GUJARAT FLUOROCHEMICALS FZE

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ANNUAL REPORT

2021-2022

Independent Auditor's Report to the Board of Directors of Gujarat Fluorochemicals Limited

Report on the Special Purpose Ind AS Financial Statements of Gujarat Fluorochemicals FZE

Opinion

We have audited the accompanying special purpose Ind AS financial statements of **Gujarat Fluorochemicals FZE** ("the Company"), which comprise the Balance Sheet as at 31 March 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the period beginning 5 December 2021 (date of incorporation) and ending on 31 March 2022, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the "Financial Statements"). The financial information has been prepared by the management as described in Note 2.1 to these 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 a true and fair view in conformity with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 ("the Act"), of the state of affairs of the Company as at 31 March 2022, its loss and total comprehensive income, changes in equity and its cash flows for the period beginning 5 December 2021 and ending on 31 March 2022 in accordance with Note 2.1 to the Financial Statements.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS).

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

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

The management is also responsible for overseeing the Company's financial reporting process.

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

As part of an audit in accordance with SAs, we exercise professional judgement 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 financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report to the Board of Directors of Gujarat Fluorochemicals Limited on the Special Purpose Ind AS Financial Statements of Gujarat Fluorochemicals FZE for the period ended 31 March 2022 *(continued)*

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.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2.1 to the Financial Statements, which describes the basis of accounting. The Financial Statements are prepared to assist the holding Company, Gujarat Fluorochemicals Limited, to comply with the requirements of Section 129(3) of the Act. These financial statements are not the statutory financial statements of the Company. As a result, these Financial Statements may not be suitable for any other purpose. Our report must not be copied, disclosed, quoted or circulated, or referred to, in correspondence or discussion, in whole or in part or distributed to anyone other than the purpose for which it has been issued without our prior written consent.

For Patankar & Associates,
Chartered Accountants
Firm's Registration No. 107628W

S.S.Malani

S S Malani
Partner
Membership No. 110051

Place: Vadodara
Date: 12 May 2022
UDIN: 22110051AIVRYQ9268

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Gujarat Fluorochemicals FZE
Balance Sheet as at 31 March 2022

(Rs. in Lakhs)

Particulars	Notes	As at 31 March 2022
ASSETS		
(1) Non-current assets		
(a) Financial assets		
(i) Other financial assets	5	0.48
Sub-total		**0.48**
(2) Current assets		
(a) Financial assets		
(i) Cash & cash equivalents	6	61.89
(b) Other current assets	7	1.96
Sub-total		**63.85**
Total Assets		**64.33**
EQUITY & LIABILITIES		
(1) Equity		
(a) Share capital	8	61.59
(b) Other equity	9	(5.73)
Sub-total		**55.86**
LIABILITIES		
(2) Current liabilities		
(a) Financial liabilities		
(i) Trade payables	10	8.47
Sub-total		**8.47**
Total Equity & Liabilities		**64.33**
The accompanying notes are an integral part of the financial statements		

As per our report of even date attached
For Patankar & Associates
Chartered Accountants
Firm's Registration No. 107628W

S.S. Malani

S. S. Malani
Partner
Membership No. 110051

Place: Vadodara
Date: 12 May 2022

PATANKAR & ASSOCIATES ★ 19, Gold Wings, Parvati Nagar, Sinhgad Road, PUNE-30 ★ Chartered Accountants

For Gujarat Fluorochemicals FZE

Jitendra Gaur
Manager

Place: Noida
Date: 12 May 2022

Gujarat Fluorochemicals FZE

Statement of Profit and Loss for the period ended 31 March 2022

(Rs. in Lakhs)

Particulars	Notes	From 5 December 2021 to 31 March 2022
Expenses		
Other expenses	11	5.91
Total expenses		**5.91**
Loss before tax		**(5.91)**
Tax expense	12	-
Loss for the period		**(5.91)**
Other comprehensive income		
Items that will be reclassified to profit or loss		
Exchange differences in translating the financial statements of foreign operations		0.18
Total other comprehensive income		**0.18**
Total comprehensive income for the year (comprising loss and other comprehensive income for the period)		**(5.73)**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For Patankar & Associates
Chartered Accountants
Firm's Registration No. 107628W

S.S. Malani

S. S. Malani
Partner
Membership No. 110051

Place: Vadodara
Date: 12 May 2022

PATANKAR & ASSOCIATES
19, Gold Wings, Parvati Nagar, Sinhgad Road, PUNE-30
Chartered Accountants

