.79 | (16.65) |
| Net loss/(gain) on remeasurements of defined benefit plans | 12.28 | 31.20 |
| Income tax charged to OCI | 82.07 | 14.55 |
| Reconciliation of tax expense and the accounting profit multiplied by domestic tax rate for 31 March 2020 and 31 March 2019: | | |
| Accounting profit before tax (a) | 44,79.45 | 29,85.63 |
| Income Tax Rate (b) | 25.17% | 34.94% |
| Calculated taxes based on above, without any adjustments for deductions [(a) x (b)] | 11,27.39 | 10,43.30 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|---|
| Adjustments | | |
| On account of revaluation of opening deferred tax due to tax rate change | (1,97.40) | - |
| On account of deferred tax not created by subsidiary company on loss | 83.72 | - |
| On account of Corporate Social Responsibility Costs | 16.63 | 22.06 |
| On account of weighted deduction for R&D expenditure | - | (77.22) |
| On account of exempt dividend income | - | (11.66) |
| On account of income tax write back with respect to prior years | - | (1,00.00) |
| Difference in tax rates between the company and components/ Jurisdiction (after set off of the carried forward losses for the current year) | (25.68) | (8.95) |
| On account of other items | 74.65 | (33.72) |
| Income tax expense reported in the statement of profit and loss | 10,79.30 | 9,01.25 |

AVT Natural Europe Limited- a Subsidiary company, has tax losses of Rs. 7,41.01 Lakhs (31 March 2019: Rs.7,90.15 Lakhs) to carry forward and offset against future profits.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiary that has been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets of current year, the profit would increase by Rs. 1,40.80 Lakhs (31 March 2019: Rs. 1,50.13) Lakhs.

The Group has not recognized deferred tax liability with respect to unremitted retained earnings and associated foreign currency translation reserve with respect to certain of its subsidiaries where the Group is in a position to control the timing of the distribution of profits and it is probable that the subsidiaries will not distribute the profits in the foreseeable future.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised.

Reconciliation of deferred tax liabilities (net):

| | | |
|---|------------------|------------------|
| Opening balance as of 1 April | (7,05.58) | (5,49.26) |
| Tax income/(expense) during the year recognised in profit or loss | 2,95.20 | (1,70.87) |
| Tax income/(expense) during the year recognised in OCI | 82.07 | 14.55 |
| Closing balance as at 31 March | (3,28.31) | (7,05.58) |

The Holding Company does not have any intention to dispose of its free hold and lease hold land in the foreseeable future, therefore, deferred tax asset on indexation benefit in relation to these assets has not been recognised.

NOTE 32

EARNINGS PER SHARE

| | | |
|---|--------------|--------------|
| Profit after Taxation in INR lakhs | 3,400.15 | 2,084.38 |
| Weighted average number of Equity Shares outstanding at the end of the year * | 15,22,84,000 | 15,22,84,000 |
| Earnings per share (Basic and Diluted) in Rs. | 2.23 | 1.37 |

* There have been no other transactions involving equity shares or potential equity shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31st March 2020 | Year ended 31 st March 2019 |
|--|--|---|
| NOTE 33 | | |
| SEGMENT REPORTING | | |
| The group operates in a single segment, namely solvent extracted products. Even geographically, there is no material separate segment. | | |
| Additional Information: | | |
| Segment Revenue | | |
| India | 13,72.49 | 3,98.78 |
| Rest of the World | 382,68.56 | 335,16.57 |
| Total Revenue for Sale of Products | 396,41.05 | 339,15.36 |

NOTE 34

EMPLOYEE BENEFITS

(a) The Group has recognised the following expenses as defined contribution plan under the head "Company's Contribution to Provident Fund and Other Funds" (net of recoveries) :

| | | |
|---------------------------------------|---------|---------|
| Provident fund | 2,10.16 | 1,86.15 |
| Superannuation fund | 90.21 | 90.82 |
| Employee state insurance contribution | 30.36 | 36.07 |

(b) The Group operates post retirement defined benefit plans as follows :-

Gratuity Scheme:

This is a funded defined benefit plan for qualifying employees for which, the Group is making contributions to the Gratuity Fund managed by Life Insurance Corporation of India. The scheme provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.

