

Independent Auditor's Report

To the Members of HINDUSTAN MOTORS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hindustan Motors Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2019, and 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 significant accounting policies and other explanatory information (hereinafter referred to as '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, 2019, its profit and total 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules issued thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's 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.

Emphasis of Matter

We draw attention to the following Notes to the financial statements:

- (a) Note 47 to the Notes to the financial statements, which indicates that the net worth of the Company is fully eroded as at 31st March, 2019, leading to a material uncertainty about the Company's ability to continue as a 'going concern'. However, the financial statements of the Company have been prepared on a 'going concern' basis for the reasons stated in the said Note.

Our opinion is not modified in respect of these matters

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matters	Auditors' Response
1.	<p>Evaluation on disputed claims including taxes against the Company pending under appeals</p> <p>The Company has material amount of disputed claims including taxes and these are at present pending for adjudication which involves significant judgment to determine the possible outcome of these disputes, as their likely outcome shall be known in future.</p> <p>Refer Note Nos. 1(o) and 41 to the financial statements.</p>	<p>Principal Audit Procedures</p> <p>Obtained detailed list of all pending claims including taxes based on tax assessments and demands for the year ended 31st March, 2019 from Management. We have checked the relevant papers and documents and also verified Management's underlying assumptions in estimating the tax provision and the possible outcome of the pending litigations. In course of our verification, we have also considered legal precedence and other rulings in evaluating Management's position on these uncertain tax positions.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

The Company's Board of Directors is responsible for the preparation of 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, Corporate Governance and Shareholder's Information but does not include the financial statements and 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion is not modified in respect of the matter.

Management's Responsibility 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 Ind AS and other accounting principles generally accepted in India. 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 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 statement 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.

Attention is drawn to Note 47 to the financial statements.

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

Auditors' 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 auditors' 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 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. We conclude that a material uncertainty exists and attention is drawn to Para (a) of 'Emphasis of Matter' paragraph herein above. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the 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, Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with relevant rules issued thereunder.
 - (e) The 'going concern' matter described in Para (a) under the 'Emphasis of Matter' paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

- (f) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- (g) 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".
- (h) With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended:
According to the information and explanations given to us, no managerial remuneration is paid to its directors during the year by the Company.
- (i) 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 financial statements – Refer Note 41 to the 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 which were required to be transferred to the Investor Education and Protection Fund by the Company except as indicated in Note 22 to the financial statements.

For **RAY & RAY**
Chartered Accountants
(Firm's Registration No. : 301072E)

Asish Kumar Mukhopadhyay
Partner

Membership No. : 056359

Place : Kolkata

Date : 29th May, 2019

Annexure to the Auditor's Report

(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 its fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of such verification in a phased manner to cover all the items over a period of three years 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 during the year.
- (c) The title deed of immovable properties is held in the name of the Company.
- (ii) The management has not conducted any physical verification of inventory during the year and as a result, material discrepancies, if any, were not ascertained and dealt with in the books of account accepting.
- (iii) According to the information and explanation given to us, during the year, 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 Act. Accordingly, provisions of clauses (iii) (a), (b) and (c) of paragraph 3 of the aforesaid Order are not applicable to the Company.
- (iv) According to the information and explanation given to us, during the year the Company has not given loans, made investments, given guarantees and provided securities covered by provisions of section 185 and 186 of the Act.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year.
- (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 as specified under Sub-Section (1) of Section 148 of the Companies Act, 2013, related to the manufacture of Vehicles, Spare Parts of Vehicles, Steel Products and Components and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained
- (vii) (a) According to the information and explanations given to us and on the basis of checking the records of the Company, we are of the opinion that the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and service tax, sales tax/ value added tax, service tax, duty of customs, duty of excise, cess and any other statutory dues with appropriate authorities though there has been delays in respect of sales tax/value added tax and municipal tax. The extent of arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, are as mentioned below:

