R. Subramanian and Company LLP
CHARTERED ACCOUNTANTS

New No.6, Old No.36, Krishnaswamy Avenue, Luz, Mylapore, Chennai – 600 004
Phone : 044 – 24992261 / 24991347 / 24994231, Fax : 044 – 24991408
Email : rs@rscompany.co.in Website : rscompany.co.in

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M/s.UCAL POLYMER INDUSTRIESLIMITED

## Report on the audit of Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial Statements of **M/s. UCAL POLYMER INDUSTRIES LIMITED ("the Company")**, which comprise the Balance Sheet as at March 31, 2020 and the Statement of Profit and Loss (including Other Comprehensive Income), the statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the Significant Accounting Policies and other explanatory information (hereinafter referred to as "the standalone financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("IndAS"),and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, the Profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

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

### Management Responsibility 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 standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with IndAS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 (Auditors' Report) Order 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.

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

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

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

   c) The Standalone Balance Sheet, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   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 over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”.

   (B) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirement of section 197 (16) of the Act, as amended:

   In our opinion and to the best of our information and according to the explanations given to us, no remuneration has been paid by the Company to its directors during the year and consequently, the compliance with section 197 does not arise.

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

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

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 required to be transferred to the Investor Education and Protection Fund by the company.

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

**R SUBRAMANIAN & COMPANY LLP**
**Chartered Accountants**
Firm Regn. No. S200041/004137S

**-- s/d--**
**K Jayashankar**
Partner
Membership No. 014156
UDIN : 20014156AAAABV9075
Place: Chennai
Date :20th July 2020

**ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF UCAL POLYMER INDUSTRIES LIMITED FOR THE YEAR ENDED 31ST MARCH 2020**

With reference to the Annexure A referred to in the Independent Auditor's report to the members of **M/s. UCAL POLYMER INDUSTRIES LIMITED ("the Company")**, on the standalone financial statement for the year ended 31st March 2020, we report the following:

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

(b) The Company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that in respect of immovable properties of land and building that have been taken on lease and disclosed as fixed assets in the standalone financial statements, the lease agreements are in the name of the Company.

ii) The inventories have been physically verified by the management at reasonable interval intervals during the year. In our opinion the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been suitably adjusted in the books of accounts.

iii) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not provided any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Consequently, the provisions of clause 3(a) and (b) are not applicable

iv) According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013. in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

v) According to the information and explanations given to us, the Company has not accepted any deposits during the year and does not have any unclaimed deposits as at 31st March 2020 and therefore, the provision of the clause 3 (v) of the Order are not applicable to the Company;

vi) On the basis of the record produced to us, we have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 148(1) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out any detailed examination of such records.

vii) (a) According to the information and explanations given to us in respect of statutory dues

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2020for a period of more than six months from the date they become payable.

(c) According to the information and explanation given to us and based on the records of the Company examined by us, the dues of Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty, Cess, Goods and Service Tax and other material statutory dues as on 31st March, 2020 which have not been deposited on account of disputes are given below.

| **Nature of the Statute** | **Nature of Dues** | **Amount (Rs.)** | **Forum where the dispute is pending& Period to which the amount relates** |
|---|---|---|---|
| Taxation matter under appeal with Commissioner of Income Tax (Asst Year 2016-17) | Income Tax | 59,901 | Taxation matter under appeal with Commissioner of Income Tax (Asst Year 2016-17) |
| The Employees Provident Funds & Miscellaneous Provisions Act, 1952 | Provident Fund | 14,47,358 | EPF, Appellate Tribunal, New Delhi. |

viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to Financial Institutions, banks and Government. The Company has not raised any money by issue of Debentures.

ix) In our opinion and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.

x) Based upon the audit procedures performed by us for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the Management, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi) In our opinion and according to the information and explanations given to us, the Company has not paid / provided any managerial remuneration in accordance with the requisite approval mandated by the provisions of Section 197 read with Schedule V to the Act.

xii) The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.

xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements as required by the applicable Accounting Standards.

xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provision of section 192 of the Companies Act, 2013 are not applicable to the Company.

xvi) As the Company is not in non-banking financial services, registration under Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable.

**R SUBRAMANIAN & COMPANY LLP**
**Chartered Accountants**
Firm Regn. No. S200041/004137S

**-- s/d--**
**K Jayashankar**
Partner
Membership No. 014156
UDIN : 20014156AAAABV9075
Place: Chennai
Date :20th July 2020

**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF UCAL POLYMERINDUSTRIES LIMITED.**

**(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of M/s. UCAL Polymer Industries Limited of even date)**

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

We have audited the internal financial controls over financial reporting of **M/s. UCAL POLYMERINDUSTRIES LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

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

**Auditors' Responsibility**

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

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

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

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
(iii) 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.

**Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

**R SUBRAMANIAN & COMPANY LLP**
**Chartered Accountants**
Firm Regn. No. S200041/004137S

**-- s/d--**
**K Jayashankar**
Partner
Membership No. 014156
UDIN : 20014156AAAABV9075
Place: Chennai
Date :20th July 2020

**UCAL POLYMER INDUSTRIES LIMITED**

**BALANCE SHEET AS AT 31ST MARCH 2020**

*Amount in INR*

| Particulars | Note | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| **I. ASSETS** | | | |
| **1. NON-CURRENT ASSETS** | | | |
| (a) Property, Plant and Equipment | 2 | 107,787,467 | 111,718,685 |
| (b) Financial Assets | | | |
| (i) Investments | 3 | 140,551,254 | 140,551,254 |
| (ii) Loan and Advances | 4 | 1,377,590 | 2,242,395 |
| **Sub-Total** | | **249,716,311** | **254,512,334** |
| **2. CURRENT ASSETS** | | | |
| (a) Inventories | 5 | 47,206,232 | 35,047,062 |
| (b) Financial Assets | | | |
| (i) Trade Receivables | 6 | 224,842,718 | 235,662,530 |
| (ii) Cash and Cash Equivalents | 7 | 4,277,584 | 227,435 |
| (iii) Bank balances other than (ii) above | 8 | 836,100 | 836,100 |
| (iv) Loans and Advances | 9 | 65,000,000 | 35,050,000 |
| (v) Other Financial Assets | 10 | 695,356 | 725,535 |
| (c) Current tax Assets (net) | | 13,970,299 | 11,878,189 |
| (d) Other Current Assets | 11 | 3,618,322 | 6,338,520 |
| **Sub-Total** | | **360,446,611** | **325,765,371** |
| **TOTAL ASSETS** | | **610,162,922** | **580,277,705** |
| **II EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| (a) Equity Share Capital | 12 | 16,352,170 | 16,352,170 |
| (b) Other Equity | 13 | 482,627,639 | 419,525,235 |
| **Sub-Total** | | **498,979,809** | **435,877,405** |
| **LIABILITIES** | | | |
| **1. NON-CURRENT LIABILITIES** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 14 | 2,487,499 | 15,618,878 |
| (b) Deferred Tax Liabilities (net) | 15 | 5,258,850 | 6,876,822 |
| (c) Provisions | 16 | 3,619,032 | 2,669,793 |
| **Sub-Total** | | **11,365,381** | **25,165,493** |
| **2. CURRENT LIABILITIES** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 17 | 6,742,996 | 23,600,685 |
| (ii) Trade Payables | 18 | | |
| (A) total outstanding dues of micro enterprises and small enterprises | | 4,056,015 | 3,642,735 |
| (B) total outstanding of creditors other than micro and small enterprises | | 66,671,869 | 70,330,929 |
| (iii) Other Financial Liabilities | 19 | 18,025,616 | 16,668,339 |
| (b) Provisions | 20 | 101,810 | 49,575 |
| (c) Other Current Liabilities | 21 | 4,219,426 | 4,942,544 |
| **Sub-Total** | | **99,817,732** | **119,234,807** |
| **TOTAL EQUITY AND LIABILITIES** | | **610,162,922** | **580,277,705** |

The accompanying notes are an integral part of these financial statements
As per our Report attached of even date