Defined Benefit Plans (Gratuity)– As per Actuarial Valuation on March 31, 2020:-

| | | | |
|--------------|---|-----------------|-----------------|
| (i) | Expense recognized in the statement of profit and loss | | |
| | Current Service Cost | 76.19 | 51.54 |
| | Net Interest | 23.74 | 15.23 |
| | Expense recognized in the statement of profit and loss | 99.93 | 66.77 |
| (ii) | Other Comprehensive Income (OCI) | | |
| | Actuarial (Gain)/Loss recognized for the period | 51.26 | 89.56 |
| | Return on Plan Assets excluding net interest | (2.47) | (0.28) |
| | Total Actuarial (Gain)/Loss recognized in (OCI) | 48.79 | 89.29 |
| (iii) | Reconciliation of Defined Benefit Obligation | | |
| | Opening Defined Benefit Obligation | 10,28.85 | 8,70.54 |
| | Interest Cost | 73.38 | 67.38 |
| | Current Service Cost | 76.19 | 51.54 |
| | Benefits paid | (52.81) | (50.17) |
| | Actuarial Losses / (Gain) on obligation | 51.26 | 89.56 |
| | Closing Defined Benefit Obligation | 11,76.87 | 10,28.85 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | Year ended 31 st March 2020 | Year ended 31 st March 2019 |
|---|---|--|
| (iv) Reconciliation of Fair Value of Plan Assets | | |
| Opening Fair Value of Plan Assets | 6,97.01 | 6,64.18 |
| Return on plan assets | 2.47 | 0.28 |
| Interest income | 49.64 | 52.15 |
| Contributions made | 15.09 | 30.57 |
| Benefits Paid | (52.81) | (50.17) |
| Closing Fair Value of Plan Assets | 7,11.40 | 6,97.01 |
| (vi) Reconciliation of Net Liability/ Asset | | |
| Opening Net Benefit Liability | 3,31.84 | 2,06.36 |
| Expense charged to profit and loss | 99.93 | 66.77 |
| Amount recognized outside profit and loss (in OCI) | 48.79 | 89.29 |
| Employer Contribution | (15.09) | (30.57) |
| Closing Net Defined Benefit Liability/ (Asset) - Current | 4,65.47 | 3,31.85 |
| (v) Amount to be recognized in Balance Sheet and movement in net liability | | |
| Present Value of Funded Obligations | 11,76.87 | 10,28.85 |
| Fair Value of Plan Assets | 7,11.39 | 6,97.01 |
| Net (asset) / Liability - Current | 4,65.48 | 3,31.84 |
| (vii) Description of Plan Assets | | |
| Funds managed by Insurer | 100% | 100% |
| Grand Total | 100% | 100% |
| (viii) Actuarial Assumptions | | |
| Discount rate (p.a.) | 6.80% | 7.32% |
| Salary Escalation Rate (p.a.) | 10.75% | 10.75% |
| Attrition Rate (p.a.) | 5.00% | 5.00% |
| Expected rate of return on Plan Assets (p.a.) | 6.80% | 7.32% |
| Mortality Rate | Indian Assured Lives Mortality (2006-08) Ult | Indian Assured Lives Mortality (2006-08) Ult |

The discount rates are based on the benchmark yields available on government bonds at the valuation date with terms matching that of the liabilities and salary increases rates take into account inflation, Seniority, Promotion and other relevant factors.

| | 31-03-2020 | 31-03-2019 | 31-03-2018 | 31-03-2017 | 31-03-2016 |
|---|------------|------------|------------|------------|------------|
| (ix) Assets liability comparison | | | | | |
| Present value obligation at the end of the period | 11,76.87 | 10,28.85 | 8,70.54 | 7,94.77 | 6,41.18 |
| Plan assets | 7,11.40 | 6,97.01 | 6,64.18 | 5,89.81 | 4,52.62 |
| Surplus/(Deficit) | (4,65.47) | (3,31.84) | (2,06.36) | (2,04.96) | (1,88.56) |
| Experience adjustments on plan assets | 2.46 | 0.28 | 6.36 | (6.32) | (0.26) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | | As at 31 st March 2020 | As at 31 st March 2019 |
|-----------------------------|--|--------------------------------------|--------------------------------------|
| (x) Expected Pay-out | | | |
| Year 1 | | 2,22.80 | 1,74.74 |
| Year 2 | | 62.48 | 98.08 |
| Year 3 | | 73.79 | 57.77 |
| Year 4 | | 1,20.89 | 66.64 |
| Year 5 | | 76.10 | 1,10.78 |
| Next 5 years | | 5,12.54 | 4,28.98 |

Average Duration of Defined Benefit Obligations - 6.30 years (31 March 2019: 6.32 years)

Project service costs for financial year 31 March 2021 is Rs. 88.65 Lakhs (31 March 2019: Rs. 76.18 Lakhs)

(xi) Effect of Change in Key Assumptions

Discount Rate

| | | |
|--------------------------------------|------------|-----------|
| Impact of increase in 100 bps on DBO | 11,02.90 | (9,65.05) |
| Impact of decrease in 100 bps on DBO | (12,60.91) | 11,01.06 |

Salary Escalation Rate

| | | |
|--------------------------------------|------------|-----------|
| Impact of increase in 100 bps on DBO | 12,55.18 | 10,96.45 |
| Impact of decrease in 100 bps on DBO | (11,06.36) | (9,67.81) |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(c) Other Long Term Employee Benefits :-

i) Leave Encashment:

The Holding Company also operates a non funded leave encashment scheme for its employees.

