



## INDEPENDENT AUDITOR'S REPORT

To the Members of Zuari Farmhub Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Zuari Farmhub Limited ("the Company"), which comprise the balance sheet as at 31st March 2020, and the statement of Profit and Loss, *statement of changes in equity* and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information..

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 March 31, 2020, and loss, *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 Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules 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.

#### Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.



Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 Management and Those Charged with Governance for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified 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 of 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is



not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 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 internal financial controls with reference to 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".



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

- i. The Company does not have any pending litigations which would impact its financial position;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For Arun Adhia & Co.**

**Chartered Accountants**

ICAI Firm Registration No. 100553W



(Arunkumar V. Adhia)

Proprietor

Membership No. 042657



UDIN: 20042657 AAAAN 6655

Place: Vasco da gama-Goa

Date: 18<sup>th</sup> June, 2020



**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF ZUARI FARMHUB LIMITED**

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls with reference to standalone<sup>1</sup> financial statements of ZUARI FARMHUB LIMITED ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's Management is 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 on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). 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 Act.

**Auditors' Responsibility**

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



Our audit involves performing procedures to obtain audit evidence about the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

#### **Meaning of Internal Financial Controls With Reference to Financial Statements**

A Company's internal financial control with reference to 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 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Financial Statements**

Because of the inherent limitations of internal financial controls with reference to 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 financial statements to future periods are subject to the risk that the internal financial control with reference to 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, the Company has, in all material respects, internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, 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.

**For Arun Adhia & Co.**

**Chartered Accountants**

ICAI Firm Registration No. 100553W



(Arunkumar V. Adhia)

Proprietor

Membership No. 042657



UDIN: 20042657AAAAAN6655

Place: Vasco da gama-Goa

Date: 18<sup>th</sup> June, 2020



**ANNEXURE A TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF ZUARI FARMHUB LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2020.**

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

- (i)(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification in every two years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the title deeds of immovable properties, included in property, plant and equipment acquired under slump sale through BTA agreement from Zuari Agro Chemicals Limited (ZACL) during the year, are not in the name of the Company.
- (ii) The management has conducted physical verification of inventory at the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, related to the manufacture of fertilisers and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.



- (vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (viii) According to the information and explanations given by the management, The Company does not have any loans or borrowings from Financial Institution, banks and Government as at balance sheet date.
- (ix) In our opinion and according to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer. Further, according to the information and explanations given to us and on an overall examination of the balance sheet, The Company has issued 4,35,560 Compulsorily Convertible Debentures during the year at a face value of Rs. 10000/-each amounting to Rs.43,556.00 lakhs to Zuari Agro Chemicals Limited, the holding company, towards part payment of purchase consideration pursuant to the Business Transfer agreement.
- (x) According to the information and explanations given by the management, the managerial remuneration has been NIL.
- (xi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares during the year hence, reporting requirements under clause 3(xiv) are not applicable to the company and, hence not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.



(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

**For Arun Adhia & Co.**

**Chartered Accountants**

ICAI Firm Registration No. 100553W



(Arunkumar V. Adhia)

Proprietor

Membership No. 042657



UDIN: 20042657 AAAAA N 6655

Place: Vasco da gama-Goa

Date: 18<sup>th</sup> June, 2020

**Zuari Farmhub Limited**  
**Balance Sheet as at 31 March 2020**  
(Amount in INR lakhs, unless otherwise stated)

	Notes	As at 31 March 2020
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3	7,192.21
Intangible assets	4	1,534.99
Financial assets		
(i) Loans	5A	288.75
(ii) Others	5B	33.70
Other non-current assets	6	3,687.64
		<u>12,737.28</u>
<b>Current assets</b>		
Inventories	7	4,371.80
Financial assets		
(i) Trade receivables	8	3,514.21
(ii) Cash and cash equivalents	9	1.00
(iii) Loans	5A	3.53
(iv) Others	5B	57.41
Other current assets	6	667.18
		<u>8,615.13</u>
<b>Total assets</b>		<u>21,352.41</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Equity share capital	10	1.00
Other equity	11	(44,956.14)
<b>Total equity</b>		<u>(44,955.14)</u>
<b>Non-current liabilities</b>		
Financial liabilities		
(i) Borrowings	12	23,874.44
(ii) Others	14	35,000.00
Other non-current liabilities	15	68.23
		<u>58,942.67</u>
<b>Current liabilities</b>		
Financial liabilities		
(i) Borrowings		
(ii) Trade payables	13	
a) total outstanding dues of micro enterprises and small enterprises		54.66
b) total outstanding dues of creditors other than micro enterprises and small enterprises		6,145.90
(iii) Others	14	513.72
Other current liabilities	15	265.94
Provisions	16	384.65
		<u>7,364.88</u>
<b>Total liabilities</b>		<u>66,307.55</u>
<b>Total equity and liabilities</b>		<u>21,352.41</u>



**Zuari Farmhub Limited**  
**Balance Sheet as at 31 March 2020**  
**(Amount in INR lakhs, unless otherwise stated)**

Summary of significant accounting policies 2  
The accompanying notes are an integral part of financial statements

As per our report of even date

For Arun Adhia & Co.  
Chartered Accountants  
ICAI Firm registration number : 100553W

For and on behalf of the Board of Directors of  
Zuari Farmhub Limited

  
per Arunkumar V Adhia  
Proprietor  
Membership Number : 042657



  
R Y Patil  
Director  
DIN: 01680046



  
N.M. Katak  
Director  
DIN: 08029847

Place of signature: Goa  
Date: 18 June 2020

Place of signature: Goa  
Date: 18 June 2020

**Zuari Farmhub Limited**  
**Statement of Profit and Loss for the year ended 31 March 2020**  
**(Amount in INR lakhs, unless otherwise stated)**

	Notes	For the year ended 31 March 2020
<b>I Revenue</b>		
Revenue from operations	17	161.06
<b>Total income (I)</b>		<b>161.06</b>
<b>II Expenses</b>		
Changes in inventories of finished goods, traded goods and work in progress	18	131.16
Employee benefits expense	19	29.30
Depreciation and amortization expense	20	0.71
Other expenses	21	56.35
<b>Total expenses (II)</b>		<b>217.52</b>
<b>III (Loss) before tax (I - II)</b>		<b>(56.46)</b>
<b>IV Tax expense / (credit):</b>		
Income tax expense/ (credit)		-
<b>V (Loss) for the year (III - IV)</b>		<b>(56.46)</b>
<b>Profit/(Loss) for the year</b>		
Attributed to:		
Equity holders of the Company		-
Non Controlling Interest		-
<b>VI (Loss) per equity share: (nominal value of share INR 10/- (31 March 2020- INR 10/-)</b>	<b>22</b>	
(1) Basic		(564.57)
(2) Diluted		(564.57)



Zuari Farmhub Limited

Statement of Profit and Loss for the year ended 31 March 2020

(Amount in INR lakhs, unless otherwise stated).

Summary of significant accounting policies

2

The accompanying notes are an integral part of financial statements

As per our report of even date

For Arun Adhia & Co.