**For M/s. R Subramanian and Company LLP**
Chartered Accountants
FRN:S200041/004137S

For and on behalf of the board of Directors

**-- s/d--**
**K. JAYASHANKAR**
PARTNER
M. NO.014156
UDIN :20014156AAAABV9075
Place: Chennai
Date: 20th July 2020

**-- s/d--**
**M.R. SHIVA KUMAR**
DIRECTOR

**-- s/d--**
**V. KRISHNAMURTHY**
CHAIRMAN

**UCAL POLYMER INDUSTRIES LIMITED**
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2020**

**Amount in INR**

| | Particulars | Note | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|---|
| | **INCOME** | | | |
| I. | Revenue From Operations | 22 | 499,423,025 | 591,661,286 |
| II. | Other Income | 23 | 825,838 | 250,088 |
| **III.** | **Total Income (I) + (II)** | | **500,248,863** | **591,911,374** |
| **IV.** | **EXPENSES** | | | |
| | (a) Cost of Raw Materials Consumed | | 238,643,095 | 282,932,817 |
| | (b) Changes in Inventories of Work-in-Progress and Finished Goods | | (2,351,010) | 4,175,863 |
| | (c) Employee Benefit Expenses | 24 | 40,781,400 | 43,514,633 |
| | (d) Finance Costs | 25 | 3,997,922 | 7,702,248 |
| | (e) Depreciation and Amortization Expenses | 26 | 17,331,853 | 16,939,772 |
| | (f) Other Expenses | 27 | 98,445,185 | 117,665,576 |
| **V.** | **Total Expenses** | | **396,848,445** | **472,930,909** |
| **VI.** | **Profit/(Loss) Before Exceptional items and Tax** | | **103,400,418** | **118,980,465** |
| **VII.** | **Exceptional Items** | | **-** | **-** |
| | (a) Service Tax - Payment | | 5,092,675 | - |
| | | | **5,092,675** | **-** |
| **VIII.** | **Profit/(Loss) before Tax (VI) - (VII)** | | **98,307,743** | **118,980,465** |
| **IX.** | **Tax Expense/(Credit) (net)** | | | |
| | (a) Current Tax | | 28,000,000 | 40,000,000 |
| | (b) Deferred Tax | | (1,882,788) | 343,597 |
| | (C) (Excess) / Short Provision for Tax Relating to Earlier Years | | - | (2,932,268) |
| | Tax Expense/(Credit) | 28 | **26,117,212** | **37,411,329** |
| **X.** | **Profit/(Loss) After Tax for the year from Continuing Operations (VIII) - (IX)** | | **72,190,531** | **81,569,136** |
| **XI.** | **Other Comprehensive Income/(Loss)** | | | |
| | *A. Items that will not be reclassified to profit or loss in subsequent periods* | | | |
| | (i) Remeasurements of net defined benefit liability/asset - Income | | 1,033,400 | 74,037 |
| | (ii) Income Tax Expense relating to items that will not be reclassified to profit and loss | | (264,815) | (21,560) |
| | *B. Items that will be reclassified to profit or loss in subsequent periods* | | - | - |
| | **Total Other Comprehensive Income/(Loss), net of taxes** | | **768,585** | **52,477** |
| **XII.** | **Total Comprehensive Income/(Loss) for the year** | | **72,959,116** | **81,621,613** |
| **XIII.** | **Earnings per Equity Share (EPS)** | | | |
| | (a) Basic & Diluted | 29 | **44.15** | **49.88** |

The accompanying notes are an integral part of these financial statements
As per our Report attached of even date

For and on behalf of the board of Directors

**For M/s. R Subramanian and Company LLP**
Chartered Accountants
FRN:S200041/004137S

**-- s/d--**
**K. JAYASHANKAR**
PARTNER
M. NO.014156
UDIN :20014156AAAABV9075
Place: Chennai
Date: 20th July 2020

**-- s/d--**
**M.R. SHIVA KUMAR**
DIRECTOR

**-- s/d--**
**V. KRISHNAMURTHY**
CHAIRMAN

**UCAL POLYMER INDUSTRIES LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2020**

**Amount in INR**

| | Particulars | As at 31st March 2020 | | As at 31st March 2019 | |
|---|---|---|---|---|---|
| **A.** | **Cash Flow from Operating Activities** | | | | |
| | **Net Profit before tax** | | **98,307,743** | | **118,980,465** |
| | Add/(Less): | | | | |
| | Depreciation and Amortization | 17,331,853 | | 16,939,772 | |
| | Interest income | (51,963) | | (211,261) | |
| | Finance Cost | 3,997,922 | | 7,702,248 | |
| | Operating Profit before Working Capital Changes | | | | |
| | Adjustments for: | | | | |
| | Changes in Trade Receivables | 10,819,812 | | (72,074,454) | |
| | Changes in Inventories | (12,159,171) | | (1,742,759) | |
| | Changes in Other Current Assets | 2,720,198 | | (278,319) | |
| | Changes in Other Financial Assets | 30,179 | | (548,755) | |
| | Changes in Trade Payables | (3,245,780) | | 25,250,007 | |
| | Changes in Other Financial Liabilities (excluding current maturity of long term loans) | 2,910,371 | | 3,116,957 | |
| | Changes in Other Current Liabilities | (723,119) | | (4,202,229) | |
| | Changes in Provisions | 2,034,874 | | 474,644 | |
| | Changes in Other Non-Current Liabilities | | | | |
| | Changes in Current Tax assets | (2,092,110) | 21,573,066 | (4,696,310) | (30,270,459) |
| | Cash Generated From Operations | | 119,880,809 | | 88,710,006 |
| | Direct Taxes Paid | | (28,000,000) | | (37,067,732) |
| | **Net Cash Flow from Operating Activities (A)** | | **91,880,809** | | **51,642,274** |
| **B** | **Cash Flow from Investing Activities** | | | | |
| | Purchase of Property, Plant and Equipment | (13,400,635) | | (9,305,149) | |
| | Payments for Capital Work-in-progress and Capital Advances | | | | |
| | Interest Received | 51,963 | | 211,261 | |
| | Loans & Deposits (given) / received Back | (29,085,195) | | 10,468,260 | |
| | **Net cash from /(used in) investing Activities (B)** | | **(42,433,867)** | | **1,374,372** |
| **C** | **Cash Flow from Financing Activities** | | | | |
| | Borrowings: | | | | |
| | Term loan availed / (repaid) | (14,806,240) | | (13,248,535) | |
| | Short term borrowings availed / (repaid) | | | | |
| | Other Bank Balances | - | | (139,319) | |
| | Finance Cost Paid | (3,876,152) | | (7,615,939) | |
| | Dividend and Dividend Tax Paid | (9,856,712) | | (9,856,703) | |
| | Net Cash from/(used in) Financing Activities (C) | | (28,539,104) | | (30,860,496) |
| | **Total (A) + (B) + (C)** | | **20,907,838** | | **22,156,150** |
| | Cash and Cash Equivalents at the beginning of the year | | (23,373,250) | | (45,529,400) |
| | Cash and Cash Equivalents at the end of the year | | (2,465,412) | | (23,373,250) |
| **D** | **Net increase / (decrease) in cash and cash equivalents** | | **20,907,838** | | **22,156,150** |

(a) Cash and Cash Equivalents include cash in hand, balances with scheduled bank including term deposit and working capital facilities repayable on demand.
(b) The above statement of cash flows is prepared using indirect method
(c) Previous year figures have been regrouped wherever necessary

The accompanying notes are an integral part of these financial statements
As per our Report attached of even date

For and on behalf of the board of Directors

**For M/s. R Subramanian and Company LLP**
Chartered Accountants
FRN:S200041/004137S

**-- s/d--**
**K. JAYASHANKAR**
PARTNER
M. NO.014156
UDIN :20014156AAAABV9075
Place: Chennai
Date: 20th July 2020

**-- s/d--**
**M.R. SHIVAKUMAR**
DIRECTOR

**-- s/d--**
**V. KRISHNAMURTHY**
CHAIRMAN

**UCAL POLYMER INDUSTRIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020**

**A. EQUITY SHARE CAPITAL** **Amount in INR**

| | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| Balance at the beginning of the year | 16,352,170 | 16,352,170 |
| Change in Equity Share Capital during the year | - | - |
| **Balance at the end of the year** | **16,352,170** | **16,352,170** |

