

INDEPENDENT AUDITORS' REPORT

To
The Members of
GANDHI SPECIAL TUBES LIMITED.

Report on the Financial Statements

We have audited the accompanying Ind AS financial statements of **GANDHI SPECIAL TUBES LIMITED** ("the Company") which comprise the Balance Sheet as at March 31, 2018; the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement, the statement of changes in equity for year then ended and a summary of significant accounting policies and other explanatory information (herein after referred to as Ind AS "Financial statements").

Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matter stated in Section 134(5) of the Companies Act, 2013 ("The Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act and relevant rules issued thereafter.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosure in the Ind AS financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Other Matter

The audited financial statements for the year ended 31st March 2017, was carried out and reported by S. V. Doshi & Co., vide their unmodified audit report dated 16th May 2017, whose report has been furnished to us by the management and which has been relied upon by us for the purpose of our audit of financial statements. Our audit report is not qualified in respect of this matter.

Report on other legal and regulatory requirements

- 1) As required by the Companies (Auditor's Report) order, 2016("The order"), issued by the Central Government of India in terms of section 143(11) of Act, we give in the Annexure "A" a statement on the matters specified in the paragraphs 3 and 4 of the said order, to the extent applicable.
- 2) As required by section 143(3) of the Act, we report that :
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. ('Ind AS' have been included)
 - e) On the basis of the written representations received from the directors as on March 31st, 2018, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31st 2018, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to adequacy of the internal financial control over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure "B".
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor) Rule, 2014,(as amended) in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements- Refer Note 31 to the Ind AS financial statements.
- ii. The Company has not entered into any long term contracts including derivative contracts for which there were any material foreseeable losses as required under the applicable law or Indian Accounting Standards.
- iii. There has been no delay in transferring the amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Shashikant J. Shah & Co.**

Chartered Accountants

Firm Reg. No. 109996W

Shashikant J. Shah

Partner

Membership No: 015905

Place : Mumbai

Date : 28th May, 2018

Annexure “A” to The Independent Auditor’s Report for the year ended 31st March 2018.

(Referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date)

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- b) As explained to us, the fixed assets have been physically verified by the management in accordance with the phased programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification;
- c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) As explained to us, the physical verification of inventory has been conducted by the management in accordance with the phased programme of verification, which, in our opinion, is reasonable and no material discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, the Company has, during the year, not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnership; or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of paragraph 3(III), 3(III) (a) to (c) of the said order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanation given to us, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans to Directors, Loans and investments, giving guarantees, and providing securities etc. as applicable.
- (v) The Company has not accepted any deposits from the public within the meaning of Section 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Accordingly, Clause 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the records maintained by the Company in respect of its products, where pursuant to the Company’s (Cost record and audit) Rules, 2014, the maintenance of cost records have been prescribed under Section 148(1) of the Act and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (vii) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education & Protection Fund, Employees’ State Insurance, Income Tax, Sales Tax, Service tax, Custom duty, Excise duty, value added tax, cess, GST and other material statutory dues as applicable with the appropriate authorities.
- b) The Disputed statutory dues aggregating ₹178.51 lakhs which have not been deposited on account of disputed matters pending before appropriate authorities are as under :

(₹in lakhs)

Name of the Statute	Nature of Dues	Amount under dispute not yet deposited	Period to which the amount relates	Forum where the dispute is pending
Service Tax Laws	Service Tax	152.03	01-09-2004 To 30-09-2013	Before Customs, Excise & Service Tax Appellate Tribunal

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(CIN : L27104MH1985PLC036004)

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Name of the Statute	Nature of Dues	Amount under dispute not yet deposited	Period to which the amount relates	Forum where the dispute is pending
Service Tax Laws	Service Tax	1.25	01-03-2012 To 31-12-2012	Before Commissioner (Appeals) Customs, Excise & Service Tax
Sales Tax Laws	Sales Tax	25.23	01-04-2002 To 31-03-2003	Before Joint Commissioner of Sales Tax (Appeals)
	Total	178.51		

- (viii) The Company does not have any loans or borrowing from financial institution, bank, Government or to debenture holders during the year. Accordingly, paragraph 3(viii) of the order is not applicable.
- (ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the order is not applicable.
- (x) According to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year in course of our audit, nor have we been informed of any such case by the Management.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the order is not applicable;
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the Ind AS Financial Statements as required by the applicable Ind AS accounting standards;
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, paragraph 3(xiv) of the order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with them covered under section 192 of the Act. Accordingly, paragraph 3 (xv) of the order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the order is not applicable.

For **Shashikant J. Shah & Co.**
Chartered Accountants
Firm Reg. No. 109996W

Shashikant J. Shah
Partner
Membership No: 015905

Place : Mumbai
Date : 28th May, 2018

Annexure “B” to the Independent Auditor’s Report

(Referred to in Paragraph 2(f) under the heading of “Report on Other Legal and Regulatory Requirements” of our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”).

We have audited the internal financial controls over financial reporting of **GANDHI SPECIAL TUBES LIMITED** (“the Company”) as of 31st March, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Shashikant J. Shah & Co.**
Chartered Accountants
Firm Reg. No. 109996W

Shashikant J. Shah
Partner
Membership No: 015905

Place : Mumbai
Date : 28th May, 2018