Chartered Accountants

ICAI Firm registration number : 100553W

For and on behalf of the Board of Directors of

Zuari Farmhub Limited



per Arunkumar V Adhia  
Proprietor

Membership Number : 042657



R Y Patil  
Director

DIN: 01680046



N.M. Katak  
Director

DIN: 08029847



Place of signature: Goa

Date: 18 June 2020

Place of signature: Goa

Date: 18 June 2020

Zuari Farmhub Limited  
Statement of Cash Flows for the year year 31 March 2020  
(Amount in INR lakhs, unless otherwise stated)

	For the year ended 31 March 2020
<b>A</b>	<b>Cash flow from operating activities:</b>
	(Loss) before tax (56.46)
	<b>Adjustments to reconcile loss before tax to net cash flows:</b>
	Depreciation of property, plant and equipment 0.71
	<b>Operating profit/ (loss) before working capital adjustments (55.74)</b>
	<b>Working capital adjustments :</b>
	Increase in provisions 384.65
	Increase/ (decrease) in trade payables and other liabilities 42,049.17
	Decrease in trade receivables (3,514.21)
	(Increase)/ decrease in inventories (4,371.80)
	(Increase)/ decrease in other assets and financial assets (4,445.92)
	(Increase)/ decrease in loans and advances (292.28)
	<b>29,809.61</b>
	Cash Generated From Operations 29,753.88
	Less : Income tax paid (net of refunds) (0.00)
	<b>Net cash flow from Operating Activities (A)* 29,753.86</b>
<b>B</b>	<b>Cash flow from Investing activities:</b>
	Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances (8,728.62)
	Purchase of non-current investments (69,896.74)
	Proceeds from Equity Share Capital 1.00
	<b>Net cash flow from/ (used in) investing activities (B) (78,624.36)</b>
<b>C</b>	<b>Cash flow from financing activities:</b>
	Proceeds from long term borrowings (Debentures) 43,556.00
	Proceeds from long term borrowings (Lease) 5,315.50
	<b>Net cash flow (used in) financing activities (C) 48,871.50</b>
<b>D</b>	<b>Net increase/ (decrease) in cash and cash equivalents (A + B + C) 1.00</b>
	Cash and cash equivalents at the beginning of the year -
	<b>Cash and cash equivalents at the year end (Refer Note 8) 1.00</b>
	As at 31 March 2020
	Balances with banks
	- On current accounts 1.00
	<b>Cash and cash equivalents 1.00</b>



Zuari Farmhub Limited  
Statement of Cash Flows for the year year 31 March 2020  
(Amount in INR lakhs, unless otherwise stated)

Summary of significant accounting policies  
The accompanying notes are an integral part of financial statements

2

As per our report of even date

For Arun Adhia & Co.  
Chartered Accountants  
ICAI Firm registration number : 100553W

For and on behalf of the Board of Directors of  
Zuari Farmhub Limited



per Arunkumar V Adhla  
Proprietor  
Membership Number : 042657



R Y Patil  
Director  
DIN: 01680046



N.M. Katak  
Director  
DIN: 08029847

Place of signature:  
Date: 18 June 2020

Place of signature:  
Date: 18 June 2020

Zuari Farmhub Limited  
Statement of changes in equity for the year ended 31 March 2020  
(Amount in INR lakhs, unless otherwise stated)

(a) Equity share capital

Equity shares of INR 10 each Issued, subscribed and fully paid	31 March 2020	
	No. of shares	Amount
At 1 April		
At 31 March	10,000	1.00

(b) Other Equity

For the year ended 31 March 2020:

	Reserves and surplus (Refer Note 11)			OCI	Total other equity
	Capital Reserve	Surplus / (deficit) in the statement of profit and loss	Equity Component	FVTOCI Equity Securities	
As at 1 April 2019	-	-	-	-	-
(Loss) for the Year	(69,896.74)	(56.46)	-	-	(69,953.20)
<b>Total comprehensive (loss) for the Year</b>	<b>(69,896.74)</b>	<b>(56.46)</b>	<b>-</b>	<b>-</b>	<b>(69,953.20)</b>
0.01% Compulsory convertible debentures (unsecured)		-	24,997.06		24,997.06
<b>As at 31 March 2020</b>	<b>(69,896.74)</b>	<b>(56.46)</b>	<b>24,997.06</b>	<b>-</b>	<b>(44,956.14)</b>

Summary of significant accounting policies

2

The accompanying notes are an integral part of financial statements

As per our report of even date

For Arun Adhia & Co.  
Chartered Accountants  
ICAI Firm registration number : 100553W

For and on behalf of the Board of Directors of  
Zuari Farmhub Limited

  
per Arunkumar V Adhia  
Proprietor  
Membership Number : 042657



  
R Y Patil  
Director  
DIN: 01680046



  
N.M. Kantak  
Director  
DIN: 08029847

Place of signature:  
Date: 18 June 2020

Place of signature:  
Date: 18 June 2020

## Zuari Farmhub Limited

### Notes to the financial statements for the year ended 31 March 2020

#### 1. Corporate Information

The Company is a closely held public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located at Jai Kisaan Bhawan, Zuarinagar, Goa 403726. The Company is in the business of manufacturing, trading and marketing of chemical fertilizers, water soluble fertilizers, seeds, pesticides and allied services.

The Board of directors of the Company at its meetings held on 5 February 2020 approved the Purchase of retail, speciality nutrients business (SPN), & allied, crop protection and care business (CPC), seeds and blended businesses allied business from Zuari Agro Chemicals Limited (ZACL), the Holding Company on a going concern basis under a slump sale/Purchase arrangement. Accordingly, a 'Business Transfer Agreement ('BTA') was executed on March 31, 2020 between the Company and ZACL.

These standalone financial statements were approved for issue in accordance with a resolution of the Board of Directors of the Company in their meeting held on 19 June 2020.- to be check

#### 2A. Summary of Significant Accounting Policies

##### i) Basis of Preparation

The standalone financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable to the standalone financial statements.

The standalone financial statements have been prepared on historical cost basis, except for the following assets and liabilities, which have been measured at fair value-

- Derivative financial instruments,
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments), and
- Defined benefit plans – plan assets measured at fair value.

The standalone financial statements of the Company are presented in Indian Rupee (INR) and all values are rounded to the nearest lakhs (INR 00,000), except when otherwise indicated.

##### ii) Basis of classification of Current and Non-Current

Assets and Liabilities in the balance sheet have been classified as either current or non-current based upon the requirements of Schedule III notified under the Companies Act, 2013.

An asset has been classified as current if

- a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle; or
- b) it is held primarily for the purpose of being traded; or
- c) it is expected to be realized within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets have been classified as non-current.

A liability has been classified as current when

- a) it is expected to be settled in the Company's normal operating cycle; or
- b) it is held primarily for the purpose of being traded; or
- c) it is due to be settled within twelve months after the reporting date; or



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### Notes to the financial statements for the year ended 31 March 2020

- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities have been classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. The Company has identified twelve months as its operating cycle.

#### iii) Foreign Currency Translation

##### a) Functional and presentation currency

Items included in the standalone financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The standalone financial statements are presented in Indian Rupee (INR), which is Company's functional and presentation currency.

##### b) Initial recognition

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition.

##### c) Conversion

Foreign currency monetary items are translated using the functional currency spot rates of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value denominated in a foreign currency are, translated using the exchange rates that existed when the fair value was determined.

##### d) Exchange differences

Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit and loss are also recognised in OCI or profit and loss, respectively).

#### iv) Derivative financial instruments

##### Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

##### v) Fair value measurement

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

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:



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### Notes to the financial statements for the year ended 31 March 2020

- 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 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, maximising the use of relevant observable inputs and minimising 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.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for sale in discontinued operation.

External valuers are involved for valuation of significant assets, and significant liabilities, if any.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. 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 summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

#### vi) **Non-current assets classified as held for sale**

The Company classifies non-current assets classified as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.