**B. OTHER EQUITY**

| | Reserves and Surplus | | | Total |
|---|---|---|---|---|
| | General Reserves | Securities Premium Account | Retained Earnings | |
| **2018-19** | | | | |
| **Balance as at April 1, 2018 - (A)** | **12,100,000** | **40,447,785** | **295,212,540** | **347,760,325** |
| **Additions for the year** | | | | |
| Profit for the year | - | - | 81,569,136 | 81,569,136 |
| Other Comprehensive Income | - | - | 52,477 | 52,477 |
| **Total Comprehensive Income for the year 2018-19 - (B)** | **-** | **-** | **81,621,613** | **81,621,613** |
| **Reductions for the year** | | | | |
| Dividend paid for 2017-18 approved by shareholders in annual general meeting | - | - | (8,176,085) | (8,176,085) |
| Dividend distribution tax on above dividend | - | - | (1,680,618) | (1,680,618) |
| **Sub-total - (C)** | - | - | (9,856,703) | (9,856,703) |
| **Balance as at March 31, 2019 - (D) = (A)+(B)+(C)** | **12,100,000** | **40,447,785** | **366,977,450** | **419,525,235** |
| **2019-20** | | | | |
| **Balance as at April 1, 2019 - (A)** | **12,100,000** | **40,447,785** | **366,977,450** | **419,525,235** |
| **Additions for the year** | | | | |
| Profit for the year | - | - | 72,190,531 | 72,190,531 |
| Other Comprehensive Income | - | - | 768,585 | 768,585 |
| **Total Comprehensive Income for the year 2019-20 - (B)** | **-** | **-** | **72,959,116** | **72,959,116** |
| **Reductions for the year** | | | | |
| Dividend paid for 2018-19 approved by shareholders in annual general meeting | - | - | (8,176,085) | (8,176,085) |
| Dividend distribution tax on above dividend | - | - | (1,680,627) | (1,680,627) |
| **Sub-total - (C)** | - | - | (9,856,712) | (9,856,712) |
| **Balance as at March 31, 2020 - (D) = (A)+(B)+(C)** | **12,100,000** | **40,447,785** | **430,079,854** | **482,627,639** |

The accompanying notes are an integral part of these financial statements
As per our Report attached of even date

For and on behalf of the board of Directors

**For M/s. R Subramanian and Company LLP**
Chartered Accountants
FRN:S200041/004137S

**-- s/d--**
**K. JAYASHANKAR**
PARTNER
M. NO.014156
UDIN :20014156AAAABV9075
Place: Chennai
Date: 20th July 2020

**-- s/d--**
**M.R. SHIVA KUMAR**
DIRECTOR

**-- s/d--**
**V. KRISHNAMURTHY**
CHAIRMAN

## 1. Significant Accounting Policies:

The accounting policies mentioned herein are relating to the standalone financial statements of the company.

### a) Brief Description of the Company:

Ucal Polymer Industries Limited is a Public Limited company incorporated in India under the Companies Act, 1956 and its registered office is located at Puducherry. The shares of the company are not listed on any Stock Exchange. The company manufactures components of automotive parts. The company has its manufacturing facility in Puducherry.

### b) Statement of Compliance:

The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act as amended from time to time.

### c) Basis of Preparation:

The financial statements have been prepared on the historical cost convention under accrual basis of accounting except for certain financial assets and liabilities described in more detail in the accounting policies below, which have been measured at fair value. The financial statements are prepared on a going concern basis. The financial statements are prepared in Indian Rupees which is the company's functional currency.

### d) Recent Pronouncements:

**IndAS 116 - Leases**

The Ministry Of Corporate Affairs has notified IndAS 116 – Leases on 30th March 2020 to replace the existing pronouncements on lease accounting. The standard requires uniform lease accounting model irrespective of the type of the lease barring certain exceptions and is applicable from 1st April 2020. The management does not expect any significant impact on application of the pronouncement.

**IndAS 2 – Uncertainty over Income Tax Treatment**

The Ministry of Corporate Affairs has notified Appendix C to IndAS 12 Income Taxes, titled "Uncertainty over Income Tax Treatments" on 30th March 2020. The pronouncement is applicable from the year 2019-20 onwards. The pronouncement is to be applied for determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments.

According to the pronouncement, the IndAS compliant entity has to reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, or tax rates if it concludes that it is not probable that the taxation authority will accept an uncertain tax treatment.

However, management expects that application of this standard would not have any significant impact for the Company.

**e) Use of Estimates:**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future period.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

Judgements made by the management are as follows:

The areas where significant estimates were made by the management are:

i) Defined employee benefit obligations
ii) Estimation of useful life of Property, Plant and Equipment
iii) Assessment of Fair Value for certain items of Property, Plant and Equipment
iv) Estimation and evaluation of provisions and contingencies relating to tax litigations
v) Recoverability/Recognition of Deferred Tax Assets

**f) Current and Non-Current Classification:**

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

Cash or cash equivalent is treated as current, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. In respect of other assets, it is treated as current when it is:

• expected to be realized or intended to be sold or consumed in the normal operating cycle
• held primarily for the purpose of trading
• expected to be realized within twelve months after the reporting period. All other assets are classified as non-current.
A liability is treated as current when:

• it is expected to be settled in the normal operating cycle
• it is held primarily for the purpose of trading
• it is due to be settled within twelve months after the reporting period, or
• there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities, as the case may be.

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

**g) Revenue Recognition:**

Effective from 1st April 2018, the company has adopted IndAS 115 “Revenue from Contracts with Customers”. Application of this standard does not have any impact on the revenue recognition and measurement.

A revenue contract with the customer is accounted for only when the contract has been approved, the payment terms for the goods or services is identifiable, each party’s rights regarding the goods or services is identifiable, the contract has commercial substance and it is probable that the entity will collect the amount of consideration.

**Sale of Products:**

Revenue is recognized when the goods are transferred to a customer at an amount equal to the transaction price.

**Interest Income:**

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying value of a financial asset. While 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.

**Dividend Income:**

Dividends are recognized in profit or loss only when the right to receive payment is established and the amount of dividend can be reliably measured.

**Rental Income:**

Rental Income from operating leases is recognized on a straight-line basis over the lease term.

**h) Cost Recognition:**

Costs and Expenses are recognized when incurred and are classified according to their nature.

**i) Property, Plant and Equipment:**

All items of Property, Plant and Equipment are stated at cost of acquisition or construction less accumulated depreciation / amortization and impairment, if any. Cost includes purchase price, taxes and duties, labour cost and directly attributable overheads incurred up to the date the asset is ready for its intended use. However, cost excludes duty or tax to the extent credit of the duty or tax is availed of.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognized when replaced. All other repairs and maintenance are charged to Profit or Loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

**j) Depreciation and Amortization:**

i) Depreciation on property plant and equipment is charged over the estimated useful life of the asset or part of the asset, on straight line method, in accordance with Schedule II to the Companies Act, 2013.

ii) The useful life of various class of property plant and Equipment are as provided below:

| Class of Asset | Useful Life |
|---|---|
| Buildings | 30 years |
| Plant and Machinery | 15 years |
| Electrical Fittings | 10 years |
| Furniture and Fixtures | 10 years |
| Office Equipment | 3-5 years |

iii) Residual values and useful lives are reviewed, and adjusted, if appropriate, for each reporting period.

iv) On tangible fixed assets added / disposed-off during the year, depreciation is charged on pro-rata basis from the date of addition / till the date of disposal

**k) Intangible Assets**

**Purchased Intangible Assets:**
Intangible assets are recognized as an asset if they meet the criteria for recognition under IndAS 38. Intangible assets are recorded at cost less accumulated depreciation and accumulated impairment, if any.

Amortization is provided on a straight-line basis over estimated useful lives of the intangible assets as per details below:

| Class of Asset | Useful Life |
|---|---|
| Software | Upto 3 years |
| Technical Know how | Upto 10 years |

The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates.

