

The image is a composite. On the left side, there is a close-up of a black snake with a distinct, repeating diamond-shaped pattern on its head and neck. The snake's eye is visible. On the right side, there is a laboratory setting with several glass test tubes and flasks. One test tube in the foreground contains a bright red liquid, another contains a blue liquid, and a third contains a yellow liquid. In the background, there are more glassware and a metal stand with a white weight hanging from it.

MERCHEM LIMITED

ANNUAL REPORT
2019-20



Board's Report 2019-20

MERCHEM LIMITED

Directors' Report

To,
The Members,

On behalf of the Board, your Directors' take immense pleasure to present the Twenty Sixth Board's Report, together with the Balance Sheet, Profit and Loss Account and Cash Flow Statements, for the Financial Year ended March 31, 2020.

I. FINANCIAL PERFORMANCE:

The Standalone Financial Statements for the Financial Year ended 31st March 2020, forming part of this Annual Report, have been prepared in accordance with the Accounting Standards as notified by the Institute of Chartered Accounts of India.

During the year under review, the management undertook major repairs and renovation activities for your company. The said renovation and refurbishment activities at "Panoli" Ankleshwar is in the final stage of completion. The management expects that the commercial production at the said location is expected to commence by the beginning of third quarter of the current financial year. The total loss before exceptional items and tax was Rs. 113,809,295/-. The Financial performance of the company from other activities is tabled below. Directors are hopeful for better results in the current financial year with the start of commercial production.

The table below provides the Key highlights of the financial performance of the Company for the year ended March 31, 2020 on Standalone Basis as compared to the previous year:

Particulars	Amount (In Rs.)	Amount (In Rs.)	Amount (In Rs.)	Amount (In Rs.)
	2019-2020	2019-2020	2018- 2019	2018-2019
Net Revenue from Operations		49,293,735		NIL
Other Income		18,53,704		2,00,000
TOTAL INCOME		16,76,200		(33,635,243)
Profit Before Finance Cost & Depreciation and Tax (PBDIT)		93,021,433		667,012,740
Less: Finance costs		(91,345,233)		(700,647,983)
Profit Before Depreciation & Tax (PBDT)		22,464,062		118,477,814
Less: Depreciation		(113,809,295)		(819,125,797)
Profit Before Tax exceptional				



Board's Report 2019-20

items and tax (Net)		-		(138,495,319)
Profit Before Tax		-		(957,621,116)
Less: <u>Provision for Income Tax</u>				
Current Tax		-		-
Deferred Tax (Net)		-		(221,839,031)
Income tax for earlier years		-		-
Profit After Tax		(113,809,295)		(1,179,460,147)
Add: Balance Brought Forward from Previous year		(2,393,262,062)		(1,213,801,916)
Less : Transfer to General Reserve		-		-
Closing Balance of Profit & Loss Account		(2,507,071,356)		(2,393,262,062)

STATE OF AFFAIRS OF THE COMPANY:

The application moved by the ex-promoter of the company and his associate companies before the Hon'ble National Company Law Appellate Tribunal, New Delhi challenging the Resolution Plan approved for Merchem Limited by NCLT, Chennai has been dismissed by the Tribunal on 29th July 2020, giving certain directions to the Resolution Applicant and the Petitioner. The Resolution Applicant has complied with the said direction within the stipulated time to the Adjudicating Authority.

Your holding company, Acme Chem Ltd, have put in the entire amount as envisaged in the approved Resolution Plan for Merchem Limited into your company by subscribing to Equity and Preference shares of your company.

HIGHLIGHTS OF PERFORMANCE OF SUBSIDIARY COMPANIES /ASSOCIATE CONCERNS:

The company does not have any subsidiaries or associate companies.

MERGER/DEMERGER OF GROUP COMPANIES:

Your company would like to apprise you that your company is contemplating a scheme of Amalgamation wherein the Chemical Division of your holding company M/s. Acme Chem Ltd, will demerge and shall merge/amalgamate with your company.. The Board of Directors of both the companies would be deliberating the matter further and take an appropriate decision in this regard. This will result in consolidation of rubber chemical business of the Group into one entity, reduction in cost, operational efficiency etc.



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DIVIDEND:

The Board of Directors have not recommended any dividend for the Financial Year 2019-20, owing to current and carried forward losses.

TRANSFER TO RESERVES:

Your company has not transferred any amount to the General Reserve for the financial year ended 31st March, 2020.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND:

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as the Company has not declared any dividend since long.

PARTICULARS OF LOANS, ADVANCES, GUARANTEES AND INVESTMENTS:

During the year, your company has not made any loans, advances, guarantee. Details of Investments made under the provisions of Section 186 of the Act are given in the notes to the Financial Statements.

DISCLOSURE OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

The details of contracts and arrangements with related parties pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule (8) of the Companies (Accounts) Rules, 2014 is attached to this report in Form AOC-2. as Annexure "B".

DEPOSITS:

Your company has not accepted or renewed any deposits from public within the meaning of Section 73 of the Act read with Companies (Acceptance of Deposits) Rules, 2014 during the year.

II. BUSINESS:

BOARD COMPOSITION:

Your Company consists of Qualified Professionals and great visionaries who possess long term experience of working in the Rubber Chemical Industry and provide strategic direction and guidance to the organization. The Board consists of 2 Promoter Directors , 2 Non-Executive Non-Independent Directors.

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Board's Report 2019-20

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

As on 31st March, 2020, the Board is made up of 4 directors.

During the year Mr. Ravindra Kumar Tiwari resigned from office of Director with effect from 05th November, 2019 due to certain personal reasons. Subsequently, the Board at its meeting held on the 23rd day of November, 2019 approved the appointment of Mr. Anil Kumar Nagpal, as an Additional Director with immediate effect. However, Mr. Anil Kumar Nagpal resigned from the Office of Directorship citing health related issues and ceased to be a Director with effect from 23.04.2020. Mr. Bhadresh Pranal Kansara, who was serving the Company as a Technical Consultant has been appointed as Additional Director of the Company. Mr. Kansara shall hold office up-to the next Annual General Meeting or the last date on which Annual General Meeting should have been held, whichever is earlier. The Board recommends the re-appointment of Mr. B.P. Kansara, as Non-Executive Non-Independent Director of the company.

The Board places on record its appreciation for valuable contribution made by Mr. Anil Kumar Nagpal during his tenure as Director of the company.

In accordance with the provisions of section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Sajjan Kumar Sharma (DIN : 08250465) will retire by rotation at the 26th Annual General Meeting and being eligible had offered himself for re-appointment.

NUMBER OF MEETINGS OF THE BOARD:

The Board met 11 times during the Financial Year 2019-20 in accordance with the provisions of Section 173 of the Companies Act, 2013. The maximum gap between any two meetings did not exceed 120 days.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departure have been made from the same;
- (b) such accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true & fair view of the state of the affairs of the company as on 31 March, 2020 and the profit/loss for the year ended on that date.

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- (c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies act, 2013 for the safeguarding the assets of the company and for preventing and directing fraud and other irregularities;
- (d) the Annual Accounts are prepared on a going concern basis.
- (e) the internal financial controls were in place and that such internal financial controls are adequate and were operating effectively; and
- (f) the systems to ensure compliance with the provisions of all applicable laws and were devised and such systems were adequate and operating effectively.

COMPANIES POLICY RELATING TO DIRECTORS' APPOINTMENT, REMUNERATION & DISCHARGE OF THEIR DUTIES:

The company abides the same policies and procedures in relation to Directors' Appointment, Remuneration and Discharge of Duties as is formulated and followed by its Holding Company.

DISCLOSURE OF COMPOSITION OF AUDIT COMMITTEE:

The company is not required to constitute any such committee as the provisions of section 177 of the Companies Act, 2013 do not apply to your company.

III.AUDIT:

STATUTORY AUDITORS:

Pursuant to the recommendation of Directors, the Board has approved the appointment of M/s. Lodha & Co., Chartered Accountants (FRN – 301051E) as the Statutory Auditor of the company for a period of 5(Five) Years from the conclusion of 25th Annual General Meeting to 30th Annual General Meeting. The said appointment was ratified by the members of the company.

In this regard, M/s. Lodha & Co., Chartered Accountants have submitted their written consent stating that they are eligible and qualified to be re-appointed as Statutory Auditors of the Company in terms of Section 139 of the Companies Act, 2013 and also satisfy the criteria provided in Section 141 of the Companies Act, 2013.

AUDITORS' REPORT:

There are no qualifications, reservations or adverse remarks made by M/s. Lodha & Co, the Statutory Auditors in their Report for the Financial Year ended 31st March, 2020.

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COST AUDIT:

The provisions of section 148 of the Companies Act, 2013 relating to Cost Audit requirements are not applicable to your company.

IV. SOCIAL RESPONSIBILITY AND SUSTAINABILITY:

CORPORATE SOCIAL RESPONSIBILITY:

The provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 are not applicable to your company.

INFORMATION REQUIRED UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

An Internal Complaints Committee (ICC) has been set-up to redress complaints received regarding sexual harassment. The Policy has set guidelines on the re-dressal and enquiry process that is to be followed by the complaints and the ICC whilst dealing with issues related to sexual harassment at the work place. All women employees (permanent, contractual, temporary, trainees etc.) are covered under this Policy. The Company has not received any complaint of sexual harassment during FY 2019-2020.