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**Notes to the financial statements for the year ended 31 March 2020**

For these purposes, sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance. The criteria for held for sale classification is regarded met only when the assets is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. The Company treats sale of the asset to be highly probable when:

- The appropriate level of management is committed to a plan to sell the asset,
- An active programme to locate a buyer and complete the plan has been initiated (if applicable),
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Cost to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expenses. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

**vii) Property, plant and equipment**

PPE are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, including import duties and non- refundable purchase taxes, borrowing costs if recognition criteria are met and any directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase.

Subsequent expenditure related to an item of PPE is added to its book value only if it increases the future benefits from the existing PPE beyond its previously assessed standard of performance. Such cost includes the cost of replacing part of the plant and equipment. 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. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Items of stores and spares that meet the definition of PPE are capitalized at cost. Otherwise, such items are classified as inventories. Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under capital advances. The cost of the fixed asset not ready for its intended use on such date is disclosed under capital work-in- progress.

Gains or losses arising from derecognition of the assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**viii) Depreciation on property, plant and equipment**

Depreciation on property, plant and equipment (other than specific asset referred under Para (a) to (e) below is calculated using the straight-line basis using the rates arrived at, based on the useful lives estimated by the management. For this purpose, a major portion of the plant has been considered as continuous process plant. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of principal asset. The Company has used the following rates to provide depreciation on its property, plant and equipment which are equal to the rates specified in Schedule II to Companies Act, 2013.



## Zuari Farmhub Limited

### Notes to the financial statements for the year ended 31 March 2020

	Useful lives estimated by the management (years)
Factory buildings	30 years
Other buildings (RCC structures)	60 years
Other buildings (other than RCC structures)	30 years
Plant and equipment (Continuous process plant)	25 years
Plant and equipment (Others)	15 years
Furniture and fixtures	10 years
Roads and Culverts	3, 5 and 10 years
Office equipment	3 to 5 years
Vehicles	8 years

The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets:

- The useful lives of components of certain plant and equipment are estimated as 5 to 20 years. These lives are lower than those indicated in Schedule II.
- Insurance/ capital/ critical stores and spares are depreciated over the remaining useful life of related plant and equipment or useful life of insurance/capital/ critical spares, whichever is lower.
- Property, plant and equipment whose value is less than INR 5,000/- are depreciated fully in the year of purchase.

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if any .

#### ix) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortised on a straight line basis over the estimated useful economic life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

#### Software

Management of the Company assessed the useful life of software as finite and cost of software is amortized over their estimated useful life of three years on straight-line basis.

#### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits



## Zuari Farmhub Limited

### Notes to the financial statements for the year ended 31 March 2020

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

All expenses incurred on research and development activities are expensed as incurred by the Company since these do not meet the recognition criteria as listed above.

#### Goodwill (pursuant to the scheme of amalgamation)

Goodwill, which arose pursuant to the scheme of amalgamation of Zuari Speciality Fertilisers Limited (ZSFL) with the Zuari Agro Chemicals Limited (Holding Company), has got merged with the Zuari Agro Chemicals Limited (Holding Company).

Further, as per Business Transfer Agreement (BTA) executed on March 31, 2020 between the Company and Zuari Agro Chemicals Limited (ZACL), Speciality business has been purchase under slump sale arrangement from ZACL and Goodwill is part of such transfer

#### x) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available, and if no such transactions can be identified an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods.



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**Notes to the financial statements for the year ended 31 March 2020**

**xi) Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**a) Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land 3 to 30 years
- Building 2 to 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment

**Lease liabilities**

- At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.
- Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



**Company as a lessor**

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**xii) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**a) Financial assets**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

**Debt Instruments-**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. For the purposes of subsequent measurement, debt instruments are classified in three categories:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments at fair value through profit or loss (FVTPL).

**Debt instruments at amortised cost**

A debt instrument' is measured at the amortised cost if both the following conditions are met:

- (a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- (b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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 in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**Debt instrument at FVTOCI**

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- (a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- (b) The asset's contractual cash flows represent sole payments of principal and interest (SPPI).

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the profit and loss. On derecognition of the asset, cumulative



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gain or loss previously recognised in OCI is reclassified from the equity to the statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

***Debt instrument at FVTPL***

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL. In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

***Equity Instruments-***

Investments in subsidiaries are subsequently measured at cost.

For the purposes of subsequent measurement of other equity instruments classification is made into below two categories:

- Equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Equity investments other than investments in subsidiaries are measured at fair value. The Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument -by-instrument basis. The classification is made on initial recognition and is irrevocable. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 (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.

***Impairment of financial assets***

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company categorizes them into Stage 1, Stage 2 and Stage 3, as described below:



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### Notes to the financial statements for the year ended 31 March 2020

Stage 1: When financial assets are first recognized, the Company recognizes an allowance based on 12 months ECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial assets has been reclassified from Stage 2.

Stage 2: When a financial assets has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the financial assets has been reclassified from Stage 3.

Stage 3: Financial assets considered credit-impaired. The Company records an allowance for the LTECLs.

#### b) Financial liabilities

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including derivative financial instruments.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss (FVTPL) include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

##### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised 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 or loss.

##### **Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 109 Financial instruments and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

##### **Derecognition**

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 or loss.



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**Notes to the financial statements for the year ended 31 March 2020**

**c) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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.

**xiii) Compound financial instrument**

**Compulsory Convertible Instruments**

Compulsory Convertible Debentures are separated into liability and equity components based on the terms of the contract. At the inception of the Compulsory Convertible Instruments, the following two elements will be separated:

- (a) a liability component arising from the interest payments; and
- (b) an equity component representing the delivery of fixed number of equity shares in future.

On issuance of the Compulsory Convertible Instrument, the fair value of the liability portion is determined using a market interest rate for an equivalent non convertible bonds. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion of the bonds. The remainder of the proceeds is attributable to the equity portion of the compound instrument since it meets Ind AS 32, Financial Instruments: Presentation, criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the equity component is not subsequently re-measured.

**xiv) Cash and Cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits

**xv) Dividend to equity holders of the Company**

The Company recognises a liability to make dividend distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**xvi) Inventories**

Inventories are valued at the lower of Cost and Net Realisable Value.

The Cost is determined as follows:

- a) Raw materials and Store and Spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Moving weighted average method.
- b) Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on Moving weighted average method.
- c) Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on Moving weighted average method.

Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.



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Cost includes the necessary cost incurred in bringing inventory to its present location and condition necessary for use.

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.

**xvii) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs include interest and amortization of ancillary costs incurred in connection with the arrangement of borrowing. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**xviii) Revenue from contract with customer**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in paragraph 2.

**Sale of goods**

Revenue from sale of product is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. The normal credit term is 15 to 120 days upon delivery.

In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, and consideration payable to the customer (if any).

**i) Variable consideration**

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

**(a) Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in Ind AS 115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to change in inventory is also recognised for the right to recover products from a customer.



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**Notes to the financial statements for the year ended 31 March 2020**

(b) Volume rebates

The Company provides volume rebates to certain customers once the quantity of goods purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

ii) **Significant financing component**

Occasionally, the Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

**Contract balances**

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in paragraph xii) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

As per Ind AS 115 and the Educational Material of Ind AS 115, sales tax/ VAT is not received by the entity on its own account, it is tax collected on value added to the commodity by the seller on behalf of the Government, therefore, it is excluded from revenue. From 1 July 2017, the GST regime has been introduced, revenue is being recognised net of GST.