**Internally generated intangible assets:**

Research costs are charged to the Statement of Profit and Loss in the year in which they are incurred. Product development costs incurred on new products are recognized as intangible assets, when feasibility has been established, the Company has committed technical, financial and other resources to complete the development and it is probable that asset will generate probable future economic benefits

**l) Leases:**

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

**Accounting of Finance leases**

A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Accounting of Operating leases**

Leases other than finance leases are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis over the term of the lease.

**m) Impairment:**

Assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**n) Foreign Currency Translation:**

**(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). i.e in Indian rupee (INR) and all values are rounded off to nearest lakhs except otherwise indicated.

**(ii) Transactions and Balances**

a) Transactions in foreign currencies are recorded at the spot exchange rates prevailing on the date of transaction.
b) Foreign currency monetary assets and liabilities are translated at year end exchange rates.
c) Non-monetary items denominated in foreign currency are valued at the exchange rate prevailing on the date of transaction if the item is valued at historical cost.
d) Non-monetary items that are measured at fair value in foreign currency are translated using the exchanges rates at the date when the fair value is measured.
e) Exchange differences arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise.

**o) Inventories:**

Inventories are valued at the lower of cost and net realisable value. Cost of raw materials, components, stores, spares, work-in-progress and finished goods are ascertained on a weighted average basis. Cost of finished goods and work-in-progress comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after excluding rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Materials and supplies held for use in production of inventories are not written down if the finished products in which they will be used are expected to be sold at or above cost.

**p) Employee Benefits:**

i) Short Term Obligations:

Liabilities for wages, salaries and bonuses, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under other financial liabilities in the balance sheet.

ii) Long term Post-employment obligation:

The Company has the following post-employment benefit obligations:

a) Defined benefit gratuity plans; and
b) Defined contribution plans such as provident fund, pension plans

The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The net defined benefit obligation is valued annually by an independent actuary using the projected unit credit method.

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 under finance cost in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they arise, directly in other comprehensive income and are adjusted against 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 recognized immediately in profit or loss as past service cost.

Provident Fund and Pension Plans:

The eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions as specified under the law are made to the Employee Provident Fund Organization(EPFO). The Company is liable only for its fixed contributions which is required to be made in accordance with the schemes in force as notified by EPFO. All contributions made by the company are recognized as expenses for the relevant period.

iii) Other Long-Term Employee Benefits:

Liabilities for compensated absences are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are, therefore, measured at the present value of the expected future payments that has accrued to the employees in accordance with the company’s policy for compensated absences. The benefits are discounted using an appropriate discount rate and are estimated using the projected unit credit method by an independent actuary. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. The obligation is classified as current and non-current based on the policy stated in the notes.

**q) Taxes on Income:**

Tax expense comprises of current and deferred taxes.

The current tax for the period is the tax payable on the current period's taxable income computed in accordance with the Income Tax Act, 1961 applying the enacted income tax rate applicable. The current tax expense includes income tax payments relating prior periods.

Deferred income tax is recognized using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized for carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available to utilize those unused tax credits and losses.

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

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

Where the Company is entitled to claim special tax deductions towards qualifying expenditure (Research and Development), the Company accounts for such allowances as tax credits reducing income tax payable and current tax expense.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient tax profits arise for their utilization.

**r) Government Grants:**

Government Grants including non-monetary grants at fair value, are recognized only when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. The grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs which the grants are intended to compensate.

Government grants relating to assets are presented by setting up the grant as deferred income and are credited to profit or loss on systematic basis over the useful lives of the related assets.

**s) Provisions and Contingent Liabilities:**

i) Provision

Provision is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

ii) Contingent Liabilities:

Wherever there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognized because (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability a disclosure is made by way of contingent liability.

**t) Segment Reporting:**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

**u) Cash and Cash Equivalents:**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities in the balance sheet.

**v) 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. Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value.

**i) Financial Assets:**

**Classification:**

The company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual term of the cash flow.

**Measurement:**

All financial assets are initially recognized at fair value and are subsequently measured at amortized cost or fair value based on their classification.

Transaction costs arising on acquisition of a financial asset are accounted as below:

| Nature of instrument | Treatment of transaction cost |
|---|---|
| Designated as Fair value through profit and loss | Recognized in profit and Loss Statement |
| Other than those designated as Fair value through Profit and Loss | Adjusted against the fair value of the instrument on initial recognition |

**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. The following are the measurement categories into which the company classifies its debt instruments.

*Amortized cost:*
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on debt instrument that is subsequently measured at amortized cost and is not a part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income on these financial assets is included in finance income using effective interest rate method.

*Fair Value through Other Comprehensive Income and Fair Value through profit/loss:*

Assets that do not meet the criteria for measurement at amortized cost are measured at Fair value through Other comprehensive income unless the company elects the option to measure the same at fair value through profit or loss to eliminate an accounting mismatch.

**Equity Instruments:**

The company subsequently measures all investments in equity instruments other than investments in subsidiary companies at fair value. Gain/Loss arising on fair value is recognized in the statement of profit and loss. Dividends from such investments are recognized in profit or loss as other income when the company's right to receive payments is established.

**Investment in Subsidiary Companies:**

Investments in subsidiary companies are measured at cost less provision for impairment, if any.

**Trade receivables:**

Trade receivables are measured at amortized cost and are carried at values arrived after deducting allowances for expected credit losses and impairment, if any.

**Impairment:**

The company accounts for impairment of financial assets based on the expected credit loss model. The company measures expected credit losses on a case to case basis.

**Derecognition and write-off:**

A financial asset is derecognized only when:

a) The contractual right to receive the cash flows of the financial asset expires or
b) The company has transferred the rights to receive cash flows from the financial asset or
c) The company retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

Further a financial asset is derecognized only when the company transfers all risks and rewards associated with the ownership of the assets.

The gross carrying amount of a financial asset is directly reduced and an equal expenditure is recognized when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

**ii) Financial Liabilities:**

Financial Liabilities are initially recognised at fair value, net of transaction cost incurred. Financial Liabilities are subsequently measured at amortised cost (unless the entity elects to measure it at Fair Value through Profit and Loss Statement to eliminate any accounting mismatch). Any difference between the proceeds (net of transaction cost) and the redemption amount is recognised in profit or loss over the period of the liability, using the effective interest method.

Financial Liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gain / (loss). Financial Liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**UCAL POLYMER INDUSTRIES LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020**

## 2. PROPERTY, PLANT AND EQUIPMENT

*Amount in INR*

| Description | Gross Carrying Amount | | | | Depreciation/Amorization | | | | Net Carrying Amount |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1st April 2019 | Additions | Disposals | As at 31st March 2020 | As at 31st March 2019 | Charge During the year | Disposal | Up to 31st March 2020 | As at 31st March 2020 |
| (a) Leasehold Land | 1,597,833 | - | - | 1,597,833 | - | - | - | - | 1,597,833 |
| (b) Buildings | 16,806,842 | | - | 16,806,842 | 2,093,580 | 713,005 | - | 2,806,585 | 14,000,257 |
| (c) Plant and Machinery | 126,559,889 | 3,368,272 | - | 129,928,161 | 39,097,130 | 14,067,451 | - | 53,164,581 | 76,763,580 |
| (d) Furniture and Fixtures | 3,349,755 | - | - | 3,349,755 | 415,471 | 350,114 | - | 765,585 | 2,584,170 |
| (e) Vehicles | 5,467,604 | 9,907,618 | - | 15,375,222 | 1,596,671 | 1,848,873 | - | 3,445,544 | 11,929,678 |
| (f) Office Equipment | 1,844,885 | 124,745 | - | 1,969,630 | 705,271 | 352,410 | - | 1,057,681 | 911,949 |
| **TOTAL** | **155,626,808** | **13,400,635** | **-** | **169,027,443** | **43,908,123** | **17,331,853** | **-** | **61,239,976** | **107,787,467** |