Other Long Term Employee Benefits (Leave encashment)– As per Actuarial Valuation on March 31, 2020:-

(i) Amount to be recognized in Balance Sheet and movement in net liability

| | | |
|-------------------------------------|----------------|----------------|
| Present Value of Funded Obligations | 4,47.28 | 3,82.43 |
| Fair Value of Plan Assets | - | - |
| Net (asset) / Liability | 4,47.28 | 3,82.43 |

ii) Actuarial Assumptions

| | | |
|-------------------------------|--------|--------|
| Discount rate (p.a.) | 6.80% | 7.32% |
| Salary Escalation Rate (p.a.) | 10.75% | 10.75% |
| Attrition Rate (p.a.) | 5.00% | 5.00% |

(iii) Effect of Change in Key Assumptions

Discount Rate

| | | |
|--------------------------------------|-----------|-----------|
| Impact of increase in 100 bps on DBO | 4,17.63 | (3,43.03) |
| Impact of decrease in 100 bps on DBO | (4,81.60) | 3,90.07 |

Salary Escalation Rate

| | | |
|--------------------------------------|-----------|-----------|
| Impact of increase in 100 bps on DBO | 479.27 | 3,88.61 |
| Impact of decrease in 100 bps on DBO | (4,18.99) | (3,43.85) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|--|--------------------------------------|--------------------------------------|
|--|--------------------------------------|--------------------------------------|

The estimate of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotions and other relevant factors. The above information has been certified by the actuary and has been relied upon by the Auditors.

Exposure to Risks:

These plans typically expose the Group to actuarial risks such as: interest rate risk, longevity risk and salary risk.

Interest risk: A decrease in the Government Securities (G-Sec Bonds) interest rate will increase the plan liability.

Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

NOTE 35

RELATED PARTY TRANSACTIONS

(a) Directors who held the office during the year:

Mr. Ajit Thomas, Chairman
Mr. M.A.Alagappan
Mr. P.Shankar
Mr. A.D.Bopana
Mrs. Shanthi Thomas
Mr. Habib Hussain
Mrs. Kavitha Vijay (w.e.f. 12th February 2020)

(b) Key Management Personnel (KMP):

Mr. M.N.Satheesh Kumar, President and CEO
Mr. A.Ramadas, Chief Financial Officer
Mr. Dileepraj.P, Company Secretary

Entities/Persons with whom transactions carried out during the year

(c) Entities having significant influence over the reporting entity

The Midland Rubber and Produce Company Limited
Neelamalai Agro Industries Limited

(d) Entities with common control through board composition / shareholding

AVT Gavia Foods Private Limited
The Nelliampathy Tea and Produce Company Limited
A V Thomas & Company Limited
Midland Corporate Advisory Services Private Limited
AVT McCormick Ingredients Private Limited
Midland Charitable Trust
AVT Leather Inc.

(e) Relatives of the directors

Mr. Rahul Thomas

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

B. Details of related party transactions during the year ended 31 March, 2020

(All amounts are in Rs. lakhs unless otherwise stated)

| S. No. | Particulars | Entities having significant influence | | Directors and other relatives | | Key Management Personnel (KMP) | | Entities with common control through board composition / shareholding | |
|--------|---|---------------------------------------|-----------|-------------------------------|-----------|--------------------------------|-----------|---|-----------|
| | | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | Transactions during the year: | | | | | | | | |
| 1 | Purchase of finished goods/raw materials | 26.56 | 1,07.26 | - | - | - | - | 1,31.15 | 1,88.87 |
| 2 | Sale of goods / consumables and ingredients | 1,85.45 | - | - | - | - | - | 73.23 | 55.14 |
| 3 | Freight & Transport Expenses | - | - | - | - | - | - | 2,75.96 | 2,38.47 |
| 4 | Dividend Paid | 4,77.70 | 4,21.82 | 8.31 | 7.39 | - | - | 27.41 | 24.37 |
| 5 | Expense reimbursement from related party | 0.14 | - | - | - | - | - | 21.61 | 26.64 |
| 6 | Expense reimbursement to related party | 13.11 | 0.23 | - | - | - | - | 1,51.76 | 39.24 |
| 7 | Sales Commission | - | - | - | - | - | - | - | - |
| 8 | Commission to Chairman | - | - | - | 28.59 | - | - | - | - |
| 9 | Director sitting fees | - | - | 8.45 | 4.79 | - | - | - | - |
| 10 | Professional fees | - | - | - | - | - | - | - | 1,28.04 |
| 11 | Fee for Technical services | - | - | - | - | - | - | - | - |
| 12 | Donation | - | - | - | - | - | - | 50.00 | - |
| 13 | Remuneration | - | - | 61.87 | 45.74 | 1,90.58 | 1,79.18 | - | - |