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**Notes to the financial statements for the year ended 31 March 2020**

**Insurance claims**

Insurance claims and receivable on account of interest from dealers on delayed payment are accounted for to the extent the Company is reasonably certain of their ultimate collection.

**Interest income**

For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend is recognized when the shareholders' right to receive payment is established by the balance sheet date.

**xix) Retirement and other employee benefits**

**i) Provident Fund**

Retirement benefits in the form of Provident Fund is defined benefit obligation and is provided on the basis of actuarial valuation of projected unit credit method made at the end of each financial year. The difference between the actuarial valuation of the provident fund of employees at the year end and the balance of own managed fund is provided for as liability in the books in terms of the provisions under Employee Provident Fund and Miscellaneous Provisions Act, 1952. Any excess of plan assets over projected benefit obligation is ignored as such surplus is distributed to the beneficiaries of the trust.

**ii) Superannuation and Contributory Pension Fund**

Retirement benefit in the form of Superannuation Fund and Contributory Pension Fund are defined contribution scheme. The Company has no obligation, other than the contribution payable to the Superannuation Fund and Contributory Pension Fund to Life Insurance Corporation of India (LIC) against the insurance policy taken with them. The Company recognizes contribution payable to the Superannuation Fund and Contributory Pension Fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

**iii) Gratuity**

Retirement benefit in the form of gratuity is defined benefit obligation and is provided on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

The Company has taken insurance policy under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) to cover the gratuity liability of the employees.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and such re-measurement gain / (loss) are not reclassified to the statement of profit and loss in the subsequent periods. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

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



**iv) Post-Retirement Medical Benefit**

Post-retirement medical benefit is a defined benefit obligation which is provided for based on actuarial valuation on projected unit credit method made at the end of each financial year. Remeasurement, comprising of actuarial gains and losses, are recognised in the period in which they occur, directly in statement of profit & loss.

**v) Leave Encashment**

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. . Re measurement, comprising of actuarial gains and losses, are recognised in the period in which they occur, directly in statement of profit and loss

The Company treats accumulated leave expected to be carried forward beyond twelve months as long term employee benefit for measurement purpose. Such long term compensated absences are provided for based on actuarial valuation using the projected unit credit method at the year end. The Company presents the leave as a current liability in the balance sheet; to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

**vi) Pension Fund**

Retirement benefit in the form of family pension fund and National Pension Scheme are defined contribution scheme. The Company has no obligation, other than the contribution payable to the pension fund. The Company recognizes contribution payable to the pension fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefits expense in the statement of profit and loss.

**vii) Voluntary Retirement Scheme**

Compensation to employees under the voluntary retirement scheme of the Company is computed on the basis of number of employees exercising the retirement option under the scheme.

**Short term employee benefits**

All employee benefits payable/ available within twelve months of rendering of service are classified as short term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the statement of profit and loss in the period in which the employee renders the related service.



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**Notes to the financial statements for the year ended 31 March 2020**

xx) Taxes

**Current Income Tax and Deferred Tax**

Tax expense comprises current income tax and deferred tax. Current income-tax expense is measured at the amount expected to be paid to the taxation authorities in accordance with the Income-tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred 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 utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.



## Zuari Farmhub Limited

### Notes to the financial statements for the year ended 31 March 2020

#### **Goods and Service Tax (GST) / Sales/value added taxes paid on acquisition of assets or on incurring expenses**

When GST amount incurred on purchase of assets or services is not recoverable from the taxation authority, the GST paid is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Otherwise, expenses and assets are recognized net of the amount of GST paid. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

#### **xxi) Earnings per share**

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

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

#### **xxii) Government grants and subsidies**

Grants from the government are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expenses item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

#### **xxiii) Provisions**

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **xxiv) Segment Reporting Policies**

Operating segments are reported in a manner consistent with the internal reporting provided to the Management. Management review the performance of the Company according to the nature of products manufactured, traded and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the locations of customers.

#### **Segment accounting policies**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting standalone financial statements of the Company as a whole.

#### **2. A. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's standalone financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.



**a) Determining the lease term of contracts with renewal and termination options- Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

**b) Defined benefit plans**

The cost of the defined benefit gratuity plan, post-employment medical benefits and other defined benefit plans and the present value of the obligation of defined benefit plans are determined using actuarial valuations. 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 reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for defined benefit plans, the management considers the interest rates of government bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases are based on the expected future inflation rates.

**c) Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where ever possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**d) Useful life of Property, plant and equipment**

The management estimates the useful life and residual value of property, plant and equipment based on technical evaluation. These assumptions are reviewed at each reporting date.

**e) Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Company.

**f) Revenue from contracts with customers**

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:



**Determining method to estimate variable consideration and assessing the constraint**

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Company determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

**Estimating variable consideration for returns and volume rebates**

The Company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.

The Company developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Company applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Company.

The Company updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

**g) Taxes**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.



**h) Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**2. C. Changes in accounting policies and disclosures**

**New and amended standards**

The Company has adopted new standards for the first time in April 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in April 2019, but do not have an impact on the standalone financial statements of the Company. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

**Ind AS 116:**

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company adopted Ind AS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, comparatives for the period ended 31 March, 2019 have not be retrospectively adjusted. The Company elected to apply the standard to contracts that were previously identified as leases applying Ind AS 17. The Company also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

**a. Nature of the effect of adoption of IND AS 116**

The Company has lease contracts for various guest house, retail outlets and land. Before the adoption of Ind AS 116, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased



asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of Ind AS 116, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

**Leases previously classified as finance leases**

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under Ind AS 17). The requirements of Ind AS 116 was applied to these leases from 1 April 2019.

**Leases previously accounted for as operating leases**

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

**Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment**

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 and does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. In determining the approach that better predicts the resolution of the uncertainty, an entity might consider, for example, (a) how it prepares its income tax filings and supports tax treatments; or (b) how the entity expects the taxation authority to make its examination and resolve issues that might arise from that examination.



## Zuari Farmhub Limited

### Notes to the financial statements for the year ended 31 March 2020

The Company applied the appendix from its effective date. Since the Company operates in comparatively simple tax environment and does not operate in a complex multinational environment, applying the appendix did not have significant impact in its Interim Condensed Standalone Ind AS Financial Statements.

#### **Amendments to Ind AS 12: Income Taxes**

The amendments also clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. Since the Company's current practice is in line with these amendments, they had no impact on the Interim Condensed Standalone Ind AS Financial Statements of the Company.

#### **Amendments to Ind AS 109: Prepayment Features with Negative Compensation**

Under Ind AS 109, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments have no impact on the Interim Condensed Standalone Ind AS Financial Statements of the Company.

#### **Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement**

The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability/ (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

These amendments had no impact on the Interim Condensed Standalone Ind AS Financial Statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

#### **Amendments to Ind AS 23: Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 April 2019. Since the Company's current practice is in line with these amendments, they had no impact on the Interim Condensed Standalone Ind AS Financial Statements of the Company.



**Zuari Farmhub Limited**

**Notes to the financial statements for the year ended 31 March 2020**

**2.1 Standards issued but not yet effective**

There are no standards or amendments issued on or before March 31, 2020 but not yet effective, which may have any material impact on the Ind AS financial statements of the Company.