Nature of the Statute	Nature of dues	Amount (₹ in lacs)	Period to which amount relates	Due Date	Date of payment
West Bengal Deferment Tax	STDC	1791.50	April, 2013 to June, 2014	May, 2013 to July, 2014	Not paid
	June, 2012 to June, 2014	July, 2012 to July, 2014	Not paid	May, 2013 to July, 2014	Not paid
The West Bengal Municipal Act, 1993	Municipal Tax under Uttarpara Kotrang Municipality	144.88	June, 2012 to June, 2014	July, 2012 to July, 2014	Not paid

- (b) According to the information and explanations given to us, the following dues of sales tax/ value added tax, duty of custom and duty of excise have not been deposited by the Company on account of any dispute :

Nature of the Statute	Nature of dues	Amount (₹ in lacs)	Period to which amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Dispute on Account of Classification, Cenvat Credit, Assessable Value, Differential Excise Duty, Input Service Tax Credit	4053.69	1984-2015	High Court, CESTAT, Commissioner (Appeals)/Commissioner/Additional Commissioner/Joint Commissioner Assistant Commissioner of Central Excise.
The Central Sales Tax Act, 1956	Stock Transfer, Non-submission of C/D Forms etc.	518.32	1995-2014	High Court/ W.B. Commercial Taxes Appellate and Revision Board/ Joint Commissioner- Appeal
Tamil Nadu Sales Tax Act, 1959	Additional Sales tax etc	2.52	1989-1996	Assistant Commissioner
West Bengal Value Added Tax Act, 2003	Provisional Assessment, Enhancement of turnover with wrong calculation and taxed	2422.86	2007-2015	Taxation Tribunal of West Bengal/West Bengal Commercial tax Appellate & Revision Board/Additional Commissioner
The Customs Act, 1956	Dispute on account of Classification, Duty on inclusion of Technical Know-how fees on imported goods, import of Engines, Short Levy etc.	49.88	1990-2006	Commissioner/ Assistant Commissioner Appeals/ Tribunal
M.P. Commercial Tax Act, 1994	Exemption Notification denied by Commissioner Appeal	12.25	1997-2004	Appellate Board, Bhopal
M.P. VAT Act, 2002	Ex-party Assessment Order	26.64	2011-2012	Commercial Tax Officer
W.B. Commercial Tax Act	Entry Tax	149.09	2012-2014	High Court

- (viii) The Company has no borrowings from financial institution, bank, government and the Company has no debenture holders. Accordingly, clause (viii) of paragraph 3 of the aforesaid Order is not applicable to the Company.
- (ix) According to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer including debt instruments and term loan during the year. Accordingly, clause (ix) of paragraph 3 of the aforesaid 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 the information and explanations given to us, no managerial remuneration is paid during the year by the Company. Accordingly, clause (xi) of paragraph 3 of the aforesaid Order is not applicable to the Company.
- (xii) The Company is not a Nidhi Company. Accordingly, clause (xii) of paragraph 3 of the aforesaid Order is not applicable to the Company.
- (xiii) On the basis of our examination of the books of account of the Company and according to the information and explanations given to us, the transactions entered into with the related parties are in compliance with section 177 and 188 of the Act and the same has been disclosed in the Notes to the financial statements as required by the applicable Accounting Standards (Ind AS).

- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- (xv) On the basis of our examination of the records of the Company and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (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.

For **RAY & RAY**
Chartered Accountants
(Firm's Registration No. : 301072E)

Asish Kumar Mukhopadhyay
Partner

Membership No. : 056359

Place: Kolkata

Date : 29th May, 2019

Annexure A referred to in paragraph 3(g) under the heading “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 Hindustan Motors 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..

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”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the 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 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 the financial statements for external purposes in accordance with generally accepted accounting principles including the Indian Accounting Standards (Ind AS). 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 the 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, 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 ICAI.

For **RAY & RAY**
Chartered Accountants
(Firm's Registration No. : 301072E)

Asish Kumar Mukhopadhyay
Partner

Membership No. : 056359

Place : Kolkata

Date : 29th May, 2019