



Amal Ltd

Annual Report 2019-20

The logo of Amal Ltd portrays a diya whose constituents are an earthen pot, ghee, a wick and a flame. Our actions (symbolised by the ghee) will remain within the boundary of ethics (symbolised by the earthen pot) and we will through hard work (symbolised by the wick) achieve our purpose (symbolised by the flame).

Content

Out of suffering have emerged the strongest souls;
the most massive characters are seared with scars.
~ Khalil Gibran

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Forward looking statements

In this Annual Report, we have shared information and made forward looking statements to enable investors to know our product portfolio, business logic and direction and thereby comprehend our prospects. Such statements that we make are based on our assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'believe', 'estimate', 'intend', 'plan', 'project' or words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised although we believe we have been prudent in our assumptions. The actual results may be affected because of uncertainties, risks and even inaccurate assumptions. If uncertainties or known or unknown risks materialise or if underlying assumptions prove inaccurate, actual results can vary materially from those anticipated, believed, estimated, intended, planned or projected. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



Amal Ltd is engaged in manufacturing and marketing of bulk chemicals such as Sulphuric acid and Oleum and their downstream products such as Sulphur dioxide and Sulphur trioxide. The plant is located in Ankleshwar, Gujarat, India.

Amal Ltd was promoted by Piramal Group in 1974-75; the controlling interest of the Company was sold to Atul Ltd in 1985-86.

Letter to the shareholders

Fellow Shareholders,

We are delighted to share with you the 2019-20 Annual Report of our Company. As we had shared with you in the last Annual Report, our priority was to stop loss which our Company was incurring from 2003-04 until 2015-16, except in 2013-14, when it had made a small profit before tax of ₹ 1 cr – without significantly infusing new capital. Since then, the Company has consistently improved its performance; it achieved a small milestone of profit before tax of ₹ 13 cr in 2019-20, which was the highest in last five fiscals. Our Company brought down its carried forward loss from ₹ 56 cr to ₹ 9 cr over the last 12 fiscals.

Our Company invested ₹ 5 cr during the last two fiscals to strengthen the manufacturing operations. We are continuing to work on more initiatives to improve efficiency and utilisation. Our second big priority is to seek growth. We are evaluating a few projects which have synergy with the current operations, keeping in focus, amongst others, market attractiveness and ability to compete. It will be our endeavour that our Company delivers a decent return on investment and we will keep you updated as we move ahead decisively with such an investment.

COVID-19 has caused unprecedented slowdown of economic activities across the world. We have assessed its impact on the operations of our Company. Based on our understanding of the economic activities, particularly related to our product portfolio (and their end uses) and our assumptions, the impact on our Company will be short-term. We have considered various scenarios and carried out sensitivity analysis and will take appropriate measures to face the downturn and accordingly evolve the way forward.

We value the commitment and determination of our team members who are tirelessly involved in strengthening our Company and thus creating value for all the stakeholders. We are grateful to the Non-executive Directors for their involvement, analysis and guidance. As always, we appreciate your faith, patience and support; we know you have waited very long for dividend and that our Company has a long way to go. As we turn another page of our lives, we want to assure you of our total commitment to the tasks on hand, so that we may go as far as our dreams and toil take us.

Sincerely,

(Rajeev Kumar)

Managing Director

(Sunil Siddharth Lalbhai)

Chairman



office building at Ankleshwar, Gujarat

Directors' Report



Dear Members,

The Board of Directors (Board) presents the Annual Report of Amal Ltd together with the audited Financial Statements for the year ended March 31, 2020.

01. Financial results

| | (₹ lakhs) | |
|---|-----------|---------|
| | 2019-20 | 2018-19 |
| Sales and other income | 3,434 | 3,344 |
| Profit before tax | 1,270 | 998 |
| Provision for tax | 350 | 223 |
| Profit for the year | 920 | 775 |
| Other comprehensive income (net of tax) | 0 | (1) |
| Profit after tax | 920 | 774 |
| Balance brought forward | (1,832) | (2,607) |
| Balance carried forward | (912) | (1,832) |

02. Performance

During 2019-20, sales and other income increased by 3% from ₹ 3,344 lakhs to ₹ 3,434 lakhs. Reduction in selling prices by 25% was compensated by higher sales volume of 28%. The Company reported a profit before tax of ₹ 1,270 lakhs in 2019-20 against a profit before tax of ₹ 998 lakhs in 2018-19.

03. Dividend

Under the extant laws, the Company cannot declare a dividend in view of its carried forward losses.

04. Conservation of energy, technology absorption, foreign exchange earnings and outgo

Information required under Section 134(3) (m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, as amended from time to time, forms a part of this Report which is given at page number 10.

05. Insurance

The Company has taken adequate insurance to cover the risks to its employees, property (land and buildings), plant, equipment, other assets and third parties.