3. Property, plant and equipment

(INR in lakhs)

	Freehold land	Leasehold land	Buildings Note.i	Plant and equipment	Furniture and fixtures	Office equipment	Vehicles	Right to use building	Total
<b>Cost</b>									
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Transferred from Zuari Agro Chemicals Limited (ZACL) on account of business transfer agreement	17.70	63.21	685.94	354.38	547.05	144.11	0.28	5,380.26	7,192.92
<b>As at 31 March 2020</b>	<b>17.70</b>	<b>63.21</b>	<b>685.94</b>	<b>354.38</b>	<b>547.05</b>	<b>144.11</b>	<b>0.28</b>	<b>5,380.26</b>	<b>7,192.92</b>
<b>Charge for the year</b>	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2019</b>	-	-	-	-	-	-	-	-	-
<b>Charge for the year</b>	-	-	-	-	0.71	-	-	-	0.71
Disposals	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2020</b>	-	-	-	-	0.71	-	-	-	0.71
<b>Net book value</b>									
<b>As at 31 March 2020</b>	<b>17.70</b>	<b>63.21</b>	<b>685.94</b>	<b>354.38</b>	<b>546.34</b>	<b>144.11</b>	<b>0.28</b>	<b>5,380.26</b>	<b>7,192.21</b>

i. Building includes self constructed building with net book value of INR 597.20 lakhs on leasehold land.

4. Intangible assets

(INR In lakhs)

	Goodwill **	Total
<b>Cost</b>		
<b>As at 31 March 2019</b>	-	-
Additions	-	-
Disposals	-	-
Transferred from Zuari Agro Chemicals Limited (ZACL) on account of business transfer agreement	1,534.99	1,534.99
<b>As at 31 March 2020</b>	<b>1,534.99</b>	<b>1,534.99</b>
<b>Amortisation</b>		
<b>As at 31 March 2019</b>	-	-
Charge for the year	-	-
Disposals	-	-
<b>As at 31 March 2020</b>	-	-
<b>Net book value</b>		
<b>As at 31 March 2020</b>	<b>1,534.99</b>	<b>1,534.99</b>
<b>As at 31 March 2019</b>	-	-

\*\*Pursuant to business transfer agreement (BTA) executed on March 31, 2020 between the company and Zuari Agro Chemicals Limited (ZACL), retail, speciality nutrients business (SPN) & allied, crop protection & care business (CPC), seeds and blended businesses has been transferred, goodwill is part of such transfer. The goodwill, arose pursuant to the scheme of amalgamation of Zuari Speciality Fertilisers Limited (ZSFL) with Zuari Agro Chemicals Limited (Holding Company).



5. Financial assets

		(INR in lakhs)	
		Non current	Current
		31 March 2020	31 March 2020
<b>5A. Loans</b>			
Security deposits			
Unsecured, considered good			
- with others		284.52	2.44
Other loans and advances			
Secured, considered good			
Loans to employees		1.11	0.32
Unsecured, considered good			
Loans to employees		0.10	0.28
Interest accrued on loans to employees		3.02	0.50
<b>Total</b>		<b>288.75</b>	<b>3.53</b>

		(INR in lakhs)	
		Non current	Current
		31 March 2020	31 March 2020
<b>5B. Other financial assets</b>			
Other financial assets (Unsecured, considered good)			
Packing scheme incentive grant receivable		33.70	57.41
<b>Total</b>		<b>33.70</b>	<b>57.41</b>

Break up of financial assets carried at amortised cost

		Non current	Current
		31 March 2020	31 March 2020
Loans (Refer Note 5A)		288.75	3.53
Trade receivables (Refer Note 8)		-	3,514.21
Cash and cash equivalents (Refer Note 9)		-	1.00
Other financial assets (Refer Note 5B)		33.70	57.41
<b>Total financial assets carried at amortised cost</b>		<b>322.45</b>	<b>3,576.15</b>

6. Other assets

		(INR in lakhs)	
		Non current	Current
		31 March 2020	31 March 2020
<b>Unsecured, considered good, except where otherwise stated</b>			
<b>Capital advances</b>			
- to related parties (Refer Note 25)		3,686.22	-
- to others (Refer Note i below)		1.42	-
<b>Advances (other than capital advances)</b>			
Others, considered good		-	148.86
Others, considered doubtful		-	18.76
		-	<b>184.18</b>
Less: provision for doubtful advances		-	(18.76)
		-	<b>165.42</b>
Advance to employees		-	8.30
Balances with statutory authorities		-	493.21
Prepaid expenses		-	0.26
<b>Total</b>		<b>3,687.64</b>	<b>667.18</b>

7. Inventories (valued at lower of cost and net realisable value)

		(INR in lakhs)
		31 March 2020
Raw materials [includes material in transit: INR Nil (31 March 2019: INR 8,945.78 lakhs)]		132.19
Finished goods		1,320.33
Traded goods [includes material in transit: INR Nil and material lying with others: INR 244.82 lakhs (31 March 2019: includes material in transit: INR 104.60 lakhs and material lying with others: INR 3,025.06 lakhs)]		2,913.75
Stores and spares		5.53
<b>Total</b>		<b>4,371.80</b>



Zuari Farmhub Limited  
Notes to Financial Statements for the year ended 31 March 2020

**8. Trade receivables (at amortized cost)** (INR in lakhs)

	31 March 2020
Trade receivables - related parties (Refer Note 25)	1.80
Trade receivables - others	3,512.41
<b>Total</b>	<b>3,514.21</b>

**Break-up for security details:** (INR in lakhs)

	31 March 2020
<b>From related parties (Refer Note 25)</b>	
Unsecured, considered good	1.80
<b>From others</b>	
Unsecured, considered good	3,512.41
<b>Total</b>	<b>3,673.76</b>
Less : Trade receivables- credit impaired	(159.54)
<b>Total</b>	<b>3,514.21</b>

**9. Cash and cash equivalents**

(INR in lakhs)

	31 March 2020
<b>Cash and cash equivalents</b>	
Balances with banks :	
- on current accounts	1.00
<b>Total</b>	<b>1.00</b>

The Company has not pledged any part of its short-term deposits to fulfil collateral requirements.



10. Share capital

	(INR in lakhs)
	31 March 2020
<b>Authorised share capital</b>	
50,000 Equity Shares of INR 10/- each	5.00
	<u>5.00</u>
<b>Issued and subscribed capital and paid up</b>	
10,000 Equity Shares of INR 10/- Each Fully paid	<u>1.00</u>

a. Reconciliation of shares outstanding at the beginning and end of the reporting year

Equity Shares	31 March 2020	
	In numbers	INR in lakhs
At the beginning of the year	-	-
Issued during the year	10,000	1.00
<b>Outstanding at the end of the year</b>	<b>10,000</b>	<b>1.00</b>

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of INR 10 per share. Each share holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Name of shareholder	31 March 2020	
	No. of shares held	% Holding in class
Zuari Agro Chemicals Limited	10,000	100.00

As per records of the Company including its register of share holders/members and other declarations received from share holders regarding beneficial interest, the above share holding represents both legal and beneficial ownership of shares.



11. Other equity	(INR in lakhs)
	31 March 2020
<b>Capital reserves</b>	
Balance as per the last financial statements	(44,899.68)
Add: Amount transferred on consolidated	
<b>Closing balance</b>	<b>(44,899.68)</b>
<b>General Reserve</b>	
Balance as per last financial statements	-
Add: Received during the year	
<b>Closing balance</b>	<b>-</b>
<b>(Deficit) in the statement of profit and loss</b>	
Balance as per last financial statements	-
(Loss) for the year	(56.46)
Other comprehensive (loss)	-
<b>Less : Appropriations</b>	
Add: Reclass of gain from FVTOCI reserve to retained earnings	-
<b>Net (deficit) in the statement of profit and loss</b>	<b>(56.46)</b>
<b>Total other equity</b>	<b>(44,956.14)</b>

**Nature and purpose of reserves**

**General Reserve**

Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the Company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013.

