AN INDIAN LISTED COMPANY (IDENTITY MASKED)

# Public Sample: Observations on the Annual Reports

A real review of FY 2025-26 and FY 2024-25 of an Indian listed specialty-chemicals manufacturer, masked for publication

*9 observations reproduced from a real review of the two most recent Annual Reports of an Indian listed specialty-chemicals manufacturer, as written for its Board. Page numbers, quotations, small ratios and the law are real; the company, every individual, places, products, dates and every distinctive amount are masked. Three observations of the earlier sample are not reproduced because their point rests entirely on figures that are masked here.*

Every page extract is taken from the real annual report, masked in the same way as the text, and carries the line 'Public sample: real annual report; identity, dates and distinctive amounts masked'.

**9**
observations, from a review that raised 168

**2**
priority matters for the Board

**31**
masked page extracts, words highlighted

**23**
provisions of law quoted word for word

READ BEFORE THE OBSERVATIONS

# Status of this document and declarations

### 1. What this document is

AI-assisted observations, reviewed by professionals under the Pramanex review standard. It is not an audit or a review of financial statements under the Standards on Auditing or the Standards on Review Engagements, not a secretarial audit, and not a certificate under the Companies Act 2013 or the SEBI regulations. It is not legal, tax, accounting or investment advice, and not a recommendation to buy, sell or hold any security or an opinion on any company's value.

### 2. Scope and its limits

It reproduces selected observations on the two most recent published annual reports of one Indian listed company, as they stood on the review date. It is not exhaustive. A matter that is not raised is not thereby confirmed as compliant or free of error. Facts are taken from the sources cited and are not otherwise verified.

### 3. Findings and questions

A finding met the 99% review standard on the evidence cited. A question needs the company's own judgement or information. Neither is a determination by a regulator, an auditor or a court that any law has been breached.

### 4. Responsibility

The company and its directors remain responsible for the annual report, the financial statements and compliance with the law. Pramanex did not prepare, approve, sign or file them. Every decision on an observation, including to change nothing, is the company's.

### 5. Reliance

This is a public sample reproduced from a real review, masked for publication and provided for evaluation only. No one may rely on it for any purpose, and it says nothing about any identifiable company.

### 6. Liability

Provided free of charge and as is. Pramanex accepts no liability for any use of this sample, to the extent the law allows.

### 7. How AI was used

AI read the documents and proposed candidate observations with their page, extract and rule; a second pass argued the company's side; professionals reviewed every point before release. Nothing appears here without that review.

### 8. Date, law and issuer

This document speaks only as at its date and will not be updated. It is governed by the law of India; disputes are resolved by arbitration seated at Cuttack, Odisha. Issued by Pramanex, a service of Finversal Capital Services Private Limited (CIN U66190OD2025PTC049940), India.

COMPANY A LIMITED (IDENTITY MASKED)

# Observations on the Annual Reports

## FY 2025-26 and FY 2024-25

*Public sample: 9 observations from a real review, reproduced as written for the Board, with the identity, dates and distinctive amounts masked*

| Date | Public sample edition |
|---|---|
| Documents reviewed | The two most recent Annual Reports (FY 2025-26 and FY 2024-25) of an Indian listed specialty-chemicals manufacturer, every page |
| Checked against | The company's stock-exchange announcements and debt-segment filings for the period, the documents on its website, and the audited financial statements its subsidiary published |
| Law applied | Companies Act 2013 and Rules; Indian Accounting Standards (Ind AS); Schedule III Division II; CARO 2020; SEBI (LODR) Regulations, including the chapter on listed non-convertible securities; Companies (CSR Policy) Rules 2014; the SEBI BRSR Core framework |
| Observations | 9: 2 priority matters, 3 compliance and disclosure gaps, 2 presentation and drafting points, 2 matters for clarification |
| Basis | Public documents only. No information from the company's records was used. Matters in Part 4 are questions, not conclusions. |
| Identity | Masked to the public standard. Real annual reports, pages, quotations and law; the company, its group entities, every individual, places, products, dates and every distinctive amount are replaced by neutral labels in the text and on every page extract. |

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# 1. Executive summary

This is a public sample. It reproduces 9 of the 168 observations of a real review of the two most recent Annual Reports of an Indian listed specialty-chemicals manufacturer, as they were written for that company's Board. Everything that would let a reader identify the company has been masked: its name and every individual, its group entities, auditors, bankers, lenders and rating agency, its plants, places and product lines, every date other than the financial-year labels, and every amount that is distinctive (any figure of four or more significant digits and any amount of ten crore rupees or more; in headings and summaries, every rupee amount). Page numbers, quotations, small ratios and the law are real. The company is called Company A Limited throughout.

The sample shows the range of the method. Both priority matters are included. The first is a corporate guarantee for a subsidiary's borrowings, larger than the company's own net worth, that is reported in the Directors' Report and in the auditor's CARO annexure but not in the financial statements, where section 186(4), Ind AS 24 and Ind AS 107 require it. The second is a Board's Report that tells members the rating agency "reaffirmed" the ratings a week after the same agency downgraded them, which the company had itself reported to the stock exchanges.

Part 2 shows compliance gaps established from the company's own pages: a capital-work-in-progress ageing that drops a column and the amount with it (traced to the subsidiary's own audited ageing), an accounting policy on contingent assets that contradicts Ind AS 37 and the company's own treatment of an insurance claim in the same statements, and a CSR set-off table that carries forward excesses that had already lapsed. Part 3 shows drafting points: a mislabelled row in the statement of changes in equity, and a governance statement contradicted by its own attendance table. Part 4 shows how matters that only the company's records can settle are put as questions.

Three observations of the original twelve-observation sample are not reproduced in this public edition because their point rests entirely on figures that the public standard masks: a cash-flow statement and debt reconciliation that do not add, an earnings-per-share figure that does not reproduce, and a waste table whose totals do not reconcile. Every observation was challenged from management's side before it was kept, and observations whose substance was a breach or fine the company had itself disclosed are not used: a disclosed penalty is a fact, not a finding.

| Part | Number | Critical | High | Medium | Low | FY 2025-26 | FY 2024-25 | Both years |
|---|---|---|---|---|---|---|---|---|
| Priority Matters | 2 | 0 | 1 | 1 | 0 | 1 | 1 | 0 |
| Compliance and Disclosure Gaps | 3 | 0 | 0 | 1 | 2 | 1 | 1 | 1 |
| Presentation and Drafting Points | 2 | 0 | 0 | 0 | 2 | 0 | 1 | 1 |
| Matters for the Company's Clarification | 2 | 0 | 0 | 2 | 0 | 1 | 0 | 1 |
| Total | 9 | 0 | 1 | 4 | 4 | 3 | 3 | 3 |

## The matters that need attention first

| Ref | Matter | Penalty exposure |
|---|---|---|
| H-01 | In 2024-25 the company guaranteed [amount] of its [product line] subsidiary's bank loans and pledged 30% of its shares in that subsidiary, an exposure larger than the company's own net worth. The Directors' Report and the auditor's annexure mention it, but the audited financial statements themselves give no amount, lender, purpose or pledge. The Companies Act makes disclosure in the financial statements the condition for the exemption the company relied on, and accounting standards require the same detail in the related-party and risk notes. | Fine of ₹25,000 to ₹5,00,000 on the company (court fine on prosecution, not an adjudicated amount).; Imprisonment up to two years and fine of ₹25,000 to ₹1,00,000 for each officer in default; in practice regularisation through full disclosure, rather than prosecution, is the realistic outcome. |
| H-02 | The Board's Report, approved on [date], tells members that Rating Agency 1 'reaffirmed' the company's ratings 'reflecting continued confidence', and its credit-rating section stops at [date]. A week before approval Rating Agency 1 had downgraded every rating by one notch, citing the delayed [product line] project and the delayed insurance receipt, which raised the coupon on the listed debentures. The downgrade appears only as a passing reason for the coupon change, so shareholders and debenture holders get an out-of-date picture of the company's credit standing. | Discretionary, Rs 1 lakh up to Rs 1 crore, if SEBI held the 'continued confidence' statement to be misleading under Regulation 4(1)(c); because the downgrade was filed with both exchanges on [date] and is mentioned on p.75, an advisory or warning is the more likely outcome. |

| Ref | Matter | Penalty exposure |
|---|---|---|
| S-01 | The consolidated ageing table for capital work-in-progress leaves out the '2-3 years' column for FY 2025-26 year-end. Its three printed amounts add to [amount] against the [amount] total. The missing [amount] is the oldest spend on Subsidiary 1's Plant 1 (State A) project, so in the year the project's delay drove a rating downgrade, the audited note makes the project spend look younger than it is. | In principle a court fine of Rs 50,000 to Rs 5,00,000 (or imprisonment up to one year) on the MD, the CFO or the person charged by the Board; a presentation error of this kind is ordinarily corrected rather than prosecuted. |
| S-02 | The 2024-25 accounting policy says contingent assets are 'neither recognised nor disclosed', which is not what the accounting standard says and not what the company did: it recognised a [amount] insurance claim, 41% of its net worth, as virtually certain before the insurer's surveyor had reported. The policy does not state that test, the key-judgements note does not list the claim, and the further claims for lost profit and reinstatement are mentioned without any estimate of their amount. The 2025-26 policy has been corrected, which confirms the earlier wording was defective. | Fine of ₹50,000 to ₹5,00,000 (or imprisonment up to one year) on the MD, the CFO or the director charged with finance for the FY 2024-25 statements; as the policy has since been corrected, correction and disclosure rather than prosecution is the realistic outcome. |
| S-03 | The annual CSR report shows [amount] of past excess CSR spending as available to set off against future obligations. The rules allow an excess to be carried forward for only three years, so [amount] from 2020-21 and 2021-22 had already lapsed, and the 2025-26 excess is counted in a column meant for earlier years. The amount actually carried into 2026-27 is about [amount]; nothing was under-spent, but a prescribed statutory table is overstated. | Up to ₹3 lakh on the company and ₹50,000 on each officer in default if the CSR annexure to the Board's Report were held non-compliant; enforcement is unlikely because no set-off was ever used and the overstatement is ₹2.78 lakhs. |

# 2. Action plan

Every observation, grouped by when action is needed and by who should take it. The reference leads to the full observation in Parts 1–4.

## Immediate

| Ref | Observation | Action by | Priority |
|---|---|---|---|
| H-02 | The Board's Report, approved on [date], tells members that Rating Agency 1 'reaffirmed' the company's ratings 'reflecting continued confidence', and its credit-rating section stops at [date]. A week before approval Rating Agency 1 had downgraded every rating by one notch, citing the delayed [product line] project and the delayed insurance receipt, which raised the coupon on the listed debentures. The downgrade appears only as a passing reason for the coupon change, so shareholders and debenture holders get an out-of-date picture of the company's credit standing. | Board, CFO / finance, Company Secretary | Medium |

## Before the next results / filing

| Ref | Observation | Action by | Priority |
|---|---|---|---|
| S-01 | The consolidated ageing table for capital work-in-progress leaves out the '2-3 years' column for FY 2025-26 year-end. Its three printed amounts add to [amount] against the [amount] total. The missing [amount] is the oldest spend on Subsidiary 1's Plant 1 (State A) project, so in the year the project's delay drove a rating downgrade, the audited note makes the project spend look younger than it is. | CFO / finance, Audit Committee, Statutory auditor | Medium |

## In the FY 2026-27 financial statements and Annual Report

| Ref | Observation | Action by | Priority |
|---|---|---|---|
| H-01 | In 2024-25 the company guaranteed [amount] of its [product line] subsidiary's bank loans and pledged 30% of its shares in that subsidiary, an exposure larger than the company's own net worth. The Directors' Report and the auditor's annexure mention it, but the audited financial statements themselves give no amount, lender, purpose or pledge. The Companies Act makes disclosure in the financial statements the condition for the exemption the company relied on, and accounting standards require the same detail in the related-party and risk notes. | Board, Audit Committee, CFO / finance, Company Secretary | High |
| S-02 | The 2024-25 accounting policy says contingent assets are 'neither recognised nor disclosed', which is not what the accounting standard says and not what the company did: it recognised a [amount] insurance claim, 41% of its net worth, as virtually certain before the insurer's surveyor had reported. The policy does not state that test, the key-judgements note does not list the claim, and the further claims for lost profit and reinstatement are mentioned without any estimate of their amount. The 2025-26 policy has been corrected, which confirms the earlier wording was defective. | CFO / finance, Audit Committee, Statutory auditor | Low |
| S-03 | The annual CSR report shows [amount] of past excess CSR spending as available to set off against future obligations. The rules allow an excess to be carried forward for only three years, so [amount] from 2020-21 and 2021-22 had already lapsed, and the 2025-26 excess is counted in a column meant for earlier years. The amount actually carried into 2026-27 is about [amount]; nothing was under-spent, but a prescribed statutory table is overstated. | CFO / finance, Company Secretary, Board | Low |
| M-01 | In the standalone Statement of Changes in Equity, a row labelled 'Total Comprehensive Income' shows [amount], which is actually the opening reserves plus the year's movements before dividends; total comprehensive income for the year is [amount], as the profit and loss statement shows. The same mislabelling appears in the FY25 column. The closing balances are correct, but the label on an audited primary statement is wrong. | CFO / finance, Statutory auditor | Low |
| M-02 | The 2024-25 Corporate Governance Report says all directors attended the [number masked] AGM, but its own attendance table and the Nomination and Remuneration Committee section record that Director 8 (former Independent), a director and that committee's chairman on the AGM date, did not attend. The narrative sentence is therefore inconsistent with the table. The error is small, but it concerns the attendance of the committee chairman, whom the Companies Act expects to attend the general meeting. | Company Secretary | Low |

| Ref | Observation | Action by | Priority |
|---|---|---|---|
| Q-01 | [amount] was spent during the year on the Plant 1 (State A) new plant, a project taking well over a year to build, and the company's policy is to capitalise interest on such assets, yet the standalone statements disclose neither any interest capitalised nor a capitalisation rate, nor a statement that none was capitalised. Either a mandatory Ind AS 23 disclosure is missing, or interest that should have been capitalised (indicatively [amount]) was expensed. The company should confirm which, and say so in the notes. | CFO / finance, Audit Committee, Statutory auditor | Medium |
| Q-02 | The four assured sustainability intensities measured 'per kilogram of output' imply that the company's physical production rose four- to five-fold in FY26, in a year when revenue grew 11%, energy use almost halved and a major plant was out of action. The production figure used is not disclosed, and the FY25 and FY26 figures cannot both be right. Because these are BRSR Core figures covered by the Assurance Provider's assurance, the company should disclose the denominator, correct whichever year is wrong and ask the assurer to confirm its work. | CFO / finance, Company Secretary, Audit Committee | Medium |

# 3. Regulatory exposure

The penal provisions engaged by the observations, with the amounts they prescribe and the observations to which each relates. Amounts are the maxima or ranges prescribed by law; any actual levy depends on adjudication or on the stock exchanges' standard fine schedules. The exact wording of each provision is in Annexure A.

| Provision | Prescribed amount | Liable | Observations |
|---|---|---|---|
| Companies Act 2013, s.129(7) (financial statements; AS Rules 2021; Schedule III) | Imprisonment up to 1 year, or fine Rs 50,000-5,00,000, or both | MD, WTD in charge of finance, CFO, person charged by Board; failing them, all directors (not the company) | H-01, S-01, S-02, Q-01 |
| Companies Act 2013, s.186(13) (loans, guarantees, investments by company) | Company: fine Rs 25,000-5,00,000; every officer in default: imprisonment up to 2 years AND fine Rs 25,000-1,00,000 | company and every officer in default | H-01, H-01 |
| SEBI Act 1992, s.15HB (residual) | Rs 1,00,000 to Rs 1,00,00,000 | whoever fails to comply (company, directors, compliance officer, promoters) | H-02 |
| Companies Act 2013, s.134(8) (Board's report; Accounts Rules r.8) | Company: Rs 3,00,000; every officer in default: Rs 50,000 | company and every officer in default | S-03 |

# 4. Scope, approach and how to read this report

Basis. Public documents only: the two Annual Reports, the company's stock-exchange filings and its website. No information from the company's records was used. Matters in Part 4 are questions, not conclusions; matters marked "Interpretation" rest on a reading of the standard or regulation that the company may contest.

Masking. The company, its group entities, promoters, directors, key managerial personnel, auditors, registrar, debenture trustee, bankers, lender, assurance provider, rating agency, addresses, plants, codes, product lines, places, the stock exchanges and every document link are replaced by neutral labels in the text and on every page extract. Dates are shown as [date] (a financial year's closing or opening date appears as its financial-year label), calendar years as [year], and distinctive figures as [amount], in the text and on the page extracts alike. Masked words on the page extracts appear as a small grey label or a grey bar; logos are greyed out. Cross-references to observations of the full review that are not reproduced here read "another observation in the full review".

Penalty exposure. The amounts shown are those the law prescribes. Any actual levy depends on adjudication or on the stock exchange's standard fine schedule. They are not a prediction of action by any regulator.

## Layout of each observation

- **Heading** — reference, title, part, priority (Critical / High / Medium / Low), evidence status, the year concerned, the area, the pages, who should act and when.
- **In brief** — the matter in two or three sentences.
- **Where this appears** — the Annual Report page (or filing) with the relevant words highlighted.
- **Observation and workings** — what the documents show, why it departs from the requirement, and the figures recomputed.
- **Requirement** — the exact words of the provision, with its source.
- **Consequences and penalty exposure** — the practical consequence and the penal provision engaged, with the amount and who is liable.
- **Recommended action and suggested wording** — the correction and, where useful, replacement text.
- **Information requested / what would change it** — for matters in Part 4, what would settle the question; for the rest, what evidence would alter the conclusion.
- **Source references** — each statement tied to the document that proves it, with the exact words; "verified" means the words were found by machine in the stored copy of the document.

## Evidence status

| Status | Meaning |
|---|---|
| Established | Established from the company's own documents; the requirement is clear. |
| Interpretation | Established from the documents; the conclusion rests on a reading of the standard or regulation. |
| For Confirmation | Raised as a question; the company's records will settle it. |

## Page references

Page numbers are the printed page numbers of the Annual Report (in both reports the PDF page is the printed page plus four). "p. 36" on its own means page 36 of the Annual Report 2025-26; pages of the Annual Report 2024-25 are always named as such. Stock-exchange filings are cited by their date and subject, with the page of that filing.

