

# NAYAN PARIKH & CO.

(REGISTERED)

CHARTERED ACCOUNTANTS

OFFICE NO. 9, 2<sup>ND</sup> FLOOR, JAIN CHAMBERS, 577, S.V. ROAD, BANDRA (WEST), MUMBAI 400050, INDIA.

PHONE : (91-22) 2640 0358, 2640 0359

To,

**The Board of Directors**

**Laxmi Organic Industries Limited**

Chandermukhi, 3rd Floor

Nariman Point,

Mumbai 400021,

India

We have verified the annexed translated version of the audited financial statements of **Laxmi Organic Industries (Europe) B.V.** (the "Company") for the year ended **March 31, 2020** (Financial Year'). These financial statements have been translated by the Company in Indian Rupee in accordance with Ind AS 21 The Effect of Changes in Foreign Currency Rates. The work carried out by us is in accordance with the Standard on Related Service (SRS) 4400 Le. "Engagements to perform Agreed-Upon Procedures regarding financial information issued by the Institute of Chartered Accountants of India.

As required by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulation") we have verified the translated financial information contained in the Annexure attached to this certificate which is proposed to be uploaded on the website of Laxmi Organic Industries Limited in connection with its proposed initial public offering of Equity shares.

We did not audit the financial statements of **Laxmi Organic Industries (Europe) B.V.** These financial statements have been audited by other audit firms, whose reports have been furnished to us by the company

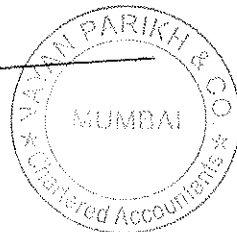
These financials should not in any way be constructed as a reissuance or re-dating of any of the previous audit reports, nor should these be constructed as a new opinion on any of the audited financial statements referred to herein.

These financials are intended solely for use by the management for uploading on website of Laxmi Organic Industries Limited in connection with the proposed IPO of the Company. Our certificate should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For Nayan Parikh & Co

Chartered Accountants

Firm Registration No. 107023W



M. No. 36410

Mumbai,

Dated: December 8, 2020

UDIN: 20036410AAAAEV5679

**FINANCIAL REPORT April 1 - March 31, 2020**

**of**

**Laxmi Organic Industries (Europe) B.V.  
Schipholweg 55  
2316 ZL Leiden**

Laxmi Organic Industries (Europe) B.V.

Balance (Before result destination)	April 1 - March 31, 2020 INR	April 1 - March 31, 2019 INR
<b>ASSETS</b>		
Tangible fixed assets (1)	337,017	521,150
Financial fixed assets (2)	13,269,563	770,963
<b>Fixed assets</b>	<b>13,606,580</b>	<b>1,292,113</b>
Inventory (3)	88,917,399	380,554,808
Short term receivables (4)	279,051,820	394,394,693
Cash (5)	16,958,395	12,837,524
<b>Current assets</b>	<b>384,927,615</b>	<b>787,787,026</b>
<b>ASSETS</b>	<b>398,534,194</b>	<b>789,079,139</b>



Laxmi Organic Industries (Europe) B.V.

Balance (Before result destination)	April 1 - March 31, 2020 INR	April 1 - March 31, 2019 INR
<b>LIABILITIES</b>		
Share Capital	149,220,160	149,220,160
Retained earnings	(33,328,184)	17,534,379
Foreign Currency Translation Reserve	17,901,076	8,577,663
<b>Equity (6)</b>	<b>133,793,052</b>	<b>175,332,202</b>
Short term liabilities	264,741,143	613,746,937
<b>Short-term liabilities (7)</b>	<b>264,741,143</b>	<b>613,746,937</b>
<b>LIABILITIES</b>	<b>398,534,194</b>	<b>789,079,139</b>



Laxmi Organic Industries (Europe) B.V.

Profit and loss account	April 1 - March 31, 2020 INR	April 1 - March 31, 2019 INR
Net turnover (9)	1,943,766,377	2,124,284,935
Cost of sales	1,953,937,329	2,058,099,632
<b>Gross margin</b>	<b>(10,170,952)</b>	<b>66,185,303</b>
Wages and salaries (10)	25,805,739	28,465,338
Social security and pension charges (11)	4,218,400	4,613,895
Depreciation (12)	208,741	515,505
Other operating expenses (13)	19,145,800	16,596,535
<b>Operating expenses</b>	<b>49,378,680</b>	<b>50,191,273</b>
<b>Operating result</b>	<b>(59,549,633)</b>	<b>15,994,030</b>
Interest expenses (14)	3,292,816	4,811,089
<b>Financial income and expenses</b>	<b>3,292,816</b>	<b>4,811,089</b>
<b>Result on ordinary activities before tax</b>	<b>(62,842,448)</b>	<b>11,182,941</b>
Taxation (8)	(11,979,885)	2,297,369
<b>Net result</b>	<b>(50,862,563)</b>	<b>8,885,572</b>



Laxmi Organic Industries (Europe) B.V.

