

INDEPENDENT AUDITOR'S REPORT

**To the Members of Bharati Defence and Infrastructure Limited
(Formerly Known as Bharati Shipyard Limited)**

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Bharati Defence and Infrastructure Limited (Formerly known as Bharati Shipyard Limited)** ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, 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 stated in Section 134(5) of the Companies Act, 2013 ("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 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 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 design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and 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.

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 thereunder.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Financial Statements.

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

Basis for Qualified Opinion

- a) The Company has as on 31st March 2016, recognized deferred tax asset (net) of Rs. 1,01,135.63 Lakhs on its carried forward Accumulated Losses (including unabsorbed depreciation), interest expenses (including Funded Interest Term Loan (FITL)), Disallowance of Expenses and Retirement Benefits. The principles of Accounting Standard- 22 notified in this regard clearly states that deferred tax assets should be recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In our opinion, considering the huge accumulated losses and the present scenario of the Company's business, there is no certainty that the company would have sufficient future taxable income to justify the creation of Deferred Tax Asset. Had the Deferred tax asset not been created, the net the loss for the year ended 31st March 2016 would have been higher by Rs. 1,01,135.63 Lakhs and the accumulated losses as at that date would have been higher by the same amount. (Refer Note No. 31 forming part of the standalone financial statements).
- b) The Company had recognised for subsidy under Ship Building Subsidy Scheme in earlier years, out of which subsidy of Rs. 42,238.11 Lakhs is still receivable as on 31st March, 2016 (after write off of Rs 22,554.66 Lakhs during the year due to change in Government Policy). The receipt of aforesaid Subsidy is dependent upon completion of vessels and compliance with other terms and conditions of the Shipbuilding Subsidy Scheme of the Government of India. In our opinion, the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. In view of the uncertainty involved with respect to generation of future cash flow as required for completion of vessels, we are unable to comment on the recoverability or otherwise of the aforementioned subsidy receivable amounting to Rs. 42,238.11 Lakhs. Therefore, the possible impact of the same on the standalone financial statement cannot be ascertained. (Refer Note No. 32 forming part of the standalone financial statements).
- c) We draw attention to Note no. 33 forming part of the standalone financial statements, which indicates that the Company has continuously been incurring substantial losses since past few years and Company has also incurred net loss of Rs. 1,89,799.01 Lakhs for the year ended 31st March, 2016. As of reporting date, the Company's total liabilities exceed its total assets by Rs. 2,96,677.35 Lakhs and its net worth has been fully eroded.

The appropriateness of the going concern basis is interalia dependent upon company's successful financial restructuring including raising requisite finance for its revival and consequent generation of future cash flow to meets its obligations. In our opinion, these conditions along with other matters indicate the existence of material uncertainty that may cast doubt about the Company's ability to continue as going concern.

- d) The Company had given loans and advances of Rs. 91,048.18 Lakhs to its subsidiaries, for investment in GOL Offshore Ltd (GOL). Further an amount of Rs. 3,523.41 Lakhs is due from GOL on account of trade and other receivables. GOL has been incurring losses and its cash flows are under stress and there are continuing defaults in repayment of loans including invocation of some of the corporate guarantees and in some cases recovery proceedings have been initiated. No provision for non- recoverability of loans and advances given to its subsidiaries and trade and other receivables due from GOL is made by the company as explained in note no. 34 (a) forming part of the standalone financial statements. We are unable to comment on the same and ascertain its possible impact, if any, on the standalone financial statements in respect of above matters.
- e) The Company had given loans and advances of Rs. 8,497.86 Lakhs to its subsidiary for investment in Tebma Shipyard Limited (TSL). Further an amount of Rs. 86.22 Lakhs was due from TSL on account of trade and other receivables. TSL has been incurring cash losses, its net worth is fully eroded, its cash flows are under stress and being referred to CDR. The Company has made provision of Rs. 3,498.23 Lakhs in respect of loans and advances receivable from its subsidiary and trade and other receivable from TSL of Rs. 86.22 Lakhs on the basis of business valuation report of TSL by an Independent valuer. In the opinion of management, the investment in TSL is strategic and long term and the loans and advances, trade and other receivables (after considering provisions) are collectible and no further provisioning is required against the same as explained in note no 34 (b) forming part of the standalone financial statements. We are unable to comment on the same and ascertain its possible impact, if any, on the standalone financial statements in respect of above matters.
- f) Company has not provided for interest on secured loans and other debt facility if any (funded as well as non- funded) assigned to Edelweiss Asset Reconstruction Company Limited (EARC) by lenders over a period of time. In absence of terms of assignment and other relevant details and information with respect to terms of repayment, rate of interest and other relevant terms for computation of un-provided interest liability, we are unable to quantify its possible impact on the standalone financial statement in respect of above matters. (Refer Note No. 35 forming part of the standalone financial statements).
- g) Company has not provided for interest and other dues on NPA accounts including bank guarantee and other debt facility if any (funded as well as non funded) for which,
 - i. It has not received any statement from lenders or in respect of which interest has not been charged in the statement provided by the lenders:
 - ii. It has received any recall notice, in respect of which interest has not been charged in the statement provided by the lenders.