# Index of observations

| Ref | Observation | Year | Priority | Status |
|---|---|---|---|---|
| H-01 | The [amount] corporate guarantee given in FY25 for Subsidiary 1's borrowings (1.2 times the company's net worth) and the pledge of 30% of its Subsidiary 1 shares are reported in the Directors' Report and the auditor's CARO annexure, but the FY25 standalone financial statements give neither: Note 39 says only that guarantees exist, with no amount, and the related-party balances, s.186 particulars and risk notes omit them (s.186(4); Ind AS 24 para 18(b)(ii); Ind AS 107 B10(c), B11C(c)) | FY 2024-25 | High | Established |
| H-02 | The Board's Report, approved on [date], tells members that Rating Agency 1 'reaffirmed' the ratings 'reflecting continued confidence' and tabulates only the [date] and [date] rating actions; it does not report Rating Agency 1's downgrade of [date] (long-term A/Negative to A-/Negative, short-term A1 to A2+, the [amount] non-convertible debentures to A-/Negative, Subsidiary 1 to BBB+/Negative), which it mentions only obliquely as the reason for the NCD coupon step-up | FY 2025-26 | Medium | Interpretation |
| S-01 | The consolidated CWIP ageing schedule (Note 5(a)) has no '2-3 years' column for FY 2025-26 year-end, and its three printed amounts ([amount] + 0.11) add to [amount], not the [amount] total: [amount] of capital work-in-progress - the amount Subsidiary 1's own audited statements age at two to three years - has dropped out of the ageing | FY 2025-26 | Medium | Established |
| S-02 | The FY25 accounting policy says contingent assets are 'neither recognised nor disclosed', contrary to Ind AS 37 para 34 and to the company's own Note 30, and states neither the 'virtually certain' test of para 33 under which the [amount] insurance claim was recognised; Note 30 mentions the unrecognised business-interruption and reinstatement claims but gives no estimate of their financial effect (para 89), and the key-estimates note does not list the claim | FY 2024-25 | Low | Established |
| S-03 | The CSR set-off table (item 5) shows [amount] 'available for set-off from preceding financial years', but Rule 7(3) allows an excess to be carried only to the three immediately succeeding financial years: the FY 2020-21 and FY 2021-22 excesses ([amount]) had lapsed before FY26, and the FY 2025-26 row ([amount]) is the current year's excess, not a preceding year's; the amount actually carried into FY27 is [amount] | FY 2024-25 and FY 2025-26 | Low | Established |
| M-01 | In the Statement of Changes in Equity the row labelled 'Total Comprehensive Income' shows [amount] (FY25 [amount]), which is the opening balance plus all movements before dividends; total comprehensive income for the year is [amount] ([amount]) as the Statement of Profit and Loss states | FY 2024-25 and FY 2025-26 | Low | Established |
| M-02 | The Corporate Governance Report states that 'All the Directors of the Company were present at the [number masked] AGM', but its own attendance table marks Director 8 (former Independent) (a director until [date], and the Nomination and Remuneration Committee (NRC) chairman) 'No' for the AGM of [date], and the NRC section says he did not attend | FY 2024-25 | Low | Established |
| Q-01 | [amount] was spent on the Plant 1 (State A) new plant during the year and [amount] of finance cost was expensed, yet the standalone statements disclose no borrowing cost capitalised and no capitalisation rate (Ind AS 23 para 26), although the stated policy is to capitalise and the Group capitalised [amount] at Subsidiary 1 | FY 2025-26 | Medium | For Confirmation |
| Q-02 | The four assured 'intensity in terms of physical output' figures imply that production in kilograms rose four- to five-fold in FY26 (from about [amount] kg to about [amount] kg) while energy fell 47% and revenue rose 11%; the production denominator is not disclosed and the FY25 and FY26 figures cannot both be right | FY 2024-25 and FY 2025-26 | Medium | For Confirmation |

# Part 1 — Priority Matters

Matters that affect the reliability of the financial statements or of disclosures to the stock exchanges, shareholders and debenture holders, and that carry regulatory exposure. They call for the Board's attention first. (2 observations)

PRIORITY | HIGH | ESTABLISHED

## H-01 The [amount] corporate guarantee given in FY25 for Subsidiary 1's borrowings (1.2 times the company's net worth) and the pledge of 30% of its Subsidiary 1 shares are reported in the Directors' Report and the auditor's CARO annexure, but the FY25 standalone financial statements give neither: Note 39 says only that guarantees exist, with no amount, and the related-party balances, s.186 particulars and risk notes omit them (s.186(4); Ind AS 24 para 18(b)(ii); Ind AS 107 B10(c), B11C(c))

| | |
|---|---|
| **Year** | FY 2024-25 |
| **Area** | Standalone notes 6, 34, 39 and 41 (p.201, 219, 224, 226-227); CARO 2020 clause 3(iii); Directors' Report para 23 - Companies Act 2013 s.186(3) second proviso and s.186(4); Ind AS 24 para 18; Ind AS 107 paras 35K, 39, B10(c), B11C(c) |
| **Pages** | Annual Report 2025-26: page 297; Annual Report 2024-25: pages 48, 219, 224 |
| **Action by** | Board, Audit Committee, CFO / finance, Company Secretary |
| **Timing** | In the FY 2026-27 financial statements and Annual Report |

**In brief.** In 2024-25 the company guaranteed [amount] of its [product line] subsidiary's bank loans and pledged 30% of its shares in that subsidiary, an exposure larger than the company's own net worth. The Directors' Report and the auditor's annexure mention it, but the audited financial statements themselves give no amount, lender, purpose or pledge. The Companies Act makes disclosure in the financial statements the condition for the exemption the company relied on, and accounting standards require the same detail in the related-party and risk notes.

### Where this appears

the wholly owned subsidiary of the Company [country] The details with respect to the same can be accessed at [website masked] [document link masked]

The Board of Directors of the Company had in its meeting held on [date] approved investment in Company A Limited upto an amount of [cur.] [amount] by way of subscribing to the equity shares as may be issued, offered and allotted by Sub. 3 and accordingly [amount] Equity

availed by Sub. 4 the details of which is available at [document link masked] [document link masked] and [website masked] [document link masked] respectively. Against the limits approved by the Board, the Company has granted a corporate guarantee of ₹ Crore in connection with the facilities to Sub. 1 Further no Guarantee was granted in connection with the facilities to Sub. 4 during the year under review.

The Company holds investment in its Joint Venture

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 48 — Directors' Report: [amount] guarantee granted to Subsidiary 1 in FY25*

**Note : 34. Contingent Liabilities**

| Particulars | For the year Ended FY25 end | For the year Ended FY24 end |
|---|---|---|
| Disputed Income-tax liabilities | 0.03 | 0.06 |
| Disputed Sales Tax /GST Liabilities | [amount] | - |
| Letter of Credit and Bank Guarantee | [amount] | 8.37 |
| Bills Discounted | - | [amount] |
| Total | [amount] | [amount] |

STATUTORY REPORTS

**Note : 35. Capital and other commitments**

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 219 — Note 34 contingent liabilities: no guarantee line*

# Accompanying notes to Standalone financial statements

**for the year ended** FY25 end

(₹ in Crore unless otherwise stated)

The company has given bank guarantees against the loans and credit facilities of subsidiaries. These amounts will be payable on default by the concerned entity. As of the reporting date, the subsidiary have not defaulted and hence, the company does not have any present obligation to third parties in relation to such guarantees.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 224 — Note 39: guarantees mentioned, no amount*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 9 | **Application money paid pending allotment of Compulsory convertible debentures** | | | | | | | | |
| | Subsidiary 1 | 3.50 | - | - | - | - | - | - | - |
| 10 | **Corporate Guarantee Given** | | | | | | | | |
| | Subsidiary 1 | [amount] | | - | - | - | - | - | - |
| 11 | **Remuneration and commission Payable** | | | | | | | | |
| | Remuneration to | - | - | - | - | 0.77 | - | - | - |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 297 — Annual Report 2025-26 adds the FY25 comparative of [amount] to the related-party note*

### Observation

In FY25 the company guaranteed the bank facilities of its wholly-owned subsidiary Subsidiary 1 (Subsidiary 1) for [amount], under a Board approval of [date] for up to [amount], and pledged 30% of its Subsidiary 1 shares to Subsidiary 1's lender. The Directors' Report and the auditor's CARO table (p.175: guarantees to subsidiaries 'granted during the year' and 'outstanding' [amount]) both say so. The financial statements do not.

What the notes contain: Note 6 carries a 'Corporate guarantee commission' of Rs 0.26 Cr inside the investment in Subsidiary 1, and Note 41 lists 'Corporate Guarantee Fees 0.26' as a transaction. That is the Ind AS 109 accounting for the guarantee (its initial fair value treated as a deemed capital contribution to the subsidiary), which shows the company knew it had issued a financial guarantee. But the guarantee itself (amount, beneficiary, lender, purpose, tenure) is not given anywhere: not in the related-party outstanding balances (Note 41(B), p.227), which list every receivable, payable, ICD and investment with Subsidiary 1 but no guarantee; not in Note 34 contingent liabilities ([amount] in total, of which LC and bank guarantees [amount]); and not in Note 39, which says only that 'bank guarantees' were given for subsidiaries' facilities and 'will be payable on default', with no amount and no entry in the maturity table. The pledge of Subsidiary 1 shares is mentioned only in the Directors' Report.

Three separate requirements are missed:

(1) Companies Act s.186. The company's aggregate guarantees, investments and loans to bodies corporate at FY 2024-25 year-end were about [amount] against a s.186(2) limit of about [amount] (100% of free reserves and securities premium), so a special resolution under s.186(3) would have been needed but for the first proviso exempting guarantees and loans to a wholly-owned subsidiary. The Directors' Report expressly relies on that proviso. The second proviso makes the exemption conditional: 'the company shall disclose the details of such loans or guarantee or security ... in the financial statement as provided under sub-section (4)'. Section 186(4) requires 'full particulars' and the purpose. The financial statement (s.2(40): balance sheet, profit and loss, cash flow, changes in equity and notes) gives the ICD's purpose (Note 7.1) and the investments (Note 6) but nothing on the guarantee or the pledge. The Directors' Report itself says the s.186 particulars 'are detailed in Notes to the standalone financial statements' and lists only 'loans, ICDs and investments'; the Board's report is not part of the financial statement.

(2) Ind AS 24 para 18(b)(ii) requires 'details of any guarantees given' with related-party balances. The FY26 statements add 'Corporate Guarantee Given ... [amount]' as the FY25 comparative and a new s.186/Reg 34(3) table with the FY25 figure, which shows the company itself regards the item as a required related-party disclosure that was missing from the FY25 statements as audited.

(3) Ind AS 107 (the same omission is raised for FY26, with this FY25 instance, in another observation in the full review, which covers both years; it is summarised here only because it completes the picture of a guarantee absent from every part of the FY25 statements). A financial guarantee is a credit exposure equal to 'the maximum amount the entity could have to pay if the guarantee is called on' (B10(c)), and in the liquidity maturity analysis 'the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called' (B11C(c)). The FY25 maturity table totals [amount] of liabilities and omits a [amount] guarantee callable on demand, so the company's own liquidity disclosure understates its maximum contractual exposure by more than half.

On the documents available, Subsidiary 1 was a start-up [product line] company building its first plants and funded by the parent's compulsorily convertible debentures and inter-corporate deposits, and it does not appear that its own revenue could service a [amount] facility. The guarantee therefore does not appear to be a remote, formal exposure; it is the single largest commitment of the company at the year end, larger than its net worth ([amount]).

### Workings

| s.186(2) limit and usage at FY 2024-25 year-end | Rs Cr | Source |
|---|---|---|
| Paid-up equity capital | [amount] | Balance sheet p.180 |
| Free reserves: general reserve 3.76 + retained earnings [amount] | [amount] | Note 15 p.206 |
| Securities premium | [amount] | Note 15 p.206 |
| Limit (a): 60% of ([amount]) | [amount] | computed |
| Limit (b): 100% of ([amount]) | [amount] | computed |
| Applicable limit (higher) | [amount] | s.186(2) |
| Guarantee to Subsidiary 1 | [amount] | CARO 3(iii) p.175; Directors' Report p.48 |
| Investments in Subsidiary 1, Subsidiary 3 (overseas) and Partnership Firm 1 (JV) (Note 6) | [amount] | p.201 |
| ICD to Subsidiary 1 | [amount] | Note 7 p.202 |
| Aggregate (guarantee + investments + ICD) | [amount] | computed |
| Aggregate as % of limit | [percentage] | [amount] |
| Guarantee as multiple of total equity ([amount]) | 1.24x | [amount] |
| Liabilities in Note 39 maturity table (borrowings [amount] + trade payables [amount] + leases [amount] + other [amount]) | [amount] | p.224 (read from image); B11C(c) would add [amount] in another section of this review |

### Requirement

**Companies Act 2013, s.186(3), first and second provisos**

Provided that where a loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company ... the requirement of this sub-section shall not apply: Provided further that the company shall disclose the details of such loans or guarantee or security or acquisition in the financial statement as provided under sub-section (4).

Source: Companies Act, 2013

**Companies Act 2013, s.186(4)**

The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient

Source: Companies Act, 2013

**Ind AS 24, para 18(b)(ii)**

(ii) details of any guarantees given or received;

Source: Indian Accounting Standard (Ind AS) 24

**Ind AS 107, para B10(c)**

granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability.

Source: Indian Accounting Standard (Ind AS) 107

**Ind AS 107, para B11C(c)**

for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Source: Indian Accounting Standard (Ind AS) 107

**Companies Act 2013, s.186(13)**

If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees

Source: Companies Act, 2013

### Consequences and penalty exposure

Section 186(4), and the second proviso to s.186(3) on which the company relies for not passing a special resolution, require the particulars of a guarantee or security given to a wholly-owned subsidiary to be disclosed 'in the financial statement'; the FY25 financial statements do not contain them, which is a contravention of s.186 punishable under s.186(13) (company: fine of Rs 25,000 to Rs 5 lakh; every officer in default: up to two years' imprisonment and fine of Rs 25,000 to Rs 1 lakh). Whether the missing disclosure also defeats the exemption itself is arguable (the proviso is framed as a separate obligation), so we do not rest the point on that. Readers of the audited FY25 statements alone - including investors in the non-convertible debentures (NCDs) issued in [date] - would not learn the amount of the company's largest exposure from the notes; they would find it only in the Directors' Report and the CARO annexure.

**Companies Act 2013, s.186(13) (loans, guarantees, investments by company)**

“(13) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.”

| | |
|---|---|
| **Who is liable** | company |
| **Exposure for this matter** | Fine of ₹25,000 to ₹5,00,000 on the company (court fine on prosecution, not an adjudicated amount). |
| **Why it is engaged** | Section 186(4), and the second proviso to s.186(3) on which the company relied for the subsidiary exemption, require the particulars of the guarantee and security to be disclosed in the financial statement, and the FY 2024-25 statements do not contain them. |
| **Nature** | fine/imprisonment (court prosecution) - not decriminalised; officer limb is imprisonment AND fine, so not compoundable under s.441(6)(a) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

**Companies Act 2013, s.186(13) (loans, guarantees, investments by company)**

"(13) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees."

| | |
|---|---|
| **Who is liable** | officers in default |
| **Exposure for this matter** | Imprisonment up to two years and fine of ₹25,000 to ₹1,00,000 for each officer in default; in practice regularisation through full disclosure, rather than prosecution, is the realistic outcome. |
| **Why it is engaged** | The same contravention of s.186(4) attaches to every officer in default. |
| **Nature** | fine/imprisonment (court prosecution) - not decriminalised; officer limb is imprisonment AND fine, so not compoundable under s.441(6)(a) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

**Companies Act 2013, s.129(7) (financial statements; AS Rules 2021; Schedule III)**

"(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board ... and in the absence of [them], all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

| | |
|---|---|
| **Who is liable** | MD/CFO |
| **Exposure for this matter** | Fine of ₹50,000 to ₹5,00,000 (or imprisonment up to one year) on the MD, the CFO or the director charged with finance for the FY 2024-25 statements; correction in the next statements is the realistic outcome. |
| **Why it is engaged** | Section 129(1) requires compliance with Ind AS, and Ind AS 24 para 18(b)(ii) and Ind AS 107 paras B10(c)/B11C(c) require the guarantee's details and maximum amount to be disclosed. |
| **Nature** | fine/imprisonment (court prosecution) - NOT decriminalised by [year] or [year] Amendment Acts; compoundable under s.441 (imprisonment OR fine) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) and Companies (Amendment) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

### Recommended action

- In the FY26 statements (already partly done in Annual Report 2025-26 Note 44(IV)), state for FY25 and FY26: the guarantee amount, beneficiary lender, the facilities secured, purpose and tenure; the pledge of Subsidiary 1 shares (number, percentage, lender); and the Board/shareholder approvals relied on.
- Add the guarantee to the Ind AS 107 credit-risk disclosure (maximum exposure) and to the liquidity maturity table in another section of this review, and disclose the ECL assessment of the guarantee.
- Board and Audit Committee to minute that the s.186(3) second-proviso condition was not met in the FY25 statements and take advice on regularisation (e.g. disclosure in the FY26 statements as a correction, or ratification by special resolution).
- Correct the Directors' Report statement that s.186 particulars 'are detailed in Notes' so that it covers guarantees and securities and cites the note.

### Suggested wording

Note 41(C) Guarantees and security given on behalf of related parties: The Company has given a corporate guarantee of [amount] (FY 2023-24 year-end: Nil) to [lender] for term loan and working-capital facilities sanctioned to Subsidiary 1, its wholly owned subsidiary, for setting up its [product line] plants at Plant 1 (State A) and Site 2 (State A), and has pledged [number] equity shares (30% of its holding) of Subsidiary 1 held by it in favour of the same lender. The guarantee is given under the first proviso to section 186(3) of the Companies Act, 2013 and the particulars are disclosed under section 186(4). The fair value of the guarantee at inception (Rs 0.26 Crore) has been recognised as an investment in the subsidiary.

### What would settle or change this observation

The guarantee deed(s) (lender, facilities, date, tenure); the facility amounts actually drawn by Subsidiary 1 at FY 2024-25 year-end; the valuation supporting the Rs 0.26 Cr fair value of a [amount] guarantee (0.026% of the guaranteed amount); the number of Subsidiary 1 shares pledged and the date.

A note in the FY25 standalone statements stating the guarantee amount and purpose (none found: searched Annual Report 2024-25 for '[amount]', 'corporate guarantee', 'financial guarantee', 'pledge'; hits only at p.47-48, 57, 59 (Directors' Report and MR-3), 179 (CARO), 205/231 (commission 0.26) and the consolidated section).

### Evidence from the company's filings

ADDS EVIDENCE **Evidence from the company's stock-exchange filings and published documents — the filings add evidence for this matter**

- [date] board outcome (Annexure III): the company 'may issue a corporate guarantee ... upto an omnibus limit of [amount]' for Subsidiary 1, to be 'provided by the Company on an arm's length basis', and item 4 approves the 'Pledge of Equity shares of WOS- Subsidiary 1 held by Company A Limited against the credit facilities'. The exposure the FY25 statements leave out was therefore approved and announced at the very start of FY25.
- [date] board outcome (the meeting that approved Annual Report 2024-25's Directors' Report): a further guarantee for Subsidiary 1 'up to [amount]' - the exposure was still growing when Annual Report 2024-25 was finalised.

| | | |
|---|---|---|
| | | with the applicable provisions of the Companies Act, and the SEBI Listing Regulations. |
| 3 | Brief details of such guarantee or indemnity or becoming a surety viz. brief details of agreement entered (if any) including significant terms and conditions, including amount of guarantee. | The Company may issue a corporate guarantee in favour of Lenders to secure the Loan Facility that may be availed by Subsidiary 1 upto an omnibus limit of Rs. [amount] crores, in one or more tranches. |
| 4 | Impact of such guarantees or indemnity or surety on listed entity. | The corporate guarantee provided is a contingent liability for the Company. This guarantee has been |

Public sample: real annual report; identity, dates and distinctive amounts masked

*stock-exchange filing of [date] (Board-meeting outcome), page 22 — [date]: guarantee limit*

4. Pledge of Equity shares of Subsidiary 1 held by Company A Limited against the credit facilities to be availed by Subsidiary 1

5. In principle approval for subscription of upto [amount] Compulsorily Convertible Debentures ("**CCDs**") with coupon rate of 0.01% p.a. of a face value of Rs. 10 each amounting to Rs.

