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| <b>INDEPENDENT AUDITOR'S REPORT</b> |
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TO THE MEMBERS OF  
GUPTA SYNTHETICS LTD.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Gupta Synthetics Limited ("the company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("The Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the 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 the frauds 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 internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 financial statements based on our 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 there under.

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 mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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 financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 March'2017 and its loss and cash flow for the year ended on that date subject to points mentioned below:

1. Loss of Stock in Fire of ₹ 2162.93 Lacs of earlier years yet not provided by the company as mentioned in the Note No. 40 forming part of balance sheet.
2. The Standard Chartered Bank have written off ₹ 2029.76 Lacs in the Term Loan Account during FY 2013-14. The company have written a letter to the Bank to know the reason for the said writing off. The company has not received any explanations about the same and therefore said amount is not written off by the company in its books of account and therefore the balance outstanding in the name of Standard Chartered Bank is shown higher by that amount ₹ 2029.76 Lacs and correspondingly the Profit & Loss Account balance in Balance Sheet show the loss figure higher by the amount ₹ 2029.76 Lacs.

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**Report on other Legal and Regulatory Requirements**

1. 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 purpose of our audit.
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as 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 financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of written representations received from the directors as on 31 March, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2017, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - 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 Auditors) Rules, 2014, 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 financial statements as referred to in Note No. 7(b) of the Annexure 'B' to the Audit Report and Note No. 43 to the financial statements.
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, and the Company did not have any long-term contracts including derivatives 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.
    - iv. The Company has provided requisite disclosure in its financial statements as to holdings as well as dealing in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 50 to the financial statements.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Orders.

**For R. R. PATCHIGAR & CO.**  
*Chartered Accountants*  
FRN: 107639W

Place : Surat  
Date : 26.06.2017

**Rupin Patchigar**  
Proprietor  
Membership No.:31172

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| <b>ANNEXURE – A TO THE INDEPENDENT AUDITOR’S REPORT</b> |
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(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' of our report on even date)

**Report on the Internal Financial Controls Over Financial Reporting 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 Gupta Synthetics Ltd. ("the Company") as of March 31, 2017 in conjunction with our audit of the 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. 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 Companies Act, 2013.

**Auditor’s 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 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 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 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 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, to the best of our information and according to the explanations given to us, 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 March 31, 2017, 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 R. R. PATCHIGAR & CO.**

*Chartered Accountants*

FRN: 107639W

**Rupin Patchigar**

Proprietor

Place : Surat

Date : 26.06.2017

Membership No.:31172

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| <b>ANNEXURE – B TO THE INDEPENDENT AUDITOR’S REPORT</b> |
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1. In respect of fixed assets :
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets on the basis of available information.
  - b. As explained to us, the physical verification of the assets has been carried by the management at reasonable intervals and 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.
2. In respect of its inventories :
  - a. As explained to us, inventories have been physically verified by the management at reasonable intervals during the year.
  - b. In our opinion and according to information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the company has maintained proper record of its inventories and no material discrepancies noticed on physical verification.
3. In respect of loans, secured or unsecured, granted by the company to Companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2015.
  - a. The company has granted unsecured loans to company and other parties covered in the register maintained under Section 189 of the Companies Act.
  - b. The loan granted by the company is interest free and, the principal amount is repayable on demand and there is no repayment schedule.
4. In our opinion and according to the information and explanations given to us, the company has complied with the provision of section 185 and 186 of the Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities.
5. In our opinion and according to the information and explanations given to us, the company has accepted deposits against the terms of provisions of Section 73 and 76 of the Companies Act, 2013.
6. We have broadly review the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) rules, 2014 prescribed by the Central Government under Section 148(1) (d) of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed accounts and cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
7. In respect of statutory dues:
  - a. According to the records of the Company, undisputed statutory dues including Provident Fund, Income tax, Sales tax, Custom Duty, Excise Duty, Cess and other material statutory dues have been generally regularly deposited with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales tax, Custom Duty, Excise Duty, Cess and other material statutory dues as at 31<sup>st</sup> March, 2017 which are outstanding for a period of more than six months from the date they become payable, except income tax of ₹ 30.09 lacs, fringe benefit tax of ₹ 16.33 lacs, tax on proposed dividend of ₹ 5.03 lacs are outstanding exceeding six months.

- b. According to the information and explanations given to us and the records produced before us, the particulars of commercial tax and excise duty and service tax as at 31<sup>st</sup> March, 2017 which have not been deposited as on 31<sup>st</sup> March, 2017 on account of dispute pending are as under:

| Nature of Statue         | Nature of Dues                 | ₹ in Lacs | Period to which Amount relates              | Forum where dispute is pending                             |
|--------------------------|--------------------------------|-----------|---|--|
| Gujarat Commercial Tax   | Value Added Tax/<br>Penalties  | 33.48     | 2006-07                                     | Deputy Commissioner of<br>Commercial Tax                   |
|                          |                                | 80.83     | 2007-08                                     |  |
|                          |                                | 4.12      | 2008-09                                     |  |
|                          |                                | 172.22    | 2009-10                                     |  |
|                          |                                | 87.55     | 2010-11                                     |  |
| Central Excise Act, 1944 | Excise Duty and<br>Service Tax | 26.45     | Various years<br>from 2002-03 to<br>2007-08 | Customs, Excise & Service<br>Tax Appellate Tribunal        |
|                          |                                | 63.92     | Various years<br>from 2005-06 to<br>2010-11 | Commissioner of Central<br>Excise (Appeals)                |
|                          |                                | 53.41     | Various years<br>from 2006-07 to<br>2010-11 | Additional Commissioner of<br>Central Excise & Service Tax |
| <b>Total</b>             |                                | 521.98    |   |  |

8. Based on our audit procedures and according to the information and explanations given to us, the company has defaulted in repayment of dues towards their Term Loan Accounts with ING Vysya Bank Ltd., Edelweiss Assets Reconstruction Company Ltd. (formerly with Oriental Bank of Commerce), Industrial Development Bank of India and State Bank of India. Details of period and amount of default are as under:

| Sr. No. | Name of the Bank   | Amount of default as on 31.03.2017 (₹ in lacs) |
|---------|--|--|
| 1       | Kotak Mahindra Bank Ltd. (Formerly known as ING Vysya Bank Ltd.)                     | 2032.84  |
| 2       | Edelweiss Assets Reconstruction Company Ltd.(formely with Oriental Bank of Commerce) | 2575.40  |
| 3       | Industrial Development Bank of India   | 1605.74  |
| 4       | State Bank of India  | 3023.00  |
|         | <b>Total</b>   | <b>9236.98</b>                                 |

The amount of default includes principal and interest. Please note that the company has not paid any installments and above bank accounts have become Non-Performing Assets, therefore entire term loan accounts are shown as default. Further that the company has entered into a one time settlement agreement with Kotak Mahindra bank Ltd., and Edelweiss Assets Reconstruction Company Ltd. (formerly with Oriental Bank of Commerce). The details of one time settlement have been disclosed in note no. 42 of the notes forming part of accounts.

9. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
10. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
11. In our opinion and according to the information and explanation given to us, the Company has not provided managerial remuneration therefore the requisite approvals mandated by the provision of Section 197 read with schedule V to the Companies Act, 2013 is not required.
12. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
13. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the

details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

14. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or person connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.
16. The company is not require to be registered under section 45-IA of the Reserve Bank Of India Act, 1934 .

**For R. R. PATCHIGAR & CO.**

*Chartered Accountants*

FRN: 107639W

Place : Surat  
Date : 26.06.2017

**Rupin Patchigar**  
Proprietor  
Membership No.:31172