In absence of relevant details and information with respect to computation of un-provided interest liability and other dues, we are unable to quantify its possible effect, if any, on the standalone financial statements in respect of above matters. (Refer Note No. 35 forming part of the standalone financial statements).

- h) Confirmation / bank statements of secured loans outstanding with ICICI Bank as on 31st March, 2016 were not made available for verification. Due to pending confirmation and consequent reconciliation with the books of accounts, we are unable to comment on the same and ascertain its impact, if any, on the standalone financial statements. (Refer Note No. 35 forming part of the standalone financial statements).
- i) Margin money of Rs.4,472.25 Lakhs with State Bank of Travancore is subject to confirmation and reconciliation. Due to pending confirmation and consequent reconciliation with the books of accounts, we are unable to comment on the same and ascertain its impact, if any, on the standalone financial statements. (Refer Note No. 36 forming part of the standalone financial statements).
- j) We refer to note no. 37 forming part of the standalone financial statements regarding Company's policies, procedures and lack of controls in respect of timely and properly recording of the expenses and proper evidences regarding accounting for direct and indirect taxes including other statutory compliances. We are unable to ascertain its impact, if any, on the standalone financial statements in respect of above matters.
- k) Due to pending reconciliation and confirmation of Trade Receivables, Loan and Advances, Trade Payables and Other Liabilities, we are unable to ascertain its impact, if any, on the standalone financial statements in respect of above matters. (Refer Note No. 38 forming part of the standalone financial statements).
- l) The Company is in the process of obtaining legal opinion with respect to disclosure and accounting treatment of unappropriated amount lying in share application money post expiry of last appointed date for exercise of option for conversion of share warrants and upon revocation of CDR scheme as explained in Note No. 29 forming part of the standalone financial statements. Pending legal opinion, we are unable to ascertain its impact, if any, on the standalone financial statements in respect of above matters.
- m) The Company is in process of technical evaluation of componentisation of fixed assets and useful life thereof and identifying significant part of assets qualifying for component accounting as required by para 4(a), Part C, schedule II of the Companies Act, 2013 amended by MCA notification dated 29th August, 2015. Pending technical evaluation of componentisation of fixed assets and useful life thereof, we are unable to ascertain its impact, if any, on the standalone financial statements in respect of above matters. (Refer Note No. 39 forming part of the standalone financial statements)
- n) The Company has not appointed the Internal Auditor as required by Section 138 of the Companies Act 2013.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects/possible effects **of the matter described in the Basis for Qualified Opinion paragraph above**, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, and its loss and its cash flows for the year ended on that date;

Emphasis of Matters

We draw attention to the following matter in the notes to the Standalone Financial Statements:

- a) Based on the valuation report of an Independent Chartered Engineer, Company has written off excess value of work in progress ("WIP") as on 31st March 2016 amounting to Rs. 64,174.54 Lakhs and charged excess value of WIP to statement of profit and loss as "Exceptional items". (Refer Note No. 44 forming part of the standalone financial statements).
- b) Based on the valuation report of an Independent Valuer, Company has written off Capital work in progress ("CWIP") as on 31st March 2016 amounting to Rs. 6,397.39 Lakhs by recognising impairment in CWIP and charged said CWIP impairment to statement of profit and loss as "Exceptional items". (Refer Note No. 44 forming part of the standalone financial statements).
- c) The Company has given effect of invoked bank guarantees to customer accounts and resultant Interest and Exchange variation amounting to Rs. 40,457.62 Lakhs and Rs. 32,977.47 Lakhs respectively has been charged to statement of profit and loss as "Exceptional items". (Refer Note No. 41 forming part of the standalone financial statements).
- d) The Company has made provision for diminution in the value of investment in Bengal Shipyard Limited and made provision for loans and advances receivable amounting to Rs. 22.50 Lakhs and Rs. 3,162.36 Lakhs respectively. This has been charged to statement of profit and loss as "Exceptional items". (Refer Note No. 34 (c) forming part of the standalone financial statements).
- e) The Company has reconciled balance of secured loans transferred by 18 lenders to Edelweiss Assets Reconstruction Company (EARC) with the balance appearing in books of accounts and the differential interest / other charges amounting to Rs. 29,170.46 Lakhs on such reconciliation has been charged to statement of profit and loss as "Exceptional items". (Refer Note No. 44 (c) forming part of the standalone financial statements).

Our opinion is not qualified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India (Ministry of Corporate Affairs) in terms of sub-section (11) of Section 143 of the Act, we give in the 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, we report that:
 - a. We have sought and except for the matter described in the Basis for Qualified Opinion and Emphasis of matters paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. Except for the effects/possible effects of the matters described in the Basis for Qualified Opinion paragraph above, 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 Company has no branch offices whose accounts are audited by branch auditors;
 - d. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - e. Except for the effects/possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - f. The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
 - g. Based on the legal opinion obtained by the management on disqualification of directors and written representations received from the directors as on 31st March 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
 - h. The qualifications relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
 - i. 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";

- j. 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 No. 28 forming part of the standalone financial statements on Contingent Liabilities);
 - (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Damania and Varaiya.
Firm's Registration Number: 102079W
Chartered Accountants

CA. Bharat Jain
Partner
Membership No.100583

Place: Mumbai
Date: 30th May 2016.

Annexure A to the Auditors' Report

Referred to in paragraph 1 under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

i

- a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
- b. According to information and explanation given to us, physical verification of a major portion of fixed assets including capital work in progress was conducted by an independent valuation agency as at the year end. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its assets and the discrepancies noticed on such physical verification have been properly dealt with in the books of account.
- c. According to the information and explanations 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 except for immovable properties, as referred in Annexure I, for which original title deeds or Lender confirmation for holding original title deeds on behalf of the Company are not available for verification and upon which we are unable to comment upon. Further the Company is in the process of reconciling cost of the above referred immovable properties as per title deeds vis a vis consolidated cost appearing in books of accounts.

- ii As informed to us, physical verification of inventories except vessels under construction have been conducted at reasonable intervals by the management. Physical verification of the vessels under construction is conducted by an independent Chartered Engineers as at the year end.

In our opinion and according to the information and explanation given to us, the discrepancies noticed on such physical verification between physical stock and the book records have been properly dealt with in the books of account.

iii

- a. According to the information and explanation given to us, the Company has granted interest free unsecured loans to parties covered in the register maintained Under Section 189 of the Companies Act, 2013 and the terms and conditions of the loans are not prejudicial to the interest of the Company.
- b. As there is no stipulation as to the schedule of repayment of principal and interest, question of repayment of receipts being regular does not arise.
- c. As there is no stipulation as to the schedule of repayment of principal and interest, question of amount being overdue does not arise.