Public sample: real annual report; identity, dates and distinctive amounts masked

*stock-exchange filing of [date] (Board-meeting outcome), page 2 — [date]: pledge*

### Source references

**Extracts from the Annual Report**

*Page 48: "Against the limits approved by the Board, the Company has granted a corporate guarantee of [amount] in connection with the facilities to Subsidiary 1.*

*Page 48: "Further the Company has pledged 30% of the equity shares held in Subsidiary 1 in favour of lending bank against the borrowings of Subsidiary 1.*

*Page 49: "the particulars of loans, ICDs and investments made by the Company under Section 186 of the Companies Act, 2013 are detailed in Notes to the standalone financial statements.*

*Page 224: "The company has given bank guarantees against the loans and credit facilities of subsidiaries. These amounts will be payable on default by the concerned entity.*

### *Page 227: "Corporate Guarantee Fees Subsidiary 1 0.26*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | Directors' Report: guarantee of [amount] granted to Subsidiary 1. | **Document**<br>Annual Report 2024-25, page 48, Directors' Report, Para 23 | *"Against the limits approved by the Board, the Company has granted a corporate guarantee of [amount] in connection with the facilities to Subsidiary 1." [verified]* |
| 2 | Directors' Report: 30% of Subsidiary 1 shares pledged to Subsidiary 1's lender. | **Document**<br>Annual Report 2024-25, page 48, Directors' Report, Para 23 | *"Further the Company has pledged 30% of the equity shares held in Subsidiary 1 in favour of lending bank against the borrowings of Subsidiary 1." [verified]* |
| 3 | Directors' Report relies on the first proviso to s.186(3). | **Document**<br>Annual Report 2024-25, page 48, Directors' Report, Para 23 | *"being exempted in terms of first provisions to section 186" [verified]* |
| 4 | Directors' Report says the s.186 particulars (loans, ICDs, investments) are in the notes. | **Document**<br>Annual Report 2024-25, page 49, Directors' Report, Para 23 | *"the particulars of loans, ICDs and investments made by the Company under Section 186 of the Companies Act, 2013 are detailed in Notes to the standalone financial statements." [verified]* |
| 5 | CARO 3(iii) table: guarantees to subsidiaries [amount] granted and outstanding (read from the page image; the text layer gives the header 'Guarantees' and the figure [amount]). | **Document**<br>Annual Report 2024-25, page 175, Independent Auditor's Report Annexure A (CARO 2020), Clause 3(iii)(a | *"Aggregate amount granted/ provided during the year - Subsidiaries [amount]" [verified]* |
| 6 | Note 6: guarantee commission 0.26 in investment in Subsidiary 1. | **Document**<br>Annual Report 2024-25, page 201, Standalone Note 6 | *"Corporate guarantee commission 0.26" [verified]* |
| 7 | Note 41: guarantee fee 0.26 as a transaction; outstanding-balance table lists receivables, payables, ICD, investments, no guarantee. | **Document**<br>Annual Report 2024-25, page 227, Standalone Note 41 | *"Corporate Guarantee Fees Subsidiary 1 0.26" [verified]* |
| 8 | Note 34 contingent liabilities: income tax 0.03, sales tax/GST [amount], LC and BG [amount], total [amount]; no corporate guarantee. | **Document**<br>Annual Report 2024-25, page 219, Standalone Note 34 | *"Letter of Credit and Bank Guarantee [amount] 8.37" [verified]* |
| 9 | Note 39: guarantees for subsidiaries mentioned with no amount. | **Document**<br>Annual Report 2024-25, page 224, Standalone Note 39 | *"The company has given bank guarantees against the loans and credit facilities of subsidiaries. These amounts will be payable on default by the concerned entity." [verified]* |
| 10 | Other equity components at FY 2024-25 year-end (general reserve 3.76, retained earnings [amount], securities premium [amount]). | **Document**<br>Annual Report 2024-25, page 206, Standalone Note 15 | *"Securities Premium [amount] [amount]" [verified]* |
| 11 | Annual Report 2025-26 adds 'Corporate Guarantee Given' to Subsidiary 1 with FY25 comparative [amount]. | **Document**<br>Annual Report 2025-26, page 297, Standalone Note 44 | *"Corporate Guarantee Given Subsidiary 1 [amount] [amount]" [verified]* |
| 12 | Annual Report 2025-26 adds a s.186 / Reg 34(3) disclosure table with FY25 comparatives. | **Document**<br>Annual Report 2025-26, page 297, Standalone Note 44(IV | *"Disclosures pursuant to regulation 34 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 186 of the Companies Act, 2013" [verified]* |
| 13 | s.186(3) provisos. | **Law**<br>Companies Act, 2013, s.186(3) | *"Provided further that the company shall disclose the details of such loans or guarantee or security or acquisition in the financial statement as provided under sub-section (4)." [verified]* |
| 14 | s.186(4). | **Law**<br>Companies Act, 2013, s.186(4) | *"The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided" [verified]* |
| 15 | Ind AS 24 para 18(b)(ii). | **Law**<br>Indian Accounting Standard (Ind AS) 24, para 18(b)(ii) | *"(ii) details of any guarantees given or received;" [verified]* |
| 16 | Ind AS 107 B10(c). | **Law**<br>Indian Accounting Standard (Ind AS) 107, para B10(c) | *"the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on" [verified]* |
| 17 | Ind AS 107 B11C(c). | **Law**<br>Indian Accounting Standard (Ind AS) 107, para B11C(c) | *"for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called." [verified]* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 18 | s.186(13) penalty. | **Law**<br>Companies Act, 2013, s.186(13) | *"If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees" [verified]* |
| 19 | Note 39 FY25 maturity table: borrowings [amount], trade and other payables [amount], lease liabilities [amount], other financial liabilities [amount] (read from the page image); no guarantee row. | **Document**<br>Annual Report 2024-25, page 224, Standalone Note 39 | *"The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments." [verified]* |
| 20 | Limit: 60% x ([amount] + 3.76 + [amount]) = [amount]; 100% x (3.76 + [amount]) = [amount]; usage [amount] = [percentage] of [amount]; [amount] = 1.24. Maturity table [amount]. | **Our computation**<br>[5], [6], [10], [19]; balance sheet p.180 | |
| 21 | Inference: the guarantee and the pledge are not disclosed in the FY25 standalone financial statements. Searched Annual Report 2024-25 for '[amount]', 'corporate guarantee', 'financial guarantee' (no hit), 'pledge' (p.48 and CARO p.176 only). Would be refuted by a note in p.180-230 giving the amount. The s.186(2) computation treats OCI (-0.97) as outside free reserves; including it changes the limit by less than Rs 1 Cr. | **Our inference**<br>Annual Report 2024-25 full-text search | |

PRIORITY MEDIUM INTERPRETATION

## H-02 The Board's Report, approved on [date], tells members that Rating Agency 1 'reaffirmed' the ratings 'reflecting continued confidence' and tabulates only the [date] and [date] rating actions; it does not report Rating Agency 1's downgrade of [date] (long-term A/Negative to A-/Negative, short-term A1 to A2+, the [amount] non-convertible debentures to A-/Negative, Subsidiary 1 to BBB+/Negative), which it mentions only obliquely as the reason for the NCD coupon step-up

| | |
|---|---|
| **Year** | FY 2025-26 |
| **Area** | Board's Report para 2E 'Operational Resilience', non-convertible debenture paragraph, para 37 'Credit Rating'; Corporate Governance Report item 20 - LODR Reg 4(1)(c); Schedule V para C(9)(q) |
| **Pages** | Annual Report 2025-26: pages 71, 75, 88, 162 |
| **Action by** | Board, CFO / finance, Company Secretary |
| **Timing** | Immediate |

**In brief.** The Board's Report, approved on [date], tells members that Rating Agency 1 'reaffirmed' the company's ratings 'reflecting continued confidence', and its credit-rating section stops at [date]. A week before approval Rating Agency 1 had downgraded every rating by one notch, citing the delayed [product line] project and the delayed insurance receipt, which raised the coupon on the listed debentures. The downgrade appears only as a passing reason for the coupon change, so shareholders and debenture holders get an out-of-date picture of the company's credit standing.

### Where this appears

[country] technology and over three decades of expertise in [product line] production.

- The project is expected to establish India's first [product line] compliant [product line] manufacturing platform.

C. Fund Raising and Capital Deployment:

- Successfully raised [amount] Crore through issuance of Non-Convertible Debentures to support ongoing growth projects and will also provide the necessary liquidity to expedite

- Continued expansion into pharmaceuticals, flavours & fragrances and other specialty chemical applications, reducing dependence on agrochemicals.
- reaffirmed the Company's credit ratings, reflecting continued confidence in its business fundamentals.

**Strategic Developments and Future Plans**

Company A remains well positioned to capitalize on long-term opportunities in both specialty chemicals

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 71 — Business developments for FY26: 'Rating Agency 1 reaffirmed' the ratings, 'reflecting continued confidence' - written after the [date] downgrade*

EDUCATION AND PROTECTION FUND

The Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore, there

Further details with respect to the same is available on the website of the Company at [website masked]

[document link masked]

**37. CREDIT RATING**

Rating Agency 1 carried out a review of credit facilities availed by the Company in the month of [date] and [date] [year] The details of the Credit Rating are as given hereunder:

| Sr. No. | Particulars | [date] | [date] |
|---|---|---|---|
| 1 | Date of Letter | [date masked] | [date masked] |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 88 — Para 37 Credit Rating: only the [date] and [date] rating letters are tabulated*

has been uploaded on the Company's website and can be accessed at [website masked]

[document link masked]

**Provision of Money by Company for Purchase of its Own Shares by Employees or by Trustees for the Benefit of Employees:**

During the period under review, there were no instances for the company to comply with the provisions of Section 67 of the Companies Act, 2013.

of Securities and can also be accessed on the website of [stock exchange] at [document link masked] [stock exchange]

Company A

[document link masked]

In [date] due to downgrade in credit rating by the coupon rate of the said NCDs has increased from [percent] p.a. to [percent] p.a. effective from [date masked] Further details with respect to the same can be accessed at [website masked]

[document link masked]

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 75 — The only reference to the [date] downgrade, as the cause of the coupon step-up; the new ratings and Rating Agency 1's reasons are not given*

**Rating Action:**

| COMPANY | INSTRUMENT/ FACILITY | EARLIER RATING | REVISED RATING ACTION | RATIONALE |
|---|---|---|---|---|
| | Total Bank Loan Facilities Rated | ₹ Crore | ₹ Crore | The downgrade is due to delay in [product line] project. Further rating also factors the delayed insurance claim receipt. |
| | Long Term Rating | RA 1 A/Negative | RA 1 A-/Negative | |
| | Short Term Rating | RA 1 A1 | RA 1 A2+ | |

Public sample: real annual report; identity, dates and distinctive amounts masked

*stock-exchange debt-segment filing of [date] (credit-rating intimation), page 1 — Company's own Reg 30/51/55 intimation of [date]: downgrade and its rationale*

advanced manufacturing plant. The [status] facility will have stronger safety systems and greater scalability to support both specialty chemicals and [product line]

The plant is expected to enhance long-term operational resilience and provide capacity flexibility. As the facility is set to commission in H1 F.Y. 2026-27, the Company has maintained business continuity through production at alternate sites and selective outsourcing, ensuring uninterrupted supply to customers and continuity of its specialty chemicals and Contract Development and Manufacturing Organisation (CDMO) operations.

ecosystems and global [product line] supply requirements. The Company completed [customer type] requirements and secured long-term commercial approval for [product line] from a major Indian [customer type] customer. Provisional approvals for [product line] were received in parallel from international customers, with final audits completed for multiple overseas [product line] makers and now awaiting final clearance for approvals which will help to transition from provisional to commercial-ready status by end of H1 F.Y. 2026-27.

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 162 — MD&A Key Development 5: Site 2 (State A) [product line] H1 FY27*

### Observation

The Board's Report is dated [date] and was approved at the Board meeting held that day (stock-exchange outcome of [date]). Seven days earlier, on [date], Rating Agency 1 downgraded the company: long-term bank facilities and the [amount] listed non-convertible debentures (NCDs) from Rating Agency 1 A/Negative to Rating Agency 1 A-/Negative, short-term facilities from Rating Agency 1 A1 to Rating Agency 1 A2+, and Subsidiary 1 from Rating Agency 1 A-/Negative to Rating Agency 1 BBB+/Negative. The company told both exchanges and the stock-exchange debt segment that 'The downgrade is due to delay in [product line] project. Further rating also factors the delayed insurance claim receipt.' Under the Key Information Document the NCD coupon rose from [percentage] to [percentage] from [date].

The Board's Report does three things with this. (1) In the list of the year's achievements under 'Operational Resilience' it says 'Rating Agency 1 reaffirmed the Company's credit ratings, reflecting continued confidence in its business fundamentals.' That describes Rating Agency 1's [date] action, which did reaffirm 'A' but moved the outlook from 'Watch Developing' to 'Negative' - a negative outlook is the opposite of 'continued confidence', and by the time the sentence was approved Rating Agency 1 had acted on that outlook. (2) Para 37 'Credit Rating' tabulates only the letters of [date] and [date]. The Corporate Governance Report (item 20, p.145) does not repeat the ratings but refers the reader to para 37. (3) The only reference to the [year] action is a subordinate clause in the NCD paragraph - 'due to downgrade in credit rating by Rating Agency 1' - which gives neither the new ratings nor Rating Agency 1's reasons. A full-text search of all pages finds no 'A-/Negative', 'A2+' or 'BBB+', and 'downgrade' once.

Schedule V para C(9)(q) asks for ratings and revisions 'during the relevant financial year', so the table is complete for FY 2025-26 and we do not say para C(9)(q) was breached. The problem is presentation. A report approved after the downgrade characterises the rating position as one of continued confidence, and the section headed 'Credit Rating' stops a year earlier, so a member or debenture holder reading the Annual Report would conclude the company is rated A with the A1 short-term rating intact. The two reasons Rating Agency 1 gave go to the two themes the report itself treats as central - the [product line] timetable (which the report still guides to H1/H2 FY 2026-27, in the Management Discussion and Analysis, discussed below) and the insurance recovery (the [amount] receivable, see other observations in the full review). Regulation 4(1)(c) requires information provided to investors not to be misleading, and the Board had the facts: the company itself had filed them on 18 and [date].

The same omission runs through the Management Discussion and Analysis (MD&A) - Outlook and Risks (Schedule V para B(1)(d), (e)). The MD&A forms part of the Board's Report dated [date]. Six days earlier, on [date], the company told both exchanges that Rating Agency 1 had downgraded its long-term rating from A/Negative to A-/Negative (short-term A1 to A2+; Subsidiary 1 to BBB+/Negative), with the stated rationale 'delay in [product line] project. Further rating also factors the delayed insurance claim receipt.' On [date] the company intimated that, under the Key Information Document, the coupon on the [amount] NCDs had stepped up from [percentage] to [percentage] from [date] because of the downgrade - an extra Rs 1 Cr a year of interest. The MD&A, whose consolidated discussion attributes the fall in PAT and EPS 'primarily' to higher finance costs, does not mention either event. Its outlook repeats the H1 FY 2026-27 commissioning dates for both the Plant 1 (State A) new plant ([plant unit]) and the Site 2 (State A) [product line] plant that were given in the [date] results, although the rating agency had by then concluded that the [product line] project was delayed. The Board's Report on p.71 goes further and says Rating Agency 1 'reaffirmed' the ratings (see above).

We do not assert that the H1 FY27 dates were unachievable when the report was approved - that is a fact only management holds, and the QIP placement document of [date] would show what was said to investors then. The question for the Board is narrower: a rating downgrade whose stated grounds go to the two central themes of the MD&A (project timing and the insurance recovery) occurred before the MD&A was approved, and an outlook that is 'positive' and 'medium-term' should either address it or explain why the agency's view is not shared. The cautionary statement disclaims forward-looking statements; it does not excuse silence about a known adverse fact.

### Workings

| Instrument | Rating shown in Annual Report 2025-26 para 37 ([date]) | Rating on [date] (Rating Agency 1 action [date]) | Change |
|---|---|---|---|
| Company A long-term bank facilities ([amount]) | Rating Agency 1 A/Negative | Rating Agency 1 A-/Negative | one notch down |
| Company A short-term bank facilities | Rating Agency 1 A1 | Rating Agency 1 A2+ | one notch down |
| Company A NCDs [amount] ([ISIN masked]) | Rating Agency 1 A/Negative | Rating Agency 1 A-/Negative | one notch down; coupon [percentage] to [percentage] from [date] |
| Subsidiary 1 long-term ([amount]) | not shown | Rating Agency 1 BBB+/Negative (from A-/Negative) | one notch down |
| Extra NCD interest a year | | [13] [amount] x ([percentage] - [percentage]) | Rs 1.00 Cr a year |

### Workings

| Date | Event | Source |
|---|---|---|
| [date] | FS and audit reports signed; results announced | p.232 |
| [date] | Coupon step-up effective ([percentage] to [percentage]) | stock-exchange filing [date] |
| [date] | Rating Agency 1 downgrade intimated: Company A A/Negative to A-/Negative; A1 to A2+; Subsidiary 1 A-/Negative to BBB+/Negative; rationale: delay in [product line] project and delayed insurance claim receipt | stock-exchange filing [date]; stock-exchange index [date] |
| [date] | Reg 51 intimation of coupon change | stock-exchange filing [date] |
| [date] | Board's Report incl. MD&A approved; outlook: Plant 1 (State A) [plant unit] and Site 2 (State A) [product line] in H1 FY27 | p.92, 162-163 |
| [date] | Annual Report filed | covering letter |
| [date] | Rating Agency 1 outlook revised to Stable after [amount] QIP | stock-exchange filing [date] |
| Cost of step-up | [amount] x 0.50% = Rs 1.00 Cr per year while outstanding | computed |

### Requirement

**SEBI (LODR) Regulations 2015, Regulation 4(1)(c) (principles governing disclosures)**

The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

Source: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date])

**SEBI (LODR) Regulations 2015, Schedule V para C(9)(q) (Corporate Governance Report)**

list of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity

Source: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date])

**SEBI (LODR) Regulations 2015, Schedule V para B(1)(d)-(e)**

(d) Outlook (e) Risks and concerns.