For Gujarat Fluorochemicals FZE

Jitendra Gaur
Manager

Place: Noida
Date: 12 May 2022

Gujarat Fluorochemicals FZE
Statement of changes in equity for the period ended 31 March 2022

A. Share capital	(Rs. in Lakhs)
Issue of equity share capital on 5 December 2021	61.59
Balance as at 31 March 2022	**61.59**

B. Other Equity (Rs. in Lakhs)

Particulars	Reserves & Surplus	Other comprehensive income	Total
	Retained earnings	Foreign currency translation reserve	
Loss for the period	(5.91)	-	(5.91)
Other comprehensive income for the period	-	0.18	0.18
Total comprehensive income for the period	(5.91)	0.18	(5.73)
Balance as at 31 March 2022	**(5.91)**	**0.18**	**(5.73)**

As per our report of even date attached
For Patankar & Associates
Chartered Accountants
Firm's Registration No. 107628W

S.S. Malani

S. S. Malani
Partner
Membership No. 110051

Place: Vadodara
Date: 12 May 2022

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For Gujarat Fluorochemicals FZE

Jitendra Gaur
Manager

Place: Noida
Date: 12 May 2022

Gujarat Fluorochemicals FZE
Statement of Cash Flows for the period ended 31 March 2022

(Rs. in Lakhs)

Particulars	From 5 December 2021 to 31 March 2022
A Cash flow from operating activities	
Loss for the year	(5.91)
Adjustments for :	
Exchange difference on translation of assets and liabilities	0.18
Operating profit before working capital changes	(5.73)
Adjustments for :	
(Increase)/decrease in other financial assets	(0.48)
(Increase)/decrease in other assets	(1.96)
Increase/(decrease) in trade payables	8.47
Cash generated from operations	0.30
Income tax paid (net)	-
Net cash generated from operating activities	**0.30**
B Cash flow from financing activities	
Proceeds from issue of share capital	61.59
Net cash generated from financing activities	**61.59**
Net increase in cash and cash equivalents	61.89
Cash and cash equivalents as at the beginning of the year	-
Cash and cash equivalents as at the end of the year	**61.89**

Notes:
1) The above statement of cash flows has been prepared under the indirect method.
2) Components of cash and cash equivalents are as per Note 6.
3) The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For Patankar & Associates
Chartered Accountants
Firm's Registration No. 107628W

S.S. Malani

S. S. Malani
Partner
Membership No. 110051

Place: Vadodara
Date: 12 May 2022

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For Gujarat Fluorochemicals FZI

Jitendra Gaur
Manager

Place: Noida
Date: 12 May 2022

Gujarat Fluorochemicals FZE
Notes to the financial statements for the period ended 31 March 2022

1. Company information

Gujarat Fluorochemicals FZE ("the Company") is incorporated in Dubai on 5 December 2021 and is a wholly owned subsidiary of Gujarat Fluorochemicals Limited ("the Holding Company"). Inox Leasing and Finance Limited is the ultimate holding company. The Company's registered office is situated at FZJOBB2006, Jabel Ali Free Zone, Dubai, UAE.

The Company is in the process of setting up a plant for manufacturing of HFC blends of R410a and R407c refrigerants and is yet to commence its commercial operations. The sales activities of the Company will be mainly in UAE and GCC region.

2. Statement of compliance and basis of preparation and presentation

2.1 Statement of Compliance

These special purpose financial statements of the Company comply in all material aspects with the Indian Accounting Standards ("Ind AS") notified under section 133 of the Companies Act, 2013 ("the Act") read together with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, relevant provisions of the Act and other accounting principles generally accepted in India and are prepared for the purpose of preparation of consolidated financial statements of the holding company, Gujarat Fluorochemicals Limited, India.

These financial statements were authorized for issue by the Company's Board of Directors on 12 May 2022.

2.2 Basis of preparation, presentation and measurement

The functional currency of the Company is United Arab Emirates Dirham. However, for purposes of compliance with the requirements of the Act, as aforesaid, these financial statements have been translated into Indian Rupees, being presentation currency, in accordance with the methodology prescribed for conversion of financial statements in Indian Accounting Standard (Ind-AS) 21: Effects of Changes in Foreign Exchange Rates. All amounts have been rounded-off to the nearest lakhs, unless otherwise indicated.