**Surplus / (deficit) in the statement of profit and loss**

Surplus / (deficit) in the statement of profit and loss represents the profits / (losses) generated by the Company that are not distributed to the shareholder and are re-invested in the Company.

**FVTOCI Reserve**

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.



Zuari Farmhub Limited  
Notes to Financial Statements for the year ended 31 March 2020

12. Borrowings		(INR in lakhs)
Non-current borrowings (at amortised cost)	31 March 2020	
<b>Debenture</b>		
0.01% Compulsory convertible debentures (unsecured)		18,558.94
<b>From financial Institutions</b>		
<b>From others</b>		
<b>Unsecured</b>		
Lease Liabilities		5,752.93
<b>Total</b>		<b>24,311.87</b>
Less : Amount disclosed under "Other current financial liabilities"		
- Current maturities of lease liabilities (Refer Note 14)		(437.43)
<b>Total</b>		<b>23,874.44</b>



Zuari Farmhub Limited  
Notes to Financial Statements for the year ended 31 March 2020

13. Trade payables (INR in lakhs)

	Non current	Current
	31 March 2020	31 March 2020
Trade payables		
- outstanding dues to related parties (Refer Note 25)	-	1,096.84
- outstanding dues to micro and small enterprises	-	54.66
- outstanding dues to others	-	5,049.06
<b>Total</b>	-	<b>6,200.56</b>

14. Other financial liabilities (INR in lakhs)

	Non current	Current
	31 March 2020	31 March 2020
<b>Other financial liabilities at amortised cost</b>		
Current maturities of long term borrowings (Refer Note 12A)	-	-
Current maturities of lease liabilities (Refer Note 12A)	-	437.43
Trade deposits - dealers and others		
- from related parties (Refer Note 25)	35,000.00	-
- from others	-	74.76
Employee benefits payable	-	1.10
Others Payable		
- to others*	-	0.43
<b>Total other financial liabilities at amortised cost (b)</b>	<b>35,000.00</b>	<b>513.72</b>
<b>Total other financial liabilities (a+b)</b>	<b>35,000.00</b>	<b>513.72</b>

Break up of financial liabilities carried at amortised cost (INR in lakhs)

	Non Current	Current
	31 March 2020	31 March 2020
Non-current borrowings (Refer Note 12A)	23,874.44	-
Trade payables (Refer Note 13)	-	6,200.56
Other financial liabilities (Refer Note 14)	35,000.00	513.72
<b>Total financial liabilities carried at amortised cost</b>	<b>58,874.44</b>	<b>6,714.28</b>

15. Other liabilities (INR in lakhs)

	Non current	Current
	31 March 2020	31 March 2020
Contract Liabilities- Advances received from customers	-	248.89
Deferred income	68.23	17.06
<b>Total</b>	<b>68.23</b>	<b>265.94</b>

Deferred income (INR in lakhs)

	31 March 2020
<b>Opening</b>	-
Deferred during the year	102.34
Released to the statement of profit and loss	(17.06)
<b>Closing</b>	<b>85.28</b>

16. Provisions (INR in lakhs)

	Non current	Current
	31 March 2020	31 March 2020
<b>Provision for employee benefits</b>		
Gratuity (Refer Note 23)	-	46.68
Leave encashment (unfunded)	-	337.97
<b>Total</b>	-	<b>384.65</b>



Zuari Farmhub Limited  
Notes to Financial Statements for the year ended 31 March 2020

17. Revenue from operations:

	<u>(INR in lakhs)</u>
	<u>31 March 2020</u>
<b>Revenue from contracts with customers</b>	
<b>Sale of products</b>	
Traded products	161.06
<b>Other operating revenue</b>	
Scrap sales	-
<b>Revenue from operations</b>	<u><u>161.06</u></u>

**Performance obligation**

The Company recognises revenue from sale of goods at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 15 to 120 days from delivery.

The Company does not have any other performance obligation in respect of its supply of goods to the customers.

18. Changes in inventories of finished goods, traded goods and work-in- progress

	<u>(INR in lakhs)</u>
	<u>31 March 2020</u>
<b>Inventories at the end of the year</b>	
Traded goods	4,371.80
<b>Inventories at the beginning of the year</b>	<u>4,371.80</u>
Traded goods	4,502.96
<b>Total</b>	<u><u>131.16</u></u>

19. Employee benefits expense

	<u>(INR in lakhs)</u>
	<u>31 March 2020</u>
Salaries, wages and bonus	25.53
Contribution to provident and other funds	2.74
Gratuity expense (Refer Note 23)	0.27
Staff welfare expenses	0.76
<b>Total</b>	<u><u>29.30</u></u>

20. Depreciation and amortisation expense

	<u>(INR in lakhs)</u>
	<u>31 March 2020</u>
Depreciation of property, plant and equipment (Refer Note 3)	0.71
<b>Total</b>	<u><u>0.71</u></u>

21. Other expenses

	<u>(INR in lakhs)</u>
	<u>31 March 2020</u>
Consumption of packing materials	
Rent	24.03
Rates and taxes	2.47
Repairs and maintenance	
Others	0.38
Payment to statutory auditors	0.45
Miscellaneous expenses	29.02
<b>Total</b>	<u><u>56.35</u></u>



**Zuari Farmhub Limited**

**Notes to financial statements for the year ended 31 March 2020**

**22. Earnings per share (EPS)**

Basic and diluted EPS amounts are calculated by dividing the profit / (loss) for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

	<u>31 March 2020</u>
Profit/(loss) attributable to equity holders of the Company:	
(Loss)/ profit after Taxation as per Statement of Profit and loss (INR in Lakhs)	(56.46)
Weighted average number of shares used in computing earnings per share	10,000
Basic and diluted earnings / (loss) per equity share ( In INR)	(564.57)
Face value per share (in INR)	<u>10.00</u>



23. Gratuity and other post-employment benefit plans

Particulars	(INR In lakhs)
	31 March 2020
- Gratuity Plan- Asset/ (Liability)*	(46.68)
<b>Total</b>	<b>(46.68)</b>

a) Gratuity

Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The Gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement/termination/resignation. The Gratuity plan for the Company is a defined benefit scheme where annual contributions as demanded by the insurer are deposited to a Gratuity Trust Fund established to provide gratuity benefits. The Trust has taken an insurance policy, whereby these contributions are transferred to the insurer. The Company makes provision of such gratuity asset/liability in the books of account on the basis of actuarial valuation carried out by an independent actuary.

b) Provident Fund

As per Ind-AS 19, Employee Benefits, provident funds setup by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Actuarial valuation of Provident Fund was carried out in accordance with the guidance note issued by Actuary Society of India.

c) Post Retirement Medical Benefit Plan

The Company has a defined benefit post retirement medical benefit plan, for its employees. The Company provides medical benefit to those employees who leave the services of the Company on retirement. As per the plan, retired employee and the spouse will be covered till the age of 85 years and the dependent children till they attain the age of 25 years. In case of death of retired employee, the spouse will be covered till the age of 85 years and the dependent children till they attain the age of 25 years. The plan is not funded by the Company.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

Net employee benefits expense (recognized in employee cost) for the year ended

Particulars	(INR in lakhs)
	Gratuity 31 March 2020
Current service cost	0.27
<b>Total</b>	<b>0.27</b>

Particulars	(INR in lakhs)
	31 March 2020
Investment with insurer (Life Insurance Corporation of India)	173.95