Cash flow statement	April 1 - March 31, 2020 INR	April 1 - March 31, 2019 INR
Operating result	(59,549,633)	15,994,030
Depreciation of tangible assets	208,741	515,505
Change in short term receivables	142,485,729	(102,326,368)
Change in financial fixed assets	150,736	-
Movements inventory	317,827,782	(216,461,947)
Change in short term liabilities	(388,834,619)	296,078,080
Foreign Currency Translation Effects	(2,616,406)	(1,193,071)
Change in working capital	9,672,330	(7,393,772)
Interest paid	(3,292,816)	(4,811,089)
Taxes paid	(2,258,644)	(3,587,635)
Cash flow from operating activities	4,120,870	(15,792,496)
Investments in tangible fixed assets	-	(183,145)
Cash flow from investment activities	-	(183,145)
Net increase/decrease in cash at banks and in hand	<u>4,120,870</u>	<u>(15,975,641)</u>
<b>Turnover movements cash and cash equivalents</b>		
Balance as at beginning of financial year	12,837,524	28,813,165
Movements during financial year	4,120,870	(15,975,641)
Balance as March 31st	<u>16,958,395</u>	<u>12,837,524</u>



## Notes to the financial report

### **General notes**

#### *Activities*

The registered and actual address of Laxmi Organic Industries (Europe) B.V. (55271286) is Schipholweg 85, 2316 ZL, Leiden is registered place of business. The activities of the company includes purchase and sales of chemicals, minerals and organic products.

#### *Group Structure*

Laxmi Organic Industries (Europe) B.V., located at Leiden (The Netherlands) is a 100% subsidiary of Laxmi Organic Industries Limited, located at Mahad (India) and head of the group.

#### *Related parties*

Transactions between Laxmi Organic Industries Limited and Laxmi Organic Industries (Europe) B.V. includes financing and purchase of products.

#### *Financial year*

The financial year runs from 1 April 2019 to 31 March 2020.

### **General accounting principles for the preparation of the financial report**

#### *General*

The financial report is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

#### *Comparison with previous year*

The valuation principles and method of determining the result are the same as those used in the previous year.

#### *Foreign currency*

##### *Functional currency*

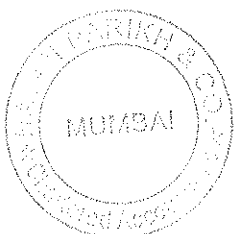
Items included in the financial report is measured using the currency of the primary economic environment in which Laxmi Organic Industries (Europe) B.V. operates (the functional currency). The financial report is presented in euros, which is the functional and presentation currency of Laxmi Organic Industries (Europe) B.V.

##### *Transactions, receivables and liabilities*

Transactions in foreign currencies are stated in the financial report at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date.

The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.



#### *Exceptional items*

Exceptional items are items of income and expense from ordinary activities or transactions, which need to be disclosed separately on the basis of the nature, size or incidental character of the item for reasons of comparability.

#### *Financial Instruments*

Securities included in financial and current assets are stated at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading, as well as derivatives of which the underlying object is listed on a stock exchange. All other on-balance financial instruments are carried at (amortised) cost.

Derivative financial instruments not quoted in an open market and not designated as hedging instruments are initially recognised at fair value and are subsequently remeasured at their fair value. Changes in the fair value of these derivative instruments are recognised directly in the income statement.

#### **Principles of valuation of assets and liabilities**

##### *General*

Assets and liabilities in foreign currencies are valued at the closing rate at the balance sheet date. Transactions in foreign currencies are translated at the exchange rates on the transaction date.

##### *Tangible fixed assets*

Valuation of tangible fixed assets are based on the cost less straight-line depreciation. Depreciation is based on the expected useful life of the asset and is expressed as a percentage of cost, for the office assets the percentage is 20%.

##### *Financial fixed assets*

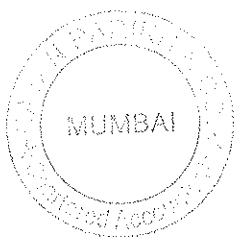
The fiscal losses have been valued at the nominal tax rate of 20% and recognized as a deferred tax asset.