The Company is incorporated on 5 December 2021 and these financial statements are the first financial statements of the Company, prepared for the period 5 December 2021 to 31 March 2022. Hence, there are no corresponding amounts for previous period.

For the purpose of presenting these financial statements, the assets and liabilities of the Company are translated into Indian Rupees using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

These financial statements have been prepared on an accrual basis and under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

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In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Any asset or liability is classified as current if it satisfies any of the following conditions:

- the asset/liability is expected to be realized/settled in the Company's normal operating cycle;
- the asset is intended for sale or consumption;
- the asset/liability is held primarily for the purpose of trading;
- the asset/liability is expected to be realized/settled within twelve months after the reporting period;
- the asset is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date;
- in the case of a liability, the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other assets and liabilities are classified as non-current.

For the purpose of current/non-current classification of assets and liabilities, the Company has ascertained its normal operating cycle as twelve months. This is based on the nature of products or services and the time between the acquisition of assets or inventories for processing and their realisation in cash and cash equivalents.

2.3 New accounting pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. As per Notification dated 23 March, 2022, amendments to the existing standards have been notified and these amendments are effective from 1 April 2022. The summary of these amendments is as under:

- Amendments to Ind AS 103 Business Combinations: The amendments specify that in a business combination, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed, at the acquisition date, must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India.

- Amendments to Ind AS 16 Property Plant and Equipment: The amendment clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment.

- Amendments to Ind AS 37 Provisions, Contingent Liabilities & Contingent Assets: The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to Ind AS 109 Financial Instruments: The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability.

The Company does not expect the above amendments to have any impact on its financial statements.

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3. Significant Accounting Policies

3.1 Leases

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

The Company as lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate.

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

3.2 Foreign currency transactions and translation

The transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, foreign currency monetary items are translated using the closing rates. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not translated. Non-monetary items measured at fair value that are denominated in foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.3 Provisions and contingencies

The Company recognizes provisions when a present obligation (legal or constructive) as a result of a past event exists and it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and the amount of such obligation can be reliably estimated. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the

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control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognized in the financial statements. However, it is disclosed only when an inflow of economic benefits is probable

3.4 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A] Financial assets

a) Initial recognition and measurement:

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, a financial asset is recognised at fair value, in case of financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction costs are recognised in the statement of profit and loss. In other cases, the transaction costs are attributed to the acquisition value of the financial asset.

b) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

c) Subsequent measurement:

For subsequent measurement, the Company classifies a financial asset in accordance with the below criteria:
i. The Company's business model for managing the financial asset and
ii. The contractual cash flow characteristics of the financial asset.

Based on the above criteria, the Company classifies its financial assets into the following categories:

i. Financial assets measured at amortized cost:

A financial asset is measured at the amortized cost if both the following conditions are met:
a) The Company's business model objective for managing the financial asset is to hold financial assets in order to collect contractual cash flows, and

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b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category applies to cash and bank balances and other financial assets of the Company. Such financial assets are subsequently measured at amortized cost using the effective interest method.

The amortized cost of a financial asset is also adjusted for loss allowance, if any.

ii. Financial assets measured at FVTOCI:

A financial asset is measured at FVTOCI if both of the following conditions are met:
a) The Company's business model objective for managing the financial asset is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments, classified under financial assets, are initially measured at fair value. The Company may, on initial recognition, irrevocably elect to measure the same either at FVTOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. Fair value changes on an equity instrument are recognised as other income in the Statement of Profit and Loss unless the Company has elected to measure such instrument at FVTOCI.

The Company does not have any financial assets in this category.

iii. Financial assets measured at FVTPL:

A financial asset is measured at FVTPL unless it is measured at amortized cost or at FVTOCI as explained above. This is a residual category applied to all other investments of the Company excluding investments in subsidiaries, joint ventures and associate companies. Such financial assets are subsequently measured at fair value at each reporting date. Fair value changes are recognized in the Statement of Profit and Loss. Dividend income on the investments in equity instruments are recognised as 'other income' in the Statement of Profit and Loss.