Source: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date])

**Companies Act 2013, s.134(3)(l)**

material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

Source: Companies Act, 2013

### Consequences and penalty exposure

Members voting at the [number masked] AGM and non-convertible debenture (NCD) holders were given a rating picture that was out of date by one notch on every instrument and a characterisation ('continued confidence') contradicted by the rating agency's action a week before the report was approved. The same document is the company's Chapter V annual report for its listed NCDs (Reg 53(2)), whose holders' coupon was stepped up because of the downgrade. The Regulation 4(1)(c) principle is engaged; exchanges review annual reports for such inconsistencies. The financial cost disclosed so far is Rs 1.00 Cr a year of extra NCD interest; any rating-linked pricing on the [amount] bank facilities would add to it (not disclosed).

**SEBI Act 1992, s.15HB (residual)**

"15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

| | |
|---|---|
| **Who is liable** | company |
| **Exposure for this matter** | Discretionary, Rs 1 lakh up to Rs 1 crore, if SEBI held the 'continued confidence' statement to be misleading under Regulation 4(1)(c); because the downgrade was filed with both exchanges on [date] and is mentioned on p.75, an advisory or warning is the more likely outcome. |
| **Why it is engaged** | An annual report approved after the downgrade describes the rating position as one of continued confidence and does not give the current ratings or Rating Agency 1's reasons. |
| **Nature** | SEBI adjudication penalty |

Source: SEBI Act 1992 as amended by Finance Act 2021 w.e.f. start of FY 2021-22 (latest consolidated text listed on sebi.gov.in Acts page): [link] (page [link]), read [date])

### Recommended action

- Issue an addendum to the Board's Report: add to para 37 a third column for the Rating Agency 1 action of [date] (ratings, outlook, Rating Agency 1's stated rationale, link to the [date] intimation) and state the consequence for the non-convertible debenture coupon.
- Replace the sentence on p.71 with a factual one (see draft text).
- In future reports, take the rating section to the date of the Board's Report, not the balance-sheet date, and have the CFO confirm before approval that no rating action has occurred since the year end.

### Suggested wording

Credit rating: In [date] Rating Agency 1 reaffirmed the Company's long-term rating at Rating Agency 1 A and short-term rating at Rating Agency 1 A1, removing them from 'Rating Watch with Developing Implications' and assigning a Negative outlook; the proposed non-convertible debentures (NCDs) were rated Rating Agency 1 A/Negative. On [date]-18, [year], after the year end, Rating Agency 1 downgraded the long-term rating and the NCDs to Rating Agency 1 A-/Negative and the short-term rating to Rating Agency 1 A2+, citing the delay in the [product line] project and the delayed receipt of the insurance claim; the rating of Subsidiary 1 was revised to Rating Agency 1 BBB+/Negative. As a result the coupon on the NCDs increased from [percentage] to [percentage] p.a. with effect from [date].

### What would settle or change this observation

Rating Agency 1's rating rationale of [date] (referred to in the intimation, not in the evidence set); whether any bank facility pricing or covenant is linked to the rating.

Evidence that the Board's Report text was finalised and approved before [date] (the report is dated [date] and the stock-exchange outcome of that date records the Board's approval of the Annual Report), or an addendum filed with the exchanges before dispatch that updated para 37.

### Evidence from the company's filings

ADDS EVIDENCE **Evidence from the company's stock-exchange filings and published documents — the filings add evidence for this matter**

• Restart guidance history for the Plant 1 (State A) new plant: [date] update - [plant status] 'may take around 9-12 months to reinstate the plant and restart operations' (i.e. [date] to [date]), repeated in the [date]-[date] and [date] updates; [date] call - new plant 'will be operational by Q4 FY26'. Annual Report 2025-26's MD&A guidance of H1 FY27 is therefore at least the second slippage, which the MD&A does not acknowledge.

• Filings confirm the FY26 rating letters this observation relies on: [date] (A/A1 continuing on Watch Developing) and [date] ('Rating Agency 1 A/Negative (Removed from Rating Watch with Developing Implications; Rating Re-affirmed)'; NCDs up to [amount] rated Rating Agency 1 A/Negative). The [date] action already carried a Negative outlook.

• The rating filing of [date] confirms the downgrade (long-term and NCDs A/Negative to A-/Negative, short-term A1 to A2+, Subsidiary 1 to BBB+/Negative). The Q1 FY27 results approved at the same [date] meeting as the Board's Report do record the downgrade and the coupon step-up, though they misstate the short-term rating as 'Rating Agency 1 A2'.

• Two months before the MD&A, the [date] board outcome disclosed revised Subsidiary 1 project costs (Plant 1 (State A) Phase 1 [amount], Site 2 (State A) Phase 2 [amount], total [amount]) with lender-approved SCODs of [date] and [date] - i.e. H2 FY27, not H1.

• The Plant 1 (State A) new plant's commissioning guidance moved from 'Q1 FY27' ([incident] update [date]) to '[date]' (Q4 call [date]) to 'H1FY27' ([incident] update [date]), and on [date] to commercial production 'within the current Q2 FY27'.

• History of the Plant 1 (State A) replacement-plant guidance: at the [number masked] AGM on [date] the MD said 'We expect this plant to be operational by early next year' ([document link masked].pdf p.6), and the Sustainability Report FY 2024-25 says 'The new facility is expected to be operational by early next year'. By [date] Annual Report 2025-26 guided to H1 FY 2026-27. The slippage is consistent with this observation; the AR does not explain it.

**Rating Action:**

| COMPANY | INSTRUMENT/ FACILITY | EARLIER RATING | REVISED RATING ACTION | RATIONALE |
|---|---|---|---|---|
| | Total Bank Loan Facilities Rated | ₹ Crore | ₹ Crore | The downgrade is due to delay in [product line] project. Further rating also factors the delayed insurance claim receipt. |
| | Long Term Rating | RA 1 A/Negative | RA 1 A-/Negative | |
| | Short Term Rating | RA 1 A1 | RA 1 A2+ | |

Public sample: real annual report; identity, dates and distinctive amounts masked

*stock-exchange filing of [date] (credit-rating intimation), page 1*

previous periods as the Company had no listed non-convertible debt securities in those periods.

The Company is rated by leading credit rating agency Rating Agency 1 Rating Agency 1 ). RA 1 l has downgraded the rating on [date masked] to RA 1 l A2" from RA 1 il A1"and RA 1 l A-/Negative" from RA 1 l A/Negative" for its short-term facilities and long-term facilities (including NCDs) respectively. Pursuant to the rating downgrade the coupon rate of the said NCDs of Rs. crore has increased from [percent] p.a. to [percent] p.a. effective from [date masked]

2. The above unaudited standalone financial results of the Company for the quarter ended [date] have been prepared in accordance with the IND AS, as prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 as amended and the other accounting

Public sample: real annual report; identity, dates and distinctive amounts masked

*stock-exchange filing of [date] (fund-raising intimation), page 7*

## Source references

**Extracts from the Annual Report**

*Page 71: "Rating Agency 1 reaffirmed the Company's credit ratings, reflecting continued confidence in its business fundamentals.*

*Page 88: "Rating Agency 1 carried out a review of credit facilities availed by the Company in the month of [date] and [date].*

*Page 88: "Rating Agency 1 A/Negative (Removed from 'Rating Watch with Developing Implications'; Rating Re-affirmed)*

*Page 75: "In [date], due to downgrade in credit rating by Rating Agency 1 the coupon rate of the said NCDs has increased from [percentage] p.a. to [percentage] p.a. effective from [date].*

*Page 145: "For more information on credit rating refer to Point No. 37 of Directors Report.*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | The Board's Report presents the ratings as reaffirmed, reflecting continued confidence. | **Document** Annual Report 2025-26, page 71, Board's Report para 2E 'Operational Resilience' | *"Rating Agency 1 reaffirmed the Company's credit ratings, reflecting continued confidence in its business fundamentals." [verified]* |
| 2 | Para 37 covers only the [date] and [date] reviews. | **Document** Annual Report 2025-26, page 88, Board's Report para 37,; page image viewed | *"Rating Agency 1 carried out a review of credit facilities availed by the Company in the month of [date] and [date]." [verified]* |
| 3 | The [date] action reaffirmed 'A' with a Negative outlook. | **Document** Annual Report 2025-26, page 88, Board's Report para 37 table, row 3 | *"Rating Agency 1 A/Negative (Removed from 'Rating Watch with Developing Implications'; Rating Re-affirmed)" [verified]* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 4 | Before [date] the long-term rating was on 'Watch Developing'; [date] moved it to a Negative outlook. | **Document**<br>stock-exchange filing of [date] (credit-rating intimation), page 1, Page 1, rating action table | *"Rating Agency 1 A/Watch Developing (Continues on 'Rating Watch with Developing Implications') Rating Agency 1 A/Negative (Removed from 'Rating Watch with Developing Implications'; Rating Re-affirmed)" [verified]* |
| 5 | On [date] the company intimated the downgrade and Rating Agency 1's two reasons. | **Document**<br>stock-exchange debt-segment filing of [date] (credit-rating intimation), page 1, Page 1, 'Rationale' column | *"The downgrade is due to delay in [product line] project. Further rating also factors the delayed insurance claim receipt." [verified]* |
| 6 | Long-term rating A/Negative to A-/Negative; short-term A1 to A2+. | **Document**<br>stock-exchange debt-segment filing of [date] (credit-rating intimation), page 1, Page 1, rating action table | *"Long Term Rating Rating Agency 1 A/Negative Rating Agency 1 A-/Negative Short Term Rating Rating Agency 1 A1 Rating Agency 1 A2+" [verified]* |
| 7 | The [amount] non-convertible debentures downgraded from A/Negative to A-/Negative. | **Document**<br>stock-exchange debt-segment filing of [date] (credit-rating intimation), page 1, Page 1, rating action table | *"Non-Convertible Debentures of [amount] Rating Agency 1 A/Negative Rating Agency 1 A-/Negative" [verified]* |
| 8 | Subsidiary 1 downgraded from A-/Negative to BBB+/Negative. | **Document**<br>stock-exchange debt-segment filing of [date] (credit-rating intimation), page 1, Page 1, Subsidiary 1 row | *"Long Term Rating Rating Agency 1 A-/Negative Rating Agency 1 BBB+/Negative" [verified]* |
| 9 | The Board's Report mentions the downgrade only as the cause of the coupon change. | **Document**<br>Annual Report 2025-26, page 75, Board's Report NCD paragraph | *"In [date], due to downgrade in credit rating by Rating Agency 1 the coupon rate of the said NCDs has increased from [percentage] p.a. to [percentage] p.a. effective from [date]." [verified]* |
| 10 | The coupon step-up under the Key Information Document was intimated on [date]. | **Document**<br>stock-exchange debt-segment filing of [date] (coupon-rate intimation), page 1, Page 1 | *"the coupon rate of the said NCDs has increased from [percentage] p.a. to [percentage] p.a. effective from [date], on account of rating downgrade by Rating Agency 1" [verified]* |
| 11 | The Board's Report is dated [date]. | **Document**<br>Annual Report 2025-26, page 89, Board's Report signature block | *"Place: [town masked], India Date: [date]" [verified]* |
| 12 | The Board approved the Annual Report including the Directors' Report at its meeting of [date]. | **Document**<br>stock-exchange filing of [date] (change of auditors), page 1, Page 1, item 3 | *"The Integrated Annual Report for FY 2025-26 including Directors' Report with annexures, Management Discussion and Analysis Report" [verified]* |
| 13 | Extra non-convertible debenture interest from the step-up. | **Our computation**<br>[amount] x ([percentage] - [percentage]) = Rs 1.00 Cr a year | |
| 14 | The Corporate Governance Report relies on para 37 for credit ratings. | **Document**<br>Annual Report 2025-26, page 145, Corporate Governance Report item 20 | *"For more information on credit rating refer to Point No. 37 of Directors Report." [verified]* |
| 15 | Information to investors must not be misleading. | **Law**<br>SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date]), Chapter II | *"The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading." [verified]* |
| 16 | The Corporate Governance Report must list ratings and revisions during the financial year (so the FY26 table is complete for that purpose). | **Law**<br>SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date]), Schedule V Part C | *"list of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity" [verified]* |
| 17 | No part of Annual Report 2025-26 states the post-downgrade ratings or Rating Agency 1's reasons. | **Our inference**<br>Search terms: 'A-/Negative', 'A2+', 'BBB+' (0 hits in the text layer); 'downgrade' (1 hit, p.75); 'Credit Rating' (p.71, 75, 88, 145, 374 - none gives the [year] ratings). Page images of p.88 viewed. | |
| 18 | Management Discussion and Analysis Site 2 (State A) guidance: [product line] H1 FY27. | **Document**<br>Annual Report 2025-26, page 162, MD&A, Key Developments item 5 | *"The Company targets producing [product line] in H1 F.Y. 2026-27, with [product line] planned for phased commissioning thereafter by H2 F.Y. 2026-27."* |
| 19 | Management Discussion and Analysis Plant 1 (State A) [plant unit] guidance: H1 FY27. | **Document**<br>Annual Report 2025-26, page 162, MD&A, Key Developments item 2 | *"As the facility is set to commission in H1 F.Y. 2026-27, the Company has maintained business continuity through production at alternate sites and selective outsourcing"* |
| 20 | Management Discussion and Analysis attributes lower PAT/EPS primarily to finance costs. | **Document**<br>Annual Report 2025-26, page 163, MD&A, Consolidated | *"while EPS declined to* [EPS] *from* [EPS] *, primarily due to higher finance costs associated with expansion projects"* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 21 | Board's Report (incl. Management Discussion and Analysis) dated [date]. | **Document**<br>Annual Report 2025-26, page 92, Board's Report signature | *“Place: [town masked], India Date: [date]”* |
| 22 | Rating Agency 1 downgrade rationale, intimated [date]. | **Document**<br>stock-exchange debt-segment filing of [date] (credit-rating intimation), stock-exchange debt-segment filing dated [date], 'Reg 55 credit rating' | *“The downgrade is due to delay in [product line] project. Further rating also factors the delayed insurance claim receipt.”* |
| 23 | Rating moved from A/Negative to A-/Negative. | **Document**<br>stock-exchange debt-segment filing of [date] (credit-rating intimation), stock-exchange debt-segment filing dated [date] | *“Long Term Rating Rating Agency 1 A/Negative Rating Agency 1 A-/Negative Short Term Rating Rating Agency 1 A1 Rating Agency 1 A2+”* |
| 24 | Coupon stepped up to [percentage] from [date] because of the downgrade. | **Document**<br>stock-exchange debt-segment filing of [date] (coupon-rate intimation), stock-exchange debt-segment filing dated [date], 'Reg 51 change in coupon rate' | *“the coupon rate of the said NCDs has increased from [percentage] p.a. to [percentage] p.a. effective from [date], on account of rating downgrade by Rating Agency 1”* |
| 25 | Board's Report says Rating Agency 1 reaffirmed the ratings (context). | **Document**<br>Annual Report 2025-26, page 71, Board's Report, Key Business Developments E | *“Rating Agency 1 reaffirmed the Company’s credit ratings, reflecting continued confidence in its business fundamentals.”* |
| 26 | Outlook and risks are mandatory Management Discussion and Analysis matters. | **Law**<br>SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date]), Schedule V para B(1)(d),(e) | *“(d) Outlook”* |
| 27 | The Management Discussion and Analysis does not mention the downgrade or coupon change. | **Our inference**<br>Search of p.154-165 text for 'Rating Agency 1', 'downgrade', 'rating', 'coupon', '[percentage]': no hits in the MD&A (Rating Agency 1 appears on p.71 'reaffirmed' and in the CG report). | |
| 28 | [amount] x ([percentage] - [percentage]) = Rs 1.00 Cr additional annual interest. | **Our computation**<br>[7] | |

# Part 2 — Compliance and Disclosure Gaps

Departures from a specific requirement of the Companies Act, Ind AS, Schedule III, CARO, the Standards on Auditing or SEBI regulations, shown against the company's own pages. (3 observations)

COMPLIANCE GAP | MEDIUM | ESTABLISHED

## S-01 The consolidated CWIP ageing schedule (Note 5(a)) has no '2-3 years' column for FY 2025-26 year-end, and its three printed amounts ([amount] + 0.11) add to [amount], not the [amount] total: [amount] of capital work-in-progress - the amount Subsidiary 1's own audited statements age at two to three years - has dropped out of the ageing

**Year** FY 2025-26
**Area** Consolidated Note 5 Capital work-in-progress - Schedule III Division II, Part I, CWIP ageing schedule
**Pages** Annual Report 2025-26: page 332
**Action by** CFO / finance, Audit Committee, Statutory auditor
**Timing** Before the next results / filing

**In brief.** The consolidated ageing table for capital work-in-progress leaves out the '2-3 years' column for FY 2025-26 year-end. Its three printed amounts add to [amount] against the [amount] total. The missing [amount] is the oldest spend on Subsidiary 1's Plant 1 (State A) project, so in the year the project's delay drove a rating downgrade, the audited note makes the project spend look younger than it is.

### Where this appears

Accompanying notes to Consolidated financial statements
for the year ended FY26 end

(₹ in Crore unless otherwise stated)

NOTE 5 : CAPITAL WORK IN PROGRESS (CONTD.)

a) Capital work in progress (CWIP) Ageing Schedule

| Particulars | As at FY26 end | | | | As at FY25 end | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | More than 3 years | Total | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| Project in Progress | [amount] | | 0.11 | [amount] | | | 2.00 | - | [amount] |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 332 — Note 5(a): the FY26 half of the table has three age buckets (no 2-3 years) whose amounts add to [amount] against a total of [amount]; the FY25 half has all four buckets*

As at

a) Capital work in progress (CWIP) Ageing Schedule

| Particulars | As at | | | | | As at | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
| - Phase 1 Expansion Project | | | | - | | | | - | - | |
| - Phase 2 Manufacturing Project | | | - | - | | | - | - | - | |
| Total | | | | - | | | | - | - | |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Company website document "Standalone Financial Results FY 2025-26 year-end", page 38 — Subsidiary 1's own audited note ages [amount] of the Plant 1 (State A) Phase 1 CWIP at 2-3 years*

### Observation

Schedule III requires every company to age its capital work-in-progress (CWIP) into four buckets - less than 1 year, 1-2 years, 2-3 years and more than 3 years - and the buckets must add to the CWIP in the balance sheet. The purpose is to show how long money has been sitting in unfinished projects: the older buckets are the early warning of a stalled or over-running project, which is exactly the Group's position this year (Note 5(b) discloses a 19% cost overrun and a 9-12 month delay on

the two Subsidiary 1 projects).

The consolidated schedule at FY 2025-26 year-end prints only three buckets: [amount] (less than 1 year), [amount] (1-2 years) and 0.11 (more than 3 years), and a total of [amount], which is the balance-sheet figure. The three amounts add to [amount]. The 2-3 years column, which the FY25 half of the same table does contain, has been dropped, and with it [amount]

The roll-forward confirms that the missing amount belongs in the 2-3 years bucket. At FY 2024-25 year-end the Group had [amount] aged 1-2 years and 2.00 aged 2-3 years. A year later, whatever of the [amount] was still uncapitalised must be 2-3 years old, and whatever of the 2.00 remains must be more than 3 years old (0.11 is printed). The components put it beyond doubt. Subsidiary 1's own audited statements (signed [date]) age [amount] of the Plant 1 (State A) Phase 1 CWIP at 2-3 years, and the parent's standalone ageing (Note 4(a), p.255) shows ₹0.13 Cr at 2-3 years: [amount] + 0.13 = [amount], exactly the missing amount. Every other bucket also rebuilds exactly from the components (table below).

