

INDEPENDENT AUDITOR'S REPORT

To the Members of

Indo Rama Synthetics (India) Limited

1. Report on the Audit of the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Indo Rama Synthetics (India) Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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 Ind AS 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.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the Rules made thereunder.

We conducted our audit of the Ind AS financial statements 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 of the Ind AS 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 the 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 Ind AS financial statements.

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures

in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

4. Basis for Qualified Opinion

- (i) Attention is drawn to note 41(a) of the Ind AS financial statements relating to Deferred Tax Assets amounting to ₹ 95.90 crores as at 31 March 2018 recognised by the Company on the basis of future outlook of business confirming that sufficient future taxable income will be available against which these assets will be realised. In view of losses suffered in the current as well as preceding periods, and other unused tax losses available to the Company, we are not in agreement with the deferred tax assets recognised. Had such asset not been recognised, the net loss after tax for the year ended 31 March 2018 and 31 March 2017 would have been higher by ₹ 41.82 crores and ₹ 54.08 crores respectively, and other equity as at 31 March 2018 and 31 March 2017 would have been lower by ₹ 95.90 crores and ₹ 54.08 crores respectively. The matter was subject to qualification in the previous period as well.
- (ii) Attention is drawn to note 39(b) of the Ind AS financial statements, which enumerates recognition of interest of ₹ 16.79 crores in the books by the Company on the insurance claim recoverable from its insurance company for the loss of certain assets and loss suffered due to business interruption at its plant in 2007-08. The said recognition of asset being contingent in nature, is not in accordance with accounting principle stated in Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. Had such asset not been recognised, the net loss before and after tax for the year ended 31 March 2018 and 31 March 2017 would have been higher by ₹ 2.92 crores and ₹ 2.92 crores respectively, and other equity as at 31 March 2018 and 31 March 2017 would have been lower by ₹ 16.79 crores and ₹ 13.87 crores respectively. The matter was subject to qualification in the previous periods as well.

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for

the matter described in the 'Basis for Qualified Opinion' paragraph above, the aforesaid Ind AS 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 including Ind AS, of the state of affairs of the Company as at 31 March 2018, its loss, other comprehensive income, changes in equity and its cash flows for the year ended on that date.

6. Going Concern

We draw attention to note 41 of the Ind AS financial statements, which indicates that the Company has incurred a net loss before tax of ₹ 124.86 crores during the year ended 31 March 2018 and, as of that date, the Company's current liabilities exceeded its current assets. Based on, and as fully explained by the management in note 41 of the Ind AS financial statements on the initiatives taken, we believe the Company shall be able to continue as a going concern.

7. Emphasis of matter

We draw an attention to note 39(a) of the Ind AS financial statements which describes the uncertainty related to the outcome of the lawsuit filed by the Company against an insurance company.

Our opinion is not modified in respect of this matter.

8. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure I", a statement on the matters specified in paragraphs 3 and 4 of the Order.
- (ii) 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. Except for the effects of the matter 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 Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and 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, in our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act;
- e. The matter described in the 'Basis for Qualified Opinion', 'Going concern' and '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 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act;
- 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure II";
- 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, 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 Ind AS financial statements – Refer notes 37 and 39 to the Ind AS financial statements;
 - (ii) The Company did not have any long-term contracts, including derivative contracts outstanding as at 31 March 2018 for which there were any material foreseeable losses;
 - (iii) There has been no delay in transferring amounts that were required to be transferred to the Investor Education and Protection Fund by the Company; and
 - (iv) The disclosure in the financial statements regarding holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited financial statements for the year ended 31 March 2017 have been disclosed - Refer note 36 to the Ind AS financial statements.

For **B S R and Associates**

Chartered Accountants

ICAI Firm Registration Number: 128901W

Jiten Chopra

Partner

Place: Gurugram

Date: 28 May 2018

Membership No.: 092894

ANNEXURE I REFERRED TO IN PARAGRAPH 8(I) OF THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INDO RAMA SYNTHETICS (INDIA) LIMITED ON THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018:

- (i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment and intangible assets).
- (b) According to the information and explanations given to us, the fixed assets are physically verified by the management in accordance with a phased programme designed to cover all items of fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and nature of its fixed assets. In accordance with this programme, certain categories of fixed assets at certain locations have been physically verified by the management during the year. As informed to us, no material discrepancies were observed 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, the title deeds of the immovable properties are held in the name of the Company.
- (ii) According to the information and explanations given to us, the inventories, except for goods in transit and stocks with third parties, have been physically verified, at reasonable interval by the management during the year. For stocks lying with third parties at the year end, written confirmations are obtained. As informed to us, no material discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register required under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no loans, investments, guarantees, and security where provisions of section 185 and 186 of the Act are required to be complied with. Accordingly, the provisions of paragraph 3(iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under section 73 to 76 of the Act. Accordingly, the provisions of paragraph 3(v) of the Order is not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government, the maintenance of cost records has been prescribed under sub section (1) of section 148 of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have 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 our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Income tax, Sales tax, Service tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and any other material statutory dues, to the extent applicable, have generally been regularly deposited with the appropriate authorities except dues related to Provident Fund, Employees' State Insurance, Tax Deducted at Source and Goods and Service Tax which have not generally been regularly deposited with the appropriate authorities and there has been significant delays during the year.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, GST, Sales tax, Service tax, Duty of Customs, Duty of Excise, Value Added tax, Cess and other material statutory dues, to the extent applicable, were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, and on the basis of the records of the Company examined by us, there are no dues of Income tax, Sales tax, Service tax, Duty of Customs, Duty of Excise and Value Added Tax, which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