- iv In our opinion and according to the information and explanation given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans and advances to entities in which directors are interested have been complied with by the Company. The Company has not given any guarantees and securities on behalf of entities in which directors are interested.
- v According to the information and explanations given to us, the Company has not accepted any deposit from public as governed by provisions of section 73 to 76 or any other relevant provisions of the Companies Act 2013 and the rules framed there under, where applicable, hence provision of clause 3 (v) of the order is not applicable to the Company.
- vi According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under Section 148(1) of the Companies Act for any of the products or services rendered by the Company and hence provision of clause 3 (vi) of the order is not applicable to the Company.
- vii
 - a. According to the records of the company, the Company is not regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales tax, service tax, customs duty, excise duty, Value added tax, cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed statutory dues as referred to above as at 31st March, 2016 for a period more than six months from the date they become payable except as detailed in Annexure I to this report.
 - b. According to the records of the company and information and explanation given to us, the dues in respect of Income tax, Service tax, Duty of Excise and Duty of Custom that have not been deposited on account of pending disputes with appropriate authorities are as detailed in Annexure II to this report.
- viii According to the information and explanation given to us, company has defaulted in repayment of loan or borrowings to a financial institution, bank, government or dues to debenture holders as detailed in Annexure III to this report.
- ix According to the information and explanation given to us, the Company has not raised moneys by way of Initial public issue / Further public offer (including debt instruments). However term loan raised during the year have been applied for the purposes for which they are raised.
- x Based upon the audit procedures performed by us and according to the information and explanations given by the management, we report that no fraud on or by the Company by its officers/ employees has been noticed or reported during the year.

- xi According to the information and explanation given to us and based on our examination of the records of the company, the company has not paid / provided managerial remuneration during the year and hence provision of clause 3 (xi) of the order is not applicable to the Company.
- xii In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company .
- xiii According to the information and explanation given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transaction have been disclosed in the standalone financial statements, as required by the applicable accounting standards.
- xiv According to the information and explanation given to us and based on our examination of the records of the company, Preferential allotment of Share warrants were made during the year by the Company, the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised.
- xv According to the information and explanation given to us and based on our examination of the records of the company, the company has not entered into any non-cash transactions with directors or or persons connected with him as referred to in section 192 of Companies Act, 2013. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- xvi The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Damania and Varaiya.
Firm's Registration Number: 102079W
Chartered Accountants

CA. Bharat Jain
Partner
Membership No.100583

Place: Mumbai
Date: 30th May 2016.

Annexure I

Details of immovable properties for which title deeds are not available for verification.

Total no. of cases	Leasehold / Freehold	Cost of Land as appearing in books of accounts	Remarks
7	Freehold	77,81,699/-	Original title deed submitted with Exim Bank. Confirmation from Exim bank confirming holding of original title deed is not available for verification.
2	Freehold	33,95,251	Original title deed not available with company. However Photocopy is available for verification and verified.

Annexure II to CARO Report

Details of Undisputed Statutory Dues outstanding for a period more than six months from the date they become due for payment.

Name of the Statute	Nature of the Dues	Financial Year to which matters Pertains	Amount (Rs. in Lakhs)
The Income Tax Act, 1961	Income Tax	2008-2009	928.07
The Income Tax Act, 1961	TDS	2011-2012	2.69
The Income Tax Act, 1961	TDS	2012-2013	5.56
The Income Tax Act, 1961	TDS	2013-2014	300.49
The Income Tax Act, 1961	TDS	2014-2015	209.43
The Income Tax Act, 1961	TDS	2015-2016	52.95
The Income Tax Act, 1961	TCS	2014-2015	4.15
The Income Tax Act, 1961	TCS	2015-2016	4.66
The EPF and MP Act, 1952	Provident Fund	2013-2014	149.83
The EPF and MP Act, 1952	Provident Fund	2014-2015	231.94
The EPF and MP Act, 1952	Provident Fund	2015-2016	146.09
Professional Tax Act, 1975	Professional Tax	2013-2014	0.30
Professional Tax Act, 1975	Professional Tax	2014-2015	9.07
Professional Tax Act, 1975	Professional Tax	2015-2016	8.78
Employee's State Insurance Act, 1948	ESIC	2015-2016	3.58
The Customs Act, 1962	Custom Duty	2009-2010	115.01
The Customs Act, 1962	Custom Duty	2010-2011	71.96
The Finance Act, 2004 and Service Tax Rules	Service Tax	2015-2016	19.06
The Goa Value Added Tax Act, 2005	VAT	2014-2015	86.54
The Goa Value Added Tax Act, 2005	VAT	2015-2016	2.53
The West Bengal Value Added Tax Act, 2003	VAT	* Before 2014-2015	2.84
The West Bengal Value Added Tax Act, 2003	VAT	2014-2015	3.13