PARTICULARS REGARDING CONSERVATION OF ENERGY AND RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION:

A. Conservation of energy :

- i) The steps taken or impact on conservation of energy:
The company has been continuously giving at most emphasis and high priority to energy conservation. Optimum use of energy is ensured by close monitoring of energy consuming equipment, optimizing use of power and steam and close liaison between energy centers and consuming points. Technical cells have been created at all units to concentrate inter-alia on conservation of energy.
- ii) The steps taken by the company for utilizing alternate sources of energy:
Steps are envisaged in keeping with the company's policy of continuously striving for better and better results.
- iii) The capital investments on energy conservation equipment:
Company is presently making investments in energy conservation equipment.

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B. Technology Absorption:

- i) The efforts made towards technology absorption:
The company has not adopted any new technologies during the year under review for its products.
- ii) The company has not imported any technologies from abroad.
- iii) The company will continue to focus on strengthening the existing product range and to sustain competitive edge and marketing position by improving the products' effectiveness and reducing cost.

OTHER DISCLOSURES:

EXTRACT OF ANNUAL RETURN:

Form MGT -9 providing an extract of the Annual Return in terms of Section 92 of the Act and rules made thereunder forms part of this Report as Annexure D and the same is available on the website of the Company at https://merchem.in/investor-information/annual_report2019-20.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY:

There have been no material changes affecting the Financial Position of the Company which occurred between the end of the Financial Year to which the Financial Statements relate and the date of this Report.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Total foreign currency used and earned	:	
		<u>(INR in Crore)</u>
Foreign Currency earned		-
Foreign Currency used		3.106

ADDITIONAL DISCLOSURES:

Your Directors state that no disclosures or reporting is required in respect of the following items as there were no transactions or change during the year under review:

- Details relating to deposits covered under Chapter V of the Act.
- Issue of shares with differential rights as to dividend voting or otherwise.
- Issue of shares to the employees of the Company under any scheme (sweat equity or Stock options)

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- The Company does not have any scheme or provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.
- There was no revision in the financial statement other than as required to be done as per IAS
- There was no change in the nature of business.
- No significant or material orders were passed by the Regulators or Courts or Tribunal which impact the going concern status and Company's operation in future.

ACKNOWLEDGEMENT AND APPRECIATION:

Your Directors take this opportunity to thank its customers, shareholders, suppliers, bankers, business partners, technical consultants, advocates, and State Governments for their consistent support and encouragement to your company. Also the directors hereby convey their sincere appreciation to all the employees of the company for their hard work and commitment in executing the ongoing projects .

For and on behalf of the Board

A handwritten signature in black ink, appearing to read "Narain Holani", enclosed in a large, stylized bracket.

Narain Holani
Chairman
DIN: 00397044

Place: Kolkata

Dated: 26th August, 2020

INDEPENDENT AUDITORS' REPORT**To the Members of Merchem Limited****Report on the Audit of the Standalone Financial Statements****Opinion**

We have audited the standalone financial statements of Merchem Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, statement of Profit and Loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes for the year ended on that date (hereinafter referred to as "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditors' 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the Standalone financial statements and Consolidated financial statements and our auditors' report thereon. The other information as stated above is expected to be made available to us after the date of this Auditors' Report.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information as stated above and conclude that there is a material misstatement therein we are required to communicate to those charged with governance and describe necessary action required as per applicable laws and regulation.



Responsibilities of the Management and those charged with governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone financial statements that give a true and fair view of the state of affairs (financial position), Profit or Loss (financial performance) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of Internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, 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; and



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other Matters

The comparative financial information of the Company for the corresponding year ended March 31, 2019 were audited by the predecessor auditor, Johney & Co, Chartered Accountants, who expressed unmodified opinion vide their report dated June 29, 2019 and reliance has been placed by us for the purpose of the financial statements and our report thereupon.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, 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. Further to our comments in the annexure referred to in the paragraph above, as required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid Standalone financial statements comply with the Accounting Standards 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 March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act; and
 - f) Regarding adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal control with reference to financial statements.



3. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note no. 30(A) to the financial statements;
 - ii. The Company does not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
4. With respect to the reporting under section 197(16) of the Act to be included in the Auditors' Report, provisions of section 197 are not applicable to the company in absence of any payment/provision in respect of Managerial Remuneration.

Place: Kolkata
Date: August 22, 2020



For Lodha & Co,
Chartered Accountants
Firm's ICAI Registration No.:301051E

R.P.Singh
R. P. Singh
Partner
Membership No: 52438
UDIN: 052438AAAACQ2148

ANNEXURE "A" TO THE AUDITORS' REPORT OF EVEN DATE:

- i)
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets.
 - b. The Company has a program of verification which has been revised during the year considering the prevailing situation 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 this program, certain fixed assets have been physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verifications.
 - c. According to the information and explanations given to us, the records examined by us and based on the conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and building which are freehold/leasehold, are held in the name of the Company as on the balance sheet date.
- ii) As Informed, the company has a system of carrying out the physical verification of the Inventories except for materials in transit and as stated such verification were carried out over the period at reasonable intervals and discrepancies ascertained were not material and have been adjusted in the books of accounts. The year-end verification could not be carried out due to lock-down amidst COVID-19 pandemic. The Inventories as on that date have been arrived at by rolling back the receipts and issues with respect to verification carried out on a subsequent date in presence and supervision of an Independent firm of chartered accountant, entrusted with such responsibility. Due to COVID' 19 we could not attend the verification so carried out and have placed reliance on the details, documents and reports received in this respect. The discrepancies noted during the year were not material and have been properly dealt with in the books of the account.
- iii) The Company has not granted any loans secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, clause 3 (iii) of the Order is not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made Investments or provided any guarantees/securities to parties covered under Section 185 and 186 of the Act. Accordingly, clause 3 (iv) of the Order is not applicable to the Company.
- v) The Company has not accepted any deposits during the year and does not have any unclaimed deposit as at March 31, 2020 from public covered under Sections 73 to 76 or any other relevant provisions of the Act and rules framed thereunder and therefore, the provisions of clause 3(v) of the Order is not applicable to the company
- vi) According to the information and explanation given to us, the plant was not in operations for a long period of time accordingly the company has undertaken the revival of the project and capacity augmentation. Accordingly, in view of turnover of the company being less than the threshold limit, cost records as prescribed to be maintained U/s 148(1) of the Act are not required to be maintained by the company during the year. Accordingly, clause 3(vi) of the order is not applicable to the company.
- vii)
 - a. According to the information and explanations given to us, during the year, the Company has been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Goods and Service Tax, Service tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues, as applicable to it.



- b. According to the information and explanations given to us and as stated in Note no. 30(A) of the Standalone financial statements, all disputed dues of sales tax, income tax, customs duty, wealth tax, excise duty, service tax, and Cess, if any, prior to the effective date i.e. January 23, 2019 stand extinguished in terms of the resolution plan approved by Hon'ble NCLT.
- viii) The Company has not availed any loans from financial institutions or banks or Government and has not issued any debentures. Accordingly, clause 3(viii) of the Order is not applicable to the Company. Accordingly, clause 3(viii) of the order is not applicable to the company.
- ix) In our opinion and according to the information and explanations given to us, the company did not raise any money by way of initial public offer or further public offer (including debt instruments).
- x) During the course of our examination of books of account carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such case by the management.
- xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not paid/provided for managerial remuneration during the year. Accordingly, provisions of clause 3 (xi) of the Order is not applicable.
- xii) The Company is not a Nidhi company and hence reporting under paragraph 3(xii) of the Order is not applicable to the Company.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Standalone Financial statements as required by the applicable accounting standards.
- xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3 (xiv) of the Order is not applicable to the Company.
- xv) According to the information and explanations given to us and as represented to us by the management and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

Place: Kolkata
Date: August 22, 2020



For Lodha & Co,
Chartered Accountants
Firm's ICAI Registration No.:301051E

R. P. Singh
R. P. Singh
Partner
Membership No: 52438
UDIN: 052438AAAACQ2148

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT
(Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

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

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls with reference to financial statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and



that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Standalone financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, 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 with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Lodha & Co,
Chartered Accountants
Firm's ICAI Registration No.:301051E

Place: Kolkata
Date: August 22, 2020



R. P. Singh
R. P. Singh
Partner
Membership No: 52438
UDIN: 052438AAAACQ2148

MENCHAM LIMITED
BALANCE SHEET AS AT MARCH 31, 2020

[Amount in Rs.]

Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
EQUITY AND LIABILITIES			
Share Holders' Funds			
Share Capital	3	32,70,67,010	70,67,010
Reserves and Surplus	4	(25,27,83,834)	(25,89,74,540)
Non Current Liabilities			
Long term borrowings	5	1,14,52,74,986	1,14,52,74,986
Long Term Provisions	6	42,69,062	.
Other Non-Current Liabilities	7	8,73,76,325	36,57,036
Current Liabilities			
Trade Payables	8		
Total Outstanding dues of Micro and Small Enterprises		1,32,54,343	.
Total Outstanding dues other than Micro and Small Enterprises		3,67,14,342	2,32,59,499
Other Current Liabilities	9	1,74,29,814	44,63,027
Short Term Provisions	10	3,92,592	.
Total		1,37,89,94,640	92,47,47,018
ASSETS			
Non Current Assets			
Property Plant and Equipment	11		
Tangible Assets		28,39,01,075	29,21,52,433
Intangible Assets		1,37,504	.
Capital Work In Progress		90,17,26,700	57,19,36,795
Non Current Investments	12	40,36,500	40,36,500
Deferred Tax Assets(Net)	13		
Long Term Loans and Advances	14	1,84,50,425	94,61,142
Current Assets			
Inventories	15	2,11,76,554	36,00,000
Trade Receivables	16	3,94,74,696	
Cash and Bank Balances	17	98,48,200	1,74,96,007
Short Term Loans and advances	18	10,01,52,986	1,63,99,197
Other Current Assets	19		96,64,944
Total		1,37,89,94,640	92,47,47,018
Significant Accounting Policies and Notes to Accounts		2 to 40	
As per our Report of even date		For and on behalf of the Board of Directors of Mencham Limited CIN-U24299KL1994PLC007681	
For Lodha & Co, Chartered Accountants			
R.P. Singh (R. P. Singh) Partner		Narain Holani (Director) DIN: 00397044	Rishabh Holani (Director) DIN: 8388293
Place : Kolkata Dated : August 22, 2020			

MERCIEM LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

(Amount In Rs.)

Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
INCOME			
Revenue from Operations	20	4,92,93,735	
Other Income	21	18,53,704	2,00,000
Total		5,11,47,439	2,00,000
EXPENDITURE			
Purchase of Traded Goods	22	3,80,84,484	
Changes in Inventories of Finished goods, Work in Progress and Stock-in-trade	23	(75,35,350)	
Employee Benefits Expense	24	10,30,560	1,49,61,904
Finance Costs	25	9,30,21,433	66,70,12,740
Depreciation and Amortization	26	2,24,64,062	11,84,77,814
Other Expenses	27	1,78,91,544	1,88,73,339
Total		16,49,56,733	81,93,25,797
Profit/(Loss) before Exceptional Items and tax		(11,38,09,294)	(81,91,25,797)
Exceptional Items (Net)	28		(13,84,95,319)
Profit/(Loss) Before Tax		(11,38,09,294)	(95,76,21,116)
Tax Expenses			
Current Tax			
Deferred Tax	13		(22,18,39,031)
Profit/ (Loss) for the Period		(11,38,09,294)	(1,17,94,60,147)
Earning Per Equity Share (Basic and Diluted)	29	(95.73)	(182.06)

Significant Accounting Policies and Notes to Accounts

2 to 40

As per our Report of even date

For Lodha & Co,
Chartered Accountants
R. P. Singh
(R. P. Singh)
Partner

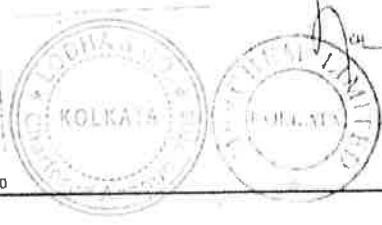
Place : Kolkata
Dated : August 22, 2020

For and on behalf of the Board of Directors of
Merchem Limited

CIN: U24299KL1994PLC007681

Harain Holani
(Director)
DIN: 00397044

Rishabh Holani
(Director)
DIN: 8388293



MERCHEM LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(Amount in Rs.)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax	(11,38,09,294)	[95,76,21,116]
Adjustment for:		
Depreciation and Amortisation Expenses	2,24,64,062	11,84,77,814
Exceptional Items	-	13,84,95,319
Loss/(Profit) on sale of Current Investment (Net)	(5,90,910)	-
(Profit)/Loss on Sales/discard of fixed assets	(10,10,000)	-
Finance Cost	9,30,21,433	66,70,12,740
Interest Income	(16,007)	-
Operating Profit Before Working Capital Changes	59,284	(3,36,35,243)
Changes in Working Capital:		
(Increase)/Decrease in Trade Receivables	(3,88,23,324)	(47,000)
Decrease/ (Increase) in loans and advances, Other Current and Non-Current assets	(5,04,73,113)	(62,40,022)
(Increase)/ Decrease in Inventories	(1,75,76,553)	-
Increase/(Decrease) In Trade Payables, Other liabilities and Provisions	1,23,27,979	1,06,41,792
Cash generated from/(used) In Operations	(9,44,85,727)	(2,92,80,473)
Taxes Paid (Net)	-	-
Net Cash generation/(used) from Operating Activities	(9,44,85,727)	(2,92,80,473)
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant and Equipment including Intangible Assets and movement in CWIP	(34,54,76,854)	-
Proceeds from Sale of Property, Plant and Equipment	10,10,000	-
Purchase/(Sale) of Investments (Net)	5,90,910	-
Interest Received	16,007	-
Movement In Other bank balances	1,74,96,007	[1,69,93,959]
Net Cash (Used)/Deployed For Investing Activities	(32,63,63,930)	[1,69,93,959]
C CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital (Net)	44,00,00,000	68,21,996
Proceeds/(Repayment) from Borrowings(Net)	-	94,33,09,788
Interest and other borrowing cost paid	(93,02,143)	(90,33,55,305)
Net Cash (Used)/Generation from Financing Activities	43,06,97,857	4,67,76,479
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	98,48,200	5,02,037
Opening Balance of Cash and Cash Equivalents	-	1,67,125
Less: Cash and Cash Equivalent written off (Refer Note no. 34)	-	(6,69,162)
Closing Balance of Cash and Cash Equivalents (Refer Note no. 17)	98,48,200	-

Significant Accounting Policies and Notes to Accounts

2 to 40

As per our Report of even date

For Lodha & Co,
Chartered Accountants

R.P. Singh
(ft. P. Singh)
Partner

Place : Kolkata
Dated : August 22, 2020



For and on behalf of the Board of Directors of
Merchem Limited

CIN:U24299KL1994PLC007681

Narain Holani
(Director)

DIN: 00397044

Rishabh Holani
(Director)

DIN: 8388293

MERCHEM LIMITED

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

1. BACKGROUND OF THE COMPANY:

Merchem Limited ("Company") was incorporated on January 31, 1994 and is domiciled in India. The Company is presently engaged in the business of manufacturing and sale of specialty chemicals for tyre/rubber Industries. The company has its manufacturing facility located in Panoli, Gujarat, Edayar and Eloor in Kerala. The Company has been acquired pursuant to Corporate Insolvency Resolution Process (CIRP) vide resolution plan approved by Hon'ble NCLT in terms of its Order dated January 23, 2019 (Refer Note. 34). Currently, the Company is a wholly owned subsidiary of Acme Chem Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements in compliance, in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read with Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.2 USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

2.3 PROPERTY, PLANT AND EQUIPMENT (TANGIBLE ASSETS) (PPE):

Property, plant and equipment and capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, duties and taxes (net of cenvat availed), inward freight and other expenses related to acquisition or installation and adjustment for exchange differences wherever applicable and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended for its use. For major projects, interest and other costs incurred on / related to borrowings attributable to such projects or PPE during construction/installation period and related expenses are capitalized.

Cost includes the cost of replacing part of the plant and equipment and items of stores and spares that meet the definition of property, plant and equipment which are depreciated separately based on their specific useful lives. Costs of day today servicing are recognised in statement of profit or loss as incurred.

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

Property, plant and equipment held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the statement of profit and loss.

Capital Work-in-progress includes purchase price, construction and erection materials, interest and any other directly attributable costs of bringing the assets to their working condition. Such costs are added to related PPE and are classified to the appropriate categories when completed and ready for intended use. Amount paid towards acquisition of PPE and outstanding as at reporting date are recognised as capital advances under "Other Non-Current Assets".



2.4 **INTANGIBLE ASSET:**

Intangible asset are stated at their cost of acquisition, less accumulated amortization and impairment losses. An asset is recognized, where it is probable that the future economic benefits attributable to the assets will flow to the enterprise and where its cost can be reliably measured. The depreciable amount on intangible assets is allocated over the best estimate of its useful life on a straight-line basis.

2.5 **DEPRECIATION AND AMORTISATION**

Depreciation on property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the estimated useful lives based on technical estimates. In case of a component having useful life different from the principal assets, they are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset. The useful life of PPE for the current period as estimated are as follows:

Class of asset	Useful Life (In Years)
Buildings	60
Factory Buildings	30
Furniture & fixtures	15
Vehicles	10
Plant and Equipments	20
Computers including servers and networks	6
Office equipments	15

The residual value of PPE have been considered to be 5% of the original cost of such assets.

Intangible assets are amortized on a straight line basis over the estimated useful economic life of the asset. Intangible assets being Specialized Software are amortised on a straight line basis over a period of 5 years.

Depreciation and amortization on Property, Plant and Equipment and Intangible Assets added / disposed off during the period is provided on pro-rata basis with reference to the date of addition/disposal.

Methods of providing depreciation and amortization with respect to Property, Plant and Equipment and Intangible Assets, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.6 **LEASES**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is or contains a lease if fulfillment of the arrangement is dependent on the use of a specific assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or operating lease. Leases are classified as finance leases whenever the terms of the lease, transfer substantially all the risks and rewards incidental to the ownership of an asset to the Company. All other leases are classified as operating leases.