06. Risk management

Risk management is an integral part of business practices of the Company. The framework of

risk management concentrates on formalising a system to deal with the most relevant risks, building on existing management practices, knowledge and structures. With the help of a reputed international consultancy firm, the Company has developed and implemented a comprehensive risk management system to ensure that risks to the continued existence of the Company as a going concern and to its growth are identified and remedied on a timely basis. While defining and developing the formalised risk management system, leading standards and practices have been considered. The risk management system is relevant to business reality, pragmatic and simple and involves the following:

- i) **Risk identification and definition** - Focuses on identifying relevant risks, creating | updating clear definitions to ensure undisputed understanding along with details of the underlying root causes | contributing factors.
- ii) **Risk classification** - Focuses on understanding the various impacts of risks and the level of influence on its root causes. This involves identifying various processes generating the root causes and a clear understanding of risk interrelationships.

- iii) **Risk assessment and prioritisation** - Focuses on determining risk priority and risk ownership for critical risks. This involves assessment of the various impacts taking into consideration risk appetite and existing mitigation controls.
- iv) **Risk mitigation** - Focuses on addressing critical risks to restrict their impact(s) to an acceptable level (within the defined risk appetite). This involves a clear definition of actions, responsibilities and milestones.
- v) **Risk reporting and monitoring** - Focuses on providing to the Audit Committee and the Board periodic information on risk profile evolution and mitigation plans.

Roles and responsibilities

Governance

The Board has approved the Risk Management Policy of the Company. The Company has laid down procedures to inform the Board on i) to iv) above. The Audit Committee periodically reviews the risk management system and gives its recommendations, if any, to the Board. The Board reviews and guides the Risk Policy.

Implementation

Implementation of the Risk Management Policy is the responsibility of the Management. It ensures functioning of the risk management system as per the guidance of the Audit Committee. The Company has Risk Management Oversight Structure and has a Chief Risk and Compliance Officer.

The Management at various levels takes accountability for risk identification, appropriateness of risk analysis and timeliness as well as adequacy of risk mitigation decisions at both individual and aggregate levels. It is also responsible for the

implementation, tracking and reporting of defined mitigation plans, including periodic reporting to the Audit Committee and the Board.

07. Internal financial controls

The internal financial controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements.

These include those policies and procedures that:

- i) pertain to the maintenance of records which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company,
- ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Financial Statements in accordance with Generally Accepted Accounting Principles and that receipts and expenditures are being made only in accordance with authorisations of the Management and the Directors of the Company,
- iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the assets that can have a material effect on the Financial Statements. A reputed international consultancy firm has reviewed the adequacy of the internal financial controls with respect to the Financial Statements.

The Management assessed the effectiveness of the internal financial controls over financial reporting as of March 31, 2020 and the Board believes that the controls are adequate.



08. Fixed deposits

During 2019-20, the Company did not accept any fixed deposits.

09. Related party transactions

All the transactions entered into with the related parties were in ordinary course of business and on arm's length basis. Details of such transactions are given at page number 89. No transactions were entered into by the Company which required disclosure in Form AOC-2.

10. Corporate Social Responsibility

Composition of the Corporate Social Responsibility (CSR) Committee, the CSR Policy and the CSR Report are given at page number 10.

11. Extract of the Annual Return

This is given at page number 12.

12. Auditors

Statutory Auditors

Deloitte Haskins & Sells LLP, Chartered Accountants were appointed as the Statutory Auditors of the Company at the 43rd Annual General Meeting (AGM) held on June 30, 2017 until the conclusion of the 48th AGM.

The relevant Notes forming part of the Financial Statements are self-explanatory and give full information and explanation in respect of the observations made by the Auditors in their report.

Secretarial Auditors

Nirali Solanki & Co. was appointed as the Secretarial Auditor by the Board of Directors in its meeting held on October 17, 2019 and its report is given at page number 20.

13. Directors' responsibility statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Directors confirm that, to the best of their knowledge and belief:

13.1 The applicable accounting standards were followed along with proper explanations relating to material departures in the preparation of the annual accounts.

13.2 The accounting policies were selected and applied consistently and judgements and estimates were made that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.

13.3 Proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

13.4 The attached annual accounts for the year ended March 31, 2020 were prepared on a going concern basis.

13.5 Adequate internal financial controls to be followed by the Company were laid down and they were adequate and operating effectively.

13.6 Proper systems were devised to ensure compliance with the provisions of all applicable laws and the same were adequate and operating effectively.

14. Directors

14.1 Appointments | Reappointments | Cessations

14.1.1 According to the Articles of Association of the Company, Mr S S Lalbhai retires by rotation and being eligible, offers himself for reappointment at the forthcoming AGM scheduled on August 14, 2020.

14.2 Policies on appointment and remuneration

14.2.1 Appointment

While recommending appointment of the Directors, the Nomination and Remuneration Committee considers the following factors:

- i) Qualification: well-educated and experienced in senior leadership positions in industry | profession
- ii) Traits: positive attributes and qualities
- iii) Independence: criteria prescribed in Section 149(6) of the Companies Act, 2013 for the Independent Directors, including no pecuniary interest and conflict of interest

14.2.2 Remuneration of the Non-executive Directors
Sitting fees: ₹ 20,000 for attending a Board meeting and Audit Committee meeting, and ₹ 10,000 for attending any other Committee meeting

14.3 Criteria and method of annual evaluation

14.3.1 The criteria for evaluation of performance of
a) the Non-independent Directors (Executive)
b) the Non-independent Directors (Non-executive)
c) the Independent Directors d) the Chairman
e) the Committees of the Board and f) the Board as a whole are summarised in the table at the end of the Directors' Report at page number 8.