- Yearwise breakup not available for VAT Liabilities till Financial year 2014 - 2015

Annexure III to CARO Report

Details of statutory dues that have not been deposited on account of pending disputes with appropriate authorities.

Name of the Statute	Nature of the dues	Financial Year to which the matter Pertains	Amount (Rs in Lakhs)	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	2003-2004	0.15	Appeal pending before CIT(A)
The Income Tax Act, 1961	Income Tax	2005-2006	0.04	Appeal pending before CIT(A)
The Income Tax Act, 1961	Income Tax	2007-2008	668.19	Appeal pending before CIT(A)
The Income Tax Act, 1961	Income Tax	2008-2009	496.47	Appeal pending before CIT(A)
The Income Tax Act, 1961	Income Tax	2009-2010	451.12	Appeal pending before CIT(A)
The Income Tax Act, 1961	Income Tax	2010-2011	373.98	Appeal pending before CIT(A)
The Income Tax Act, 1961	Income Tax	2011-2012	2.27	Appeal pending before CIT(A)
The Finance Act, 2004 and Service Tax Rules	Service Tax	2008-2009 to 2012-2013	2,479.28	Dy. Commissioner
The Customs Act, 1962	Custom Duty	2008-2009	81.84	Director General of Central Excise Intelligence
The Customs Act, 1962	Custom Duty	2011-2012	4,978.56	Commissioner of Customs
The Central Excise Act, 1944	Excise Duty	2011-2012	1,354.04	Commissioner of Central Excise (LTU)

Annexure IV to CARO Report

Details of default in repayment of dues to financial institution, banks and debenture holders:

(1) The company has made continuous default in repayment of its banks loans, Compulsory Convertible Debentures and interest due thereon from date of revocation of CDR scheme i.e. 21st August, 2014 till the balance sheet date. Upon revocation of CDR scheme, in absence of requisite information from EARC and other banks covered under CDR scheme with respect to terms of repayment, the information in respect of amount and period of delays for default in repayment of Loan and interest cannot be ascertained and hence said information were not furnished in this report.

(2) Details of default in repayment of Loans including interest and other dues, other than those referred above as follows:

(Rs. In Lakhs)

Particulars	No of Months	Amount
DBS Bank	24 – 36 Months	14,814.84
SICOM Limited	24 – 36 Months	6,477.80
LIC of India	15 – 30 Months	10,742.66
GIC of India	9 – 33 Months	2,227.29

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report 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 controls over financial reporting of **Bharati Defence and Infrastructure Limited (Formerly known as Bharati Shipyard Limited)** ("the Company") as of 31st March, 2016 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. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") 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.

Qualified Opinion:

According to the information and explanation given to us and based on our audit, the following material weaknesses have been identified in operative effectiveness of the Company's internal financial control over financial reporting as at 31st March, 2016.

Based on selective verification of process manual and related financial controls made available to us towards the very end of the financial year under audit and thereafter , the Company has an internal financial controls system over financial reporting design, which needs to be enhanced to make it more comprehensive.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

in our opinion, considering the internal control over financial reporting criteria established by the company as per the essential components of internal control stated in the Guidance Note, the operating effectiveness of such process controls and appropriate documentation thereof needs to be strengthened to make the same commensurate with the size of the Company and nature of its business.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March, 2016 standalone financial statements of the Company, and these material weaknesses does not affect our opinion on the standalone financial statements of the Company.

For Damania and Varaiya.
Firm's Registration Number: 102079W
Chartered Accountants

CA. Bharat Jain
Partner
Membership No.100583
Place: Mumbai
Date: 30th May 2016

