

INDEPENDENT AUDITOR'S REPORT

To the Members of Graphite India Limited

Report on the Audit of the standalone financial statements

Opinion

We have audited the accompanying standalone financial statements of Graphite India Limited ("the Company"), which comprise the Balance Sheet as at March 31 2021, the Statement of Profit and Loss, including other comprehensive income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013, as amended ("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 March 31, 2021, its profit including other comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the standalone financial statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered

Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition (as described in Note 2(b) and 21 of the standalone financial statements)	
<p>The Company recognises revenue when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.</p> <p>The terms of sales arrangements, including the timing of transfer of control, delivery specifications including incoterms in case of exports, create complexity and judgment in determining timing of revenue recognition. The risk is, therefore, that revenue may not be recognised in the correct period in accordance with Ind AS 115.</p> <p>Accordingly, due to the risk associated with timing of revenue recognition, it was determined to be a key audit matter in our audit of the standalone financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Evaluated that the Company’s revenue recognition policy is in compliance with terms of Ind AS 115 ‘Revenue from contracts with customers’. ▪ Evaluated the design and implementation of key controls operating around revenue recognition. ▪ Performed test of individual sales transaction on sample basis and traced to sales invoices, sales orders and other related documents. Further, in respect of the samples selected, checked that the revenue has been recognized as per the incoterms and when the conditions for revenue recognitions are satisfied. ▪ Selected samples of sales transactions made pre and post year end, checked the period of revenue recognition with the underlying documents. ▪ Assessed the adequacy of relevant disclosures made in the standalone financial statements.
Assessment of net realisable value of Inventory (as described in Note 2(h), 3, 12, 23, 24, 44 of the standalone financial statements)	
<p>Assessment of net realizable value of electrodes (finished goods, work in progress and related raw materials) has been identified as a key audit matter given the relative size of its balance in the standalone financial statements and the significant judgment involved in the estimation of Net realisable value by the management of the Company. The inputs used for the determination of the net realisable value involves wide range of forward looking attributes viz., future selling prices, costs to complete for work in progress & raw material and selling costs which makes such determination complex and sensitive to these attributes. Any change in attribute may have a material impact on the calculation of net realisable value and resultantly on the carrying value of the inventory as on the Balance Sheet date.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Evaluated that the Company’s inventory valuation policy is in compliance with Ind AS-2 ‘Inventories’ ▪ Evaluated the design and implementation of key controls operating around inventory valuation; ▪ Held discussions with management to understand and corroborate the assumptions used in the assessment of net realisable value of electrodes ▪ Compared the selling prices of electrodes subsequent to the year end to their year- end carrying amounts, on a sample basis, to check whether they are stated at the lower of cost and net realizable value. ▪ Assessed the derived net realizable values of work in progress and raw material, on a sample basis, by comparing their year-end carrying values to the selling prices of electrodes less future cost of their conversion into finished goods, ▪ Obtained understanding of the management’s process of estimation of future costs of conversion of raw material and work in progress into finished goods and assessed their estimates, on a sample basis. ▪ Assessed the adequacy of relevant disclosures made in the standalone financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone 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) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease

operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the standalone financial statements

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

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
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 including other comprehensive income, the Cash Flow Statement and Statement of

Changes in Equity dealt with by this Report are in agreement with the books of account;

- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid/ provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 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 standalone financial statements – Refer Note 34 to the standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Sanjay Kumar Agarwal
Partner

Membership Number: 060352
UDIN: 21060352AAAABW1589

Place of Signature: Kolkata
Date: June 28, 2021

Annexure 1 Referred to In Paragraph 1 of the section on “Report on other legal and regulatory requirements” of our report of even date on the standalone financial statements of Graphite India Limited

To the members of Graphite India Limited (“the Company”)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Majority of the fixed assets have been physically verified by the management during the year and there is a regular 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 explanations given by the management the title deeds of immovable properties included in property, plant and equipment/right of use assets are held in the name of the Company except seven immovable properties aggregating Rs. 0.24 crores as at March 31, 2021 (details of which are set out in Note 4.6 and Note 4.7 to the standalone financial statements).