**2018-19**

| Description | Gross Carrying Amount | | | | Depreciation/Amorization | | | | Net Carrying Amount |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1st April 2018 | Additions | Disposals | As at 31st March 2019 | As at 31st March 2018 | Charge During the year | Disposal | Up to 31st March 2019 | As at 31st March 2019 |
| (a) Leasehold Land | 1,597,833 | - | - | 1,597,833 | - | - | - | - | 1,597,833 |
| (b) Buildings | 16,806,842 | | - | 16,806,842 | 1,380,575 | 713,005 | - | 2,093,580 | 14,713,262 |
| (c) Plant and Machinery | 120,252,471 | 6,307,418 | - | 126,559,889 | 24,164,980 | 14,932,150 | - | 39,097,130 | 87,462,759 |
| (d) Furniture and Fixtures | 655,824 | 2,693,931 | - | 3,349,755 | 163,356 | 252,115 | - | 415,471 | 2,934,284 |
| (e) Vehicles | 5,467,604 | | - | 5,467,604 | 915,919 | 680,752 | - | 1,596,671 | 3,870,933 |
| (f) Office Equipment | 1,541,085 | 303,800 | - | 1,844,885 | 343,521 | 361,750 | - | 705,271 | 1,139,614 |
| **TOTAL** | **146,321,659** | **9,305,149** | **-** | **155,626,808** | **26,968,351** | **16,939,772** | **-** | **43,908,123** | **111,718,685** |

**UCAL POLYMER INDUSTRIES LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020**

**Amount in INR**

| Note No | Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| **3** | **Investment measured at Cost** | | |
| | **Equity instruments - Unquoted** | | |
| | **Subsidiary Companies** | | |
| **(a)** | UPIL USA Inc., | 140,551,254 | 140,551,254 |
| | (30,00,000 shares of $1/- each fully paid) | | |
| | **Total** | **140,551,254** | **140,551,254** |
| | **Aggregate amount of Quoted Investments and Market Value** | **NIL** | **NIL** |
| | **Aggregate amount of Unquoted Investments** | **140,551,254** | **140,551,254** |
| | All Investments are fully paid up. | | |
| **4** | **Non-Current Loans and Advances** | | |
| **(a)** | Secured, Considered Good | - | - |
| (b) | Unsecured , Considered Good | - | - |
| | *Security Deposits* | 1,377,590 | 2,242,395 |
| (c) | Loans/Advances with significant increase in credit risk | - | - |
| (d) | Loan Receivables - Credit impaired | - | - |
| | **Total** | **1,377,590** | **2,242,395** |
| **5** | **Inventories*** | | |
| | (As certified by the management) | | |
| (a) | Raw Materials and Components | 21,536,136 | 20,922,109 |
| (b) | Work-in-progress | 6,595,206 | 1,722,632 |
| (c) | Finished goods | 1,559,963 | 4,081,527 |
| (d) | Stores & Spares | 2,481,811 | 2,292,465 |
| (e) | Tools & Consumables | 15,033,116 | 6,028,329 |
| | | - | - |
| | **Total** | **47,206,232** | **35,047,062** |
| | ***Goods in Transit included under above categories** | | |
| | Raw Materials and Components | | |
| | Refer to Note 1(o) for method of valuation of inventories | 911,209 | 471,528 |
| **6** | **Trade Receivables** | | |
| | **Unsecured** | | |
| (a) | Trade Receivables considered good - secured | - | - |
| (b) | Trade Receivables considered good - unsecured | 224,842,718 | 235,662,530 |
| (c) | Trade Receivables which have significant increase in Credit Risk | - | - |
| (d) | Trade Receivables - Credit impaired | - | - |
| | | - | - |
| | Less: Allowance for Doubtful Debts | - | - |
| | **Total** | **224,842,718** | **235,662,530** |

UCAL POLYMER INDUSTRIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

Amount in INR

| Note No | Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| 7 | **Cash and Cash Equivalents** | | |
| (a) | Cash on hand | 36,762 | 8,239 |
| (b) | Balances with banks in Current Accounts | 4,240,822 | 219,196 |
| | **Total** | **4,277,584** | **227,435** |
| | **Cash and Cash Equivalents for the purpose of Cash Flow Statements** | | |
| | **Cash and Cash Equivalents shown as above** | 4,277,584 | 227,435 |
| | **Less: Overdrafts utilized [Grouped under financial liabilities]** | - | (23,600,685) |
| | | **4,277,584** | **(23,373,250)** |
| 8 | **Other Bank balances** | | |
| | With upto original maturity of 12 months | | |
| (a) | Fixed Deposit held under lien by Bank as Margin Money | 836,100 | 836,100 |
| | **Total** | **836,100** | **836,100** |
| | **Includes amount held under lien by bank as margin Money against letter of credit | 786,100 | 786,100 |
| | Fixed Deposit under lein | 50,000 | 50,000 |
| 9 | **Current Loans and Advances** | | |
| (a) | Secured, Considered Good | - | - |
| (b) | Unsecured , Considered Good | | |
| | *Other advances* | 65,000,000 | 35,050,000 |
| (c) | Loans/Advances with significant increase in credit risk | - | - |
| (d) | Loan Receivables - Credit impaired | - | - |
| | **Total** | **65,000,000** | **35,050,000** |
| 10 | **Other Financial Assets - Current** | | |
| (a) | Claims Receivable (Unsecured, considered Good) | 695,356 | 725,535 |
| | **Total** | **695,356** | **725,535** |
| 11 | **Other Current Assets** | | |
| (a) | Advances to Suppliers | 981,298 | 3,424,181 |
| (b) | Prepaid Expenses | 1,226,012 | 1,196,552 |
| (c) | Balances with Tax Authorities | 724,326 | 1,717,787 |
| (d) | Others | 686,686 | |
| | **Total** | **3,618,322** | **6,338,520** |

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020** **Amount in INR**

| Note No | Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| 12 | **Equity Share Capital** | | |
| (a) | **Authorised Share Capital** | | |
| | 20,00,000 (20,00,000) Equity Shares of Rs. 10 each | 20,000,000 | 20,000,000 |
| (b) | **Issued, Subscribed and Paid-up Capital** | | |
| | 16,35,217 (16,35,217) Equity Shares of Rs. 10 each Fully Paid | 16,352,170 | 16,352,170 |
| | **Total** | **16,352,170** | **16,352,170** |

(c) **Movement in Equity Shares**

Equity Shares:

| Particulars | As at 31st March 2020 | | As at 31st March 2019 | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| Balance as at the Beginning of the Year | 1,635,217 | 16,352,170 | 1,635,217 | 16,352,170 |
| Add: Issue of Shares | - | - | - | - |
| **Balance as at the End of the Year** | **1,635,217** | **16,352,170** | **1,635,217** | **16,352,170** |

(d) **Rights and restrictions attached to shares**

**Equity Shares**: The company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(e) **Shareholder Holding more than 5% Equity shares**

| Name of the Shareholder | As at 31st March 2020 | | As at 31st March 2019 | |
|---|---|---|---|---|
| | No of shares | % | No of shares | % |
| UCAL Fuel Systems Limited (Holding Company) | 1,635,217 | 100.00% | 1,635,217 | 100.00% |

(f) No shares were alloted as fully paid bonus shares during the 5 years immediately preceding 31.03.2020. No Shares were bought back during the preceding 5 previous years and no shares were alloted for non-cash consideration during the 5 years immediately preceding 31.03.2020.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 — Amount in INR

| Note No | Particulars | As at 31st March 2020 | As at 31St March 2019 |
|---|---|---|---|
| 13 | **Other Equity (Refer to Statement of Changes in Equity)** | | |
| | (a) General Reserve | 12,100,000 | 12,100,000 |
| | (b) Securities Premium | 40,447,785 | 40,447,785 |
| | (c) Retained Earnings | 430,079,854 | 366,977,450 |
| | **Total** | **482,627,639** | **419,525,235** |
| | **General Reserve:** | | |
| | General reserve is created out of profits transferred from retained earnings. General Reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income. It is a free reserve eligible for distribution to shareholders subject to the provisions of The Companies Act, 2013. | | |
| | **Securities Premium:** | | |
| | Securities premium represents the amount collected from shareholders in excess of face value towards issue of share capital. Securities Premium can be utilized in accordance with The Companies Act 2013. | | |
| 14 | **NON-CURRENT FINANCIAL LIABILITIES** | | |
| | **Borrowings** | | |
| | **Terms Loans (Secured)** | | |
| | - From Others (Refer Note 35 for terms of finance) | 2,487,499 | 15,618,878 |
| | **Total** | **2,487,499** | **15,618,878** |
| 15 | **Deferred Tax** | | |
| | Deferred Tax Liability | | |
| | Depreciation | 5,601,690 | 7,332,380 |
| | (A) Sub-total - Deferred Tax Liability | 5,601,690 | 7,332,380 |
| | Deferred Tax Asset | | |
| | Employee related expenses | 342,840 | 455,558 |
| | (B) Sub-total - Deferred Tax Asset | 342,840 | 455,558 |
| | Net Deferred Tax (Liability)/Asset — **Total** | **5,258,850** | **6,876,822** |