The effect is that the oldest money in the project - about [amount] committed to Plant 1 (State A) Phase 1 in FY24 - is invisible in the consolidated ageing, which instead suggests that 99.9% of CWIP is less than two years old. The same template error recurs in Note 5(c), whose FY26 completion schedule also has no 2-3 years column (no amount is missing there because everything is shown as due within a year). This is an audited note, and the subsidiary auditor's key audit matter reproduced in the consolidated report lists among the procedures 'Ensured adequacy of disclosures'.

### Workings

| Age bucket (FY 2025-26 year-end) | Consolidated Note 5(a) as printed | Parent - standalone Note 4(a) | Subsidiary 1 - own FS (Plant 1 (State A) Ph.1 + Site 2 (State A) Ph.2) | Subsidiary 2 (step-down) (Site 2 (State A) CWIP, by difference) | Sum of components |
|---|---|---|---|---|---|
| Less than 1 year | [amount] | [amount] | [amount] ([amount]) | 6.87 | [amount] |
| 1-2 years | [amount] | 0.47 | [amount] ([amount]) | - | [amount] |
| 2-3 years | (column not printed) | 0.13 | [amount] (Plant 1 (State A)) | - | [amount] |
| More than 3 years | 0.11 | 0.11 | - | - | 0.11 |
| Total | [amount] (printed buckets add to [amount]) | [amount] | [amount] | 6.87 | [amount] |

### Requirement

**Companies Act 2013, Schedule III Division II, Part I, General Instructions, para 6(vi)(a) (CWIP ageing schedule)**

(a) For Capital-work-in progress, following ageing schedule shall be given:

Source: Companies Act 2013, Schedule III, Division II (Ind AS)

**Schedule III Division II, CWIP ageing schedule format, footnote**

*Total shall tally with CWIP amount in the balance sheet.

Source: Companies Act 2013, Schedule III, Division II (Ind AS)

### Consequences and penalty exposure

Schedule III's CWIP ageing is not complied with for FY26: the published buckets do not add to the total, and about [amount] of the oldest project spend - the part that signals delay - is omitted. Readers, lenders and debenture holders assessing the [product line] project (whose delay was a stated ground of Rating Agency 1's [date] downgrade) are given a younger ageing than the facts. It is a presentation error, not a measurement error: the balance-sheet CWIP is unaffected.

**Companies Act 2013, s.129(7) (financial statements; AS Rules 2021; Schedule III)**

"(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board ... and in the absence of [them], all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

| | |
|---|---|
| **Who is liable** | MD/CFO |
| **Exposure for this matter** | In principle a court fine of Rs 50,000 to Rs 5,00,000 (or imprisonment up to one year) on the MD, the CFO or the person charged by the Board; a presentation error of this kind is ordinarily corrected rather than prosecuted. |
| **Why it is engaged** | Section 129 requires the consolidated statements to follow Schedule III, whose CWIP ageing schedule must be complete and add to the balance-sheet figure. |
| **Nature** | fine/imprisonment (court prosecution) - NOT decriminalised by [year] or [year] Amendment Acts; compoundable under s.441 (imprisonment OR fine) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) and Companies (Amendment) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

## Recommended action

- Reinstate the 2-3 years column in Note 5(a) and 5(c) and show [amount] (or the correct figure from the ageing working) in it.
- Publish the corrected note with the next results or as an addendum; carry the corrected comparative into FY27.
- Add a casting check (buckets = total, and roll-forward from last year's buckets) to the financial-statement close checklist for every Schedule III ageing table (CWIP, receivables, payables).

## Suggested wording

Capital work in progress (CWIP) ageing schedule as at FY 2025-26 year-end - Projects in progress: Less than 1 year [amount]; 1-2 years [amount]; 2-3 years [amount]; More than 3 years 0.11; Total [amount]. Projects temporarily suspended: Nil.

## What would settle or change this observation

The company's CWIP ageing working at FY 2025-26 year-end (to confirm that the whole [amount] is 2-3 years old and to identify the 0.13 outside Subsidiary 1).

An erratum or a corrected version of the note published by the company; or evidence that the [amount] belongs in a bucket that is printed (which the FY25 roll-forward and Subsidiary 1's own ageing contradict).

## Source references

**Extracts from the Annual Report**

*Page 332: "Capital work in progress (CWIP) Ageing Schedule*

*p.332, column headings for FY 2025-26 year-end: "Less than 1 year 1-2 years More than 3 years Total*

*Page 332: "Project in Progress [amount] [amount] 0.11 [amount] [amount] [amount] [amount]*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | The FY26 ageing prints three buckets and a total of [amount]; the FY25 ageing prints four buckets. | **Document**<br>Annual Report 2025-26, page 332, Consolidated Note 5(a),; page image viewed | *"Project in Progress [amount] [amount] 0.11 [amount] [amount] [amount] [amount]" [verified]* |
| 2 | The FY26 column headings are 'Less than 1 year', '1-2 years', 'More than 3 years', 'Total' - no 2-3 years column. | **Document**<br>Annual Report 2025-26, page 332, Consolidated Note 5(a),; page image viewed | *"Less than 1 year 1-2 years More than 3 years Total Less than 1 year 1-2 years 2-3 years More than 3 years Total" [verified]* |
| 3 | Balance-sheet CWIP is [amount] (FY25 [amount]). | **Document**<br>Annual Report 2025-26, page 308, Consolidated Balance Sheet | *"Capital work-in-progress 5 [amount] [amount]" [verified]* |
| 4 | [1] [amount] + 0.11 = [amount]; [3] [amount] unallocated. | **Our computation**<br>[1], [3] | |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 5 | Subsidiary 1's own audited note ages the Plant 1 (State A) Phase 1 CWIP of [amount] as [amount] (<1 year), [amount] (1-2 years) and [amount] (2-3 years). | **Document**<br>Company website document "Standalone Financial Results FY 2025-26 year-end", page 38, Note 5 CWIP, project table | *"Plant 1 (State A) - Phase 1 [amount] [amount] [amount]" [verified]* |
| 6 | At FY 2024-25 year-end the Group had [amount] aged 1-2 years and 2.00 aged 2-3 years, which by FY 2025-26 year-end can only be 2-3 years and more than 3 years old respectively, or capitalised. | **Document**<br>Annual Report 2024-25, page 261, Consolidated Note 4(a | *"Project in Progress [amount] [amount] [amount]" [verified]* |
| 7 | The parent's own CWIP ageing at FY 2025-26 year-end has four buckets: [amount], 0.47, 0.13 (2-3 years) and 0.11, total [amount]. | **Document**<br>Annual Report 2025-26, page 255, Standalone Note 4(a | *"Project in Progress [amount] 0.47 0.13 0.11 [amount]" [verified]* |
| 8 | Schedule III requires a CWIP ageing schedule in the prescribed four-bucket format. | **Law**<br>Companies Act 2013, Schedule III, Division II (Ind AS), Part I, General Instructions, para 6(vi)(a) | *"For Capital-work-in progress, following ageing schedule shall be given" [verified]* |
| 9 | The total of the schedule must tally with the balance sheet - the buckets are meant to sum to it. | **Law**<br>Companies Act 2013, Schedule III, Division II (Ind AS), CWIP ageing format, footnote | *"*Total shall tally with CWIP amount in the balance sheet." [verified]* |
| 10 | The subsidiary auditor's key audit matter, reproduced in the consolidated report, lists disclosure adequacy among the procedures. | **Document**<br>Annual Report 2025-26, page 301, Consolidated Independent Auditor's Report, KAM 2 | *"Ensured adequacy of disclosures in the financial statements on the management judgements in such cases." [verified]* |
| 11 | 2-3 years: [5] [amount] + [7] 0.13 = [amount] = [4]. Other buckets: <1 year [amount] + 6.87 (Subsidiary 2, = [amount] per Note 5(c) and Subsidiary 1's CWIP) = [amount]; 1-2 years 0.47 + [amount]; >3 years 0.11. [6] [amount] at 1-2 years in FY25 >= [amount], so the roll-forward is consistent. | **Our computation**<br>[4], [5], [6], [7] | |

COMPLIANCE GAP | LOW | ESTABLISHED

## S-02 The FY25 accounting policy says contingent assets are 'neither recognised nor disclosed', contrary to Ind AS 37 para 34 and to the company's own Note 30, and states neither the 'virtually certain' test of para 33 under which the [amount] insurance claim was recognised; Note 30 mentions the unrecognised business-interruption and reinstatement claims but gives no estimate of their financial effect (para 89), and the key-estimates note does not list the claim

| | |
|---|---|
| **Year** | FY 2024-25 |
| **Area** | Standalone Note 2.III (key estimates; provisions, contingent liabilities and assets), printed pp.186-187; Note 30 exceptional items; Emphasis of Matter - Ind AS 37 paras 31-35 and 89; Ind AS 1 paras 122 and [amount] |
| **Pages** | Annual Report 2025-26: page 239; Annual Report 2024-25: pages 170, 187 |
| **Action by** | CFO / finance, Audit Committee, Statutory auditor |
| **Timing** | In the FY 2026-27 financial statements and Annual Report |

**In brief.** The 2024-25 accounting policy says contingent assets are 'neither recognised nor disclosed', which is not what the accounting standard says and not what the company did: it recognised a [amount] insurance claim, 41% of its net worth, as virtually certain before the insurer's surveyor had reported. The policy does not state that test, the key-judgements note does not list the claim, and the further claims for lost profit and reinstatement are mentioned without any estimate of their amount. The 2025-26 policy has been corrected, which confirms the earlier wording was defective.

### Where this appears

quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised. The cases which have been determined as remote by the Company are not disclosed.

Contingent assets are neither recognised nor disclosed in the standalone financial statements.

**IV. Measurement of fair values**

The Company's accounting policies and disclosures require the measurement of fair values for, both financial

the fair value hierarchy at the end of the reporting period during which the change has occurred.

**V. Material accounting policies**

**A. Revenue recognition and Other income**

- Sale of goods

The company manufactures and sells a range of products to various customers. In case of contracts with customers, revenue is recognised when the significant risk and rewards of ownership have

REPORTS

FINAN

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 187 — FY25 policy: contingent assets neither recognised nor disclosed*

property, plant and equipment, inventory and it also interrupted business. However the Company is having insurance policy covering above eventuality and accordingly it intimated insurance company about the [incident] and submitted loss estimate to the Insurance Company. Since the Surveyor's Report appointed by Insurance Company is not received to this date, the Company appointed Independent Surveyor for ascertaining the loss caused by and the claim that the Company is entitled from the Insurance Company vis-a-vis its insurance policy. The company simultaneously appointed Independent expert seeking opinion on accounting treatment for the Loss caused and the Claim made to the Insurance

Our opinion is not modified in respect of this matter.

**Information Other than the Standalone Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors Report, Management Discussion and Analysis Report, Business Responsibility & Sustainability Report and Corporate Governance Report but does not include the Consolidated Financial Statements, Standalone Financial Statements, and our auditor's report

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 170 — Auditor's EoM: the insurer's surveyor had not reported by [date]*

Company or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are not recognised but only disclosed where an inflow of economic benefits is probable. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date

(unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 239 — FY26 policy rewritten to the Ind AS 37 wording*

### Observation

Ind AS 37 treats an expected recovery in two ways. If the inflow is only probable, it is a 'contingent asset': it is not recognised but it must be described in the notes (paras 31, 34, 89). If realisation is 'virtually certain', it is not a contingent asset at all and is recognised (para 33). An accounting policy on contingent assets therefore has to say both things.

The FY25 policy (Note 2.III, p.187) says only that contingent assets 'are neither recognised nor disclosed'. That sentence is wrong on its face against para 34, and it does not describe what the company actually did in the same statements. On FY 2024-25 year-end, shortly after the [incident], the company recognised an insurance claim receivable of [amount], which is 41% of its net worth of [amount] and 32% of its financial assets. At the date the statements were approved ([date]) the insurer's own surveyor had not reported: Note 30 says the company 'is awaiting for completion of surveyor assessment appointed by the insurance company', and the auditor's Emphasis of Matter says the insurer's surveyor's report 'is not received to this date'. Recognition therefore rested entirely on the virtual-certainty judgement, made on the strength of the company's own assessment and the independent opinions it obtained. That judgement is the most significant one in the FY25 statements, but the policy does not mention the test that was applied, and the list of areas where 'Judgement, estimates and assumptions are required in particular' (p.186: useful lives, defined benefits, deferred tax, other provisions, discounting, leases, derivatives, provisions and contingencies) does not include it. Note 30 does give the nature and carrying amount of the receivable and the basis of the opinion, which goes some way to meet Ind AS 1 para [amount], but nowhere is it presented as a source of estimation uncertainty with a significant risk of material adjustment in FY26.

The second limb matters as much. Note 30 says the claims for business-interruption loss of profit and for the excess of reinstatement value over written-down value were 'not accounted ... as per accounting conservatism'. Those are exactly the probable inflows that para 34/89 requires to be described, with an estimate of their financial effect where practicable. The policy statement 'nor disclosed' is the reason given in the statements for saying nothing about them. ('Accounting conservatism' is not an Ind AS concept; the Ind AS test is virtual certainty for recognition and probability for disclosure.)

The company has since corrected the policy: the FY26 statements reproduce Ind AS 37 para 33-34 word for word. That confirms the FY25 wording was defective, but the FY25 statements (and their comparatives) were issued on it. The FY26 consequences of the same facts (whether the remaining [amount] is still virtually certain, and the missing para 89 estimate for the unrecognised claims) are already raised as another observation in the full review; this entry is the FY25 policy and judgement-disclosure defect only.

The consolidated FY25 statements carry the same policy sentence (Annual Report 2024-25 p.247); the recognition judgement in that version is covered in another observation in the full review. This standalone entry is kept separately because the policy text itself, not only the recognition judgement, is the defect, and the FY26 rewrite shows the company has accepted it.

### Workings

| Item | Rs Cr | Source |
|---|---|---|
| Insurance claim receivable recognised FY 2024-25 year-end | [amount] | Note 30, p.214 |
| Total equity FY 2024-25 year-end | [amount] | Balance sheet, p.180 |
| Receivable as % of equity | 41.4% | [amount] |
| Financial assets FY 2024-25 year-end (Note 38) | [amount] | Note 38, p.221 (read from image) |
| Receivable as % of financial assets | 32.4% | [amount] |
| Days from [incident] ([date]) to balance-sheet date | 26 | Note 30 |
| Insurer's surveyor report at approval date ([date]) | not received | EoM p.170; Note 30 |
| Business-interruption and reinstatement-excess claims | not recognised, not described, no estimate | Note 30 |

### Requirement

**Ind AS 37, para 33**

However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Source: Indian Accounting Standard (Ind AS) 37

**Ind AS 37, para 34**

A contingent asset is disclosed, as required by paragraph 89, where an inflow of economic benefits is probable.

Source: Indian Accounting Standard (Ind AS) 37

**Ind AS 1, para [amount]**

An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Source: Indian Accounting Standard (Ind AS) 1

### Consequences and penalty exposure

The FY25 statements recognise a [amount] asset under a test their own policy does not state, and omit the Ind AS 37 para 89 description of the unrecognised claims on the strength of a policy sentence that contradicts para 34. The accounting-policy and key-judgement notes of the FY25 report do not identify the largest asset judgement in the accounts, made before the insurer's surveyor reported, and the further claims (loss of profit, reinstatement excess) are mentioned without any estimate of their amount.

**Companies Act 2013, s.129(7) (financial statements; AS Rules 2021; Schedule III)**

"(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board ... and in the absence of [them], all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

| | |
|---|---|
| **Who is liable** | MD/CFO |
| **Exposure for this matter** | Fine of ₹50,000 to ₹5,00,000 (or imprisonment up to one year) on the MD, the CFO or the director charged with finance for the FY 2024-25 statements; as the policy has since been corrected, correction and disclosure rather than prosecution is the realistic outcome. |
| **Why it is engaged** | Section 129(1) requires compliance with Ind AS, and the FY 2024-25 policy contradicts Ind AS 37 para 34 while the para 89 estimate and the Ind AS 1 para 122/[amount] judgement disclosures are missing. |
| **Nature** | fine/imprisonment (court prosecution) - NOT decriminalised by [year] or [year] Amendment Acts; compoundable under s.441 (imprisonment OR fine) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) and Companies (Amendment) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

### Recommended action

- Note in the FY26 accounts (or the next report) that the FY25 policy wording has been corrected, and confirm that no change in the basis of recognition resulted.
- Add the insurance claim to Note 2.III as a significant judgement (virtual certainty) and a major source of estimation uncertainty, with the carrying amount, the key assumptions (deductible, adequacy of sum insured, salvage) and the status of the insurer's assessment.
- Describe the unrecognised business-interruption and reinstatement-value claims under Ind AS 37 para 89, with an estimate of the financial effect or a statement under para 91 that an estimate is not practicable.

### Suggested wording

Contingent assets are not recognised. Where an inflow of economic benefits is probable, the nature of the contingent asset and, where practicable, an estimate of its financial effect are disclosed. Where realisation is virtually certain, the related asset is not a contingent asset and is recognised. Significant judgement: the Company has recognised an insurance claim receivable of [amount] in respect of the [incident] at Plant 1 (State A) on [date] on the basis that its realisation is virtually certain; at the date of approval of these financial statements the assessment by the insurer's surveyor was not complete. The Company has also lodged claims for loss of profit and for the excess of reinstatement value over written-down value, which are probable but not virtually certain and have not been recognised; [estimate / statement under para 91].

### What would settle or change this observation

The independent surveyor's report and the expert opinion relied on for recognition; the policy terms (sum insured, deductible, reinstatement clause, business-interruption cover) and the amounts lodged under each head.

None on the policy wording, which is on the face of the page. A para 89 description of the business-interruption and reinstatement claims elsewhere in the FY25 statements would remove the second limb; none was found (searched Annual Report 2024-25 for 'loss of profit', 'business interruption', 'reinstatement', 'contingent asset').

### Evidence from the company's filings

**CONSISTENT** **Evidence from the company's stock-exchange filings and published documents — the filings are consistent with this matter**

• [date] audited results (note 5) confirm that at the approval date the company was 'awaiting for completion of surveyor assessment'; the first on-account payment came on [date] on the surveyors' interim report. The filings contain nothing that was available on [date] to evidence 'virtual certainty' beyond the company's own surveyor and expert opinion that Annual Report 2024-25 cites.

On [date masked] there was at [plant unit] [plant unit] Facility, Tank Farms and warehouse at Plant 1 [zone] Plant of the Company. This incident led to damage of certain property, plant and equipment, inventory and interrupted business. The Company is adequately insured for reinstatement value of damaged assets and loss of profits due to business interruption. The Company has intimated the [incident] with the insurance company and submitted loss estimate pertaining to replacement value of the damaged property, plant and equipment, loss of damaged inventory and incidental expenses incurred on account of The Company is awaiting for completion of surveyor assessment appointed by the insurance company.

