

# INDEPENDENT AUDITOR'S REPORT

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To the Members of

**Lakshmi Energy and Foods Limited.**

## **Report on the Financial Statements as per Ind AS**

We have audited the accompanying standalone financial statements of Lakshmi Energy and Foods Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss, (including other comprehensive income), Cash Flow Statement, and statement of changes in equity 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 including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Accounting principles generally accepted in India, including the Indian Accounting Standard Ind AS specified under Section 133 of the Act, read with the provision of the Companies (Accounts) Rules, 2014.

This responsibility 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 adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentations of the financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these Standalone IND AS 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 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone IND AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone IND AS 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by companies management, 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 Standalone IND AS financial statement.

### **Basis of Qualified Opinion**

- a.) *Attention is invited to Note No 10 of the financial statements Trade receivables amounting to Rs. 3620.75 Million out of which debtors outstanding amounting to Rs 3261.86 Million are outstanding since long from the date they become due for payment.*

**"These are long outstanding and we are unable to comment of the recoverability of the same, for which no provision has been created for doubtful trade receivables."**

**The loss to that extent is under stated and similarly the receivables, the effect however could not be quantified.**

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matter described in 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 March 31, 2018 and its loss, total comprehensive income, its Cash Flow and changes in equity for the year ended on that date.

**Emphasis of the Matter.**

1. *The provision in respect to Gratuity has not been made by the Company as per Ind. (AS) 19 .The loss/Gain to that extent is under state/overstated, the effect however could not be quantified.*
2. *The accompanying financial statements has been prepared assuming the company will continue as a going concern. As per cash flow attached to the financial statements, the company has suffered negative cash flow from operations, conditions that raise substantial uncertainty about the company ability to continue as a going concern.The financial statements do not include any adjustment that might result from the outcome of this uncertainty.*

**Our opinion is not modified in respect of these matters.**

**Report on Other Legal and Regulatory Requirement's**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 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 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, Statement of Profit and Loss Including other comprehensive income and Cash Flow Statement and the statement of changes in equity dealt with by this Report are in agreement with the books of account.
  - d) Except for the effects of the matter described in the basis for Qualified opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards (Ind As) prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies(Accounts) Rules,2014;
  - e) ***The matters described in the basis for Qualified Opinion paragraph and emphasis of matter paragraph above, in our opinion, can adversely affect the functioning of the company.***
  - f) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164(2) of the Companies Act, 2013.
  - g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
  - h) with respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such control, refer to our separate report in Annexure "B". Our report expresses unmodified opinion on the adequacy and operating effectiveness of the company's internal financial controls over financial reporting.
  - i) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to explanations given to us:
    - i. The Company has disclosed the impact of pending litigations in its financial statements with respect to suits on or by the company as referred to in Note 32(5) and of 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 no amounts which required to be transferred, to the Investor Education and Protection Fund by the company.

**for K Singh & Associates**  
Chartered Accountants  
Firm's Registration Number: 012458N

Place of Signature: Khamanon  
Date: 31th Oct, 2018

**CA. Kultar Singh**  
Partner  
Membership Number: 091673

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

### Annexure- A to the Independent Auditors' Report

Referred to in paragraph I under 'Report on other Legal and Regulatory Requirements' section of our report of even date. We report that:

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Property, plant and Equipment;
- (b) The Company has a programme of verification of Property, plant and equipment to cover all the items in a phased manner over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, property, plant and equipment were physically verified by the management during the year. According to the information and explanation given to us, discrepancies noticed on such verification were not material and have been properly dealt in the books of account.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed and transfer deed provided to us, we report that, the title deeds of immovable properties are held in the name of the company.
2. (a) The management has conducted the physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
3. The Company has not granted any loans, secured and unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act.
4. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits during the year from the public in accordance with the provisions of Sections 73 to 76 or any other relevant provisions of the Act and rules framed there under. Accordingly, paragraph 3(v) of the order is not applicable to the Company.
6. The maintenance of cost records has been specified by the Central Government under section 148(l) of the Companies Act 2013 in respect of power generation unit of the Company. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government of India under sub section (l) of section 148 of the Companies Act and are of the opinion that, prima facie, the prescribed records have been maintained. We have however, not made detailed examination of the cost records so as to determine whether they are accurate or complete.
7. (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Employees State Insurance, Income-Tax, Sales tax, GST, Service tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2018 for a period of more than six months from the date on when they become payable,
- (b) According to the information and explanation given to us, there are no dues of sales tax, service tax/GST, duty of customs, duty of excise, value added tax outstanding on account of any dispute. Income Tax dues outstanding on account of disputes are as follows:-

Name of the Statutes	Nature of dues	Amount ] (Rs. In Millions)	Period to which amount relates	Forum where dispute is pending
Income Tax Act 1961	Demand Raised	65.50	AY 2008-09	Punjab & Haryana High Court

8. In our opinion and according to the information and explanations given to us, the Company has defaulted in the repayment of fund based and non-fund based borrowings to the banks as the account has been classified as NPA. Besides these facilities there is no default in the repayment of loans/borrowings to the other financial institutions, Government or debenture holders.
9. Based upon the audit procedures performed and the information and explanations given by the management, the Company has not raised moneys by way of initial public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the order are not applicable to the Company and hence not commented upon.
10. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
11. The Company has paid any managerial remuneration during the financial year ending 31st March 2018 however the company has sought the necessary approval and mandated as per the provisions of section 197 read with schedule V of the Companies Act 2013.
12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company, therefore, the provisions of para 3(xii) of the Order is not applicable to the Company.
13. 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 sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. Based upon the audit procedures performed and the information and explanations given by the management, the company has made preferential allotment shares during the year by way of conversion of Series 2 convertible warrants (36,60,000 warrants) into 36,60,000 Equity shares of Rs. 2/- each during the year under review. Accordingly, the provisions of section 42 of the Companies Act, 2013 have been complied with and the amount raised has been used for the purpose for which the funds raised.
15. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him and hence provisions of Section 192 of the Act are not applicable.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**for K Singh & Associates**  
Chartered Accountants  
Firm's Registration Number: 012458N

**CA. Kultar Singh**  
Partner  
Membership Number: 091673

Place of Signature: Khamanon  
Date: 31st Oct, 2018

## **Annexure - B to the Auditors' Report**

### **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 Lakshmi Energy and Foods Limited ("the Company") as of 31st March, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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") 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 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 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 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 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, 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 K Singh & Associates**  
Chartered Accountants  
Firm's Registration Number: 012458N

Place of Signature: Khamanon  
Date: 31th Oct, 2018

**CA. Kultar Singh**  
Partner  
Membership Number: 091673