##### *Inventory*

The floating stock is valued at acquisition prices or lower net realizable value. The tank stock is valued at the lower of acquisition cost and net realizable value with cost being determined by weighted average method. acquisition cost include import duties, clearance fees, costs of logistics and handling costs. Stock is reduced by a provision for obsolescence to reflect diminution in value. This lower net realizable value is determined by individual assessment of the stock.

##### *Short-term receivables*

All receivables have, as well as last year, an agreed maturity of less than one year. The accounts receivable are stated at nominal value of the outstanding receivables.





## Principles of determination of the result

### *General*

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Profit or loss is determined taking into account the recognition of unrealised changes in fair value of: derivative financial instruments not designated as hedging instruments.

### *Revenue recognition*

Net turnover comprises the income from the supply of goods after deduction of discounts and such like and of taxes levied on the turnover.

### *Sales of goods*

Revenues from the goods supplied are recognised when all significant risks and rewards in respect of the goods have been transferred to the buyer.

### *Cost of sales*

The cost of sales consists of the cost of goods sold and delivered.

### *Financial instruments and risk management*

#### *Currency Risk*

There are no derivative financial instruments for trading purposes. Laxmi Organic Industries (Europe) B.V. withdraw dollars from the credit line and open positions do not exist anymore.

#### *Interest rate risks*

Interest rate risks are a risk arising from financial instruments in place. The present interest rate risks are at all-time lows and future increases will bear its effect on the present finance arrangements. These risks are not hedged.

#### *Credit risks*

To limit the extent of the credit risk a credit insurance is in place. Each and every sale is applicable to an approval procedure prior execution. These procedures are implemented in the ERP system. No claims has been issued during this year.

#### *Liquidity and cash flow risks*

The available cash is placed with a bank with at least an A rating. The company monitors each component of its liquidity risk on a shortage of cash and cash equivalents, taking into account operating cash flows.

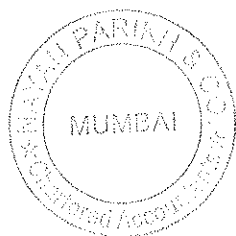
#### *Cash flow*

The cash flow statement has been prepared using the indirect method. The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments. Transactions that do not result in exchange of cash equivalents are not presented in the cash flow statement.



Laxmi Organic Industries Europe B.V.

Notes to the financial report	April 1 - March 31, 2020	April 1 - March 31, 2019
	INR	INR
<b>TANGIBLE FIXED ASSETS (1)</b>		
<b>Office Assets</b>		
Purchase price	472,638	1,684,510
Accumulated depreciation	(135,621)	(1,163,360)
	<u>337,017</u>	<u>521,150</u>
<b>FINANCIAL FIXED ASSETS (2)</b>		
<b>Guarantees</b>		
Guarantee rental obligation	673,286	770,963
The guarantee rental obligation relates on to the rental of the office building in Leiden.		
<b>Differed tax asset</b>		
Deferred tax asset	12,596,277	-
<b>INVENTORY (3)</b>		
<b>Inventory</b>		
Tank stock	66,072,089	228,410,245
Floating stock	22,845,311	152,144,563
	<u>88,917,399</u>	<u>380,554,808</u>
<b>SHORT TERM RECEIVABLES (4)</b>		
<b>Debtors</b>		
Debtors	271,258,907	391,904,176
Dubious debtors	-	-
	<u>271,258,907</u>	<u>391,904,176</u>



Laxmi Organic Industries Europe B.V.

Notes to the financial report	April 1 - March 31, 2020	April 1 - March 31, 2019
	INR	INR
VAT		
VAT NL	-	770,730
VAT IT	34,217	-
VAT BE	5,744,652	-
	<u>5,778,868</u>	<u>770,730</u>
<b>Prepayments and accrued income</b>		
Prepayments and accrued income	2,014,046	1,719,787
<b>CASH (5)</b>		
Cash		
Cash	2,990	2,797
ING	16,955,405	12,834,727
	<u>16,958,395</u>	<u>12,837,524</u>



Laxmi Organic Industries Europe B.V.

Notes to the financial report April 1 - March 31, 2020 April 1 - March 31, 2019

INR

INR

**EQUITY (6)**

<b>Share Capital</b>	149,220,160	149,220,160
Share Capital		

The share capital amounts INR 14,92,20,160 ,- divided into 900 shares each of € 100,- and 1 preferred share of € 2,000,000. 180 shares and the preferred share are issued and fully paid. The preferred share need to be sold or revoked to the company before or at the latest on August 28, 2022.