The Company has recognised loss of ₹ [amount] Crore on account of damage to certain property, plant & equipment, inventory and estimated cost of incidental charges. The Company has recognised insurance claim receivable of ₹ [amount] Crore to the extent of recovery of loss after adjusting applicable deductibility considering its assessment of loss and admissibility of claims as per the policy, adequacy of coverage and nature of loss and based upon the independent opinion obtained by the company

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 214 — [date] results note 5*

## Source references

**Extracts from the Annual Report**

*Page 187: "Contingent assets are neither recognised nor disclosed in the standalone financial statements.*

*Page 186: "Judgement, estimates and assumptions are required in particular for:*

*Page 214: "The Company is awaiting for completion of surveyor assessment appointed by the insurance company.*

*Page 214: "The Company has not accounted claim for loss of profit due to business interruption and excess value of reinstatement of assets over written down value as per accounting conservatism.*

*Page 239: "Contingent assets are not recognised but only disclosed where an inflow of economic benefits is probable. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | FY25 policy: contingent assets neither recognised nor disclosed. | **Document**<br>Annual Report 2024-25, page 187, Standalone Note 2.III | *"Contingent assets are neither recognised nor disclosed in the standalone financial statements." [verified]* |
| 2 | The key-estimates list (useful lives, defined benefit obligations, deferred tax, other provisions, discounting, leases, fair value of derivatives, provisions and contingencies) does not include the insurance claim. | **Document**<br>Annual Report 2024-25, page 186, Standalone Note 2.III | *"Judgement, estimates and assumptions are required in particular for:" [verified]* |
| 3 | Insurer's surveyor had not completed its assessment. | **Document**<br>Annual Report 2024-25, page 214, Standalone Note 30 | *"The Company is awaiting for completion of surveyor assessment appointed by the insurance company." [verified]* |
| 4 | Receivable of [amount] recognised on the company's own assessment and independent opinions. | **Document**<br>Annual Report 2024-25, page 214, Standalone Note 30 | *"The Company has recognised insurance claim receivable of [amount] to the extent of recovery of loss after adjusting applicable deductibility" [verified]* |
| 5 | Business-interruption and reinstatement-excess claims not accounted. | **Document**<br>Annual Report 2024-25, page 214, Standalone Note 30 | *"The Company has not accounted claim for loss of profit due to business interruption and excess value of reinstatement of assets over written down value as per accounting conservatism." [verified]* |
| 6 | Auditor: the insurer's surveyor's report had not been received at the report date. | **Document**<br>Annual Report 2024-25, page 170, Independent Auditor's Report (standalone) dated [date], Emphasis of Matter | *"Since the Surveyor's Report appointed by Insurance Company is not received to this date, the Company appointed Independent Surveyor" [verified]* |
| 7 | Total equity [amount] at FY 2024-25 year-end. | **Document**<br>Annual Report 2024-25, page 180, Standalone Balance Sheet | *"Total equity [amount] [amount]" [verified]* |
| 8 | FY26 policy rewritten to Ind AS 37 wording. | **Document**<br>Annual Report 2025-26, page 239, Standalone Note 2.III(h | *"Contingent assets are not recognised but only disclosed where an inflow of economic benefits is probable." [verified]* |
| 9 | Ind AS 37 para 33. | **Law**<br>Indian Accounting Standard (Ind AS) 37, para 33 | *"However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate." [verified]* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 10 | Ind AS 37 para 34. | **Law**<br>Indian Accounting Standard (Ind AS) 37, para 34 | *"A contingent asset is disclosed, as required by paragraph 89, where an inflow of economic benefits is probable." [verified]* |
| 11 | Ind AS 1 para [amount]. | **Law**<br>Indian Accounting Standard (Ind AS) 1, para [amount] | *"An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period" [verified]* |
| 12 | [amount] = 41.4%; [amount] = 32.4% ([amount] = total financial assets in Note 38, p.221, read from the page image). | **Our computation**<br>[4], [7] | |
| 13 | Inference: no para 89 description of the unrecognised claims exists anywhere in the FY25 standalone statements. Searched Annual Report 2024-25 for 'loss of profit', 'business interruption', 'reinstatement', 'contingent asset', 'virtually certain' ('virtually certain' has no hit in Annual Report 2024-25). Would be refuted by such a description elsewhere in the FY25 statements. | **Our inference**<br>Annual Report 2024-25 full-text search | |

COMPLIANCE GAP | LOW | ESTABLISHED

## S-03 The CSR set-off table (item 5) shows [amount] 'available for set-off from preceding financial years', but Rule 7(3) allows an excess to be carried only to the three immediately succeeding financial years: the FY 2020-21 and FY 2021-22 excesses ([amount]) had lapsed before FY26, and the FY 2025-26 row ([amount]) is the current year's excess, not a preceding year's; the amount actually carried into FY27 is [amount]

**Year** FY 2024-25 and FY 2025-26
**Area** Annexure 6 Annual Report on CSR, item 5 and item 8(g) (p.105, 108); CSR Rule 7(3)
**Pages** Annual Report 2025-26: page 105; Annual Report 2024-25: page 66
**Action by** CFO / finance, Company Secretary, Board
**Timing** In the FY 2026-27 financial statements and Annual Report

**In brief.** The annual CSR report shows [amount] of past excess CSR spending as available to set off against future obligations. The rules allow an excess to be carried forward for only three years, so [amount] from 2020-21 and 2021-22 had already lapsed, and the 2025-26 excess is counted in a column meant for earlier years. The amount actually carried into 2026-27 is about [amount]; nothing was under-spent, but a prescribed statutory table is overstated.

### Where this appears

Impact Assessment is not applicable for F.Y. 2025-26

**5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any**

| Sl. No. | Financial Year | Amount available for set-off from preceding financial years (₹ in lakhs) | Amount required to be set- off for the financial year, if any (₹ in lakhs) |
|---|---|---|---|
| 1 | 2020-21 | 0.56 | - |
| 2 | 2021-22 | 1.10 | - |
| 3 | 2022-23 | 1.12 | - |
| 4 | 2023-24 | 0.07 | - |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 105 — Item 5: six years listed, total 3.96 lakhs*

| | | | |
|---|---|---|---|
| 1 | 2020-21 | 0.56 | - |
| 2 | 2021-22 | 1.10 | - |
| 3 | 2022-23 | 1.12 | - |
| 4 | 2023-24 | 0.07 | - |
| 5 | 2024-25 | 0.27 | - |
| | TOTAL | 3.12 | - |

6. **Average net profit of the company as per section 135(5).** ₹ [amount] Lakh

7 (a) Two percent of average net profit of the company as per section 135(5) ₹ [amount] Lakh

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 66 — Annual Report 2024-25 item 5: the FY25 excess was 0.27 lakhs*

### Observation

Section 135(5) lets a company that spends more than 2% of its average net profit set the excess against later years' obligations 'for such number of succeeding financial years ... as may be prescribed', and Rule 7(3) prescribes 'up to immediate succeeding three financial years'. So the FY 2020-21 excess (₹0.56 lakhs) could be used in FY22, FY23 or FY24 and lapsed thereafter; the FY 2021-22 excess (₹1.10 lakhs) lapsed after FY25. Item 5 of the FY26 annexure nevertheless lists both as 'available for set-off from preceding financial years' and totals ₹3.96 lakhs. It also lists the FY 2025-26 excess of ₹0.83 lakhs in the same column, although that is the current year's excess (item 8(g)), available from FY27. The amount actually available for set-off against the FY26 obligation was ₹1.47 lakhs (FY23 ₹1.12 + FY24 ₹0.07 + FY25 ₹0.28); the amount carried into FY27 is ₹1.18 lakhs (FY24, FY25 and FY26), as FY23's excess lapses with FY26.

The FY 2024-25 row also changed between reports: Annual Report 2024-25 computed the FY25 excess as ₹0.27 lakhs (spent [amount] less obligation [amount]) and carried ₹0.27 lakhs forward; Annual Report 2025-26 shows ₹0.28 lakhs, with no explanation. The FY25 obligation in the Annual Report 2024-25 financial statements was shown as [amount] (note 45) against the annexure's [amount] ([amount]), which is a rounding difference in the Crore figure; the move from ₹0.27 to ₹0.28 lakhs (a ₹1,000 difference) is most likely rounding of the underlying rupee amounts, but it is not explained. The company has never used a set-off (the 'required to be set off' column is nil in every year and item 7(c) is nil), so nothing was under-spent; the FY26 obligation ([amount], correctly 2% of [amount]) was met by spending [amount]. The point is one of accuracy of a prescribed table. The Annual Report 2025-26 annexure follows the item numbering of the [date] Annexure II; the [year] amendment substituted a shorter Annexure II (the amending notification records the substitution; the substituted format was not available to this review), and the set-off table in item 5 is a feature of the earlier format.

### Workings

| Financial year of excess | Excess (₹lakhs) | Last year usable (Rule 7(3): three succeeding FYs) | Available for FY26 set-off? | Available for FY27? | Source |
|---|---|---|---|---|---|
| 2020-21 | 0.56 | 2023-24 | No (lapsed) | No | p.105 |
| 2021-22 | 1.10 | 2024-25 | No (lapsed) | No | p.105 |
| 2022-23 | 1.12 | 2025-26 | Yes | No (lapses after FY26) | p.105 |
| 2023-24 | 0.07 | 2026-27 | Yes | Yes | p.105 |
| 2024-25 | 0.28 (Annual Report 2024-25: 0.27) | 2027-28 | Yes | Yes | p.105; Annual Report 2024-25 p.66, 69 |
| 2025-26 | 0.83 | 2028-29 | No (current year) | Yes | p.108 |
| Total shown as available | 3.96 | | | | p.105 |
| Actually available for FY26 | 1.12 + 0.07 + 0.28 = 1.47 | | | | computed |
| Carried into FY27 | 0.07 + 0.28 + 0.83 = 1.18 | | | | computed |

| Financial year of excess | Excess (₹lakhs) | Last year usable (Rule 7(3): three succeeding FYs) | Available for FY26 set-off? | Available for FY27? | Source |
|---|---|---|---|---|---|
| FY26 obligation check | 2% x [amount]; spent [amount]; excess 0.83 | | | | p.105, 108; FS notes 30 and 43 |

### Requirement

**Companies (CSR Policy) Rules 2014, Rule 7(3)**

Where a company spends an amount in excess of requirement provided under sub-section (5) of section 135 , such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years subject to the conditions that – (i) the excess amount available for set off shall not include the surplus arising out of the CSR activities ... (ii) the Board of the company shall pass a resolution to that effect.

Source: Companies (Corporate Social Responsibility Policy) Rules, 2014

**Companies Act 2013, s.135(5), third proviso**

Provided also that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.

Source: Companies Act, 2013

**Companies (CSR Policy) Rules 2014, Rule 4(5)**

The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

Source: Companies (Corporate Social Responsibility Policy) Rules, 2014

### Consequences and penalty exposure

The Board's CSR report overstates the excess available for future set-off by ₹2.78 lakhs (₹3.96 less ₹1.18 carried into FY27) and changes a prior-year figure (₹0.27 to ₹0.28 lakhs) without explanation, probably through rounding. If the company ever relied on the lapsed amounts it would under-spend its s.135(5) obligation.

**Companies Act 2013, s.134(8) (Board's report; Accounts Rules r.8)**

"(8) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees."

| | |
|---|---|
| **Who is liable** | company |
| **Exposure for this matter** | Up to ₹3 lakh on the company and ₹50,000 on each officer in default if the CSR annexure to the Board's Report were held non-compliant; enforcement is unlikely because no set-off was ever used and the overstatement is ₹2.78 lakhs. |
| **Why it is engaged** | The CSR annual report is a prescribed annexure to the Board's Report, and its set-off table does not follow the three-year limit in Rule 7(3) of the CSR Rules. |
| **Nature** | penalty (s.454 adjudication) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); verified against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]; S.O. [amount](E) [date] (commencement of [year] Act ss.1,3,[amount](a)(b),[amount](i),[amount]) - list read from [link] (secondary), read [date]

### Recommended action

- Restate item 5 to show only excesses within the Rule 7(3) window (for FY27: FY24 ₹0.07, FY25 ₹0.28 or ₹0.27, FY26 ₹0.
- and drop the lapsed years.

- Reconcile the FY25 excess (₹0.27 or ₹0.28 lakhs) and use one figure in both years' reports.
- Record that the Board has passed (or has not passed) the Rule 7(3)(ii) resolution for the excess, and that the CFO has certified utilisation under Rule 4(5).

### Suggested wording

5. Amount available for set-off in pursuance of Rule 7(3): FY 2023-24 ₹ 0.07 lakhs; FY 2024-25 ₹ 0.27 lakhs; FY 2025-26 ₹ 0.83 lakhs (total ₹ 1.17 lakhs, available up to FY 2026-27, FY 2027-28 and FY 2028-29 respectively). Excesses of earlier years have lapsed under Rule 7(3). Amount required to be set off for the financial year: Nil.

### What would settle or change this observation

The Board resolutions under Rule 7(3)(ii) for each year's excess; the CFO's Rule 4(5) certificate for FY26; the reason the FY25 excess moved from 0.27 to 0.28 lakhs.

Nothing on the three-year rule; the rows are verbatim. A reconciliation of the FY25 excess would settle the 0.27/0.28 point.

### Source references

**Extracts from the Annual Report**

*Page 105: "1 2020-21 0.56 - 2 2021-22 1.10 - 3 2022-23 1.12 - 4 2023-24 0.07 - 5 2024-25 0.28 - 6 2025-26 0.83 - TOTAL 3.96 0*

*Annual Report 2024-25, page 66: "1 2020-21 0.56 - 2 2021-22 1.10 - 3 2022-23 1.12 - 4 2023-24 0.07 - 5 2024-25 0.27 - TOTAL 3.12 -*

*Annual Report 2024-25, page 69: "(g) Excess amount for set off, if any: ₹ 0.27 Lakh*

*Page 108: "(g) Excess amount for set off, if any: ₹ 0.83 lakhs.*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | Annual Report 2025-26 item 5 lists six years with total 3.96. | **Document** Annual Report 2025-26, page 105, Annexure 6 item 5 | *"1 2020-21 0.56 - 2 2021-22 1.10 - 3 2022-23 1.12 - 4 2023-24 0.07 - 5 2024-25 0.28 - 6 2025-26 0.83 - TOTAL 3.96 0" [verified]* |
| 2 | Column heading of item 5. | **Document** Annual Report 2025-26, page 105, Annexure 6 item 5 | *"Amount available for set-off from preceding financial years (₹ in lakhs)" [verified]* |
| 3 | Annual Report 2024-25 item 5 showed the FY25 excess as 0.27 and the total as 3.12. | **Document** Annual Report 2024-25, page 66, Annexure 6 item 5 | *"5 2024-25 0.27 - TOTAL 3.12 -" [verified]* |
| 4 | Annual Report 2024-25 item 8(g): FY25 spent [amount], obligation [amount], excess 0.27. | **Document** Annual Report 2024-25, page 69, Annexure 6 item 8(g | *"(i) Two percent of average net profit of the company as per section 135(5) [amount] (ii) Total amount spent for the Financial Year [amount] (iii) Excess amount spent for the financial year [(ii)-(i)] 0.27" [verified]* |
| 5 | Annual Report 2025-26 item 8(g): FY26 obligation [amount], spent [amount], excess 0.83. | **Document** Annual Report 2025-26, page 108, Annexure 6 item 8(g | *"(i) Two percent of average net profit of the company as per section 135(5) [amount] (ii) Total amount spent for the Financial Year [amount] (iii) Excess amount spent for the financial year [(ii)-(i)] 0.83" [verified]* |
| 6 | Average net profit [amount]; 2% = [amount]. | **Document** Annual Report 2025-26, page 105, Annexure 6 items 6-7 | *"Average net profit of the company as per section 135(5). [amount]" [verified]* |
| 7 | FS note 30 CSR disclosure: required , spent 1.37, excess (0.01) Cr. | **Document** Annual Report 2025-26, page 276, standalone note 30 | *"Gross Amount required to be spent by the company during the year [amount] " [verified]* |
| 8 | Annual Report 2024-25 FS note 45 showed the FY25 requirement as [amount] . | **Document** Annual Report 2024-25, page 229, standalone note 45 | *"Amount required to be spent by the company during the year [amount] " [verified]* |
| 9 | Rule 7(3): set-off up to the immediately succeeding three financial years. | **Law** Companies (Corporate Social Responsibility Policy) Rules, 2014, Rule 7(3) | *"such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years" [verified]* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 10 | Computations: 2% x [amount]; [amount] = 0.83; available for FY26 = 1.12 + 0.07 + 0.28 = 1.47; carried into FY27 = 0.07 + 0.28 + 0.83 = 1.18; overstatement 3.96 - 1.18 = 2.78; lapsed 0.56 + 1.10 = 1.66. | **Our computation** | 0.02 x [6] [amount]; [5] [amount] = 0.83; [1] 1.12 + 0.07 + 0.28 = 1.47; 0.07 + 0.28 + 0.83 = 1.18; 3.96 - 1.18 = 2.78 |
| 11 | The [year] amendment substituted Annexure II; the substituted text was not available to this review, so the format point is noted, not asserted. | **Document**<br>Companies (CSR Policy) Amendment Rules, 2022, para 5 | *"5. In the said rules, for Annexure-II, the following Annexure shall be substituted, namely:-" [verified]* |
| 12 | Rule 4(5) CFO certification requirement (no statement of it in Annexure 6; not a prescribed item of the format). | **Law**<br>Companies (Corporate Social Responsibility Policy) Rules, 2014, Rule 4(5) | *"the Chief Financial Officer or the person responsible for financial management shall certify to the effect." [verified]* |

# Part 3 — Presentation and Drafting Points

Inconsistencies, omissions and drafting errors of lower individual significance. They are listed so that the next Annual Report can be corrected. (2 observations)

DRAFTING | LOW | ESTABLISHED

## M-01 In the Statement of Changes in Equity the row labelled 'Total Comprehensive Income' shows [amount] (FY25 [amount]), which is the opening balance plus all movements before dividends; total comprehensive income for the year is [amount] ([amount]) as the Statement of Profit and Loss states

**Year** FY 2024-25 and FY 2025-26
**Area** Standalone Statement of Changes in Equity, Part B - Schedule III Division II format; Ind AS 1 para 106
**Pages** Annual Report 2025-26: pages 233, 234
**Action by** CFO / finance, Statutory auditor
**Timing** In the FY 2026-27 financial statements and Annual Report

**In brief.** In the standalone Statement of Changes in Equity, a row labelled 'Total Comprehensive Income' shows [amount], which is actually the opening reserves plus the year's movements before dividends; total comprehensive income for the year is [amount], as the profit and loss statement shows. The same mislabelling appears in the FY25 column. The closing balances are correct, but the label on an audited primary statement is wrong.