14.3.2 The Independent Directors have carried out annual:

- i) review of performance of the Non-independent Directors - Executive,
- ii) review of performance of the Non-independent Directors - Non-executive,
- iii) review of performance of the Chairman,
- iv) assessment of quality, quantity and timeliness of the flow of information to the Board and
- v) review of performance of the Board as a whole.

14.3.3 The Board has carried out annual evaluation of performance of:

- i) its Committees, namely Audit, Corporate Social Responsibility, Nomination and Remuneration, Stakeholders Relationship.
- ii) the Independent Directors.

14.3.4 The templates for the above purpose were circulated in advance for feedback of the Directors.

14.3.5 Familiarisation programs for the Independent Directors.

The Company has Familiarisation programs for its Independent Directors. It comprises, amongst others, presentations by and discussions with the Senior Management on the nature of the industries in which it operates, its vision and strategy, its organisation structure and relevant regulatory changes.

14.3.6 In the opinion of the Board, the Independent Directors reappointed during the year, possess integrity, rich experience and expertise relevant to the Company. Further, their reappointments are on the basis of the reports of their performance evaluation, expertise and meeting eligibility criteria for Independent Directors under the Act.

15. Key Managerial Personnel and other employees

15.1 Appointments and cessations of the Key Managerial Personnel

There were no appointments | cessations of the Key Managerial Personnel during 2019-20.

15.2 Remuneration

The Remuneration Policy of the Key Managerial Personnel and other employees consists the following:

15.2.1 Components:

- i) Fixed pay:
 - a. Basic salary
 - b. Allowances
 - c. Perquisites
 - d. Retirals
- ii) Variable pay

15.2.2 Factors for determining and changing fixed pay:

- i) Existing compensation
- ii) Education
- iii) Experience
- iv) Salary bands
- v) Performance
- vi) Market benchmark



15.2.3 Factors for determining and changing variable pay:

- i) Business performance
- ii) Individual performance
- iii) Grade

16. Analysis of remuneration

The information required pursuant to Sections 134(3)(q) and 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given at page number 25.

The Company is not required to disclose the information required as there were no employees during 2019-20 drawing remuneration exceeding the limit specified.

17. Management Discussion and Analysis

The Management Discussion and Analysis Report covering performance is given at page number 26.

18. Corporate Governance Report

18.1 Statement of declaration given by the Independent Directors.

The Independent Directors have given declarations under Section 149(6) of the Companies Act, 2013.

18.2 Report

The Corporate Governance Report is given at page number 27. Details about the number of meetings of the Board held during 2019-20 are given at page number 32. The composition of the Audit Committee is given at page number 35.

All the recommendations given by the Audit Committee were accepted by the Board.

18.3 Whistle-blowing Policy

The Board, on the recommendation of the Audit Committee, had approved a vigil mechanism (Whistle-blowing Policy). The policy provides an independent mechanism for reporting and resolving complaints pertaining to unethical

behaviour, actual or suspected fraud and violation of the Code of Conduct of the Company and is displayed on the website (of the Company) at www.amal.co.in/investors/policies

No personnel has been denied access to the Audit Committee.

18.4 Secretarial standards

Secretarial standards as applicable to the Company were followed and complied with during 2019-20.

19. COVID-19

The COVID-19 pandemic is a worldwide crisis and has meant that the economies will have to operate alongside the disease, now as the attention has started shifting from lockdown to safe reopening.

The Company strictly followed the guidelines issued by the local, state and central governments and beyond to protect the health and well-being of its workforce and ensured minimum disruption to its customers.

The Company closed its manufacturing facilities for a month and is taking all possible steps required to adjust to the new normal of working and growing.

Atul Foundation took up initiatives to serve the society particularly in Valsad and Bharuch districts. The Foundation also contributed in its own small way to Gujarat Chief Minister Relief Fund and PM CARES Fund.

20. Acknowledgements

The Board expresses its sincere thanks to all the employees, customers, suppliers, lenders, regulatory and government authorities, Stock Exchange and investors for their support.

For and on behalf of the Board of Directors
Atul
April 23, 2020
(S S Lalbhai)
Chairman

Table

| Evaluation of | Evaluation by | Criteria |
|--|-------------------------|--|
| Non-independent Director (Executive) | Independent Directors | Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Transparency, Communication, Business leadership, People leadership, Investor relations |
| Non-independent Director (Non-executive) | Independent Directors | Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Independence, Communication, Preparedness, Participation and Value addition |
| Independent Director | All other Board Members | Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Independence, Communication, Preparedness, Participation and Value addition |
| Chairman | Independent Directors | Qualification, Experience, Availability and attendance, Integrity, Commitment, Governance, Impartiality, Communication, Business leadership, People leadership and Meeting conduct |
| Committees | Board Members | Composition, Process and Dynamics |
| Board as a whole | Independent Directors | Composition, Process and Dynamics |