| Movement in Deferred Tax: | Depreciation | Others | Total |
|---|---|---|---|
| **As at 1st April 2018 - (Liability)/Asset** | | | (6,511,665) |
| **(Charged)/Credited:** | | | |
| - To Profit and Loss | (222,645) | (120,952) | (343,597) |
| - To Other Comprehensive Income | | (21,560) | (21,560) |
| **As at 31st March 2019 - (Liability)/Asset** | | | (6,876,822) |
| **(Charged)/Credited:** | | | |
| - To Profit and Loss | 1,730,690 | 152,097 | 1,882,787 |
| - To Other Comprehensive Income | | (264,815) | (264,815) |
| **As at 31st March 2020 - (Liability)/Asset** | | | (5,258,850) |

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020** **Amount in INR**

| Note No | Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| 16 | **NON-CURRENT PROVISIONS** | | |
| | (a) Provision for Employee Benefits | | |
| | - Leave Encashment | 797,665 | 780,016 |
| | - Gratuity | 2,821,367 | 1,889,777 |
| | **Total** | **3,619,032** | **2,669,793** |
| 17 | **CURRENT FINANCIAL LIABILITIES** | | |
| | **Borrowings** | | |
| | Loans Repayable on Demand | | |
| | - From Banks (Secured) | 6,742,996 | 23,600,685 |
| | **Total** | **6,742,996** | **23,600,685** |
| 18 | **Trade Payables** | | |
| | (a) Total outstanding dues of Micro Small and Medium Enterprise | 4,056,015 | 3,642,735 |
| | (b) Total outstanding dues of creditors other than Micro small and medium enterprise | 66,671,869 | 70,330,929 |
| | **Total** | **70,727,884** | **73,973,664** |
| | **Disclosure Requirements of Schedule III to Companies Act, 2013 (As certified by the management)** | | |
| | i) Principal amount and the interest due thereon remaining unpaid to any supplier at the end of any accounting year. | | |
| | -Principal | 3,875,694 | 3,642,735 |
| | - Interest | 180,322 | 3,978 |
| | ii) Interest paid by the company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during each accounting year. | NIL | NIL |
| | iii) Interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small | NIL | NIL |
| | iv) Interest accrued and remaining unpaid at the end of each accounting year. | 180,322 | 3,978 |
| 19 | **Other Financial Liabilities** | | |
| | (a) Current Maturities of Long-term debt (Refer Note .35) | 14,132,935 | 12,458,072 |
| | (b) Interest Accrued but not due on Borrowings | 176,654 | 298,424 |
| | (c) Employee Dues | 3,716,027 | 3,911,843 |
| | **Total** | **18,025,616** | **16,668,339** |
| 20 | **Short Term Provisions** | | |
| | (a) Provision for Employee Benefits | | |
| | Leave Encashment | 101,810 | 49,575 |
| | **Total** | **101,810** | **49,575** |
| 21 | **Other Current Liabilities** | | |
| | (a) Statutory Dues | 4,219,426 | 4,942,544 |
| | **Total** | **4,219,426** | **4,942,544** |

**UCAL POLYMER INDUSTRIES LIMITED**

**NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020**

**Amount in INR**

| Note No | Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| 22 | **Revenue From Operations** | | |
| | (a) Sale of Products | 498,913,927 | 590,278,263 |
| | (b) Other Operating Revenues | 509,098 | 1,383,023 |
| | **Total** | **499,423,025** | **591,661,286** |
| 23 | **Other Income** | | |
| | (a) Interest Income | 51,963 | 211,261 |
| | (b) Other Non Operating Income | 773,875 | 38,827 |
| | **Total** | **825,838** | **250,088** |
| 24 | **Employees Cost & Benefits** | | |
| | (a) Salaries and Wages | 33,929,396 | 36,121,013 |
| | (b) Contribution to Provident and Other Funds | 3,357,339 | 3,458,085 |
| | (c) Staff Welfare Expenses | 3,494,665 | 3,935,535 |
| | **Total** | **40,781,400** | **43,514,633** |
| 25 | **Finance Costs** | | |
| | (a) Interest | 3,806,257 | 7,339,936 |
| | (b) Other Borrowing Cost | 191,665 | 362,312 |
| | **Total** | **3,997,922** | **7,702,248** |
| 26 | **Depreciation and amortisation expense** | | |
| | Depreciation for tangible assets | 17,331,853 | 16,939,772 |
| | **Total** | **17,331,853** | **16,939,772** |
| 27 | **Other Expenses** | | |
| | Stores and spares consumed | 13,311,378 | 22,244,841 |
| | Power & Fuel | 8,686,470 | 9,880,029 |
| | Repairs & Maintainance | 8,849,261 | 11,438,242 |
| | Rent | 38,280,000 | 38,280,000 |
| | Auditors Remuneration | 200,000 | 200,000 |
| | Travelling Expenses | 4,439,950 | 745,567 |
| | Carriage Outwards | 1,828,030 | 2,075,089 |
| | Professional Charges | 8,530,612 | 9,346,753 |
| | Corporate Social Responsibility | 10,000,000 | 20,000,000 |
| | Exchange Loss (Net) | 551,137 | 293,983 |
| | Other Expenses | 3,388,993 | 3,161,072 |
| | Write off | 379,354 | - |
| | **Total** | **98,445,185** | **117,665,576** |

UCAL POLYMER INDUSTRIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

Amount in INR

| Note No | Particulars | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|---|
| 28 | **Income Tax Expenses** | | |
| | **(a) Income tax Expense** | | |
| | Current Tax: | | |
| | Current Tax on Profits for the year | 28,000,000 | 40,000,000 |
| | Income Tax Expense - Earlier Years | - | (2,932,268) |
| | **Sub Total (A)** | 28,000,000 | 37,067,732 |
| | Deferred Tax: | | |
| | Decrease/ (Increase) in deferred tax assets | 112,717 | 142,512 |
| | (Decrease)/ Increase in deferred tax liabilities | 1,730,690 | 222,645 |
| | **Sub Total (B)** | 1,843,407 | 365,157 |
| | **(A) + (B)** | **29,843,407** | **37,432,889** |
| | **(b) Reconciliation of Tax Expense and Accounting profit multiplied by Tax Rate** | | |
| | Profit Before income tax expense | 98,307,743 | 118,980,465 |
| | **Tax at Indian tax rate of 25.63%/29.12%** | **25,191,949** | **34,647,111** |
| | Depreciation | 850,808 | 516,524 |
| | Expenses Not allowable for tax purposes | 1,825,667 | 3,947,565 |
| | Other | 131,576 | 888,800 |
| | Excess provision in respect of previous years | - | (2,932,268) |
| | **Current Tax** | **28,000,000** | **37,067,732** |
| | Deferred Tax | (1,882,788) | 343,597 |
| | **Income Tax expense as per Profit and Loss Statement** | **26,117,212** | **37,411,329** |
| 29 | **Earnings per share (EPS) calculation (basic and diluted) :** | | |
| | a) Amount used as the numerator | | |
| | Profit after taxation | 72,190,531 | 81,569,136 |
| | b)Weighted average number of equity shares used as denominator | 1,635,217 | 1,635,217 |
| | c) Nominal value of shares | 16,352,170 | 16,352,170 |
| | **d)Earnings per share** | **44.15** | **49.88** |

## 30. Fair Value Measurements:

### Classification of Financial Instruments:

| Description | As at 31st March 2020 Amortized Cost | As at 31st March 2019 Amortized Cost |
|---|---|---|
| **Financial Assets** | | |
| Security Deposits | 13,77,590 | 22,42,395 |
| Loans | 6,50,00,000 | 3,50,50,000 |
| Trade Receivables | 22,48,42,718 | 23,56,62,530 |
| Cash and Bank Balances | 51,13,684 | 10,63,535 |
| Other Financial Assets | 6,95,356 | 7,25,535 |
| Total | **29,70,29,348** | **27,47,43,995** |
| | | |
| **Financial Liabilities** | | |
| Borrowings | 2,33,63,430 | 5,16,77,635 |
| Trade Payables | 7,07,27,884 | 7,39,73,664 |
| Other Financial Liabilities | 38,92,681 | 42,10,267 |
| Total | **9,79,83,995** | **12,98,61,566** |

a. Assets and Liabilities not carried at Fair Values:

The management considers that the carrying amount approximates the fair value in respect of financial assets and financial liabilities carried at amortized cost, such fair values have been computed using Level 3 inputs.

b. There are no assets and liabilities that are carried at fair values on a recurring basis.

