

Independent Auditor's Report

To the Members of
Vardhman Acrylics Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Vardhman Acrylics Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash flows for the year then ended and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial Statements").

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2020, the profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) 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 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 Financial Statements under the provisions of the Act and the Rules there under, 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 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 Financial Statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the company's annual report, (but does not include the financial statements and our auditors' report thereon).

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 and Those Charged with Governance for the 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 financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial controls 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 system 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 the management and Board of Directors.
- 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 Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

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 in terms of sub section (11) of section 143 of the Act, we give in “Annexure A” a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit, 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 book;
 - (c) The Balance sheet, the statement of profit and loss (including other comprehensive income) , statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the relevant books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015.
 - (e) On the basis of the written representations received from the directors as on 31st March 2020 taken on record by the Board of directors, none of the directors is disqualified as on 31st March 2020 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 B”,

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 matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act,

In our opinion and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of 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, 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. Refer Note 35 to the financial statement;
 - ii. The company did not have any long term contracts including derivatives contracts for which there were any material foreseeable losses and,
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **SCV & Co. LLP**
Chartered Accountants
Firm Reg. No.000235N/N500089

(Sanjiv Mohan)
Partner

Place: Ludhiana
Date: 19th June, 2020

M. No. 086066
UDIN: 20086066AAAAEX4939

Annexure – “A” to the Independent Auditors’ Report

(Referred to in paragraph 1 under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of Vardhman Acrylics Limited of even date)

- (i) In respect of the Company’s fixed assets:-
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a phased program of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As part of this program, the management has physically verified certain fixed assets during the year. According to the information and explanations given to us, no discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, title deed of the immovable property is held in the name of the company.
- (ii) According to the information and explanations given to us, physical verification has been conducted by management at reasonable intervals in respect of finished goods, stores and spares and raw material, Further, stock in the possession and custody of third parties and stock in transit as at 31 March, 2020 has been verified by the management with reference to confirmation and statement of accounts or correspondence with the third party or subsequent receipt of goods. In our opinion, the frequency of such verification is reasonable.
- According to the information and explanations given to us, no discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, we report that the Company has 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 Companies Act, 2013. Therefore, the provisions of paragraph 3(iii) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us, there are no loans, guarantees and securities given in respect of which provision of section 185 of the Companies Act, 2013 applies and hence not commented upon.
- In our opinion and according to the information and explanations given to us, there are investments made by the company in respect of which section 186 of the Companies Act, 2013 is applicable and have been complied with by the company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under the provisions of sections 73 to 76 and any other relevant provision of the Companies Act, 2013 and the rules framed there under and therefore the provisions of the clause 3(v) of the order are not applicable to the company.
- (vi) We have broadly reviewed the cost records 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 Act and are of the opinion that prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of such records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of the records of the Company examined by us, in our opinion, the Company has been regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income tax, goods and services tax, service tax, duty of custom, duty of excise, value added tax, cess, sales tax and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanation given to us, no undisputed amounts in respect of statutory dues payable were outstanding as on the last day of the financial year for a period of more than six months from the date they became payable.

- (c) According to the records of the company the dues of value added tax, central sales tax, service tax, and income tax which have not been deposited with appropriate authorities on account of dispute, are as follows:

Nature of Statute	Nature of Dues	Forum at which dispute is pending	Total Demand (In Lakhs)	Paid under Protest (In Lakhs)	Unpaid	Financial year to which it relates
The Gujarat VAT Tax Act, 2003	VAT and CST	Joint Commissioner of Commercial Tax Appeal-2, Vadodara	203.20	25.04	178.16	2009-10
The Gujarat VAT Tax Act, 2003	VAT and CST	GVAT Tax Tribunal, Ahmedabad	132.54	20.00	112.54	2008-09
The Gujarat VAT Tax Act, 2003	VAT and CST	Joint Commissioner of Commercial Tax Appeal-2, Vadodara	43.27	--	43.27	2004-05 and 2005-06
The Punjab VAT Act, 2005	VAT and CST	VAT Tribunal, Punjab	10.47	2.62	7.85	2016-17
The Finance Act, 1994	Service tax	Assistant Commissioner / Superintendent	31.87	--	31.87	2005-06 To 2009-10 and 2016-17 to 2017-18
The Income Tax Act, 1961	Income Tax	ITAT & CIT(A)	93.68	22.26	71.42	2011-12 to 2014-15 and 2018-19

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution bank or government. The Company has not issued any debentures during the year or in the preceding year.
- (ix) In our opinion and according to the information and explanations given to us, 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, the provisions of the clause 3 (ix) of the Order is not applicable to the company.
- (x) According to the information and explanations given to us, no fraud by the company or on the company by its officers or employees has been noticed or reported during the year.
- (xi) According to information and explanation given to us and based on our examination of 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) According to the information and explanation given to us, the company is not a Nidhi Company. Therefore, the provisions of paragraph 3(xii) of the Order are not applicable to the company.
- (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 section 177 and 188 of the Act where applicable and the details of the transactions have been disclosed in the Financial Statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Thus the provisions of paragraph 3(xiv) of the Order are not applicable to the company.

(xv) According to information and explanations given to us, and based on our examination of the records of the company, the company has not entered into non-cash transactions with directors or person connected with them. Accordingly, provisions of paragraph 3 (xv) of the Order are not applicable to the company.

(xvi) According to the information and explanations given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and

hence reporting under clause 3(xvi) of the order is not applicable to the company.

For **SCV & Co. LLP**
Chartered Accountants
Firm Reg. No.000235N/N500089

(**Sanjiv Mohan**)
Partner
M. No. 086066

Place: Ludhiana
Date: 19th June, 2020



Annexure – “B” to the Independent Auditors’ Report

(Referred to in paragraph 2(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the members of Vardhman Acrylics Limited of 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 control over financial reporting of Vardhman Acrylics Limited (“the Company”) as of 31st March 2020 in conjunction with our audit of financial statements of company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Board of Directors is responsible for establishing and maintaining internal financial controls based on 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 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting with reference to these 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, prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls both issued by the Institute of Chartered Accountants of India. 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 with reference to these financial statements were 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 over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these 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 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 over financial reporting with reference to these financial statements.

Meaning of Internal Financial Controls over Financial Reporting with reference to these Financial Statements

A company’s internal financial control over financial reporting with reference to these 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 control over financial reporting with reference to these 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 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 with reference to these financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these 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 over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to the financial statement 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 over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at 31st March 2020, based on the internal financial 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 **SCV & Co. LLP**
Chartered Accountants
Firm Reg. No.000235N/N500089

(**Sanjiv Mohan**)
Partner
M. No. 086066

Place: Ludhiana
Date: 19th June, 2020