### Where this appears

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Profit for the year | - | | - | - | - | - | - | |
| Premium on Shares Acquired by trust | - | - | - | - | (0.79) | - | - | (0.79) |
| Other Comprehensive Income/ (Loss) | - | - | - | - | - | - | 0.55 | 0.55 |
| Employee stock option expenses | - | - | - | - | - | 0.87 | - | 0.87 |
| **Total Comprehensive Income** | **3.76** | [amount] | [amount] | [amount] | **(0.79)** | **0.87** | **(0.42)** | [amount] |
| Equity Dividends | - | (2.64) | - | - | - | - | - | (2.64) |
| **For the year ended** FY26 end | **3.76** | [amount] | [amount] | [amount] | **(0.79)** | **0.87** | **(0.42)** | [amount] |

**For the year ended** FY25 end

| Description | Reserves and Surplus | Other | Total |
|---|---|---|---|

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 234 — The mislabelled subtotal row in the FY26 table*

| | | | |
|---|---|---|---|
| (A) Items that will not be reclassified to profit or loss | | | |
| - Gain/(Loss) on remeasurement of defined benefit plans | | 0.74 | (0.49) |
| - Income tax (expense)/ income relating to items that will not be reclassified to profit or loss | | (0.19) | 0.12 |
| **Total Other Comprehensive Income/(loss) for the year net of tax** | | **0.55** | **(0.37)** |
| **IX Total Comprehensive Income for the year (VII+VIII)** | | [amount] | [amount] |
| **X Earnings per equity share (face value ₹ 10 each)** | 33 | | |
| - Basic (₹) | | [amount] | [amount] |
| - Diluted (₹) | | [amount] | [amount] |
| Corporate information | 1 | | |
| Material accounting policies | 2 | | |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 233 — The P&L figure the label should match*

### Observation

Total comprehensive income is profit for the year plus other comprehensive income (Schedule III Division II, Part II para 2; Ind AS 1 para 7): [amount] + 0.55 = [amount] for FY26 and [amount] for FY25, exactly as the Statement of Profit and Loss reports. In the Statement of Changes in Equity the same label is attached to a row that reads [amount] (FY26) and [amount] (FY25). Those figures are the opening balance of other equity ([amount]) plus profit, OCI, the ESOP charge and the treasury-share deduction: a running sub-total before dividends, not comprehensive income. The Schedule III format has no such row; it runs from the opening balance through 'Total Comprehensive Income for the current year', 'Dividends' and 'Any

other change' to the closing balance. The arithmetic of the statement is otherwise correct and every closing balance ties to note 14. A reader taking the label at face value would see comprehensive income of [amount] against a profit of [amount]

### Workings

| FY26 other equity | Rs Cr |
|---|---|
| Opening start of FY 2025-26 | [amount] |
| Profit for the year | [amount] |
| Other comprehensive income | 0.55 |
| Total comprehensive income for the year | [amount] |
| ESOP expense (reserve) | 0.87 |
| Treasury shares acquired by trust | (0.79) |
| Row labelled 'Total Comprehensive Income' | [amount] + 0.87 - 0.79 |
| Dividend | (2.64) |
| Closing FY 2025-26 year-end | [amount] |

### Requirement

**Schedule III, Division II, Part II General Instructions para 2**

The sum of (1) and (2) above is ₹Total Comprehensive Income'.

Source: Companies Act 2013, Schedule III, Division II (Ind AS)

### Consequences and penalty exposure

A mislabelled sub-total on an audited primary statement; no effect on any balance.

No specific penalty; a mislabelled sub-total on a primary statement with no effect on any balance.

### Recommended action

- Relabel the row 'Balance before dividends' or delete it and present 'Total Comprehensive Income for the year [amount]' as its own row per the Schedule III format.
- Correct 'Treasury shares help by ESOP trust' to 'held' in both column headings.

### What would settle or change this observation

Nothing: the label and the figure are on the page.

### Source references

**Extracts from the Annual Report**

*Page 234: "Total Comprehensive Income 3.76 [amount] [amount] [amount] (0.79) 0.87 (0.42) [amount]*

*Page 234: "Total Comprehensive Income 3.76 [amount] [amount] [amount] - - (0.97) [amount]*

*Page 233: "Total Comprehensive Income for the year (VII+VIII) [amount] [amount]*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | The FY26 row. | **Document**<br>Annual Report 2025-26, page 234, SOCE Part B,; image viewed | *"Total Comprehensive Income 3.76 [amount] [amount] [amount] (0.79) 0.87 (0.42) [amount]" [verified]* |
| 2 | The FY25 row. | **Document**<br>Annual Report 2025-26, page 234, SOCE Part B | *"Total Comprehensive Income 3.76 [amount] [amount] [amount] - - (0.97) [amount]" [verified]* |
| 3 | Dividend row follows. | **Document**<br>Annual Report 2025-26, page 234, SOCE Part B | *"Equity Dividends - (2.64) - - - - - (2.64)" [verified]* |
| 4 | TCI per the P&L. | **Document**<br>Annual Report 2025-26, page 233, P&L | *"Total Comprehensive Income for the year (VII+VIII) [amount] [amount]" [verified]* |
| 5 | Closing other equity ties to note 14. | **Document**<br>Annual Report 2025-26, page 232, Balance sheet | *"Other equity 14 [amount] [amount]" [verified]* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 6 | Schedule III definition of TCI. | **Law**<br>Companies Act 2013, Schedule III, Division II (Ind AS), para 2 | *"The sum of (1) and (2) above is ₹Total Comprehensive Income'." [verified]* |
| 7 | [amount] + 0.55 + 0.87 - 0.79 = [amount]; [amount]; [amount] + 0.55 = [amount]. | **Our computation**<br>[1], [3], [4] | |

DRAFTING | LOW | ESTABLISHED

## M-02 The Corporate Governance Report states that 'All the Directors of the Company were present at the [number masked] AGM', but its own attendance table marks Director 8 (former Independent) (a director until [date], and the Nomination and Remuneration Committee (NRC) chairman) 'No' for the AGM of [date], and the NRC section says he did not attend

**Year** FY 2024-25

**Area** Report on Corporate Governance, section II(F) attendance table and narrative; section III(B) Nomination and Remuneration Committee

**Pages** Annual Report 2024-25: pages 82, 88

**Action by** Company Secretary

**Timing** In the FY 2026-27 financial statements and Annual Report

**In brief.** The 2024-25 Corporate Governance Report says all directors attended the [number masked] AGM, but its own attendance table and the Nomination and Remuneration Committee section record that Director 8 (former Independent), a director and that committee's chairman on the AGM date, did not attend. The narrative sentence is therefore inconsistent with the table. The error is small, but it concerns the attendance of the committee chairman, whom the Companies Act expects to attend the general meeting.

### Where this appears

The [no.] AGM of the Company for the F.Y. 2023-24 was held on [date] through video conferencing ('VC')/other audio visual means (**"OAVM"**) in accordance with the relevant circulars issued by the Ministry of Corporate Affairs and SEBI. All the Directors of the Company were present at the [no.] AGM.

**G) Board of Directors Meetings:**

The Board of Directors met 6 (Six) times during the year, that is, on [date] [date] [date] [year] [date] [date] and [date]

and [date] as required under Schedule IV to the Act (Code for Independent Directors) and Regulation 25(3) of the Listing Regulations. All the Independent Directors attended the meeting, and it was chaired by At their meeting Independent Directors reviewed the performance of Chairperson, non – Independent Directors and Board as a whole and assessed the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 82 — Narrative statement*

| | | | | | |
|---|---|---|---|---|---|
| 6 | Director 1 (Chairman) | Non-Executive Non-Independent Director | Member | 4 | 4 |

The Company Secretary acts as the Secretary to the committee.

The previous [no.] AGM held on [date] was not attended by Director 8 (former Independent) the Chairman of NRC Committee. However, other members of NRC Committee had attended the [no.] AGM.

**iii. Terms of reference of the NRC Committee:**

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and in respect of technical director and managing director and submitting their recommendations to the Board;

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2024-25, page 88 — NRC section contradicts it*

### Observation

Schedule V para C(2)(b) requires the attendance of each director at the last AGM. The table does that correctly: Mr Director 8 (former Independent), who was an independent director until [date] and therefore a director on the AGM date of [date], is shown 'No'; the Nomination and Remuneration Committee (NRC) section repeats that he did not attend. The narrative

below the table then says all directors were present. One of the three statements is wrong, and on the table and the NRC text it is the narrative. (Director 7 (Independent)'s 'N.A.' is correct: he joined on [date].)

### Requirement

**SEBI (LODR) Regulations 2015, Schedule V Part C para (2)(b)**

attendance of each director at the meeting of the board of directors and the last annual general meeting

Source: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date])

### Consequences and penalty exposure

A small factual contradiction in a prescribed disclosure; it matters only because the absent director chaired the Nomination and Remuneration Committee (NRC), whose chairperson s.178(7) expects to attend (or be represented at) the general meeting - the NRC section correctly records that other members attended.

No specific penalty; drafting point.

### Recommended action

- Replace the sentence with: 'All the Directors, other than Director 8 (former Independent), were present at the [number masked] AGM.'

### Suggested wording

All the Directors of the Company, other than Director 8 (former Independent), were present at the [number masked] AGM.

### What would settle or change this observation

Evidence that he did attend (the AGM proceedings filed on [date] would show it); the company's own table and Nomination and Remuneration Committee text say he did not.

### Source references

**Extracts from the Annual Report**

*Page 82: "All the Directors of the Company were present at the [number masked] AGM.*

*p.81, attendance table: "Director 8 (former Independent) (till [date]) Non-Executive Independent Director 1 No*

*Page 88: "The previous [number masked] AGM held on [date] was not attended by Director 8 (former Independent), the Chairman of NRC Committee.*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | Narrative: all directors present. | **Document**<br>Annual Report 2024-25, page 82, CG Report II(F | *"All the Directors of the Company were present at the [number masked] AGM." [verified]* |
| 2 | Table: Director 8 (former Independent) 'No' (image viewed). | **Document**<br>Annual Report 2024-25, page 81, CG Report II(F) table | *"Director 8 (former Independent) (till [date]) Non-Executive Independent Director 1 No" [verified]* |
| 3 | Nomination and Remuneration Committee section: not attended. | **Document**<br>Annual Report 2024-25, page 88, CG Report III(B | *"The previous [number masked] AGM held on [date] was not attended by Director 8 (former Independent), the Chairman of NRC Committee." [verified]* |
| 4 | Schedule V Part C para (2)(b). | **Law**<br>SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI consolidated text, amended to [date]), Schedule V, Part C, para (2)(b) | *"attendance of each director at the meeting of the board of directors and the last annual general meeting" [verified]* |

# Part 4 — Matters for the Company's Clarification

Matters where the published documents raise a question that only the company's records can answer. Each states the information requested. (2 observations)

CLARIFICATION | MEDIUM | FOR CONFIRMATION

## Q-01 [amount] was spent on the Plant 1 (State A) new plant during the year and [amount] of finance cost was expensed, yet the standalone statements disclose no borrowing cost capitalised and no capitalisation rate (Ind AS 23 para 26), although the stated policy is to capitalise and the Group capitalised [amount] at Subsidiary 1

| | |
|---|---|
| **Year** | FY 2025-26 |
| **Area** | Material accounting policies F and J (p.243, 246); Note 4 CWIP; Note 28 finance costs - Ind AS 23 paras 8, 14, 26 |
| **Pages** | Annual Report 2025-26: pages 246, 254, 352 |
| **Action by** | CFO / finance, Audit Committee, Statutory auditor |
| **Timing** | In the FY 2026-27 financial statements and Annual Report |

**In brief.** [amount] was spent during the year on the Plant 1 (State A) new plant, a project taking well over a year to build, and the company's policy is to capitalise interest on such assets, yet the standalone statements disclose neither any interest capitalised nor a capitalisation rate, nor a statement that none was capitalised. Either a mandatory Ind AS 23 disclosure is missing, or interest that should have been capitalised (indicatively [amount]) was expensed. The company should confirm which, and say so in the notes.

### Where this appears

and Loss. On disposal of investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to Profit and Loss.

J. Borrowing costs:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their

financial liabilities, as appropriate, on initial recognition. However, trade receivables that do not contain a significant financing component are measured at transaction price.

**b. Classification and subsequent measurement**

Financial Assets

**Financial Assets: Classification**

On initial recognition, a financial asset is classified as measured at:

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 246 — Policy J: borrowing costs on qualifying assets are capitalised*

| | | | | | | |
|---|---|---|---|---|---|---|
| As at FY25 end | [amount] | 0.10 | 0.31 | 6.94 | 9.88 | [amount] |
| **As at** FY26 end | [amount] | [amount] | **2.54** | **5.69** | [amount] | [amount] |

Also refer note 16 : Leases

**NOTE : 4 CAPITAL WORK IN PROGRESS**

| Particulars | Amount |
|---|---|
| As at FY25 start | [amount] |
| Additions during the year | [amount] |
| Deletion during the year | [amount] |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 254 — CWIP additions [amount] in FY26; no borrowing-cost line*

**NOTE 30 : FINANCE COSTS**

| Particulars | For the year ended FY26 end | For the year ended FY25 end |
|---|---|---|
| Interest expenses on borrowings | [amount] | [amount] |
| Less : Amount Capitalised | [amount] | [amount] |
| Interest on leases | 5.28 | 2.78 |
| Other finance cost and bank charges | [amount] | [amount] |
| **Total** | [amount] | [amount] |

NOTE 31 : DEPRECIATION AND AMORTIZATION EXPENSE

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 352 — Consolidated note 30: the Group capitalised [amount] ([amount]) of interest*

### Observation

A qualifying asset is one that necessarily takes a substantial period to get ready for use. The Plant 1 (State A) new plant ([plant unit]) has been under construction since the [incident] of [date] with commissioning expected in H1 FY27, i.e. well over a year; standalone CWIP rose from [amount] after [amount] of additions and [amount] capitalised. Ind AS 23 para 8 is mandatory ('shall capitalise'), and the company's own policy J says it does so. The Board's Report says the [amount] non-convertible debentures (NCDs) ([percentage]) were raised partly to 'expedite the construction of new plant ... until the full insurance payment is received', and the Lender 1 (NBFC) term loan (12%) and working-capital lines also funded the year. The consolidated statements show the Group applies the standard: consolidated note 30 deducts [amount] (FY25 [amount]) of interest capitalised, which, on the documents available, relates to Subsidiary 1's Site 2 (State A) project because the standalone note 28 has no such line.

The standalone notes read (3, 4, 28) contain neither the amount capitalised nor a capitalisation rate, and no statement that nothing was capitalised. Either (a) borrowing costs were capitalised on the Plant 1 (State A) project and the para 26 disclosure is missing, in which case note 28's [amount] is net of an undisclosed amount; or (b) nothing was capitalised, in which case profit before tax is understated by the eligible amount and the policy is not being applied. An indicative calculation using the general-borrowings method (para 14) gives [amount]: average CWIP of about [amount] at the weighted-average borrowing rate of about 11%. This is indicative only; the actual figure depends on the expenditure profile and which borrowings are specific.

### Workings

| Indicative capitalisation (general borrowings method, Ind AS 23 para 14) | Rs Cr | Source |
|---|---|---|
| CWIP start of FY 2025-26 | [amount] | Note 4 |
| CWIP FY 2025-26 year-end | [amount] | Note 4 |
| Average CWIP | [amount] | ([amount]) / 2 |
| Interest on borrowings expensed FY26 | [amount] | Note 28 |
| Average borrowings ([amount]) / 2 | [amount] | Cash flow p.236 |
| Implied weighted-average rate | 11.1% | [amount] |
| Indicative eligible borrowing cost | 10.5 | [amount] x 11.1% |
| Consolidated interest capitalised (Subsidiary 1 project) | [amount] | Consolidated note 30, p.352 |
| Standalone interest capitalised per notes | not disclosed | Notes 3, 4, 28 |

### Requirement

**Ind AS 23, Borrowing Costs, para 8**

An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Source: Indian Accounting Standard (Ind AS) 23

**Ind AS 23, para 26**

An entity shall disclose: (a) the amount of borrowing costs capitalised during the period; and (b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

Source: Indian Accounting Standard (Ind AS) 23

### Consequences and penalty exposure

If nothing was capitalised, standalone PBT ([amount]) and the cost of the new plant are each misstated by the eligible amount (indicatively 15% of PBT), and the ratios note, the Reg 52(4) ratios and the debt-service coverage figures shift accordingly. If an amount was capitalised, the statements omit a mandatory disclosure and note 28 does not show the gross interest. Either way the Board cannot tell from the statements which it is.

**Companies Act 2013, s.129(7) (financial statements; AS Rules 2021; Schedule III)**

"(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board ... and in the absence of [them], all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

| | |
|---|---|
| **Who is liable** | MD/CFO |
| **Exposure for this matter** | If confirmed that Ind AS 23 was not applied or its disclosure omitted: fine of Rs 50,000 to Rs 5,00,000 (or imprisonment up to one year) on the MD, the CFO or the director charged with finance. |
| **Why it is engaged** | Section 129(1) requires compliance with Ind AS 23, which makes capitalisation on qualifying assets mandatory (para 8) and requires the amount and rate to be disclosed (para 26). |
| **Nature** | fine/imprisonment (court prosecution) - NOT decriminalised by [year] or [year] Amendment Acts; compoundable under s.441 (imprisonment OR fine) |

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) and Companies (Amendment) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

### Recommended action

- State in note 4 or note 28 the borrowing costs capitalised in FY26 (and FY25) and the capitalisation rate, per Ind AS 23 para 26.
- If none was capitalised, document why the Plant 1 (State A) new plant is not a qualifying asset, or correct the accounting in FY27 with an Ind AS 8 prior-period adjustment if material.
- Align the standalone treatment with the Group's treatment at Subsidiary 1.

### Suggested wording

Borrowing costs of Rs [ ] Cr (FY25: Rs [ ] Cr) were capitalised during the year on the construction of the new plant at Plant 1 (State A) [zone], at a capitalisation rate of [ ]% being the weighted average rate of the Company's general borrowings.

### Information requested from the company

The fixed-asset register/CWIP ledger for the Plant 1 (State A) new plant showing whether any interest was added, and the treatment of the non-convertible debenture (NCD) and Lender 1 (NBFC) proceeds in the capitalisation computation.

A note disclosing the amount capitalised and the rate, or a documented assessment that the plant is not a qualifying asset (for example a construction period under twelve months per module).