Particulars	Whether leasehold/ freehold	Gross block (Rs. in crores)	Net block (Rs. in crores)
Five Freehold Land at Nashik and Titilagarh	Freehold Land	0.09	0.09
Two Leasehold Land at Titilagarh	Leasehold Land	0.22	0.15

- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2021 and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)

- (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans and securities given in respect of which provisions of section 185 and 186 of the Companies Act, 2013 are applicable and hence not commented upon. In respect of investments made, provisions of section 185 and 186 of the Companies Act 2013 have been complied with by the Company.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of Company's products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, duty of custom, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, goods and service tax, duty on custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

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Graphite India Limited

Name of the Statute	Nature of Dues	Amount (Rs. in Cr.)*	Period to which amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty, Interest and Penalty	0.04	1999-00	Assistant Commissioner/Deputy Commissioner of Central Excise
		9.48	2010-11, 2011-12 & 2013-2017	Commissioner (Appeals)
		3.50	2003-04 to 2008-09 & 2012-13	CESTAT
Central Sales Tax Act, 1956	Sales Tax, Interest and Penalty	0.001	2009-10	Deputy Commissioner of Sales Tax
		0.003	2005-06	Additional Commissioner of Commercial Taxes
		0.01	2011-12	Additional Commissioner, Corporate Division (Appeal)
		0.28	2006-07	Joint Commissioner of Sales Tax (Appeals)
		0.23	2006-07 to 2007-08	Commissioner (Appeals)
		1.92	2002-03, 2003-04 & 2005-06 to 2008-09	Sales Tax Tribunal
Customs Act, 1962	Custom Duty, Interest and Penalty	0.04	1988-89	Chief Metropolitan Magistrate
		0.06	2012-13 & 2013-14	Assistant Commissioner Customs
		8.56	2005-06 to 2007-08	Commissioner of Customs
		0.06	2012-13 & 2013-14	Commissioner (Appeals)
		1.68	1991-92, 2007-08, 2008-09 & 2019-20	CESTAT
Finance Act, 1994	Service Tax, Interest and Penalty	0.07	2006-07 to 2010-11	Assistant Commissioner/Deputy Commissioner of Central Excise
		0.16	2007-2008	Additional Commissioner, Central Excise
		1.27	2010 - 11 to 2015-16, April 2017 to June 2017 & July 2013 to April 2014	Commissioner (Appeals)
		5.03	2004-05 to 2011-12	CESTAT
Andhra Pradesh Value Added Tax Act, 2005	Value Added Tax, Interest and Penalty	0.01	2008-09	Commercial Tax Officer
Karnataka Value Added Tax Act, 2003	Value Added Tax, Interest and Penalty	0.08	2008-09	Assistant Commissioner, Commercial taxes
		0.07	2006-2007	Karnataka High Court
Orrissa Value Added Tax Act, 2003	Value Added Tax, Interest and Penalty	0.02	2005-06	Sales Tax Tribunal
Income-tax Act, 1961	Income Tax Demand and interest	4.18	2011-12 & 2017-18	Commissioner of Income Tax (Appeals)
		58.77	2006-07 to 2012-13	Income Tax Appellate Tribunal
		18.77	1991-92 to 1993-94, 1998-99 to 2005-06	Hon'ble Calcutta High Court

(viii) In our opinion and according to information and explanations given by the management, Company has not defaulted in repayment of loans or borrowings to banks. The Company did not have any outstanding loans or borrowings dues in respect of a financial institution or to government or dues to debenture holders during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the standalone financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the standalone financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

Per Sanjay Kumar Agarwal

Partner

Membership Number: 060352

UDIN: 21060352AAAABW1589

Place of Signature: Kolkata

Date: June 28, 2021

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF GRAPHITE INDIA LIMITED

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 with reference to standalone financial statements of Graphite India Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone 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 the 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these standalone financial statements 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, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, 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 with reference to these standalone financial statements 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 with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone

financial statements included obtaining an understanding of internal financial controls with reference to these standalone financial statements, 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 judgement, 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 with reference to these standalone financial statements.

Meaning of Internal Financial Controls With Reference to these Standalone Financial Statements

A Company's internal financial controls with reference to standalone financial statements 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 controls with reference to standalone financial statements 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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 With Reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone financial statements 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, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, 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 issued by the ICAI.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Sanjay Kumar Agarwal

Partner

Membership Number: 060352

UDIN: 21060352AAAABW1589

Place of Signature: Kolkata

Date: June 28, 2021