The Company does not have any financial assets in this category.

d) Foreign exchange gains and losses:

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For foreign currency denominated financial assets measured at amortised cost and FVTPL, the exchange differences are recognised in profit or loss except for those which are designated as hedging instruments in a hedging relationship.

e) Derecognition:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the Company's Balance Sheet) when any of the following occurs:

i. The contractual rights to cash flows from the financial asset expires;
ii. The Company transfers its contractual rights to receive cash flows of the financial asset and has substantially transferred all the risks and rewards of ownership of the financial asset;

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iii. The Company retains the contractual rights to receive cash flows but assumes a contractual obligation to pay the cash flows without material delay to one or more recipients under a 'pass-through' arrangement (thereby substantially transferring all the risks and rewards of ownership of the financial asset);
iv. The Company neither transfers nor retains substantially all risk and rewards of ownership and does not retain control over the financial asset.

In cases where Company has neither transferred nor retained substantially all of the risks and rewards of the financial asset, but retains control of the financial asset, the Company continues to recognize such financial asset to the extent of its continuing involvement in the financial asset. In that case, the Company also recognizes an associated liability.
The financial asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

f) Impairment of financial assets:

The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on the following:

i. Financial assets measured at amortized cost (other than trade receivables)
ii. Financial assets measured at fair value through other comprehensive income (FVTOCI)

The Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognized as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognized as loss allowance.

Subsequently, if the credit quality of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognizing impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate.
12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset.

ECL are measured in a manner that they reflect unbiased and probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

As a practical expedient, the Company uses a provision matrix to measure lifetime ECL on its portfolio of trade receivables. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as expense/income in the Statement of Profit and Loss under the head 'Other expenses'/ 'Other income'.

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B] Financial liabilities and equity instruments

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

i. Equity instruments:

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

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

ii. Financial Liabilities:

a) Initial recognition and measurement:

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value.

b) Subsequent measurement:

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.
The Company has not designated any financial liability as at FVTPL.

c) Foreign exchange gains and losses:

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the closing rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

d) Derecognition of financial liabilities:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the Derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the Statement of Profit and Loss.

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4. Critical accounting judgements and use of estimates

The preparation of Company's financial statements requires management to make judgements, estimations and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision or future periods if the revision affects both current and future periods.
Following are the critical judgements, assumptions and use of estimates that have significant effects on the amounts recognized in these financial statements:

a) Recognition and measurement of provisions and contingencies:

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances. In the normal course of business, contingent liabilities may arise from litigations and other claims against the Company. Judgment is required to determine the probability of such potential liabilities actually crystallising. In case the probability is low, the same is treated as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

Gujarat Fluorochemicals FZE

Notes to the financial statements for the period ended 31 March 2022

5: Other financial assets **(Rs. in Lakhs)**

Particulars	As at 31 March 2022
Non-Current	
Security deposits	0.48
	0.48

6: Cash & cash equivalents **(Rs. In Lakhs)**

Particulars	As at 31 March 2022
Balances with banks - in current accounts	61.89
	61.89

7: Other current assets **(Rs. In Lakhs)**

Particulars	As at 31 March 2022
Prepaid expenses	1.96
	1.96

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8: Share capital **(Rs. in Lakhs)**

Particulars	As at 31 March 2022
Share capital 10,000 shares of AED 30 each	61.59
	61.59

(a) Reconciliation of the number of shares outstanding at the beginning and at the end of the year

Particulars	As at 31 March 2022
Shares issued during the period	10,000
Shares outstanding at the end of the period	10,000

(b) Terms/rights attached to shares

Gujarat Fluorochemicals Limited is the sole legal and beneficial holder of all shares of Gujarat Fluorochemicals FZE with a face value of AED 30 and is entitled to dividends and to exercise its voting rights attached to the shares.

(c) Shares held by Holding Company

Name of the shareholder	As at 31 March 2022	
	No. of shares	Holding %
Gujarat Fluorochemicals Limited, India	10,000	

(d) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31 March 2022	
	(Rs. In Lakhs)	Holding %
Gujarat Fluorochemicals Limited, India	61.59	100.00

The Company is incorporated on 5 December 2021 and all the shares are issued during the year.

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Gujarat Fluorochemicals FZE

Notes to the financial statements for the period ended 31 March 2022

9: Other Equity **(Rs. in Lakhs)**

Particulars	As at 31 March 2022
Foreign currency translation reserve	0.18
Retained earnings	(5.91)
Total	**(5.73)**

a) Foreign currency translation reserve

Particulars	As at 31 March 2022
Movement during the period	0.18
Balance as at the end of the year	**0.18**

Foreign currency translation reserve is on account of translation of assets and liabilities from functional to presentation currency - see Note 3.3

b) Retained earnings

Particulars	As at 31 March 2022
Loss for the period	(5.91)
Balance as at the end of the year	**(5.91)**

10: Trade payables

Particulars	As at 31 March 2022
Trade payables	8.47
Total	**8.47**

The above trade payables are undisputed and are outstanding for a period less than 1 year from the due date of payment.