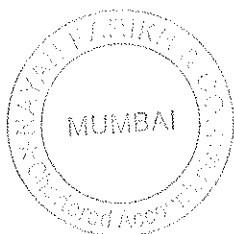
<b>Other reserves</b>		
Retained earnings	17,534,379	8,648,807
Result	(50,862,563)	8,885,572
	<u>(33,328,184)</u>	<u>17,534,379</u>

**SHORT-TERM LIABILITIES (7)**

<b>Amounts owed to credit institutions</b>		
Credit line ING	159,679,654	257,678,719

<b>Payables to group companies</b>		
Laxmi Organic Industries Limited	1,283,455	305,403,300

The current account from Laxmi Organic Industries Limited concerns incoming and outgoing invoices regarding Laxmi Organic Industries Limited. Interest is not being calculated with respect to this current- account.



Laxmi Organic Industries Europe B.V.

Notes to the financial report	April 1 - March 31, 2020	April 1 - March 31, 2019
	INR	INR
<b>Trade creditors</b>		
Creditors	99,342,002	40,312,549
<b>Taxes and social premiums</b>		
Corporate taxes	-	2,255,001
VAT NL	2,156,809	-
VAT BE	-	220,286
Payroll taxes	780,255	1,043,621
	<u>2,937,063</u>	<u>3,518,909</u>
<b>Other liabilities and accrued expenses</b>		
Received in advance	-	2,901,019
Provision expected costs	-	-
Holiday allowance	1,498,969	3,932,441
	<u>1,498,969</u>	<u>6,833,460</u>

**TAX POSITION (8)**

**Taxation**

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial report and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realization is likely.

Calculating taxable amount

Result before taxes	(62,814,238)
Non-deductible expenses	364,056
Taxable amount	<u>(62,450,182)</u>

Laxmi Organic Industries Europe B.V.

Commitments not shown in the balance sheet

**Office rent**

Annual lease obligation, entered into with third parties in respect of housing, has a value of Rs. 51,09,236 in total.

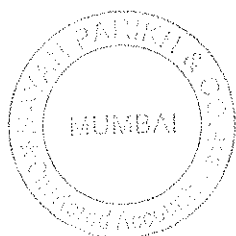
This agreement is valid until August 8th 2021 with a notice of twelve months. Without notice, the agreement will be automatically extended for three years.

The rent obligation < 1 year amounts to Rs. 38,31,927, the rent obligation > 1 year < 5 years amounts to Rs. 12,77,309.

**Car lease**

Annual lease obligations entered into with third parties in respect of cars are Rs. 27,11,084 in total. The lease agreements have various expiry dates.


The lease obligation < 1 year amounts to Rs. 12,26,898, the lease obligation > 1 year < 5 years amounts to Rs 14,85,187



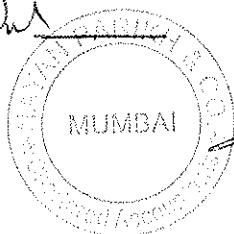
Laxmi Organic Industries (Europe) B.V.

Notes on the profit and loss accounts	April 1 - March 31, 2020	April 1 - March 31, 2019
	INR	INR
<b>Net turnover (9)</b>		
The net turnover for the financial year 2019/2020 has increased by 8% compared to the financial year 2018/2019. The net turnover for the financial year 2019/2020 is divided into 12.5% NL and 87.5% EU.		
<b>Wages and salaries (10)</b>		
Salaries	25,805,739	28,465,338
<b>Social security and pension charges (11)</b>		
Social expenses	4,218,400	4,613,895
<b>Depreciation (12)</b>		
Depreciation office assets	208,741	515,505
<b>Other operating expenses (13)</b>		
Other personnel costs	2,798,503	682,617
Accommodation expenses	4,204,847	4,097,916
Car lease, insurance and related costs	2,409,310	3,080,363
General administrative expenses	7,219,420	6,705,522
Sales expenses	2,513,720	2,030,117
	<u>19,145,800</u>	<u>16,596,535</u>
<b>Interest expenses (14)</b>		
Bank costs	1,639,198	1,603,512
Bank interest	3,280,759	3,605,922
Interest Laxmi Organic Industries Ltd	-	92,462
Sundry balances	867	(332,719)
Exchange differences	(1,628,008)	(158,087)
	<u>3,292,816</u>	<u>4,811,089</u>


For Nayan Parikh & Co  
Chartered Accountants  
Firm Registration No. 107023W

  
K N Padmanabhan  
Partner  
M. No. 36410

Place: Mumbai  
Date: 8/12/2020



For Laxmi Organic Industries (Europe) B.V.

  
R.V. Goenka  
Director  
DIN-00059267

Place: Mumbai  
Date: 8/12/2020