Investment pattern in plan assets:

Particulars	Gratuity	Provident fund
	31 March 2020	31 March 2020
Funds managed by insurance companies	100%	0%
Funds managed by trust	-	-

The principal assumptions used in determining benefit obligation for the Company's plans are shown below:

Particulars	Gratuity	Provident Fund	Post Retirement Medical Benefit Plan
	31 March 2020	31 March 2020	31 March 2020
Discount rate (in %)	6.85%	-	-
Salary Escalation (in %)	8% for first 2 years and 6.5% thereafter	-	-
Mortality Rate (in %)(Upto Normal Retirement Age)	100%	-	-
Mortality Rate (in %)(Above Normal Retirement Age)	N.A.	-	-
Withdrawal rate (per annum)	1%-3%	-	-

A quantitative sensitivity analysis for significant assumption for the Company are as shown below:

Gratuity Plan

Assumptions	31 March 2020		31 March 2020		31 March 2020		31 March 2020	
	Discount rate		Future salary increases		Attrition rate		Mortality rate (in %)	
Sensitivity Level	1% increase	1% decrease	1% increase	1% decrease	50% increase of attrition rate	50% decrease of attrition rate	10% increase of mortality rate	10% decrease of mortality rate
	INR in lakhs	INR in lakhs	INR in lakhs	INR in lakhs	INR in lakhs	INR in lakhs	INR in lakhs	INR in lakhs
Impact on defined benefit obligation	205.45	238.54	238.37	205.32	220.21	221.03	220.64	220.63

Maturity Profile of Defined benefit obligation:

Expected cash flows over the next (valued on undiscounted basis):

Particulars	Gratuity		Post Retirement Medical Benefit Plan	
	31 March 2020	31 March 2020	31 March 2020	31 March 2020
	INR in lakhs	INR in lakhs	INR in lakhs	INR in lakhs
Within the next 12 months (next annual reporting period)	47.91	-	-	-
Between 2 to 5 years	105.76	-	-	-
Between 6 and 10 years	43.92	-	-	-
Beyond 10 years	252.22	-	-	-

The average duration of the defined benefit plan obligation at the end of the reporting period is 6 years.



**Zuari Farmhub Limited**

**Notes to financial statements for the year ended 31 March 2020**

**24. Related party transactions**

In accordance with the requirements of Ind AS - 24 'Related Party Disclosures', names of the related parties, related party relationship, transactions and outstanding balances including commitments where control exists and with whom transactions have taken place during reported periods are:

**(i) Holding Company**

- 1) Zuari Agro Chemicals Limited

**(iii) Key Management Personnel of the Company**

- 1) Mr. Ranjit Singh Chugh - Director
- 2) Mr. Nitin Mangesh Kantak - Director
- 3) Mr. Madan Mohan Pandey - Director
- 4) Mr. Sabaleel Nandy - Director
- 6) Mr. R.Y. Patil - Director

**(iv) Parties having significant influence**

- 1) Zuari Global Limited
- 2) Indian Furniture Products Limited (IFPL)
- 3) Forte Furniture Products (India) Private Limited (joint venture of IFPL till 13 March 2019 and joint venture of ZGL w.e.f. 14th March 2019)
- 4) Simon India Limited
- 5) Zuari Management Services Limited
- 6) Zuari Infraworld India Limited
- 7) Zuari Finserv Limited
- 8) Zuari Investments Limited
- 9) Gobind Sugar Mills Limited (subsidiary of Zuari Investment Limited)
- 10) Zuari Indian Oil Tanking Private Limited (Joint Venture of Zuari Global Limited)
- 11) Mangalore Chemicals and Fertilisers Limited (Subsidiary of Zuari Agro Chemicals Limited)
- 12) Adventz Trading DMCC (Subsidiary of Zuari Agro Chemicals Limited)
- 13) Zuari Maroc Phosphates Private Limited (Joint Venture of Zuari Agro Chemicals Limited)
- 14) Paradeep Phosphates Limited – (Subsidiary of Zuari Maroc Phosphates Private Limited)

**(v) Details of Post Employment Benefit Plans managed through separate trusts (para 9 (b) (v) of Ind AS 24)**

- 1) Zuari Industries Limited Employee Provident Fund
- 2) Zuari Industries Limited Senior Staff Superannuation Fund
- 3) Zuari Industries Limited Non Management Employees Pension Fund
- 4) Zuari Industries Limited Gratuity Fund



Following transactions were carried out with related parties in the ordinary course of business for the year ended :-

(INR in lakhs)

S. No	Transaction details	31 March 2020	
		Holding	Enterprises having Significant Influence
<b>1</b>	<b>Expenses incurred on our behalf</b>		
	- Zuari Agro Chemicals Limited	106.38	-
<b>2</b>	<b>Sales of Finished goods made on our behalf</b>		
	- Zuari Agro Chemicals Limited	84.49	-
<b>3</b>	<b>Issue of Equity Shares</b>		
	- Zuari Agro Chemicals Limited	1.00	-
<b>4</b>	<b>Purchase of Asset &amp; Liability (Net Consideration- As slump Sales)</b>		
	- Zuari Agro Chemicals Limited-(Refer Note -34)	78,556.00	-
<b>5</b>	<b>Issue Compulsory convertible debenture (CCD)</b>		
	- Zuari Agro Chemicals Limited-(Refer Note no 35)	43,556.00	-

**Terms and conditions of transactions with related parties**

The transactions of sale and purchases with related parties are made on terms equivalent to those prevailing in arm's length transactions. The outstanding balances at the year end of trading activities are generally unsecured. Interest is charged as per terms of the contract with the related parties which is at arm's length. The net outstanding balances are settled generally in cash.

There have been no guarantees provided or received for any related party receivables or payables.

For the period ended 31 March 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.



Balance Outstanding as on:

(INR in lakhs)

S. No	Particulars	31 March 2020	
		Holding	Enterprises having Significant Influence
<b>1</b>	<b>Trade payables/ Other Payable :</b>		
	- Mangalore Chemicals and Fertilizers Limited- Transfer from Zuari Agro Chemicals Ltd - on account of (Slump Sale)- as per Business Transfer Agreement	-	410.42
	- Paradeep Phosphates Limited-Transfer from Zuari Agro Chemicals Ltd - on account of (Slump Sale)- as per Business Transfer Agreement	-	664.53
	- Zuari Agro Chemicals Limited- (Refer Note No 34)	35,021.89	-
<b>2</b>	<b>Trade receivable/ Other receivable :</b>		
	- Gobind Sugar Mills Limited	-	-
	- Paradeep Phosphates Limited-Transfer from Zuari Agro Chemicals Ltd - on account of (Slump Sale)- as per Business Transfer Agreement	-	1.80
	- Zuari Management Services Limited	-	-
<b>3</b>	<b>Capital advance :</b>		
	- Zuari Global Limited (Advance for purchase of Land)-Transfer from Zuari Agro Chemicals Ltd - on account of (Slump Sale)- as per Business Transfer Agreement	-	3,209.13
	- Indian Furniture Products Limited-Transfer from Zuari Agro Chemicals Ltd - on account of (Slump Sale)- as per Business Transfer Agreement	-	477.10
<b>4</b>	<b>Compulsory convertible debenture (CCD)</b>		
	- Zuari Agro Chemicals Limited- (Refer Note No 35)	43,556.00	-
<b>5</b>	<b>Gratuity fund balance :</b>		
		-	173.95



## 25. Segment Information

### Information regarding primary segment reporting as per Ind AS-108

The Company is engaged in the business of manufacturing, trading and marketing of seeds, pesticides, chemical fertilizers and fertilizer products which according to the management, is considered as the only business segment.