Finance leases are capitalized at the inception of the lease at lower of its fair value and the present value of the minimum lease payments and a liability is recognized for an equivalent amount. Any initial direct cost of the lease is added to the amount recognized as an asset. Each Lease payment is apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the outstanding amount of the liabilities.

Payments made under operating leases are recognized as expenses on a straight-line basis over the term of the lease unless the lease arrangement are structured to increase in line with expected general inflation or another systematic basis which is more representative of the time pattern of the benefits availed. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.



2.7 INVESTMENTS

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value computed category wise. Long-term investments are carried at cost. However, provision for diminution in value thereof is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

2.8 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates. Non-monetary items other than fixed assets, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. The loss or gain thereon and also on the exchange differences on settlement of the foreign currency transactions during the year are recognized as revenue or expense and are shown in the statement of profit and loss.

2.9 INVENTORIES

Inventories are valued at lower of cost and net realizable value. Raw materials and other items held for use in the production of finished goods are not written down below cost if the finished products are expected to be sold at or above cost.

- i) Cost for the purpose of raw material, traded goods, stores and spares, consumable, fuel and packing materials comprises of purchase cost including non-reimbursable duties and taxes, carriage, clearing and forwarding charges.
- ii) In respect of work in process and finished goods comprises direct materials, direct labour costs, manufacturing and other appropriate overheads that have been incurred in bringing the inventories to their present location and condition.
- iii) Cost of inventories are determined on a FIFO basis.

Net realizable value is the estimated considering selling price in the ordinary course of business, less estimated costs of completion and costs estimated to be incurred in relation to the sales.

Provisions are made for non/slow moving and obsolete items based on historical experience of the utilization of the material or amount realizable thereagainst.

2.10 EMPLOYEE BENEFITS

Employee benefits are accrued in the year services are rendered by the employees. Short term employee benefits are recognized as an expense in the statement of profit and loss for the year in which the related service is rendered.

Contribution to defined contribution plans such as Provident Fund etc., is being made in accordance with statute and are recognised as and when incurred.

Contribution to defined benefit plans consisting of contribution to gratuity are determined at close of the year at present value of the amount payable using actuarial valuation techniques. Actuarial gain and losses arising from experience adjustments and changes in actuarial assumptions are recognized in Statement of profit and loss.

Other long term employee benefits consisting of Leave Encashment are determined at close of the year at present value of the amount payable using actuarial valuation techniques. The changes in the amount payable including actuarial gain/loss are recognised in the Statement of profit and loss.



2.11 REVENUE RECOGNITION

Sale of Goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods and/or control over the products or service are transferred to the buyer and/or product/services are delivered and no significant uncertainty regarding amount of consideration exists. Goods and Service Tax (GST) and such other taxes collected on behalf of third party not being economic benefits flowing to the Company are excluded from revenue. Returns, discounts and rebates are deducted from sales.

Interest

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

Dividends

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

Claims / refunds

Insurance and other claims / refunds are accounted for on certainty of realisation usually as and when accepted/ admitted.

2.12 BORROWING COSTS

Borrowing costs include interest and other cost incurred in connection with the borrowings.

Borrowing Cost that are attributable to the acquisition and construction or installation of qualifying PPE are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost are recognized as an expense in the period in which they are incurred.

2.13 CURRENT AND DEFERRED TAX

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities based on the tax rates and tax laws enacted during the period.

Deferred taxes reflect the impact of timing differences between taxable income and accounting income and are measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only to the extent there is virtual certainty supported by convincing evidence for realisation thereof against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed during the period to the extent it becomes reasonably or virtually certain, as the case may be, that sufficient future taxable income will be available for utilisation of such assets.

2.14 EARNINGS PER SHARE

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

Diluted earnings per share is calculated using the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period and are adjusted for the effects of all dilutive potential equity shares outstanding during the period considering convertible preference shares and debentures except where result expected to be anti dilutive.



2.15 CASH FLOW STATEMENT

The cash flow statement is prepared by the indirect method set account in the Accounting standard 3 on the Cash flow Statement.

Cash and cash equivalents comprise cash at bank and in hand and short-term investments that are readily convertible into cash and which are subject to insignificant risk of changes in value with an original maturity of three months or less.

2.16 IMPAIRMENT OF ASSETS

Tangible assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of assets is determined. An impairment loss is recognized in the statement of profit and loss, whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is the higher of assets' fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows from the use of the assets are discounted to their present value at appropriate rate.

Impairment losses recognized earlier may no longer exist or may have come down. Based on such assessment at each reporting period the impairment loss is reversed and recognized in the Statement of Profit and Loss. In such cases the carrying amount of the asset is increased to the lower of its recoverable amount and the carrying amount that have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2.17 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, and it is probable that there will be an outflow of resources will be required to settle the obligations and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Contingent liabilities is not recognized and are disclosed by way of notes to the financial statements when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or when there is a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the same or a reliable estimate of the amount in this respect cannot be made. In the normal course of business, there are claims/counter claims filed on or by the company. The management based on legal advice, considers whether the likelihood of net liability devolving on the company is probable, possible or remote. When considered remote, no disclosure is made in the financial statements.



3 SHARE CAPITAL

Particulars	Note	As at	As at
		March 31, 2020	March 31, 2019
Authorised Share Capital			
1,20,00,000 (March 31, 2019: 1,20,00,000) Equity Shares of Rs. 10/- each		12,00,00,000	12,00,00,000
28,00,000 (March 31, 2019: 28,00,000) Preference Shares of Rs. 100/- each		28,00,00,000	28,00,00,000
		40,00,00,000	40,00,00,000
Issued and Subscribed Share Capital			
87,06,701 (March 31, 2019: 7,06,701) Equity Shares of Rs. 10/-each		8,70,67,010	70,67,010
28,00,000 (March 31, 2019: Nil) 7% Non-Cummulative Optionally Convertible Redeemable Preference Shares of Rs. 100/- each		28,00,00,000	28,00,00,000
		36,70,67,010	40,00,00,000
Paid up Share Capital			
Fully Paid up			
7,06,701 (March 31, 2019: 7,06,701) Equity Shares of Rs. 10/- fully paid up		70,67,010	70,67,010
28,00,000 (March 31, 2019: Nil) 7% Non-Cummulative Optionally Convertible Redeemable Preference Shares of Rs. 100/- each fully paid-up		28,00,00,000	-
Partly Paid up		28,70,67,010	70,67,010
80,00,000 (March 31, 2019: Nil) Equity Shares partly paid (Called-up Value: Rs. 5/-per Equity Share)		4,00,00,000	-
		32,70,67,010	70,67,010

3.1 Reconciliation of the Shares at beginning and at the end of the financial year

Particulars	Note	As at	As at
		March 31, 2020	March 31, 2019
Equity Shares			
At the beginning of the year		7,06,701	67,01,375
Less: Reduction, cancellation and consolidation of shares pursuant to the resolution plan sanctioned by Hon'ble NCLT	34	-	67,01,375
		7,06,701	-
Add : Alloted during the year	3.4 and 34	80,00,000	7,06,701
At the end of the year		87,06,701	7,06,701
7% Non-Cummulative Optionally Convertible Redeemable Preference Shares			
At the beginning of the year		-	17,80,000
Less: Reduction, cancellation and consolidation of shares pursuant to the resolution plan sanctioned by Hon'ble NCLT	34	-	17,80,000
Add : Alloted during the year	3.3	28,00,000	-
At the end of the year		28,00,000	-

3.2 The company has only one class of equity shares having par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3.3 The Company has issued 7% Non Cumulative Optionally Convertible Redeemable Preference Shares aggregating to Rs. 2,80,00,000 allotted during the year at face value of Rs. 10 each having a conversion right at any time before the date of redemption. The said Preference Shares if not converted are redeemable on expiry of 10 years from the date of allotment. The said preference shares have preferential right over equity shares in respect to Dividend and payment of capital on liquidation.

3.4 During the year, the Company has issued Equity shares to the Holding Company at a premium of Rs. 30 per Shares. In respect of the said shares, the company has called up Rs. 20 per Equity shares and the same has been adjusted proportionately against Face Value (Rs. 5 per Shares) and Securities Premium (Rs. 15 per Shares) of the company.

3.5 Particulars of the shareholders holding more than 5% of shares in the company

Particulars	As at March 31, 2020		As at March 31, 2019	
	%	Numbers	%	Numbers
Equity Shares				
Acme Chem Limited	100%	87,06,701	100%	7,06,701
7% Non-Cummulative Optionally Convertible Redeemable Preference Shares				
Acme Chem Limited	100%	28,00,000	-	-

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



MERCHEM LIMITED

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

(Amount in Rs.)