Outstanding Balances at the year end

| S. No. | Particulars | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
|--------|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1 | Trade receivables | - | 6.65 | - | - | - | - | 0.43 | 4.13 |
| 2 | Trade payables | 0.15 | 32.99 | - | - | - | - | 67.01 | 82.79 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

| | As at 31 st March 2020 | As at 31 st March 2019 |
|--|--------------------------------------|--------------------------------------|
| NOTE 36 | | |
| COMMITMENTS AND CONTINGENCIES | | |
| a) On account of Sales Tax matters in dispute: (against which Rs.71.23 lakhs has been paid in the past 31 March 2019: against which Rs.71.23 lakhs has been paid) | 71.43 | 71.23 |
| b) On account of Service Tax matters in dispute: (against which Rs.21.36 lakhs has been paid in the past 31 March 2019: against which Rs.21.36 lakhs has been paid in the past) | 13,37.84 | 14,31.54 |
| c) On account of Customs Duty matters in dispute: | 30.00 | - |
| Capital Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account net of capital advances and not provided for is Nil (31 March 2019: Rs.Nil). | | |
| NOTE 37 | | |
| LEASES | | |
| The Holding Company has taken on lease equipment and warehouses under lease arrangements. Most of the leases include renewal and escalation clauses. Lease rent expenses were Rs.488.71 Lakhs and Rs. 448.45 Lakhs for the years ended March 31, 2020 and March 31, 2019, respectively. | | |
| The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2020 on an undiscounted basis: | | |
| Ind AS 116 - Lease liabilities | | |
| Due within one year | 59.24 | - |
| Due in a period between one year and five years | 2,36.96 | - |
| Due after five years | 1,92.53 | - |
| Total minimum lease commitments | 4,88.73 | - |
| Finance Lease - Group as a lessee | | |
| Due within one year | - | 97.95 |
| Due in a period between one year and five years | - | 2,55.43 |
| Due after five years | - | 1,33.37 |
| Total minimum lease commitments | - | 4,86.75 |
| Operating Lease - Group as a lessee | | |
| Due within one year | - | 3.18 |
| Due in a period between one year and five years | - | 10.22 |
| Due after five years | - | - |
| Total minimum lease commitments | - | 13.40 |
| Transition to Ind AS 116: | | |
| The application of Ind AS 116 did not have any significant impact on the consolidated financial statements of the Group. In respect of leases that were classified as finance leases, applying Ind AS 17, an amount of Rs. 3,82.83 Lakhs has been reclassified from Property, Plant and Equipment to Right of use assets. An amount of Rs. 30.62 Lakhs has been reclassified from other financial liability - current to lease liability - current and an amount of Rs. 3,91.15 Lakhs has been reclassified from other financial liability - non current to lease liability - non current. | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 38

RESEARCH AND DEVELOPMENT EXPENDITURE :

Expenditure incurred at R&D Centres approved by Department of Scientific and Industrial Research (DSIR) eligible for Weighted deduction under the Income Tax Act

| a) Revenue Expenditure | 2019-20 | | 2018-19 | |
|--|----------------|----------------|----------------|----------------|
| | Vazhakulam | Bangalore | Vazhakulam | Bangalore |
| Salaries, Wages and Bonus | 2,12.92 | 91.11 | 1,94.29 | 92.64 |
| Contribution to Provident and other Funds | 27.52 | 7.00 | | |
| Consumption of Stores, Spares & Packing Materials | 39.13 | - | 29.90 | - |
| Product Development Expense | - | 44.97 | - | 18.77 |
| Others | 3.66 | - | 6.35 | - |
| (A) | 2,83.23 | 1,43.08 | 2,30.54 | 1,11.41 |
| b) Capital Expenditure | | | | |
| Plant and Machinery | 13.30 | 5.84 | 9.32 | - |
| Office Equipment | - | 1.56 | - | 13.65 |
| Buildings | - | - | - | 10.37 |
| (B) | 13.30 | 7.40 | 9.32 | 24.02 |
| Total [(A) + (B)] | 2,96.53 | 1,50.48 | 2,39.86 | 1,35.43 |

NOTE 39

OTHER REGULATORY MATTERS BY THE COMPANY

Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:

| Particulars | As at | As at |
|---|-----------------------------|-----------------------------|
| | 31 st March 2020 | 31 st March 2019 |
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | 24.08 | 36.44 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | 6.25 | 5.06 |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | - | - |
| (iv) The amount of interest accrued and remaining unpaid at the end of the accounting year | 6.25 | 5.06 |
| (v) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | 0.71 | - |

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

NOTE 40

GUARANTEE GIVEN BY THE COMPANY

Bank Guarantees of Rs.48.78 Lakhs (31 March 2019: Rs.51.65 Lakhs) have been given by the holding company to various government authorities & other parties. These guarantees were issued against the margin money kept with bank of Rs. 25.00 Lakhs (31 March 2019: Rs. 59.45 Lakhs) made with the bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 41

FAIR VALUE MEASUREMENT

Financial Instruments by category

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed.