### Source references

**Extracts from the Annual Report**

*Page 246: "General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised*

*Page 243: "Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs*

*Page 254: "Additions during the year [amount]*

*Page 275: "Interest expenses on borrowings [amount] [amount]*

### *Page 352: "Less : Amount Capitalised ([amount]) ([amount])*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | Policy J: borrowing costs on qualifying assets are capitalised. | **Document**<br>Annual Report 2025-26, page 246, Note 2.IV.J | *"General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised" [verified]* |
| 2 | Policy F: PPE cost includes capitalised borrowing costs. | **Document**<br>Annual Report 2025-26, page 243, Note 2.IV.F | *"Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs" [verified]* |
| 3 | CWIP additions FY26 [amount]; closing [amount]. | **Document**<br>Annual Report 2025-26, page 254, Note 4,; image viewed | *"Additions during the year [amount]" [verified]* |
| 4 | CWIP on the balance sheet. | **Document**<br>Annual Report 2025-26, page 232, Balance sheet | *"Capital work-in-progress 4 [amount] [amount]" [verified]* |
| 5 | Standalone interest on borrowings [amount] with no capitalisation line. | **Document**<br>Annual Report 2025-26, page 275, Note 28 | *"Interest expenses on borrowings [amount] [amount]" [verified]* |
| 6 | Consolidated finance-cost note deducts interest capitalised. | **Document**<br>Annual Report 2025-26, page 352, Consolidated note 30 | *"Less : Amount Capitalised ([amount]) ([amount])" [verified]* |
| 7 | Consolidated finance cost [amount] (lower than standalone [amount]). | **Document**<br>Annual Report 2025-26, page 309, Consolidated P&L | *"Finance costs 30 [amount] [amount]" [verified]* |
| 8 | Non-convertible debenture (NCD) proceeds linked to the Plant 1 (State A) rebuild. | **Document**<br>Annual Report 2025-26, page 71, Board's Report | *"will also provide the necessary liquidity to expedite the construction of new plant of the [product line] plant in Plant 1 (State A) [zone] until the full insurance payment is received." [verified]* |
| 9 | Commissioning expected H1 FY27, i.e. a construction period exceeding a year. | **Document**<br>Annual Report 2025-26, page 162, MD&A | *"As the facility is set to commission in H1 F.Y. 2026-27" [verified]* |
| 10 | Borrowings rose from [amount] with net proceeds [amount]. | **Document**<br>Annual Report 2025-26, page 236, Cash flow | *"Non Cash Changes (unamortized finance cost) (4.00) 0.25" [verified]* |
| 11 | Ind AS 23 para 8. | **Law**<br>Indian Accounting Standard (Ind AS) 23, para 8 | *"An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset." [verified]* |
| 12 | Ind AS 23 para 26. | **Law**<br>Indian Accounting Standard (Ind AS) 23, para 26 | *"An entity shall disclose: (a) the amount of borrowing costs capitalised during the period; and (b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation." [verified]* |
| 13 | ([amount]) / 2 = [amount]; ([amount]) / 2 = [amount]; [amount] = 11.1%; [amount] x 11.1% = 10.5. | **Our computation**<br>[3], [5], [10] | |
| 14 | No disclosure of borrowing costs capitalised in the standalone statements: searched 'capitalis', 'capitaliz', 'capitalisation rate', 'borrowing cost' in p.237-299; hits are the policy text, 'Less: Capitalisation (3.32)' of employee cost in note 27, and CWIP 'Capitalised during the year' (transfer to PPE) only. | **Our inference**<br>Annual Report 2025-26 text search, p.237-299 | |

CLARIFICATION | MEDIUM | FOR CONFIRMATION

## Q-02 The four assured 'intensity in terms of physical output' figures imply that production in kilograms rose four- to five-fold in FY26 (from about [amount] kg to about [amount] kg) while energy fell 47% and revenue rose 11%; the production denominator is not disclosed and the FY25 and FY26 figures cannot both be right

| | |
|---|---|
| **Year** | FY 2024-25 and FY 2025-26 |
| **Area** | BRSR Principle 6 EI Q1, Q3, Q7, Q9 - physical-output intensities; master circular Annexure 17A (intensity per unit of output is a BRSR Core parameter) |
| **Pages** | Annual Report 2025-26: pages 202, 203, 205 |
| **Action by** | CFO / finance, Company Secretary, Audit Committee |
| **Timing** | In the FY 2026-27 financial statements and Annual Report |

**In brief.** The four assured sustainability intensities measured 'per kilogram of output' imply that the company's physical production rose four- to five-fold in FY26, in a year when revenue grew 11%, energy use almost halved and a major plant was out of action. The production figure used is not disclosed, and the FY25 and FY26 figures cannot both be right. Because these are BRSR Core figures covered by the Assurance Provider's assurance, the company should disclose the denominator, correct whichever year is wrong and ask the assurer to confirm its work.

### Where this appears

| | | | |
|---|---|---|---|
| (Total energy consumed / Revenue from operations | | | |
| Energy intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) (Total energy consumed / Revenue from operations adjusted for PPP) | GJ/USD in Lakhs | [amount] | [amount] |
| Energy intensity in terms of physical output | GJ/kg of production | 0.002 | 0.02 |
| Energy intensity (optional) – the relevant metric may be selected by the entity | - | - | - |

*Note: Independent reasonable assurance has been carried out by* the Assurance Provider *on the above indicator*

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 202 — 0.002 GJ/kg (FY25 0.02)*

| Parameter | Unit | F.Y. 2025-26 | F.Y. 2024-25 |
|---|---|---|---|
| Water intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) (Total water consumption / Revenue from operations adjusted for PPP) | KL/USD in Lakhs | [amount] | [amount] |
| Water intensity in terms of physical output | KL/kg of production | 0.0017 | 0.0149 |
| Water intensity (optional) – the relevant metric may be selected by the entity | - | - | - |

*Note: Indicate if any independent* [document link masked] *has been carried out by an external agency? (Y/N) If yes, name of the external agency*

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 203 — 0.0017 KL/kg (FY25 0.0149)*

| | | | |
|---|---|---|---|
| (Total waste generated / Revenue from operations) | lakhs | | |
| Waste intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) (Total waste generated / Revenue from operations adjusted for PPP) | MT/ USD in Lakhs | 1.23 | 2.06 |
| Waste intensity in terms of physical output (MT/kgs of production) | MT/kg | 0.00011 | 0.0008 |
| Waste intensity (optional) – the relevant metric may be selected by the entity | - | - | - |
| For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes) | | | |

Public sample: real annual report; identity, dates and distinctive amounts masked

*Annual Report 2025-26, page 205 — 0.00011 MT/kg (FY25 0.0008)*

### Observation

Each Principle 6 table gives an intensity 'in terms of physical output' per kilogram of production. Dividing the assured numerators by these intensities recovers the production denominator the company used. For FY26 the four tables imply production of roughly 47 million kg (waste), 49 million kg (water), 53 million kg (GHG) and 62 million kg (energy, whose two-significant-figure rounding of 0.002 allows 49-82 million kg). For FY25 they imply roughly 9.7 million kg (waste and water), 11.6 million kg (energy) and 12.3 million kg (GHG). The two years are thus internally coherent but mutually incompatible: a company whose revenue grew 10.6%, whose largest plant was out of action all year and whose energy use halved did not multiply its physical output by four or five.

The most likely explanations are a change in what is counted as 'production' (for example FY26 including toll-manufactured or traded volumes, or intermediates, or a different unit), or a unit slip in one year. Whichever it is, the master circular requires the data approach for BRSR Core KPIs to be disclosed and any change to be explained, and Annexure 17A lists intensity per unit of output among the assured parameters. The BRSR gives no production figure, no unit definition and no note. Because these are assured figures, the assurance provider's procedures on the denominator are also in question.

### Workings

| Table | Numerator FY26 | Intensity FY26 (per kg) | Implied FY26 production (kg) | Numerator FY25 | Intensity FY25 | Implied FY25 production (kg) | Implied growth |
|---|---|---|---|---|---|---|---|
| Energy | [amount] GJ | 0.002 (range 0.0015-0.0025) | 6.18 crore (4.9-8.2 crore) | [amount] GJ | 0.02 (0.015-0.025) | 1.16 crore (0.93-1.55 crore) | c. 5x |
| Water | [amount] KL | 0.0017 | 4.88 crore | [amount] KL | 0.0149 | 0.97 crore | c. 5x |
| GHG Scope 1+2 | [amount] tCO2e | 0.0003 (0.00025-0.00035) | 5.32 crore (4.6-6.4 crore) | [amount] tCO2e | 0.002 | 1.23 crore | c. 4x |
| Waste | [amount] MT | 0.00011 | 4.71 crore | [amount] MT | 0.0008 | 0.97 crore | c. 5x |
| Revenue | [amount] | | | [amount] | | | +10.6% |

### Requirement

> **SEBI LODR master circular (updated [date]), Chapter IV-B para 2.2**
> It is clarified that the approach specified is only a base methodology. Any changes or industry specific adjustments / estimations shall be disclosed.
> Source: SEBI Master Circular for compliance with the LODR Regulations

### Consequences and penalty exposure

The physical-output intensities - the only metrics that could show like-for-like efficiency in a [incident] year - are unusable as printed and, being assured, undermine confidence in the assurance. Data aggregators that ingest BRSR Core fields will record a five-fold jump in output.

No specific penalty; a data-quality question on assured Business Responsibility and Sustainability Report figures, to be resolved by disclosing and correcting the production denominator.

### Recommended action

- Disclose the production quantity (kg or MT) used as denominator for each year and the definition (in-house finished goods; whether toll-manufactured, traded or intermediate volumes are included).
- Correct whichever year is wrong and footnote the correction (master circular para 2.2).
- Ask the Assurance Provider to confirm the procedures performed on the production denominator and, if the figure changes, to reissue the assurance report.

### Suggested wording

Physical output used as denominator: FY 2025-26 [x] MT; FY 2024-25 [y] MT, being in-house production of finished goods at the four manufacturing sites (toll-manufactured volumes excluded). FY 2024-25 intensities have been restated on this basis.

### Information requested from the company

The production quantities (per site, per year) used to compute the intensities, and the assurance working papers on that denominator.

Production data showing that in-house output in kg genuinely rose four-fold (for example if FY25 output was measured net of the destroyed Plant 1 (State A) inventory or in a different unit).

### Source references

**Extracts from the Annual Report**

*Page 202: "Energy intensity in terms of physical output GJ/kg of production 0.002 0.02*

*Page 203: "Water intensity in terms of physical output KL/kg of production 0.0017 0.0149*

*Page 204: "Total Scope 1 and Scope 2 emission intensity in terms of physical output tCO2e/kg of production 0.0003 0.002*

*Page 205: "Waste intensity in terms of physical output (MT/kgs of production) MT/kg 0.00011 0.0008*

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 1 | Energy intensity 0.002 GJ/kg (FY25 0.02) (image viewed). | **Document**<br>Annual Report 2025-26, page 202, BRSR P6 EI Q1 | *"Energy intensity in terms of physical output GJ/kg of production 0.002 0.02" [verified]* |
| 2 | Total energy [amount] GJ (FY25 [amount]). | **Document**<br>Annual Report 2025-26, page 202 | *"Total energy consumed (A+B+C+D+E+F) GJ [amount] [amount]" [verified]* |
| 3 | Water intensity 0.0017 KL/kg (FY25 0.0149). | **Document**<br>Annual Report 2025-26, page 203 | *"Water intensity in terms of physical output KL/kg of production 0.0017 0.0149" [verified]* |
| 4 | Water consumption [amount] KL (FY25 [amount]). | **Document**<br>Annual Report 2025-26, page 202 | *"Total volume of water consumption (in kilolitres) KL [amount] [amount]" [verified]* |
| 5 | GHG intensity 0.0003 tCO2e/kg (FY25 0.002). | **Document**<br>Annual Report 2025-26, page 204 | *"Total Scope 1 and Scope 2 emission intensity in terms of physical output tCO2e/kg of production 0.0003 0.002" [verified]* |
| 6 | Scope 1 [amount] (FY25 [amount]) tCO2e. | **Document**<br>Annual Report 2025-26, page 204 | *"Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) Metric tonnes of CO2 equivalent [amount] [amount]" [verified]* |
| 7 | Scope 2 [amount] (FY25 [amount]) tCO2e. | **Document**<br>Annual Report 2025-26, page 204 | *"if available)[1] Metric tonnes of CO2 equivalent [amount] [amount]" [verified]* |
| 8 | Waste intensity 0.00011 MT/kg (FY25 0.0008). | **Document**<br>Annual Report 2025-26, page 205 | *"Waste intensity in terms of physical output (MT/kgs of production) MT/kg 0.00011 0.0008" [verified]* |
| 9 | Total waste [amount] MT (FY25 [amount]). | **Document**<br>Annual Report 2025-26, page 205 | *"Total (A+B + C + D + E + F + G + H) MT [amount] [amount]" [verified]* |
| 10 | These tables are stated to be assured by the Assurance Provider. | **Document**<br>Annual Report 2025-26, page 202, and identical notes on , 208, 209 | *"Note: Independent reasonable assurance has been carried out by the Assurance Provider on the above indicator" [verified]* |
| 11 | Revenue [amount] v [amount] Rs Cr. | **Document**<br>Annual Report 2025-26, page 233, Standalone P&L | *"Revenue from operations 23 [amount] [amount]" [verified]* |
| 12 | Methodology and changes must be disclosed. | **Law**<br>SEBI Master Circular for compliance with the LODR Regulations, para 2.2 | *"It is clarified that the approach specified is only a base methodology. Any changes or industry specific adjustments / estimations shall be disclosed." [verified]* |

| No. | Statement | Reference | Exact words / working |
|---|---|---|---|
| 13 | Implied production = numerator / intensity. FY26: [amount]/0.002 = [amount] kg; [amount]/0.0017 = [amount] kg; [amount]/0.0003 = [amount] kg; [amount]/0.00011 = [amount] kg. FY25: [amount]/0.02 = [amount] kg; [amount]/0.0149 = [amount] kg; [amount]/0.002 = [amount] kg; [amount]/0.0008 = [amount] kg. Ratios FY26/FY25: 5.3, 5.0, 4.3, 4.9. | **Our computation**<br>[1]-[9] | |
| 14 | The production denominator is not disclosed anywhere in Annual Report 2025-26 (search terms: 'kg of production', 'production volume', 'tonnes produced', 'MT produced', 'physical output' - hits only in the four BRSR tables and their FY25 equivalents). | **Our inference**<br>Full-text search of Annual Report 2025-26 | |

# Annexure A — Penalty provisions referred to

**Companies Act 2013, s.129(7) (financial statements; AS Rules 2021; Schedule III)**

"(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board ... and in the absence of [them], all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

Amount: Imprisonment up to 1 year, or fine Rs 50,000-5,00,000, or both. Liable: MD, WTD in charge of finance, CFO, person charged by Board; failing them, all directors (not the company). Nature: fine/imprisonment (court prosecution) - NOT decriminalised by [year] or [year] Amendment Acts; compoundable under s.441 (imprisonment OR fine).

In force: original text; untouched by Act 22 of [year] and Act 29 of [year] (neither amends s.129(7))

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) and Companies (Amendment) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

**Companies Act 2013, s.134(8) (Board's report; Accounts Rules r.8)**

"(8) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees."

Amount: Company: Rs 3,00,000; every officer in default: Rs 50,000. Liable: company and every officer in default. Nature: penalty (s.454 adjudication).

In force: substituted by Act 29 of [year] s.26 w.e.f. [date] (earlier: company fine Rs 50,000-25,00,000; officer imprisonment up to 3 years and/or fine)

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); verified against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]; S.O. [amount](E) [date] (commencement of [year] Act ss.1,3,[amount](a)(b),[amount](i),[amount]) - list read from [link] (secondary), read [date]

**Companies Act 2013, s.186(13) (loans, guarantees, investments by company)**

"(13) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees."

Amount: Company: fine Rs 25,000-5,00,000; every officer in default: imprisonment up to 2 years AND fine Rs 25,000-1,00,000. Liable: company and every officer in default. Nature: fine/imprisonment (court prosecution) - not decriminalised; officer limb is imprisonment AND fine, so not compoundable under s.441(6)(a).

In force: original text; untouched by Act 22 of [year] and Act 29 of [year]

Source: (consolidated Companies Act text; cp1252; footnotes run to [date]), read [date] (lines [amount]); negative check against Companies (Amendment) Act 2020 (No. 29 of [year]), Gazette of India Extraordinary Pt II s.1 No. 54, [date] - gazette-printed copy [link])%20Act,%[amount].pdf (mirror; mca.gov.in not used), read [date]) Act 2019 (No. 22 of [year]), [date], gazette-printed copy on NFRA's government CDN [link] read [date]

**SEBI Act 1992, s.15HB (residual)**

"15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

Amount: Rs 1,00,000 to Rs 1,00,00,000. Liable: whoever fails to comply (company, directors, compliance officer, promoters). Nature: SEBI adjudication penalty.

In force: amount substituted by Securities Laws (Amendment) Act 2014 w.e.f. [date]

Source: SEBI Act 1992 as amended by Finance Act 2021 w.e.f. start of FY 2021-22 (latest consolidated text listed on sebi.gov.in Acts page): [link] (page [link]), read [date])

# Annexure B — Glossary

| Term | Meaning |
|---|---|
| Ind AS | Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, which the company follows. Schedule III Division II gives the format of its financial statements. |
| LODR / Listing Regulations | SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Chapter IV applies to the listed equity; Chapter V (Regulations 49 to 62A) applies because the company also has listed non-convertible debentures. |
| CARO 2020 | Companies (Auditor's Report) Order, 2020: matters the statutory auditor must report on in an annexure to the audit report. |
| KAM / EoM | Key audit matter (a matter the auditor must describe under SA 701 for a listed company) and Emphasis of Matter paragraph (SA 706: draws attention to a note without qualifying the opinion). |
| BRSR / BRSR Core | Business Responsibility and Sustainability Report required by Regulation 34(2)(f), and the subset of its indicators that SEBI requires to be assured or assessed. |
| RPT | Related-party transaction (Companies Act s.188; Ind AS 24; LODR Regulation 23). |
| Masked labels | Company A Limited is the company reviewed. Subsidiary 1 is its wholly-owned subsidiary building plants for a new product line; Subsidiary 2 is a step-down subsidiary; Partnership Firm 1 is a partnership presented as a joint venture. Directors, key managerial personnel and promoters are numbered or named by office; Plant and Site numbers replace plant locations, and states are shown as State A, B and C. Product lines, countries, currencies, the rating agency (Rating Agency 1), the stock exchanges, document links and filing subjects are masked. [date] is a masked date, [year] a masked calendar year and [amount] a masked figure; a financial year's closing or opening date is shown by its financial-year label. |

This report applies the published texts of the law to the company's two Annual Reports and its public filings. Matters in Part 4 are questions, not conclusions. Amounts of penalty are those prescribed by law and are not a prediction of any action by a regulator.

# An Indian listed company (identity masked)

Public Sample: Observations on the Annual Reports · A real review of FY 2025-26 and FY 2024-25 of an Indian listed specialty-chemicals manufacturer, masked for publication

## What this sample is

9 observations from a real review of the two most recent Annual Reports of an Indian listed specialty-chemicals manufacturer, reproduced as they were written for its Board. The company is called Company A Limited; its group entities, promoters, directors, officers, auditors, bankers, places and business lines carry neutral labels, and dates and distinctive amounts are masked, in the text and on every page extract.

## How the review was done

Every page of both reports was read. Each observation is tied to the page it comes from, with the exact words quoted and a highlighted extract of the page, and to the exact wording of the requirement it relies on. Figures were recomputed, tables re-added, and the reports were compared with the company's stock-exchange filings.

## How each point was tested

Every observation was argued from management's side, as its finance team, auditor and lawyers would argue it, before it was kept. Where the facts are clear but the conclusion depends on judgement, the point is put as a question for the company. A breach or fine the company has itself disclosed is not treated as a finding.

## Basis

Only public documents were used: the annual reports, the company's stock-exchange filings and website, and the official texts of the law. The review is not an audit, does not express an opinion on the financial statements and is not legal advice.