## 31. Financial Assets Risk Management:

The company is exposed to risks in the form of Market Risk, Liquidity Risk and Credit Risk. The risk management policies of the company are monitored by the board of directors. The nature and extent of risks have been disclosed in this note.

a) Market Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: **currency risk, interest rate risk and other price risk.**

i) Currency Risk:

The company has foreign currency receivable and payables denominated in currency other than INR exposing the company to currency risk. The company's significant foreign currency exposures at the end of the reporting period expressed in INR is as below:

INR

| **Particulars** | **As at 31st March 2020** | | **As at 31st March 2019** | |
|---|---|---|---|---|
| **Currency** | **USD** | **JPY** | **USD** | **JPY** |
| *Financial Assets* | | | | |
| **Total (A)** | **NIL** | **NIL** | **NIL** | **NIL** |
| *Financial Liabilities* | | | | |
| Trade Payables | 10,29,990 | 75,49,468 | 18,30,826 | 39,27,319 |
| **Total (B)** | 10,29,990 | 75,49,468 | 18,30,826 | 39,27,319 |
| **Net Exposure (A) – (B)** | (10,29,990) | (75,49,468) | (18,30,826) | (39,27,319) |

The company is exposed to foreign currency risk as it does not hold any forward contracts for hedging the risk. Any weakening in the functional currency might increase the cost of imports.

Sensitivity Analysis

The sensitivity of profit or loss and equity to changes in the foreign exchange rate arises mainly from foreign currency denominated financial instruments as disclosed above and has been computed in assuming an 5% increase or decrease in the exchange rate:

INR

| | **Impact on Profit after Tax and equity*** | |
|---|---|---|
| | **As at 31st March 2020** | **As at 31st March 2019** |
| **USD Sensitivity** | | |
| INR/USD increases by 5% | (38,302) | (64,884) |
| INR/USD decreases by 5% | 38,302 | 64,884 |
| | | |
| **JPY Sensitivity** | | |
| INR/JPY increases by 5% | (2,80,744) | (1,39,184) |
| INR/ JPY decreases by 5% | 2,80,744 | 1,39,184 |
| | | |

*Holding all other variable constant. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

ii) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has not any availed loan at exposure to CC. Hence the company is not exposed to Interest Rate risk.

iii) Equity Price Risk:

Investments in equity instruments of the subsidiary companies are not held for trading and are carried at cost, hence are not exposed to equity price risk. The company does not hold any investment apart from investment in subsidiary company.

b) Liquidity Risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The company has obtained fund and non-fund based working capital limits from various bankers which is used to manage the liquidity position and meet obligations on time.

Maturity Analysis of Non-Derivative Financial Liabilities:

INR

| | Due in 1st Year | Due between 1 to 5 years | Carrying Amount as on 31st March 2020 |
|---|---|---|---|
| **March 31st 2020** | | | |
| Borrowings | 2,08,75,931 | 24,87,499 | 2,33,63,430 |
| Trade Payables | 7,07,27,884 | | 7,07,27,884 |
| Other Financial Liabilities | 38,92,681 | | 38,92,681 |
| **Total** | **9,54,96,496** | **24,87,499** | **9,79,83,995** |

c) Credit Risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The management evaluates the credit risk of individual financial assets at each reporting date. An expected credit loss is recognized if the credit risk has increased significantly since the initial recognition of the financial instrument. In general, the company assumes that there has been a significant increase in credit risk since initial recognition if the amounts are 180 days past due from the initial or extended due date. However, in specific cases the credit risk is not assessed to be significant even if the asset is due beyond a period of 180 days depending on the credit history of the customer with the company and business relation with the customer.

Credit Exposures:

The company categories the financial assets into following classes based on credit risk:

| Grade | Description | Extent of Loss recognized |
|---|---|---|
| A | High Quality Asset, the risk of default is negligible or nil | 12 month expected Credit Loss |
| B | Standard Asset, the risk of default is low and the counterparty has sufficient financial strength to meet the obligations | 12 month expected Credit Loss |
| C | Low Quality Asset, the risk of default is considerable and there has been a significant increase in the credit risk since initial recognition | Life Time Expected Credit Losses |
| D | Possibility of recovery is negligible and the asset is written off | Asset is written off |

Grade wise credit risk exposure on the reporting date:

INR

| Category | As on 31st March 2020 | | As on 31st March 2019 | |
|---|---|---|---|---|
| | Grade A | Other Grades | Grade A | Other Grades |
| Investments | 14,05,51,254 | - | 14,05,51,254 | - |
| Loans and Advances | 6,63,77,590 | - | 3,72,92,395 | - |
| Trade Receivables | 22,48,42,718 | - | 23,56,62,530 | - |
| Cash and Bank Balances | 51,13,684 | - | 10,63,535 | - |
| Other Financial Assets | 6,95,356 | - | 7,25,535 | - |
| **Total** | **43,75,80,602** | **-** | **41,52,95,249** | **-** |

**32. Capital Management:**

The company manages its capital to ensure the continuation of going concern, to meet the funding requirements and to maximize the return to its equity shareholders. The company is not subject to any capital maintenance requirement by law. Capital budgeting is being carried out by the company at appropriate intervals to ensure availability of capital and optimization of balance between external and internal sources of funding. The capital of the company consists of equity shares and accumulated internal accruals. Changes in the capital have been disclosed with additional details in the Statement of Changes in Equity.

**33. Employee Benefit Obligations:**
**Defined benefit as per actuarial Valuation:**

INR

| Particulars | Gratuity | | | Compensated Absences | | |
|---|---|---|---|---|---|---|
| | Present Value of Obligation | Fair Value of Plan Assets | Net Amount | Present Value of Obligation | Fair Value of Plan Assets | Net Amount |
| **As at 1st April 2018** | **46,24,693** | **30,86,602** | **15,38,091** | **7,80,670** | - | **7,80,670** |
| Current service cost | 4,07,998 | | 4,07,998 | 61,664 | - | 61,664 |
| Interest expense/(income) | 3,55,848 | 2,37,499 | 1,18,349 | 60,068 | - | 60,068 |
| **Total amount recognized in profit and loss account** | **7,63,846** | **2,37,499** | **5,26,347** | **1,21,732** | - | **1,21,732** |
| Remeasurements | **(1,48,847)** | | **(1,48,847)** | | - | |
| Experience (gains) / losses | (25,814) | | (25,814) | (48,223) | - | (48,223) |
| **Total amount recognized in other comprehensive income** | **(25,814)** | - | **(25,814)** | **(48,223)** | **-** | **(48,223)** |
| Employer contributions | | - | **-** | | - | |
| Benefit payments | | | | **(24,588)** | | **(24,588)** |
| **As at 31st March 2019** | **52,13,878** | **33,24,101** | **18,89,777** | **8,29,591** | | **8,29,591** |
| **As at 1st April 2019** | **52,13,878** | **33,24,101** | **18,89,777** | **8,29,591** | | **8,29,591** |
| Current service cost | 4,20,908 | | 4,20,908 | 49,522 | - | 49,522 |
| Interest expense/(income) | 4,02,323 | 2,56,501 | 1,45,822 | 64,014 | - | 64,014 |
| **Total amount recognized in profit and loss account** | **8,23,231** | **2,56,501** | **5,66,730** | **1,13,536** | - | **1,13,536** |
| **Remeasurements** | **6,63,729** | | **6,63,729** | **95,160** | - | **95,160** |
| Return on plan assets, excluding amounts included in interest expense / (income) | | | | | - | |
| (Gain) / loss from change in financial assumptions | | | | | - | |
| Experience (gains) / losses | (2,98,869) | - | (2,98,869) | (1,06,886) | - | (1,06,886) |
| **Total amount recognized in other comprehensive income** | **(2,98,869)** | **-** | **(2,98,869)** | **(1,06,886)** | **-** | **(1,06,886)** |
| Employer contributions | | - | **-** | **-** | - | **-** |
| Benefit payments | **(77,883)** | **(77,883)** | **-** | **(31,926)** | | **(31,926)** |
| **As at 31st March 2020** | **63,24,086** | **35,02,719** | **28,21,367** | **8,99,475** | | **8,99,475** |