Financial assets and liabilities

| Particulars | 31-Mar-20 | | | 31-Mar-19 | | |
|--|----------------|----------------|-----------------|----------------|----------------|------------------|
| | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| Financial assets (other than investment in subsidiary): | | | | | | |
| Non Current | | | | | | |
| Investments* | - | 1.00 | - | - | 1.00 | - |
| Other financial assets | - | - | 2,55.73 | - | - | 2,51.64 |
| Current | | | | | | |
| Investments | 7,56.72 | - | - | 7,01.90 | - | - |
| Loans | - | - | 21.61 | - | - | 11.75 |
| Trade Receivables | - | - | 75,32.21 | - | - | 81,78.65 |
| Cash and Cash Equivalents | - | - | 16,53.95 | - | - | 9,70.80 |
| Bank Balances other than Cash & Cash Equivalents | - | - | 2,11.27 | - | - | 2,04.11 |
| Other financial assets | - | - | 54.82 | - | 1,40.73 | 82.23 |
| Total | 7,56.72 | 1.00 | 97,29.59 | 7,01.90 | 1,41.73 | 96,99.18 |
| Financial liabilities: | | | | | | |
| Non-current | | | | | | |
| Borrowings | - | - | 10,50.00 | - | - | 15,91.15 |
| Lease liabilities | - | - | 3,57.65 | - | - | - |
| Current | | | | | | |
| Borrowings | - | - | 28,26.34 | - | - | 62,19.48 |
| Lease liabilities | - | - | 33.49 | - | - | - |
| Trade Payables | - | - | 22,64.50 | - | - | 34,67.36 |
| Other financial liabilities | - | 3,73.45 | 8,49.87 | - | - | 7,11.65 |
| Total | - | 3,73.45 | 73,81.85 | - | - | 119,89.64 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 42

FAIR VALUE HIERARCHY

A.1 Fair value of Financial Instruments measured through FVTPL:

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2020:

| | Notes | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|-------|---------|---------|---------|---------|
| Investment in Mutual Funds | A.2 | 7,56.72 | - | - | 7,56.72 |

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2019:

| | | | | | |
|----------------------------|-----|---------|---|---|---------|
| Investment in Mutual Funds | A.2 | 7,01.90 | - | - | 7,01.90 |
|----------------------------|-----|---------|---|---|---------|

A.2 Valuation inputs and relationship to fair value

The fair value of investment in mutual funds is determined using the Net Asset Value (NAV) per unit at the balance sheet date.

B.1 Fair value of Financial Instruments measured through FVTOCI:

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2020:

Derivatives designated as hedges - Asset

| | | | | | |
|--------------------------------------|-----|---|---|------|------|
| - Foreign exchange forward contracts | B.2 | - | - | - | - |
| - Investment in Equity Shares | | - | - | 1.00 | 1.00 |

Derivatives designated as hedges - Liabilities

| | | | | | |
|--------------------------------------|-----|---|---------|---|---------|
| - Foreign exchange forward contracts | B.2 | - | 3,73.45 | - | 3,73.45 |
|--------------------------------------|-----|---|---------|---|---------|

Financial assets and liabilities measured at fair value-recurring fair value measurements as at March 31, 2019:

Derivatives designated as hedges - Asset

| | | | | | |
|--------------------------------------|-----|---|---------|------|---------|
| - Foreign exchange forward contracts | B.2 | - | 1,40.73 | - | 1,40.73 |
| - Investment in Equity Shares | B.2 | - | - | 1.00 | 1.00 |

Derivatives designated as hedges - Liabilities

| | | | | | |
|--------------------------------------|-----|---|---|---|---|
| - Foreign exchange forward contracts | B.2 | - | - | - | - |
|--------------------------------------|-----|---|---|---|---|

B.2 Valuation inputs and relationship to fair value

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date. In respect of the investment in equity share, considering the nature of the investment, fair value is considered close to the carrying value by the management

C. Fair value of Financial Instruments measured at amortised cost :

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables, loans, borrowings-current, financial liabilities and assets the management considers that the carrying amount of assets and liabilities recognised at amortised cost in financial statements is approximate to their fair value.

Financial instruments carried at fair value as at March 31, 2020 is Rs.7,57.72 lakhs and financial instruments carried at amortised cost as at March 31, 2020 is Rs.10,107.83 lakhs. A significant part of the financial assets are classified

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

as Level 1 having fair value of Rs.7,56.72 lakhs as at March 31, 2020. The fair value of these assets is marked to an active market which factors the uncertainties arising out of COVID-19. The financial assets carried at fair value by the Group are mainly investments in mutual funds wherein the uncertainties arising out of COVID-19 which are based on net asset value as at 31 March 2020. The Group also has investment in unlisted shares of Rs. 1.00 Lakhs which is valued based on Level category 3, as per Ind AS 113 - Fair value, which is subject to volatility. Financial assets of Rs.1,865.22 lakhs as at March 31, 2020 carried at amortised cost is in the form of cash and cash equivalents, bank deposits and earmarked balances with banks where the Group has assessed the counterparty credit risk. Trade receivables, loans and other financial assets of Rs.7,986.88 lakhs as at March 31, 2020 forms a significant part of the financial assets carried at amortised cost, which is valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit loss, we have considered the likelihood of increased credit risk and consequential default considering emerging situations due to COVID-19. This assessment is not based on any mathematical model but an assessment considering the nature of verticals, impact immediately seen in the demand outlook of these verticals and the financial strength of the customers in respect of whom amounts are receivable. Basis this assessment, the allowance for doubtful trade receivables of Nil lakhs as at March 31, 2020 is considered adequate.