4 RESERVES AND SURPLUS

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Capital Reserve	4.1		
Government Grant Capital Investment Subsidy		20,63,074	20,63,074
Other Capital Reserve		2,05,57,38,198	
As per Last Balance Sheet			24,49,46,740
Add: Arising on reduction and cancellation of share capital pursuant to order of NCLT	34		1,81,07,91,458
Add: Amounts representing principal amount of borrowings no longer payable (being capital receipt) in terms of order of Hon'ble NCLT, transferred to Capital Reserve	34		
		<u>2,05,57,38,198</u>	<u>2,05,57,38,198</u>
		<u>2,05,78,01,272</u>	<u>2,05,78,01,272</u>
Securities Premium	4.2		
As per Last Balance Sheet		7,49,86,250	7,49,86,250
Add: Premium on Equity Shares issued during the year	3.4	12,00,00,000	
Balance at the end of the year		<u>19,49,86,250</u>	<u>7,49,86,250</u>
General Reserve	4.3		
As per Last Balance Sheet		15,00,000	15,00,000
Surplus	4.4		
As per Last Balance Sheet		(2,39,32,62,062)	(1,21,38,01,916)
Net Profit/ (Loss) Transferred from the Statement of Profit and Loss		(11,38,09,294)	(1,17,94,60,145)
Balance at the end of the year		<u>(2,50,70,71,356)</u>	<u>(2,39,32,62,062)</u>
		<u>(25,27,83,834)</u>	<u>(25,89,74,540)</u>

4.1 Capital Reserve represents adjustments arising on cancellation and reduction of Equity and Preference Share Capital and capital receipt pertaining to principal amount of loan being written back pursuant to resolution plan sanctioned by Hon'ble NCLT (Note no. 34). Further it includes Capital Investment Subsidy received from Government.

4.2 Securities Premium represents the amount received in excess of face value of securities to be utilised in terms of section 52 of Companies Act, 2013.

4.3 The General Reserve is created by transfer of profits from surplus from time to time.

4.4 Surplus generally represents the accumulated amount of profit/Loss of the company.

5 LONG TERM BORROWINGS

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Unsecured	5.1		
Inter-Corporate Deposits from Holding Company		1,14,52,74,986	1,14,52,74,986
		<u>1,14,52,74,986</u>	<u>1,14,52,74,986</u>

5.1 As per the agreed terms with Acme Chem Limited, the Holding Company, the loan taken in earlier year was repayable in 19 Equal Quarterly Installment of Rs. 5,76,26,000 and balance in 20th Installment from June 17, 2020. Terms of repayment has been rescheduled during the year and thereby, the said loan is repayable including interest in 19 Equal Quarterly Installments of Rs. 5,76,26,000 after the expiry of one year from the completion of the project. The rate of Interest on such loan as on March 31, 2020 is 8.10% (March 31, 2019: 9.35%)

6 LONG TERM PROVISIONS

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Provisions for Employee Benefits	32		
For Leave Encashment	32 and 6.1	24,67,492	-
For Gratuity		18,01,570	-
		<u>42,69,062</u>	-

6.1 Consequent to payment of entire dues of the employees in terms of ARP as referred to in Note 34, Rs 44,27,785 lying in gratuity fund at the time of acquisition in terms of ARP, pending regularisation of trust structure has not been recognised in the accounts. The same will be given effect to on regularisation and determination of exact status thereof in due course of time.

7 OTHER NON-CURRENT LIABILITIES

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Interest Accrued but not due on Loans	5.1		
		8,73,76,325	36,57,036
		<u>8,73,76,325</u>	<u>36,57,036</u>

8 TRADE PAYABLES

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Payable for Goods and Services	8.1		
Dues of Micro and Small Enterprises		1,32,54,343	-
Others		3,67,14,342	2,32,59,499
		<u>4,99,68,685</u>	<u>2,32,59,499</u>



MERCHEM LIMITED

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

11 Property Plant and Equipment and Capital Work in Progress

For the Year ended March 31, 2020

Particulars	GROSS BLOCK			As at March 31, 2020	DEPRECIATION/AMORTISATION			As at March 31, 2020	Net Book Value As at March 31, 2020
	As at March 31, 2019	ADDITIONS	DISPOSAL/ ADJUSTMENT		As at March 31, 2019	For the Year	DISPOSAL/ ADJUSTMENT		
A Tangible Assets									
Land and Development	98,28,284	-	-	98,28,284	-	-	-	-	98,28,284
Leasehold Land	1,74,77,089	16,61,091	-	1,91,38,180	-	21,22,788	-	21,22,788	1,70,15,392
Building	14,87,10,631	8,00,014	-	14,95,10,645	5,14,44,726	53,07,293	-	5,67,52,019	9,27,58,626
Plant and Equipments	75,02,63,886	30,51,442	-	75,33,15,328	58,29,26,904	1,40,89,538	-	59,70,16,442	15,62,98,886
Furniture & Fixtures	32,93,762	29,29,560	-	62,23,322	30,72,246	97,670	-	31,69,916	30,53,406
Office Equipments & Fittings	10,78,528	21,48,388	-	32,26,916	10,55,871	2,05,308	-	12,61,179	19,65,737
Computer & Server	18,67,629	36,95,783	-	55,63,412	18,67,629	6,25,039	-	24,92,668	30,70,744
Total	93,25,19,809	1,42,86,278	-	94,68,06,087	64,03,67,376	2,24,47,636	-	66,28,15,012	28,39,91,075
B Intangible Assets									
Softwares	-	1,53,930	-	1,53,930	-	16,426	-	16,426	1,37,504
Total	-	1,53,930	-	1,53,930	-	16,426	-	16,426	1,37,504
C Capital Work In Progress									
Total	57,19,36,795	32,97,89,905	-	90,17,26,700	-	-	-	-	90,17,26,700



MERCHEM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020
For the Year ended March 31, 2019

Particulars	GROSS BLOCK			As at March 31, 2019	DEPRECIATION/AMORTISATION			As at March 31, 2019	Net Book Value As at March 31, 2019
	As at March 31, 2018	ADDITIONS	DISPOSAL/ ADJUSTMENT		As at March 31, 2018	For the Year	DISPOSAL/ ADJUSTMENT		
A Tangible Assets									
Land and Development	98,28,284	-	-	98,28,284	-	-	-	-	98,28,284
Leasehold Land	1,74,77,089	-	-	1,74,77,089	-	-	-	-	1,74,77,089
Building	14,87,59,876	-	49,245	14,87,10,631	4,64,29,516	50,26,790	11,580	5,14,44,726	9,72,65,905
Plant and Equipments	87,65,53,272	-	12,62,89,386	75,02,63,886	55,75,12,118	11,23,58,459	8,69,43,673	58,29,26,904	16,73,36,982
Furniture & Fixtures	1,93,81,911	-	1,60,88,149	32,93,762	1,76,68,844	89,609	1,46,86,207	30,72,246	2,21,516
Office Equipments & Fittings	1,02,61,722	-	91,83,194	10,78,528	92,09,595	1,23,946	82,77,670	10,55,871	22,657
Computer & Server	1,40,01,206	-	1,21,33,577	18,67,629	1,33,37,435	2,39,648	1,17,09,454	18,67,629	-
Vehicles	40,615	-	40,615	-	32,721	2,907	35,628	-	-
Total	1,09,63,03,975	-	16,37,84,166	93,25,19,809	64,41,90,229	11,78,41,359	12,16,64,212	64,03,67,376	29,21,52,433
B Intangible Assets									
Softwares	5,04,76,937	-	5,04,76,937	-	4,73,16,635	6,36,455	4,79,53,090	-	-
Total	5,04,76,937	-	5,04,76,937	-	4,73,16,635	6,36,455	4,79,53,090	-	-
C Capital Work in Progress									
Capital Work in Progress	1,09,14,01,307	-	51,94,64,512	57,19,36,795	-	-	-	-	57,19,36,795
Total	1,09,14,01,307	-	51,94,64,512	57,19,36,795	-	-	-	-	57,19,36,795



MERCHEM LIMITED

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

11.1

The installation of certain plant and equipments and other facilities mainly consisting of 6PPD Plant, Main Plant including Solvent Extravtion and related plants, equipments and facilities which were suspended in earlier years has been started during the year and is pending completion as on this date. Accordingly, expenses and other costs attributable to said project pending completion thereof has been carried forward as Capital Work In Progress. This includes Rs. 80,88,23,088 (Previous Year: 57,19,36,795) in respect of Plant and Equipments and other facilities to be installed and certain directly attributable expenditure amounting to Rs. 9,29,03,612 (Previous Year: Nil) as detailed below pending allocation thereof to Property, Plant and Equipment on completion of the project.

Particulars	Note	As at	As at
		March 31, 2020	March 31, 2019
Balance brought forward		-	51,94,64,512
Add:			
Salaries, Wages and Bonus		6,83,90,282	-
Contribution to provident and other funds		24,47,977	-
Staff Welfare Expenses		49,01,295	-
Power and Fuel		19,12,384	-
Legal, Professional, Consultancy Fees and Others		1,52,51,674	-
Less:			
Charged off to Statement of Profit and Loss as Exceptional Items	34	-	(51,94,64,512)
Total Project development expenditure carried forward		<u>9,29,03,612</u>	<u>-</u>

11.2 Leasehold land under the head 'Property, Plant and Equipment' represents leased assets taken from Gujarat Industrial Development Corporation. The company has decided to amortise such cost based on the period of lease term and accordingly Rs. 21,22,788 (including Rs. 1,76,536 for the year) has been charged off to Statement of Profit and Loss.



MERCHEM LIMITED

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

(Amount in Rs.)

8.1 Disclosure of Trade payables as required under section 22 of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, based on the confirmation and information available with the company regarding the status of suppliers.