Name of the statute	Nature of dues	Amount of dispute (₹ Crores) #	Amount paid under protest (₹ Crores)	Period to which it relates	Forum where dispute is pending
The Central Excise Act, 1944	Duty of Excise	1.06	-	2002-03	Bombay High Court, Nagpur Bench
		5.70	2.50	2003-04 to 2005-06	
		0.51	-	March 2008-December 2010	
		59.34	5.90	1996- 97 and 2001-02 to 2009-10	
		29.44	-	1996-97 to 2002-03, 2004-05 to 2008-09 and 2011-12 to 2015-16	
		6.66	0.05	1997-98 to 2012-13	
Bombay Sales Tax Act, 1959/ Central Sales Tax Act, 1956	Sales Tax	0.43	0.13	1998-99 to 1999-00	Joint Commissioner Sales Tax (Appeals), Nagpur
Maharashtra Value Added Tax Act, 2002	Value Added Tax	17.59	5.60	2008-09 to 2013-14	
Customs Act, 1962	Duty of Customs	214.25	-	2006-07	Supreme Court
		3.67	0.13	2014-15 and 2015-16	Customs, Excise and Service Tax Appellate Tribunal
		6.01	-	2006-07	Commissioner of Customs
		0.04	-	1997- 98 to 1998-99	Assistant Commissioner/ Deputy Commissioner
Finance Act, 1994	Service Tax	0.22	0.08	2004-05 to 2009-10	Customs, Excise and Service Tax Appellate Tribunal
		0.22	-	2002-03 to 2005-06	Commissioner, Nagpur
		0.93	0.01	2007-08, 2010-11 to 2013-14	Commissioner (Appeals), Nagpur
		0.31	-	1997-98, 2000-01 and 2010-11 to 2014-15	Assistant/ Deputy Commissioner Nagpur
Income tax Act, 1961 *	Income Tax	0.26	0.26	AY 2006-07	Commissioner of Income Tax (Appeals)
		0.33	-	AY 2017-18	Commissioner of Income Tax (Appeals)

*excluding cases where losses/unabsorbed depreciation have been adjusted by the tax authorities without raising any demands, though disputed by the Company.

including interest/penalties, where quantified and demanded by authorities.

- (viii) According to the information and explanations given to us, the Company has not defaulted in the payment of loans or borrowing to the banks, except for delays in the repayment of term loans and dues (cash credit accounts) to banks. Details of delays and amount in default outstanding as at 31 March 2018 are given below:

Bank Name	Nature of loan	Total amount delayed (₹ Crores)	No of days	Amount outstanding as at 31 March 2018 (₹ Crores)
Cash Credit				
Bank of India		549.15	1 to 56 days	141.00
HDFC Bank		155.46	1 to 77 days	-
Punjab National Bank		154.68	1 to 65 days	26.58
State Bank of India	Overdue	385.52	1 to 66 days	0.72
Oriental Bank of Commerce		271.67	1 to 84 days	17.76
Axis Bank		148.41	1 to 72 days	5.07
Term Loan				
Bank of India		10.00	1 to 37 days	-
State Bank of India	Overdue	5.62	1 to 58 days	-
IKB Deutsche Bank		26.62	1 to 530 days	26.62

Further, there are no loans or borrowings from financial institutions or government and there are no dues to debenture holders during the year.

- (ix) According to the information and explanations given to us, the term loan taken by the Company have been applied for the purposes for which they were raised. The Company has not raised any moneys by way of initial public offer or further public offer.
- (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 and on the basis of our examination of the records of the Company, the managerial remuneration has been paid/ provided in accordance with the provisions of section 197 read with Schedule V to the Companies Act, 2013 except ₹ 0.97 crores which had been paid as Managerial Remuneration by the Company to one of its directors for services rendered in excess of the amount approved by the Central Government vide approval SRN G02817724/2016-CL.VII respectively. The Company is awaiting approval of its submission filed under relevant rules.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions of paragraph 3(xii) of the Order is not applicable.
- (xiii) According to information and explanations given to us and on the basis of our examination of the records of the Company, all transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the standalone Ind AS financial statements, as required by the applicable accounting standards.
- (xiv) According to information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of paragraph 3(xiv) of the Order is not applicable.
- (xv) According to information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of paragraph 3(xv) of the Order is not applicable.
- (xvi) According to 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 **B S R and Associates**

Chartered Accountants

ICAI Firm Registration Number: 128901W

Jiten Chopra

Partner

Place: Gurugram

Date: 28 May 2018

Membership No.: 092894

ANNEXURE II REFERRED TO IN PARAGRAPH 8(II)(H) OF THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF INDO RAMA SYNTHETICS (INDIA) LIMITED FOR THE YEAR ENDED 31 MARCH 2018

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 with reference to financial statements of Indo Rama Synthetics (India) Limited ("the Company") as of 31 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 with reference to financial statements 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 with reference to 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 with reference to financial statements

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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 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 with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial statements and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to 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 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 with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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 with reference to

financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2018, based on the internal control over financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **B S R and Associates**

Chartered Accountants

ICAI Firm Registration Number: 128901W

Jiten Chopra

Partner

Place: Gurugram

Date: 28 May 2018

Membership No.: 092894