Accordingly, no separate segmental information has been provided herein.

### Geographical segments

The Company operates in India and therefore caters to the needs of the domestic market. Therefore, there is only one geographical segment and hence, geographical segment information is not required to be disclosed.

## 26. 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. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company also holds investments and 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 Company's risk management is carried out by a treasury department under policies approved by the Board of directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### 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, currency risk and other price risk, such as commodity risk. Financial Instruments affected by market risk include borrowings, investments and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2020 and 31 March 2019.

The sensitivity analysis 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.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations, provisions, and other non-financial assets.

The following assumptions have been made in calculating the sensitivity analysis:

-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.

#### 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.

#### 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 uses foreign exchange forward contracts to manage its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 7 months.

#### c) Commodity price risk

(ii) The Company deals in purchase of imported Speciality fertilisers (WSF), which are imported by the Company and sold in the domestic market. The import prices of these goods are governed by international prices. There is a price and material availability risk, which may not be in line to meet the domestic market requirement. The risk is also with domestic manufacturers whose costing is based on majorly imported raw materials and small value-add. However, a dynamic alignment of procurement to sales and constant review of market conditions and competitors costing help in mitigating the impact.

(iii) The Company also deals in purchase of imported raw materials (WSF), which are imported by the Company and used in the manufacturing of Speciality Fertilizers. The import prices of these materials are governed by international prices. There is a price and material availability risk.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### a) 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 guidelines framed by the board of directors of the Company. Guidelines broadly covers the selection criterion and over all exposure which the Company can take with a particular financial institution or bank. Further, the guideline also covers the limit of overall deposit which the Company can make with a particular bank or financial Institution. The Company does not maintain the significant amount of cash and deposits other than those required for its day to day operations.

### Liquidity risk

The Company's objective is to maintain optimum levels of liquidity to meet its cash and collateral requirements at all times. The Company relies on a mix of borrowings and excess operating cash flows to meet its needs for funds. The current committed lines of credit are sufficient to meet its short to medium/ long term expansion needs. The Company monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.



**Zuari Farmhub Limited**

**Notes to financial statements for the year ended 31 March 2020**

27 The Board of Directors of the Company at its meeting held on 05 February 2020 and , approved the Purchase and transfer of retail, speciality nutrients business (SPN) & allied, crop protection & care business (CPC), seeds and blended businesses from Zuari Agro Chemicals Limited (ZACL) under a slump sale arrangement at a consideration of INR 78,556.00 lakhs based on valuation from an independent expert . All the assets and liabilities pertaining to the retail, speciality nutrients business (SPN) & allied, crop protection & care business (CPC), seeds and blended businesses of the ZACL, has been transfer to Company vide, a Business Transfer Agreement ('BTA') executed on March 31, 2020 between the Company and ZACL. The settlement of consideration was by issue of Compulsory Convertible Debentures of INR 10000 each aggregating to INR 43556.00 lakhs and balance of INR 35000.00 lakhs payable on or before 31 December 2020.

28 During the year company has issued 4,35,560 Compulsorily Convertible Debentures at a face value of Rs. 10000/-each amounting to Rs.43,556.00 lakhs to Zuari Agro Chemicals Limited, the holding company, towards part payment of purchase consideration pursuant to the Business Transfer agreement.

Compulsory Convertible debentures (CCD) were allotted on 31 March 2020 vide Debenture subscription agreement dated 31 March 2020, each CCD will be convertible into such number of equity shares of the company as is determined at the time, on the basis of valuation report of a registered valuer. The maximum term of CCDs will be 9 (nine) years and 11 (eleven) months from their date of issuance. CCDs carries a coupon rate of 0.01% (Zero point Zero One percent) per annum as simple interest, which will accrue from the date of allotment and will become payable as and when cash flows are available, or from such time as agreed in writing between the Company. The issue of CCD was approved in Extra-ordinary general meeting held on 28 March 2020

29 The Company has been granted Eligibility Certificate by the Directorate of Industries, Government of Maharashtra vide letter No JDI/PUNE/PSI-2007/EC-12/2012/732 dated 19 July 2012. As per the Eligibility Certificate, the Company is entitled to:

- a) Electricity Duty exemption for a period of 15 years from the date of commercial production.
- b) 25% refund of annual VAT and CST liability (after set-off) on sale of manufactured goods.

In terms of the Indian Accounting Standard (Ind AS 20) "Accounting for Government Grants", the eligible incentive is considered as a capital grant and has been set-up as deferred income, 'being recognised in the statement of profit and loss over the life of the eligible fixed assets.

Incentive receivable in respect of VAT and CST liability aggregating INR 85.28 lakhs as at 31 March 2020 has been set up as deferred income and is being recognised in the statement of profit and loss on systematic basis over the life of the eligible fixed assets. During the current year, INR 17.06 lakhs has been credited to the statement of profit and loss.

Incentive in respect of electricity duty exemption is accounted for during the period as a reduction from the electricity charges (i.e. the electricity charges recognised are considered net of electricity duty as per payments made to the electricity board). Transferred from Zuari Agro Chemicals Limited (ZACL) on account of Business Transfer Agreement (BTA).

30 The Holding Company (Zuari Agro Chemicals Limited) has paid INR 3,209.13 lakhs in financial year 2016-17 as advance to Zuari Global Limited for purchase of two pieces of land in Solapur district. During the year this is transferred from Holding Company ( Zuari Agro Chemicals Limited) as part of slump sale according to Business Transfer Agreement (BTA). The Company has taken possession of the land and is in the process of getting it registered in name of the Company

31 The outbreak of Coronavirus (COVID -19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. The Nationwide total lockdown announced from 25 March 2020 due to COVID-19 pandemic was gradually lifted based on the impact of outbreak. The agriculture and fertilizer sector remain relatively unaffected on demand side, the Company's operation have not been affected significantly on account of COVID-19 despite some issues relating to non-availability of labour and supply chain disruptions. The proactive support and relaxations extended by the Central and respective State Governments helped Company's production, distribution and sale of fertilizers and crop protection chemicals to remain unaffected. The Company has been able to operate its plants at normal levels by mobilizing critical work force and adopting stringent social distancing, safety measures and guidelines issued in this regard. Further, the Company has also assessed the impact of this pandemic on recoverability of carrying value of financial and non-financial assets as at the balance sheet date using various internal and external information up to the date of approval of these financial statements. The management has also performed sensitivity analysis on the assumptions used and based on present estimates and believes that the carrying amount is considered to be recoverable and accordingly no further adjustments is required in the financial statements. However, the impact assessment of Covid-19 is a continuing process given the uncertainties associated with its nature and duration. The impact of Covid-19 may be different from that estimated as at the date of approval of these financial statements and the Company will continue to monitor any material changes to future economic conditions.

**As per our report of even date**

For Arun Adhia & Co.  
Chartered Accountants  
ICAI Firm registration number : 100553W

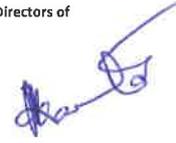
  
per Arunkumar V Adhia  
Proprietor  
Membership Number : 042657



Place of signature: Goa  
Date: 18 June 2020

For and on behalf of the Board of Directors of  
Zuari Farmhub Limited

  
R Y Patil  
Director  
DIN: 01680046

  
N M Katak  
Director  
DIN: 08029847



Place of signature: Goa  
Date: 18 June 2020