Particulars	As at	
	March 31, 2020	March 31, 2019
a) Principal amount remaining unpaid but not due as at year end	1,32,54,343	-
b) Interest amount remaining unpaid but not due as at year end	-	-
c) Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year	-	-
d) Interest due and payable for the period 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 and Medium Enterprises Development Act, 2006	-	-
e) Interest accrued and remaining unpaid as at year end	-	-
f) Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-

9 OTHER CURRENT LIABILITIES

Particulars	As at	
	March 31, 2020	March 31, 2019
Advance received from Customer	6,51,372	-
Other Payables		
Statutory Payables- TDS, PF etc.	48,08,093	38,60,219
Creditors for Capital goods	1,17,73,568	42,794
Other Payables	1,96,781	5,60,014
	<u>1,74,29,814</u>	<u>44,63,027</u>

10 SHORT TERM PROVISIONS

Particulars	As at	
	March 31, 2020	March 31, 2019
Provision for Employee Benefits		
For Leave Encashment	32 3,69,519	-
For Gratuity	32 29,073	-
TOTAL	<u>3,92,592</u>	<u>-</u>

12 NON CURRENT INVESTMENTS

Particulars	As at	
	March 31, 2020	March 31, 2019
Long Term		
Trade Investments		
Investment in Equity Instruments (Unquoted, fully paid up)		
Kerala Enviro Infrastructure Limited	12.1 3,90,000	3,90,000
{ 39,000 (Previous Year 39,000) Equity Shares of Rs. 10/- each }		
Narmada Clean Tech Limited	12.2 36,46,500	36,46,500
{ 3,64,650 (Previous Year 3,64,650) Equity Shares of Rs 10/- each }		
	<u>40,36,500</u>	<u>40,36,500</u>
Non-Trade Investments		
Investment in Mutual Fund (Quoted)		
Principal Large Capital Funds	12.3 -	-
7,846,215 Units (7,846,215 Units @ Rs. 25.49)		
	<u>40,36,500</u>	<u>40,36,500</u>

12.1 The investment in Kerala Enviro Infrastructure Limited is for obtaining permission for discharging the solid effluent generated from the Kerala Plant to their common TSDP Plant.

12.2 The investment in Narmada Clean Tech Limited is for obtaining permission for discharging the Liquid effluent generated from the Gujarat Plant to their Common Effluent Treatment Plant

12.3 In absence of details of Investments which were provided for fully in earlier years being not available post acquisition, the required disclosure with respect to market value etc., could not be given.

12.4 Particulars of investments as required in terms of Section 186(4) of the Companies Act, 2013 have been disclosed herein above.

13 DEFERRED TAX ASSETS (NET)

The major components of deferred tax (liabilities)/assets arising on account of timing differences as at March 31, 2020 are as follows:

Particulars	As at		Charge/ (Credit) during the Year	As at	
	March 31, 2020	March 31, 2019		March 31, 2020	March 31, 2019
Deferred Tax Liability					
Related to Property, Plant and Equipment and Intangible Assets	3,77,70,575	3,76,98,564	72,011	72,011	3,76,98,564
Deferred Tax Asset					
Amount deductible on payment basis	13,57,474	-	(13,57,474)	-	-
Accumulated business loss and unabsorbed depreciation	3,64,13,101	3,76,98,564	12,85,463	12,85,463	3,76,98,564
	<u>3,77,70,575</u>	<u>3,76,98,564</u>	<u>(72,011)</u>	<u>(72,011)</u>	<u>3,76,98,564</u>
Deferred Tax Asset / (Liability) (Net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

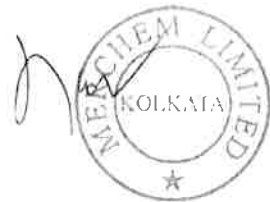


MERCHEM LIMITED

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

(Amount In Rs.)

Particulars	12.3	As at March 31, 2019	Charge/ (Credit) during the Year	As at March 31, 2018
Deferred Tax Liability				
Related to Property, Plant and Equipment and Intangible Assets		3,76,98,564	(3,35,33,398)	7,12,31,962
		<u>3,76,98,564</u>	<u>(3,35,33,398)</u>	<u>7,12,31,962</u>
Deferred Tax Asset				
Amount deductible on payment basis		-	1,50,50,632	1,50,50,632
Accumulated business loss and unabsorbed depreciation		3,76,98,564	24,03,21,797	27,80,20,361
		<u>3,76,98,564</u>	<u>25,53,72,429</u>	<u>29,30,70,993</u>
		-	<u>22,18,39,031</u>	<u>22,18,39,031</u>
Deferred Tax Asset / (Liability) (Net)				
13.1 Deferred tax assets is recognised considering the extent to which it is probable that such assets will be realised. The ultimate realisation of Deferred Tax Assets is dependent upon the generation of future taxable profit during which the temporary differences and carry forward tax loss and depreciation become deductible. Even though management is reasonably confident of realisation of carry forward tax losses and unabsorbed depreciation, considering the principle of prudence deferred tax assets to the extent of deferred tax liabilities have been considered for the purpose of recognition in the financial statements. Deferred tax asset of Rs 68,08,27,073 pertaining to unabsorbed depreciation and tax losses as at March 31, 2020 remain unrecognised and will be recognised depending upon future performance and profitability in subsequent years.				
14 LONG TERM LOANS AND ADVANCES				
Particulars	Note	As at March 31, 2020	As at March 31, 2019	
(Unsecured, Considered Good)				
Capital Advance		1,30,20,309	-	
Security Deposit		54,30,116	94,61,142	
		<u>1,84,50,425</u>	<u>94,61,142</u>	
15 INVENTORIES (As Verified, Valued and Certified by Management)				
Particulars	Note	As at March 31, 2020	As at March 31, 2019	
Stock-in-Trade		75,35,350	-	
Stores & Spares		1,36,41,204	36,00,000	
		<u>2,11,76,554</u>	<u>36,00,000</u>	
15.1 Includes spares acquired for the project which will be categorised depending upon possible use for installation of the project and nature thereof on completion of the same.				
16 TRADE RECEIVABLES				
Particulars	Note	As at March 31, 2020	As at March 31, 2019	
Unsecured, Considered good				
Outstanding for a period Exceeding six months from the date they are due for payment		873	-	
Others		3,94,73,823	-	
		<u>3,94,74,696</u>	-	
17 CASH AND BANK BALANCES				
Particulars	Note	As at March 31, 2020	As at March 31, 2019	
Cash and Cash Equivalents				
Balance with Banks				
In Current Account		98,39,187	-	
Cash on Hand		9,013	-	
		<u>98,48,200</u>	-	
Other bank balances				
Balance with Banks				
In Current Account	17.1	-	1,74,96,007	
		-	<u>1,74,96,007</u>	
		<u>98,48,200</u>	<u>1,74,96,007</u>	
17.1 Balance with Bank In Current account as on March 31, 2019 represents amount lying in a Bank Account maintained specifically for payment to be made pursuant to ARP including those against expenses incurred during CIRP period and to operational creditors.				
18 SHORT TERM LOANS AND ADVANCES				
Particulars	Note	As at March 31, 2020	As at March 31, 2019	
Unsecured Considered Good				
Advances recoverable	18.1	1,80,84,625	1,25,33,339	
Balance with Government Authorities		5,09,48,252	38,65,858	
Advances for Supply of Goods and Services		1,95,84,706	-	
Security Deposit	18.2	90,00,000	-	
Loans and Advances to Employees		6,79,271	-	
Prepaid Expenses		18,56,132	-	
		<u>10,01,52,986</u>	<u>1,63,99,197</u>	
TOTAL				



MERCHEM LIMITED

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

(Amount in Rs.)

18.1 Advance recoverable includes Rs. 1,24,92,203 (March 31, 2019: Rs.1,24,92,203)(net) recoverable from Grove Limited and Rs. 55,47,422 (March 31, 2019: Nil) from Pullnat Ettan Thomas, the erstwhile promoter of the company.

18.2 Security Deposits Includes amount paid to Merchem India (Private) Limited and Grove Limited amounting to Rs. 40,00,000 and Rs. 50,00,000 respectively.

18.3 Amount given herein above under Note no. 18.1 and 18.2 relates to the erstwhile promoter and their group companies and have become due for refund to the company. Claims have been lodged by the company for recovery of such amounts including advances given to to erstwhile promoter which is pending before Hon'ble High Court at Kolkata even though disputed by the payee, considering the validity and legitimacy thereof and pending outcome of the steps taken in this respect, these have been considered good and recoverable by the management.

18.4 Balances with Government authorities represents input tax credit against GST paid on procurement/services received for the project to be utilised against despatches to be made by the company.

19 OTHER CURRENT ASSETS

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Other Receivables	19.1	-	96,64,944
TOTAL		-	96,64,944

19.1 Other Receivables represents amount recoverable from Committee of Creditors on account of payments made/expenses incurred during CIRP period in excess of those payable by the Company in terms of the ARP.

20 REVENUE FROM OPERATIONS

Particulars	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Sale of products			
Traded goods		4,37,56,492	-
Sale of Services		83,700	-
Other Operating Revenues			
Sale of Scrap		53,13,963	-
Sale of Packing Materials		5,440	-
Sale of Stores & Spares		1,33,140	-
		4,92,93,735	-

20.1 Details of Products sold

Particulars	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Traded goods		
Rubber Chemical Intermediates and Others	4,37,56,492	-

21 OTHER INCOME

Particulars	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Interest Income		16,007	-
Profit/(Loss) on Sale of Current Investments (Net)		5,90,910	-
Profit/(Loss) on Sale of Fixed Assets (Net)		10,10,000	-
Net gain/(Loss) on Foreign Exchange Fluctuation		1,29,883	-
Miscellaneous Income	21.1	1,05,904	2,00,000
		18,53,704	2,00,000

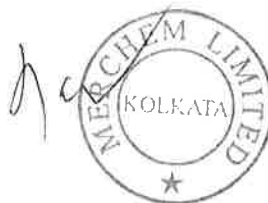
21.1 Miscellaneous Income includes Rs. Nil (Previous Year Rs. 2,00,000) being participation fees received against Expression of Interest under the IBC proceedings.