The fair value of financial instruments as referred to in note (A) above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

D. Valuation inputs and relationship to fair value

There are no material level 3 fair value measurements in respect of the financial assets and liabilities of the Group.

NOTE 43

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Holding Company also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed by the senior management in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by professionals who have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

(A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2020 and 31 March 2019.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at 31 March 2020.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018 including the effect of hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with fixed & floating interest rates.

Sensitivity Analysis of the Interest Rate

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of change in interest rates.

| | Effect on profit before tax in Rs. lakhs | |
|----------------|--|-----------|
| | 31-Mar-20 | 31-Mar-19 |
| 100bp increase | (41.76) | (77.19) |
| 100bp decrease | 41.76 | 77.19 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Holding Company manages its foreign currency risk by using foreign currency forward contracts.

When a derivative is entered into for the purpose of being a hedge, the Holding Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions, the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

(1) Foreign Currency Risk Exposure

The Company exposure to foreign currency risk at the end of the year expressed in Rs. as follows:

| | Amount in foreign currency | | Amount in Rs. | |
|-------------------------------|----------------------------|-----------|---------------|-----------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | In '000 | | Rs. In Lakhs | |
| Financial Assets | | | | |
| Trade Receivables - USD | 83,56.25 | 97,27.29 | 62,48.37 | 66,59.30 |
| Trade Receivables - GBP | - | - | - | - |
| Other Receivables - USD | - | - | - | - |
| Derivative assets | | | | |
| Forward Cover Contracts - USD | 51,70.40 | 64,30.50 | 38,68.49 | 44,02.32 |
| Financial Liabilities | | | | |
| Trade Payables - USD | 2,81.05 | 8,44.99 | 2,13.49 | 5,86.93 |
| Trade Payables - GBP | 5.21 | - | 4.88 | - |
| Other Payables - SGD | 1.99 | 38.45 | 1.07 | 19.79 |
| Other Payables - CHF | - | - | - | 0.63 |
| Net Exposure - USD | 29,04.80 | 24,51.80 | 21,66.40 | 20,28.41 |
| Net Exposure - GBP | (5.21) | - | (4.88) | (5.64) |
| Net Exposure - SGD | (1.99) | (38.45) | (1.07) | (19.79) |
| Net Exposure - CHF | - | - | - | (0.63) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(2) Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, GBP, SGD & CHF exchange rates, with all other variables held constant. The impact on the Holding Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The impact on the Holding Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Holding Company's exposure to foreign currency changes for all other currencies is not material.

| Sensitivity Analysis | Effect on profit before tax in Rs. lakhs | |
|----------------------------|--|-----------|
| | 31-Mar-20 | 31-Mar-19 |
| USD Exposure in Rs. | | |
| 1% -Strengthening | 21.66 | 20.28 |
| 1% -Weakening | (21.66) | (20.28) |
| GBP Exposure in Rs. | | |
| 1% -Strengthening | (0.05) | (0.06) |
| 1% -Weakening | 0.05 | 0.06 |
| SGD Exposure in Rs. | | |
| 1% -Strengthening | (0.01) | (0.20) |
| 1% -Weakening | 0.01 | 0.20 |
| CHD Exposure in Rs. | | |
| 1% -Strengthening | - | (0.01) |
| 1% -Weakening | - | 0.01 |

Impact of hedging activities

(a) Disclosure of effects of hedge accounting on financial position :

The following are outstanding foreign currency forward contracts, which have been designated as cash flow hedges:

| | Number of contracts | Notional amount of contracts (Rs. In Lakhs) | Fair value (Amount in Lakhs) |
|------------------|---------------------|---|------------------------------|
| 31-Mar-20 | | | |
| US Dollar | 172 | 93,94.28 | (3,73.45) |
| 31-Mar-19 | | | |
| US Dollar | 99 | 44,02.32 | 1,40.72 |

For notional amount of contracts, amounts in foreign currency are converted at 31 March 2020 and 31 March 2019 rate respectively.

Movements in Cash Flow Hedge Reserve

| Derivative Instruments | Foreign Exchange Forward Contracts |
|---|------------------------------------|
| (i) Cash Flow Hedge Reserve | |
| As at 1 April 2018 | (25.30) |
| Add: Changes in discounted spot element of foreign exchange forward contracts (net of deferred tax) | 30.99 |
| As at 31st March 2019 | 5.69 |
| Add: Changes in discounted spot element of foreign exchange forward contracts (net of deferred tax) | (2,07.51) |
| As at 31st March 2020 | (2,01.82) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(c) Commodity price risk

The prices of agricultural commodities are subject to fluctuations due to various factors. In the ordinary course of business, the Group is exposed to commodity price risk to the extent its open sales are not balanced by the purchase contracts and inventory. The Group has in place in a risk management policy to manage such risk by hedging the sales by direct purchases of the commodity and strategic stocking policies.