*Gratuity plan is funded with a cash accumulation plan in LIC whereas leave encashment plan is not funded

**Significant Assumptions made for the valuation of Defined benefit Obligations include:**

| Assumptions | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| | % | % |
| Discount Rate | 7.70% | 7.70% |
| Salary Growth Rate | 7.00% | 7.00% |
| Mortality Rate (% of IALM 06-08) | 100.00% | 100.00% |
| Attrition Rate | 5.00% | 5.00% |

**Sensitivity Analysis:**

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

| Assumption | Impact on defined benefit obligation – Gratuity | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption (INR lacs) | Decrease in assumption (INR lacs) |
| Discount rate | 1.00% | (5.43) | 5.43 |
| Salary growth rate | 1.00% | 6.37 | (6.37) |
| Attrition rate | (on rate) 50.00% | 0.67 | (0.67) |
| Mortality rate | (on rate) 10.00% | 0.03 | (0.03) |

| Assumption | Impact on defined benefit obligation – Leave Encashment | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption (INR lacs) | Decrease in assumption (INR lacs) |
| Discount rate | 1.00% | (0.86) | 0.86 |
| Salary growth rate | 1.00% | 1.03 | (1.03) |
| Attrition rate | (on rate) 50.00% | 0.12 | (0.12) |
| Mortality rate | (on rate) 10.00% | - | - |

**Risk Exposure:**

Valuations of defined employee benefit obligations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the company is exposed to various risks in providing the above gratuity benefit which are as follows:

In addition to Interest Rate risk and liquidity risk the company is also exposed to the below risks on account of valuation of defined benefit obligations:

a) **Salary Escalation Risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

b) **Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumptions.

c) **Regulatory Risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. Increase in the maximum limit on gratuity payout).

d) **Investment Risk:** The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

**34. Related Party Disclosure:**

**1. Related parties where control exists**

a. Holding Company

- UCAL Fuel Systems Limited

b. Subsidiaries

- UPIL, USA Inc (Wholly Owned subsidiary)

**2. Other Related Parties**

a. Fellow Subsidiaries

- UCAL Holding , INC.,USA
- UCAL Systems, INC., USA (Wholly owned subsidiary of UCAL Holding ,INC)
- Amtec Moulded Products Inc., USA (Wholly owned subsidiary of UCAL Holding ,INC)
- RD Electrocircuits Private Limited

b. Enterprises controlled or jointly controlled by KMP or relatives of KMP

i. Bharat Advisory Services Private Limited
ii. Bharat Foundations Private Limited
iii. Bharat Business Consultants Private Limited
iv. Minica Services Private Limited
v. Magnetic Meter Systems India Limited
vi. Sujo Land & Properties Private Limited
vii. Southern Ceramics Private Limited
viii. Bharat Technologies Private Limited

c. Entities in which KMP or relatives are trustees or members of managing committee

i Dr. V Krishnamurthy Educational Foundation

Related party relationship is identified by the company and relied upon by the auditors.

a) Transactions with related parties

**INR**

| **Transactions during the year 2019-20** | **Holding Company** | **Subsidiaries** | **Other Related Enterprises** | **KMP*** | **Relatives Of KMP*** |
|---|---|---|---|---|---|
| **Balances as on 31.03.2020** | | | | | |
| Outstanding payables | **NIL** | **NIL** | 1,71,44,113<br>(3,78,40,929) | | |
| Outstanding Receivables | 22,01,28,190<br>(25,50,04,008) | **NIL** | 3,50,00,000<br>(3,50,00,000) | | |
| Guarantees given | **NIL** | **NIL** | **NIL** | | |
| Investments | **NIL** | 14,05,51,254<br>(14,05,51,254) | **NIL** | | |

| **Transactions during the year 2019-20** | **Holding Company** | **Subsidiaries** | **Other Related Enterprises** | **KMP*** | **Relatives Of KMP*** |
|---|---|---|---|---|---|
| Sale of Goods | 49,84,94,209<br>(58,89,97,311) | | | | |
| Labour Charges Paid | ----<br>(----) | ----<br>(---) | 6,68,04,414<br>(7,70,52,757) | | |
| Rent paid | 1,20,000<br>(1,20,000) | ----<br>(---) | 3,81,60,000<br>(3,81,60,000) | | |
| Dividend paid | 81,76,085<br>(81,76,085) | ----<br>(---) | ----<br>(---) | | |
| Professional charges | -----<br>(----) | -----<br>(----) | 24,00,000<br>(33,00,000) | | |
| CSR Expenditure | -----<br>(----) | -----<br>(----) | 1,00,00,000<br>(2,00,00,000) | | |

Figures in brackets represent correspond to previous year

**35. Borrowings:**

INR

| Particulars | As at 31st March 2020 | | | Terms of Repayment | Details of Security Offered to the Lender |
|---|---|---|---|---|---|
| | Current Maturities | Non - Current Maturities | Total | | |
| **I. Non-Current Borrowings** | | | | | |
| **A. Secured Borrowings** | | | | | |
| Sundaram Finance Term Loan | 1,41,32,935 | 24,87,499 | 1,66,20,434 | Repayable in 48 monthly instalments with an interest of 12.50% p.a fixed | Guaranteed by holding Company |
| **Total** | 1,41,32,935 | 24,87,499 | 1,66,20,434 | | |

**36. Contingent Liabilities, guarantees and Commitments not provided for:**

**INR**

| Description | As at 31st March 2020 | As at 31st March 2019 |
|---|---|---|
| Taxation matter under appeal with Commissioner of Income Tax (Asst Year 2016-17) | 59,901 | 59,901 |
| E.P.F.O with Assistant Commissioner | 14,47,358 | 14,47,358 |

**37. Corporate Social Responsibility:**
Expenditure incurred on corporate social responsibility (CSR) activities:

(a) Gross amount required to be spent during the year is **Rs. 19.18 lacs.**
(b) Amount spent during the year

**INR lacs**

| Sl. No | Particulars | Year ended 31st March 2020 | | Year ended 31st March 2019 | |
|---|---|---|---|---|---|
| | | Spent upto Balance sheet date | Provided for | Spent upto Balance sheet date | Provided for |
| 1. | Dr.V.Krishnamurthy Educational Foundation | 100.00 | 100.00 | 200.00 | 200.00 |
| | **Total** | **100.00** | **100.00** | **200.00** | **200.00** |
| | | | | | |

38. The balances outstanding as on 31st March 2020 in respect of Loans & Advances and sundry creditors wherever not confirmed by them, in so far as they have not been subsequently recovered or adjusted are subject to confirmation or reconciliation.

Subject to the above, in the opinion of the board, current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for depreciation and for all other known liabilities is considered adequate and are not in excess of the amounts reasonable necessary.

39. Previous year's figures have been regrouped wherever necessary to conform to current year's grouping.

As per our Report attached of even date

For M/s. R. Subramanian and Company LLP
Chartered Accountants
FRN: S200041/004137S

**-- s/d--**
K .JAYASHANKAR
PARTNER
M.NO.014156
UDIN: 20014156AAAABV9075
Place : Chennai
Date:20th July 2020

For and on behalf of the board of Directors

**-- s/d--**
V.KRISHNAMURTHY
CHAIRMAN

**-- s/d--**
M.R.SHIVAKUMAR
DIRECTOR