22 PURCHASE OF TRADED GOODS

Particulars	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Rubber Chemicals and Others		3,80,84,484	-
		3,80,84,484	-

23 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK-IN-TRADE

Particulars	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Stock-in-Trade			
Closing Stock Traded Goods		75,35,350	-
Opening Stock Traded Goods		75,35,350	-
Decrease/(Increase)		(75,35,350)	-



MERCHEM LIMITED

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

(Amount in Rs.)

24 EMPLOYEE BENEFITS EXPENSES		Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Particulars				
Salaries, Wages and Bonus		32	6,94,20,842	1,35,47,067
Contribution to Provident Fund and Other Funds		32	24,47,977	12,10,676
Staff Welfare Expenses			49,01,295	2,04,161
Less: Transfer to Capital Work in Progress		11	(7,57,39,554)	-
			10,30,560	1,49,61,904
25 FINANCE COSTS				
Particulars		Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Interest on Loan from Banks		34	-	66,29,49,367
Interest on Inter-Corporate Deposits			9,30,21,433	40,63,373
			9,30,21,433	66,70,12,740
26 DEPRECIATION AND AMORTIZATION				
Particulars		Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Depreciation on Tangible Assets		11	2,24,47,636	11,78,41,359
Amortisation of Intangible Assets		11	16,426	6,36,455
			2,24,64,062	11,84,77,814
27 OTHER EXPENSES				
Particulars		Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Consumption of Stores & Consumables		27.3	6,45,175	-
Power and Fuel			19,12,384	8,23,074
Material Handling and Other Charges			33,55,236	-
Repairs to Building			1,21,258	-
Repairs to Plant and Machineries			2,03,243	-
Repairs-Others			32,87,562	45,000
Rates and Taxes			36,98,259	4,96,400
Insurance			12,15,778	-
Rent		27.4	7,03,853	-
Security Service Charges			54,98,825	1,02,47,041
Advertisement & Publicity			44,954	5,84,280
Legal, Professional and Consultancy Charges		27.2	56,71,857	1,20,80,381
Postage & Telegraph Expenses			53,649	3,16,032
Conveyance & Travelling expenses			24,59,246	8,245
Auditor's Remuneration		27.1	4,00,000	3,50,000
Selling and Distribution Expenses			12,03,338	-
Miscellaneous Expenses			45,80,985	3,26,176
Less: Recoverable from Committee of Creditors being amounts incurred in excess of sum agreed as payable by Company on account of CIRP expenses		34	-	(64,03,290)
Less: Transfer to Capital Work In Progress		11	(1,71,64,058)	-
			1,78,91,544	1,88,73,339
27.1 Payment to Auditor (Includes Payment to Previous Auditors (Refer Note no. 27.1.1)				
Particulars			For the Year ended March 31, 2020	For the Year ended March 31, 2019
Statutory Audit Fees			3,50,000	3,50,000
Tax Audit Fee			50,000	-
TOTAL			4,00,000	3,50,000
27.1.1 Payment to Previous Auditors: As Audit fees				
				For the Year ended March 31, 2019
			-	3,50,000
27.2 During the CIRP proceedings, the company has incurred the following expenses on account of services rendered by Resolution Professional, Consultants and Advisors during the said proceedings:				
Particulars			For the Year ended March 31, 2020	For the Year ended March 31, 2019
Legal and Professional Fees- Resolution Professional			-	67,13,514
Legal and Professional Fees- Others			-	31,65,087
Travelling and Other expenses			-	21,35,194
TOTAL			-	1,20,13,795



MERCHEM LIMITED

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

(Amount in Rs.)

27.3 Value of Imported / Indigenous Raw Materials, Stores & Spares and Packing Materials Consumed-
Particulars

Stores & Spares
Indigenous
Imported

	For the Year ended March 31, 2020		For the Year ended March 31, 2019	
	Amount	%ge	Amount	%ge
Stores & Spares				
Indigenous	6,45,175	100.00%	-	-
Imported	-	-	-	-

27.4

The Company has operating lease arrangements for Warehousing and for offices. Term of lease arrangements include further renewal on expiry of 24 months from the commencement date of such lease. Expenditure incurred on account of rental payments under such leases during the year and recognised in the Profit and Loss account amounts to Rs. 6,47,853 (March 31, 2019: Nil).

28 EXCEPTIONAL ITEMS (NET)

Particulars

Principal amount of Loan Written back pursuant to ARP
Other Liabilities written back being no longer payable pursuant to ARP
Less:
Adjustments on account of Property, Plant and Equipment, Capital Work in Progress, Inventories, Investments and Trade and Other Receivables
Capital Receipts pertaining to Principal amount of Loan- transferred to Capital Reserve
TOTAL

	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Principal amount of Loan Written back pursuant to ARP	34	-	1,81,07,91,458
Other Liabilities written back being no longer payable pursuant to ARP	34	-	55,17,79,834
Less:			
Adjustments on account of Property, Plant and Equipment, Capital Work in Progress, Inventories, Investments and Trade and Other Receivables	35	-	(69,02,75,153)
Capital Receipts pertaining to Principal amount of Loan- transferred to Capital Reserve	35	-	(1,81,07,91,458)
TOTAL			(13,84,95,319)

29 EARNINGS PER EQUITY SHARE

Particulars

Profit/(Loss) After Taxation
Weighted Average Number of Equity Shares of Rs. 10 each Fully Paid up

	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Profit/(Loss) After Taxation		(11,88,09,294)	(1,17,94,60,146)
Weighted Average Number of Equity Shares of Rs. 10 each Fully Paid up		11,88,893	64,78,507

Reconciliation of Weighted Average no. of Equity Shares

As per Last Balance Sheet
Add: Weighted Average of 80,00,000 Shares Allotted on February 17, 2020 Face Value Rs. 10/- (Paid-up Value Rs.5/-)
Add: Weighted average of 67,010 Equity Shares issued during the year
Add: Weighted average of 7,00,000 Equity Shares issued during the year
Total Weighted Avg of Equity Share

	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
As per Last Balance Sheet		7,06,701	64,62,696
Add: Weighted Average of 80,00,000 Shares Allotted on February 17, 2020 Face Value Rs. 10/- (Paid-up Value Rs.5/-)	3.4	4,82,192	-
Add: Weighted average of 67,010 Equity Shares issued during the year	34	-	2,387
Add: Weighted average of 7,00,000 Equity Shares issued during the year	34	-	13,425
Total Weighted Avg of Equity Share		11,88,893	64,78,507

Earnings per share - Basic
Earnings per share - Diluted

Earnings per share - Basic	(95.73)	(182.06)
Earnings per share - Diluted	(95.73)	(182.06)

30 CONTINGENT LIABILITIES AND COMMITMENTS

A. CONTINGENT LIABILITIES (TO THE EXTENT NOT PROVIDED FOR)

1) Claims not acknowledged as Debts

Various show cause notices/demands issued/ raised, which in the opinion of the management are not tenable and are pending with various forum/ authorities

- (a) Central Excise & Service Tax
- (b) Sales Tax
- (c) Entry Tax
- (d) Income Tax

Note	As at March 31, 2020	As at March 31, 2019
(a) Central Excise & Service Tax	Nil	Nil
(b) Sales Tax	Nil	Nil
(c) Entry Tax	Nil	Nil
(d) Income Tax	Nil	Nil

1) Claims in respect of various show cause notices/demands issued/ raised by Customs Duty (under EPCG) of Rs.23,88,42,694, Sales Tax and VAT Rs. 1,27,92,616, Income Tax of Rs. 59,38,010, Water charges and other related levies of Rs. 2,30,91,444 etc. for the period upto January 23, 2019 which as per the Resolution Plan approved by Hon'ble NCLT (as stated in Note no. 34) have been extinguished. However, certain statutory authorities have made claim and matters are pending before adjudicating authorities and are expected to be resolved in terms of ARP as stated above and no outflow in this respect is expected to arise.

2) The Appeal filed before Hon'ble NCLAT challenging the ARP as given in Note no. 34(c) has been dismissed vide their order dated July 29, 2020 and the resolution plan as approved by NCLT has been held to be valid for execution by the company.

3) The Company's pending litigations includes claims against the company and proceedings pending with relevant Statutory Authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, and disclosed contingent liabilities, where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial positions.

B. CAPITAL COMMITMENTS

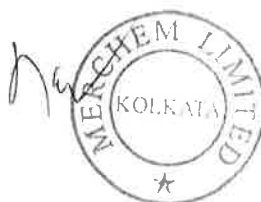
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for (net)

As at March 31, 2020	As at March 31, 2019
22,86,94,673	-

31 EXPENDITURE IN FOREIGN EXCHANGE

Expenditure
CIF value of Imports

For the Year ended March 31, 2020	For the Year ended March 31, 2019
3,10,61,584	-



MERCHEM LIMITED

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

(Amount in Rs.)