(B) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. The Group is exposed to credit risk to credit risk from its operating activities (primarily trade receivables) and from its financing activity, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(a) Trade receivables

Customer credit risk is managed as per the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are set with approvals on the basis of the defined policies. Outstanding customer receivables are regularly monitored and exposures are kept within the credit limits fixed for each customer.

Excessive risk concentration

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Holding Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Holding Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|-----------|-----------|
| No of Customers to whom Sales made is more than 10% of the Turnover | 2 | 3 |
| Contribution of Customers in Sales more than 10% of Turnover | 32.50% | 47.00% |

| Particulars | 31-Mar-20 | 31-Mar-19 |
|---|-----------|-----------|
| No of Customers who owed more than 10% of the Total receivables | 3 | 2 |
| Contribution of Customers in owing more than 10% of Total receivables | 38.06% | 46.50% |

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous company's and assessed for impairment collectively. The calculation is based on exchange losses historical data. The Holding Company does not hold collateral as security. The Holding Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

(b) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

The Group's maximum exposure to credit risk for the components of the balance sheet at 31 March 2020 and 31 March 2019 is the carrying amounts as mentioned in Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

(C) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Approximately, 68% of the Group's debt will mature in less than one year at 31 March 2020 (31 March 2019: 80% Group's debt will mature in less than one year) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| | On demand | "Less than 3 months" | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---------------------------------------|-----------|----------------------|----------------|--------------|-----------|----------|
| Year ended 31 March 2020 | | | | | | |
| Interest-bearing loans and borrowings | 28,26.34 | 1,50.00 | 1,50.00 | 10,50.00 | - | 41,76.34 |
| Lease liabilities | - | 14.81 | 44.43 | 2,36.96 | 1,92.53 | 4,88.73 |
| Other financial liabilities | 1,29.57 | 3.16 | 6,41.19 | - | - | 7,73.92 |
| Trade and other payables | - | 22,62.13 | - | - | - | 22,62.13 |
| Year ended 31 March 2019 | | | | | | |
| Interest-bearing loans and borrowings | 62,19.48 | - | 3,30.62 | 14,02.00 | 1,89.15 | 81,41.25 |
| Other financial liabilities | 1,44.42 | 9.70 | 2,03.02 | - | - | 357.14 |
| Trade and other payables | - | 28,23.48 | - | - | - | 28,23.48 |

NOTE 44

CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by fund attributable to Equity Shares Holders. The Group includes within net debt, interest bearing loans and borrowings less cash and short-term deposits and current investments.

| | | |
|--|-------------------------|-------------------------|
| | 31-Mar-20 | 31-Mar-19 |
| | Rs. lakhs | Rs. lakhs |
| Interest-bearing loans and borrowings (Refer Note 15) | 41,76.34 | 81,41.25 |
| Interest bearing lease liabilities (Refer Note No. 16) | 3,91.14 | - |
| Less: cash and short-term deposits (Refer Note 11) | 16,53.95 | 9,70.80 |
| Less: current investments (Refer Note No. 6) | 7,56.72 | 7,01.90 |
| Net debt | <u>21,56.81</u> | <u>64,68.55</u> |
| Equity (Refer Note 13) | 15,22.84 | 15,22.84 |
| Reserves (Refer Note 14) | 259,62.32 | 236,39.05 |
| Total capital | <u>274,85.16</u> | <u>251,61.89</u> |
| Gearing ratio | 8% | 26% |

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 45

The list of investments in subsidiaries are as given below:

The parent's subsidiaries at March 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held by the group and the effective ownership of the group is enumerated in the table below. The country of incorporation or registration is also their principal place of business.

| International Subsidiaries | Country of Incorporation | Held directly by Parent or through its subsidiaries & Effective Holding | |
|------------------------------------|--------------------------|---|-----------|
| | | 31-Mar-20 | 31-Mar-19 |
| AVT Tea Services Limited | United Kingdom | 100% | 100% |
| AVT Tea Services North America LLC | USA | 100% | 100% |
| AVT Natural S.A. DE C.V | Mexico | 100% | 100% |

NOTE 46

Additional information as required under Schedule III to the Companies Act, 2013, of enterprises consolidated as subsidiaries on net basis:

| Name of the entity in the group | Net Assets i.e. total assets - total liabilities | | Share in Profit or loss | | Share in other Comprehensive income | | Share in total Comprehensive income | |
|------------------------------------|---|-------------------|-------------------------------------|-------------------|---|-------------------|-------------------------------------|-------------------|
| | As % of consolidated net | Amount (In lakhs) | As % of Consolidated profit or loss | Amount (In lakhs) | As % of Consolidated other Comprehensive income | Amount (In lakhs) | As % of total comprehensive income | Amount (In lakhs) |
| Consolidated | 100% | 274,85.16 | 100% | 34,00.15 | 100% | (2,50.74) | 100% | 31,49.41 |
| Parent | | | | | | | | |
| AVT Natural Products Limited | 105% | 288,67.02 | 111% | 37,79.75 | 116% | (2,89.86) | 111% | 34,89.89 |
| Subsidiary Foreign | | | | | | | | |
| AVT Tea Services Limited | -3% | (9,51.84) | 3% | 85.10 | -16% | 39.13 | 4% | 1,24.23 |
| AVT Natural SA DE CV | -2% | (4,55.68) | -14% | (4,64.70) | 0% | - | -15% | (4,64.70) |
| Step down Subsidiary | | | | | | | | |
| AVT Tea Services North America LLC | 0% | - | - | - | - | - | - | - |
| Total | 100% | 274,59.50 | 100% | 34,00.15 | 100% | (2,50.74) | 100% | 31,49.42 |