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Notes to the financial statements for the period ended 31 March 2022

11: Other expenses **(Rs. in Lakhs)**

Particulars	Period ended 31 March 2022
Insurance	0.01
Rent	3.32
Rates and taxes	2.04
Miscellaneous expenses	0.54
Total	**5.91**

12: Tax expense

The company operates in Free Zone Establishment (FZE) in UAE. As per the current income tax law, there is no tax on income for entities operating in FZE.

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Notes to the financial statements for the period ended 31 March 2022

13: Related party transactions

(i) Where control exists:
i) Gujarat Fluorochemicals Limited - holding company
ii) Inox Leasing and Finance Limited - ultimate holding company
iii) Mr. V.K. Jain - ultimate controlling party

(ii) Particulars of transactions

(Rs. in Lakhs)

A) Transactions during the period	Period ended 31 March 2022
(a) Share issued	
Gujarat Fluorochemicals Limited	61.59
(b) Reimbursement of expenses paid	
Gujarat Fluorochemicals Limited	8.01

B) Balances at the end of the year	As at 31 March 2022
Amounts payable	
(i) Trade payables	
Gujarat Fluorochemicals Limited	8.01

Notes:
(a) Amounts outstanding are unsecured and will be settled in cash.
(b) There have been no guarantees, received or provided, for any related party receivables or payables.

14: Operating lease arrangements
Leasing arrangement in respect of operating lease for office premises:
The Company's lease agreement is for a period of 12 months. The aggregate lease rentals are charged as 'Rent' in Note 11: Other expenses in the Statement of Profit and Loss.

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15: Financial Instruments

The Company is yet to commence its commercial operations and accordingly, the financial instruments held by the Company are not significant.

(i) Capital management
The Company is wholly owned by its parent company and it does not have any borrowings and is not subject to any externally imposed capital requirements.

(ii) Categories of financial instruments **(Rs. in Lakhs)**

Particulars	**As at 31 March 2022**
Financial assets	
Measured at amortised cost	
Cash and bank balances	61.89
Financial liabilities	
Measured at amortised	
Trade Payables	8.47

The carrying amount reflected above represents the Company's maximum exposure to credit risk for such financial assets.

(iii) Financial risk management
The Company is yet to commence its commercial operations. Its financial liabilities comprise only of expenses payables. The Company's financial assets comprise only of bank balances.

The financial assets and liabilities of the Company are not exposed to changes in foreign currency exchange risk, interest rate and other price risk. Further, there is no credit risk as the financial assets comprise only of bank balance with reputed bank.

Liquidity risk management
Ultimate responsibility for Company's liquidity risk management rests with the senior management and its holding company. The Company generally manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities and if needed, financial support of holding company.

(Rs. in Lakhs)

Particulars	**Upto 1 year**	**2-5 years**	**above 5 years**	**Total contractual cash flows**
As at 31 March 2022				
Trade Payable	8.47	-	-	8.47

(iv) Financial instrument measured at Amortised Cost
The carrying amount of financial assets and financial liabilities measured at amortized cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different than the values that be eventually received or paid.

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16: Additional disclosures/regulatory information as required by Schedule III to the Companies Act, 2013

a) Details of benami property held:

No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the Rules made thereunder.

b) Relationship with Struck off Companies

The Company does not have any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

c) Loans and advances granted to related party

The Company has not granted any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties.

d) Details of Crypto Currency or Virtual Currency

The Company has not traded or invested in crypto currency or virtual currency during the financial year.

e) Utilisation of Borrowed funds and share premium

The Company has not advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

The Company has not received any fund from any person(s) or entity(ies), including foreign entities ("Funding Party"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

As per our report of even date attached
For Patankar & Associates
Chartered Accountants
Firm's Registration No. 107628W

S. S. Malani

S. S. Malani
Partner
Membership No. 110051

Place: Vadodara
Date: 12 May 2022

PATANKAR & ASSOCIATES
19, Gold Wings, Parvati Nagar, Sinhgad Road, PUNE-30
Chartered Accountants

For Gujarat Fluorochemicals FZE

Jitendra Gaur
Manager

Place: Noida
Date: 12 May 2022