32 EMPLOYEE BENEFITS:

The disclosures required under Accounting Standard 15 on "Employee Benefits" are given below:

A) DEFINED CONTRIBUTION SCHEME

Particulars

Employer's Contribution to Provident Fund
Employer's Contribution to Pension Fund

For the Year ended March 31, 2020	For the Year ended March 31, 2019
17,94,261	-
6,53,776	-

B) Defined Benefit Scheme

Gratuity

The Employee's benefit Scheme is a defined benefit Plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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

a) Change in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars

Defined Benefit Obligation at the beginning of the year
Current Service Cost
Interest Cost
Actuarial (gain) / loss on obligations
Benefits paid
Defined Benefit Obligation at the end of the year

As at March 31, 2020	As at March 31, 2019
-	-
18,24,643	-
-	-
-	-
-	-
18,24,643	-

b) Amount Recognized in Balance Sheet

Particulars

Defined Benefit Obligation at the end of the year
Fair value of Plan Assets at the end of the year
Net Liability / (Asset) to be recognised in Balance Sheet

As at March 31, 2020	As at March 31, 2019
18,24,643	-
-	-
18,24,643	-

c) Expenses Recognized in the Revenue Statement

Particulars

Current Service Cost
Interest Cost
Expected Return on Plan Assets
Net Actuarial (gain) / loss to be Recognized
Expenses Recognized in Statement of Profit and Loss

As at March 31, 2020	As at March 31, 2019
18,24,643	-
-	-
-	-
-	-
18,24,643	-

d) Balance Sheet Reconciliation

Particulars

Opening Net Liability
Expenses as above
Employers Contribution
Amount Recognized in Balance Sheet

As at March 31, 2020	As at March 31, 2019
-	-
-	-
18,24,643	-
18,24,643	-

e) Principal Actuarial assumptions as at the Balance Sheet date

Particulars

Discount Rate
Expected Return on Plan Assets
Rate of Salary Increase (per annum)
Expected average remaining working life of employees

As at March 31, 2020	As at March 31, 2019
6.84%	-
-	-
8.00%	-
19.68	-

Notes:

a. Assumptions relating to future salary increases, attrition, interest rate for discount & overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth & other factors applicable to the period over which the obligation is expected to be settled.

C) COMPENSATED ABSENCES

The liability of compensated absences (unfunded) of accumulated privileged leaves and sick leaves of the Company as at March 31, 2020 is given below:

Particulars

Leave

As at March 31, 2020	As at March 31, 2019
28,37,011	-



MERCHEM LIMITED

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

33 RELATED PARTY DISCLOSURE

(Amount in Rs.)

As per Accounting Standard (AS-18) on related party disclosure notified by the Companies (Accounting Standards) Rules, 2006 (as amended) and relevant applicable provisions of Companies Act, 2013, related parties of the company are as follows:

A Related Parties and Nature of relationship
Holding Company

Acme Chem Limited

B Description of Transactions With the related Parties

Particulars

	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Acme Chem Limited		
Loan Taken		
Interest Expenses		1,14,52,74,986
Issue of Equity Share Capital	9,30,21,433	40,63,373
Issue of Preference Share Capital	16,00,00,000	70,67,010
Receipt of Services	28,00,00,000	-
Receipt of Goods	3,43,68,251	-
Sales of Goods	93,04,539	-
Sales of Services	20,74,938	-
Other Reimbursement of Expenses	83,700	-
	1,73,00,750	-

C Balances of the Related Parties are as follows

Particulars

	As at March 31, 2020	As at March 31, 2019
Acme Chem Limited		
Loan Outstanding		
Interest Payable (net of TDS)	1,14,52,74,986	1,14,52,74,986
Trade Receivable	8,73,76,325	36,57,036
	2,86,478	-

34 (a) The Resolution plan submitted by Acme Chem Limited (ACL) had been approved (ARP) by NCLT vide its order dated January 23, 2019 and payment of Rs. 1,15,25,20,000 to the members of Committee of Creditors (COC) in Specific Bank Account on March 18, 2019 ('the effective date') against settlement of all the liabilities (including statutory dues, erstwhile promoters and to the ex-employees of the company) and shareholders' of the Company against their share capital have been made.

Consequent to ARP and payment being made as above, following have been given effect and considered in the financial statements for the year ended March 31, 2019:

i) The then existing directors of the Company were deemed to have been resigned and vacated their office, whereupon, effective March 19, 2019, the Board of Directors of the Company had been reconstituted by appointment of representatives of ACL as member of the Board;

ii) On March 19, 2019, the existing 67,01,375 equity share capital had been reduced from Rs. 67,01,3750 to Rs. 67,014 divided into 67,01,375 equity shares of Re. 0.01 each fully paid-up. Simultaneously, 1000 such shares of Re 0.01 each thereafter has been consolidated into 1 fully paid-up equity share of Rs. 10 each and Rs. 67,014 being payable to then existing Shareholders had been paid to COC as aforesaid and thereafter 6,701 equity shares of Rs. 10/- each had been allotted to ACL. Further to this, 7,00,000 equity shares of Rs. 10 each had additionally been allotted to ACL. The Company became wholly owned subsidiary of ACL. Further to the investments as given above, ACL has given interest bearing loan of Rs. 1,14,52,74,986 to the company;

iii) Effective March 19, 2019, the then existing preference share capital of Rs. 24,50,13,750 had fully been cancelled and in final settlement thereof Rs. 1,78,000 payable to the preference shareholders had been paid to COC as aforesaid. The amount of Rs. 24,49,46,736 reduced as above (including reduction of Equity Shares) had been credited to Capital Reserve;

iv) All claims, rights of erstwhile promoter/promoter group and ex-employees against the Company stands irrevocably and unconditionally extinguished;

v) The Company had restated the amount payable to financial creditors as per the claims admitted under CIRP and thereby additional liability amounting to Rs. 66,29,49,367 relating to Interest, etc. as admitted had been recognised in these financial statements;

vi) Subsequent to restatement as per (v) above, Rs. 1,09,81,98,373 (including Rs. 90,57,00,000 in respect of liability on account of interest) had been paid to financial creditors in terms of the ARP against full and final settlement of their entire outstanding and all their claims etc. and the balance Principal amount of Rs. 1,81,07,91,458 had been written back and shown as exceptional items;

vii) The liability pertaining to Operational Creditors (including statutory dues, erstwhile promoters and ex-employees) being no longer payable amounting to Rs. 55,17,79,834 had been written back and shown as exceptional items.

viii) All legal proceedings and other contingent liabilities have been irrevocably and unconditionally settled, whereby no amount is payable by the Company against such proceedings, unverified claims etc. Further to above, all liabilities in relation to corporate guarantees, indemnities etc (including those relating to unfulfilled export obligations) provided by the Company have been extinguished. Contingent liabilities, export obligations and other claims etc, against the company stand extinguished. There will be no outflow of fund in respect of these in terms of the ARP.

ix) Securities/charges created against borrowings have been released by the lender and therefore the relevant compliances in respect of satisfaction of such securities/charges have been made after issuance of no due certificate by the said Bank.

x) Payments have been made / are being made to all the stakeholders of the Company, as applicable in terms of the ARP and the same is binding on the Company, its employees, members, creditors, guarantors and other stakeholders. Various actions/activities including those specified in the ARP, are in progress or being undertaken by the management for revival and smooth running of the Company.

(b) Subsequent to the settlement of liabilities as stated above, the company has undertaken revival of the project and capacity augmentation of the Plant and ACL has further invested Rs. 16,00,00,000 in Equity Share Capital and Rs. 28,00,00,000 in 7% Non-Cumulative Optionally Convertible Redeemable Preference Shares as part of its obligation to implement the project and commence the operations in terms of ARP.

(c) The Appeal filed against the ARP before National Company Law Appellate Tribunal (NCLAT) by ex-promoter director, earlier associate /ex-employee/erstwhile employee's association challenging the ARP and claiming their outstanding amounts has been dismissed vide its order dated July 29, 2020 and thereby ARP has been held to be valid and binding as aforesaid. Directions received from NCLAT pursuant to said order has been complied by ACL.

35 Subsequent to obtaining control of the Company effective March 19, 2019, considering that the operation of the company were suspended/closed over a long period of time. During the previous year,:

a) Physical verification of Plant, Properties and Equipments (PPE), Capital Work-In-Progress (CWIP) and inventories and review of useful life and residual value of the PPE were carried out by the management. On completion of the above, Items of PPE and Intangible Assets which were either physically not traceable or found no more usable amounting to Rs.4,46,43,800 and non traceable/non-useable Items of inventories amounting to Rs 6,97,12,155 had been written off and charged out to statement of profit and loss in the financial statements for the year ended March 31, 2019. Further to above, non-recoverable pre-operative expenses allocated to CWIP in earlier years amounting to Rs. 51,94,64,512 had also been written off and charged out to statement of profit and loss. Out of the above, items disclosed under Exceptional Items in the statement of profit and loss are shown under Note 36.

b) On assessment/review of trade and other receivables which were outstanding since a long period of time, Rs. 5,64,54,685 were considered as irrecoverable by the management and therefore the same had been written off and charged out to the statement of profit and loss and shown under exceptional items.





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