NOTE 47

LOWER RATE OF INCOME TAX

The Taxation Laws (Amendment) Ordinance, 2019 was promulgated on September 20, 2019. The ordinance amends the Income Tax Act, 1961 and the Finance (No. 2) Act, 2019 by inserting section 115BAA which provides domestic companies with an option to opt for lower tax rates, provided they do not claim certain deductions. The Holding Company has elected to exercise the option and has accordingly recognised Provision for Income Tax for year ended March 31, 2020 and remeasured Deferred Tax Assets at the lower tax rate prescribed in the said section. This change which has been recognised in the statement of profit and loss in the the current year and has reduced provision for taxation by Rs. 5,72.47 Lakhs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2020 (Contd.)

(All amounts are in Rs. lakhs unless otherwise stated)

NOTE 48

UNCERTAINTIES RELATED TO COVID 19

The management has considered the possible effects, if any, that may result from the pandemic relating to COVID 19 on the carrying amounts of property, plant and equipment, investments, trade receivables and inventories. In developing the assumptions and estimates relating to uncertainties as at the balance sheet date in relation to recoverable amounts of these assets, the management has considered the global economic conditions prevailing as at the date of approval of these financial results and has used internal and external source of information to the extent determined by it. The actual outcome of these assumptions and estimates may vary in future due to the impact of the pandemic.

NOTE 49

PLANT OPERATIONS

The Holding Company's units which had to suspend operations temporarily, due to Government's directives relating to COVID 19, have since resumed partial operations in April 2020 and full operations since May 2020, as per the guidelines and norms prescribed by the government authorities.

NOTE 50

NEW SUBSIDIARY COMPANY FORMED

The Holding Company has formed a new step down subsidiary company by name of AVT Natural North America Inc - USA on 25 March 2020, where capital is yet to be infused as at the balance sheet date.

NOTE 51

SUBSEQUENT EVENTS

Dividends paid during the year 2019-20 represent 20% final dividend for the financial year 2018-19 (Rs.3,67.17 Lakhs inclusive of DDT) and interim dividend of 20% declared in the financial year 2019-20 (Rs.4,58.97 Lakhs inclusive of DDT).

The dividends declared by the Holding Company are in Indian Rupees and are based on the profits available for distribution as reported in the statutory financial statements of the Holding Company. Subsequent to March 31, 2020, the Board of Directors of Holding Company have proposed a final dividend of Re. 0.35 per share (35%) in respect of financial year 2019-20. The proposal is subject to the approval of shareholders at the Annual General Meeting, and if approved, would result in a cash outflow of approximately Rs. 5,32.99 lakhs.

NOTE 52

Figures for the previous periods have been regrouped / reclassified to conform to the classification of the current period.

See accompanying notes to the financial statements

As per our report of even date attached

For **PKF Sridhar & Santhanam** LLP

Chartered Accountants

FRN : 003990S/S200018

T.V. Balasubramanian

Partner

Membership No. 027251

UDIN: 20027251AAAAER5184

Place: Chennai

Date : 29th July 2020

Dileepraj. P

Company Secretary

For and on behalf of the board

Ajit Thomas

Chairman

M.A. Alagappan

Director

A. Ramadas

Sr. Vice President & CFO

M N Sathesh Kumar

President & CEO

Vision

- To be a global leader in enriching lives through nature's own ingredients as food, nutrition and medicine for mankind.

Mission

- We will be a Global Leader in Marigold Extracts through a fully integrated supply chain with excellence in Plant Science & Agriculture and Logistics Management.
- We will achieve growth and stability in performance by diversifying to value added natural ingredients for synergistic business segments through development of product research and technology base.
- We will bring in highest level of efficiency, traceability, food safety and quality in the supply chain through Contract Farming.
- We will establish brand equity for natural ingredients through development of consumer marketing skills.
- We will comply flawlessly with ever changing international statutory regulations for our business segments.
- We will consistently add value in our business to deliver superior returns to all stakeholders - customers, employees, shareholders, suppliers and society.

Values

- Constantly strive for value in whatever we do.
- Belief in ethical business and transparency.
- Encourage individual excellence and foster environment for team work.
- No short cuts - never sacrifice long term for short term.
- Know the business environment, products and customers well - update knowledge.
- Respect the neighbourhood and individuality of each customer, supplier and employee.