

# Independent Auditor's Report

To  
The Members of **Kaveri Seed Company Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying Standalone Financial Statements of **Kaveri Seed Company Limited** ("the Company"), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (here after referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, the profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone 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 Standalone 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 standalone financial statements under the provisions of the Act and the Rules made 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 opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone 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.

| S. No. | Key Audit Matter   | Auditor's Response  |
|--------|--|---|
| 1      | <p>Revenue: Management estimate of provision for sales return and Discount &amp; schemes:</p> <p>Estimate for sales returns and discounts and schemes was a critical audit matter in the audit of the Company's financial statements for the year ended 31 March 2021.</p> <p>Management estimates the amount of returns expected based on the goods returned in the past and current market demands. The management considers revenue as key measure for evaluation of performance.</p> <p>Refer Note 2.1, 2.10, 12, 27 and 28 to the Standalone Financial Statements</p> | <p><b>Principal Audit Procedures:</b></p> <p>We have performed the following principal audit procedures in relation to revenue recognised:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness of the Company's revenue recognition accounting policies in line with Ind AS 115 ("Revenue from Contracts with Customers").</li> <li>Understanding and Testing of design and operating effectiveness of Internal controls in place relating to recognition and measurement of sales returns and discount amounts.</li> <li>Testing of relevant information technology general controls, automated controls, and the related information used in recording and disclosing revenue.</li> <li>Substantive testing of sales returns and discounts with the underlying documents.</li> </ul> |

| S. No. | Key Audit Matter  | Auditor's Response  |
|--------|---|---|
| 2      | <p>Valuation and classification of Investments:</p> <p>Company has Investments in Mutual funds, Real estate fund and other equity instruments.</p> <p>The Company holds significant amount of funds in the form of investments. Also, considering the complexities involved in classification of investments, the Company considers investments as material account balance.</p> <p>Refer Note 2.13 and 6 to the Standalone Financial Statements</p>  | <ul style="list-style-type: none"> <li>• Testing of supporting documentation for sales return transactions recorded during the period closer to the year end and subsequent to year end, including examination of credit notes issued after the year end to determine whether the returns were recognised in the correct accounting period.</li> <li>• Performing analytical procedures on current year revenue based on seasonal trends and where appropriate, conducting further enquiries and testing.</li> <li>• Evaluating historical accuracy of estimates made by management in respect of sales return by performing trend analysis and comparing them with actuals.</li> </ul> <p><b>Principal Audit Procedures:</b></p> <p>We focused on the valuation and existence of the investments as also the classification and disclosures in the Company's financial statements for the year ended 31 March, 2021.</p> <p>We have performed the following principal audit procedures in relation to investments:</p> <ul style="list-style-type: none"> <li>• We obtained independent confirmation of the number of units held and net asset value per unit for each of the underlying investments as at the year end date. We agreed the details confirmed to the valuation of these investments as per the accounting records.</li> <li>• Re-computation of profit/ (loss) on sale of investments, valuation of investments including fair value movements.</li> <li>• Review of valuation and classification of investment in accordance with Nature of investment made, company's policies, business model and applicable accounting standards.</li> </ul> |
| 3      | <p>Valuation of Biological assets:</p> <p>The value of Biological assets is measured at fair value less costs to sell. The fair value is determined based on the growth potential of individual standing crops. The growth potential varies depending on the geographic location and varieties of crops. The valuation requires estimates of growth, harvest, sales price and costs.</p> <p>Due to the level of judgment involved in the valuation of biological assets, involvement of discretionary assumptions by management regarding biological transformation and quality of crop and significance of biological assets to the Company's financial position, this is considered to be a key audit matter.</p> <p>Refer Note 2.5 and 11 to the Standalone Financial Statements</p> | <p><b>Principal Audit Procedures:</b></p> <p>We have performed the following principal audit procedures in relation to biological assets:</p> <ul style="list-style-type: none"> <li>• We have tested management's controls and effectiveness of systems in place for the valuation of biological assets based on the stage of crop as measured by the company.</li> <li>• We have assessed the key assumptions contained within the fair value calculations including sales price assumptions and growth assumptions.</li> <li>• We have performed the analytical review of the results of valuation to highlight outliers which warrant further audit procedures.</li> <li>• Comparison of actual production costs with provisions made towards standing crops.</li> </ul>  |

## Information Other than the Standalone Financial Statements and Auditor's Report thereon

The Company's Board of Directors are responsible for the preparation of other information. The other information comprises the information included in the Management Discussion and Analysis, Financial and Operational Review, Director's Report, Business Responsibility Report, Corporate Governance Report, Annual Report on CSR activities, but does not include the standalone financial statements and our auditor's report thereon. The above listed reports are expected to be made available to us after the date of this auditor's report.

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

When we read the above listed reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Management's Responsibility for the Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance (changes in equity), 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 rules issued thereunder. 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, that were operating effectively for ensuring 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.

In preparing the standalone 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.

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

## Auditor's Responsibility for the Audit of Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone 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 control 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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone 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 standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone 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 standalone 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 standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 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 paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Companies Act, 2013, 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 it appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash

Flow dealt with by this Report are in agreement with the books of the account;

- d) in our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with rules made thereunder;
- e) on the basis of written representations received from the directors as on 31 March 2021, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021, from being appointed as a director in terms of Section 164(2) of the Act;
- f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure B'; and
- g) with respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note 36 to the standalone financial statements;
  - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - iii. there has been no delay in transferring amounts, which are required to be transferred, to the Investor Education and Protection Fund by the Company for the year ended 31 March 2021.

for **M. Bhaskara Rao & Co.,**  
Chartered Accountants  
Firm Registration No 0004595

Sd/-  
**M. V. Ramana Murthy**  
Partner

Membership No.206439

UDIN: 21206439AAAABP7276

Hyderabad, 29 May 2021

# Annexure A

## to the Independent Auditor's Report

(Referred to in paragraph '1' under 'Report on Other Legal and Regulatory Requirements' section of our report to the members of Kaveri Seed Company Limited)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets have been physically verified during the year by the management in accordance with programme of verification, which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of their assets. According to the information and explanations given to us, the discrepancies noticed on such verification were not material and 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 shown in fixed asset schedule are held in the name of Company as at the balance sheet date.
- ii. As explained to us, inventories were physically verified during the year by the management at reasonable intervals. The discrepancies noticed on physical verification between the physical stocks and the book records were not material and they have been properly dealt with in the books of account.
- 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 maintained under section 189 of the Act. Accordingly, paragraph 3 (iii) of the Order is not applicable.
- iv. 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 Act. In respect of loans and investments made. The company has not given any guarantee and securities to any person to which provisions of the Section 185 and 186 of the Act are applicable.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits during the year to which the directions issued by the Reserve Bank of India and provisions of Section 73 to Section 76 or any other relevant provision of the Act and the Rules framed there under, were applicable. Accordingly, the provisions of paragraph 3(v) of the Order are not applicable.
- vi. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Companies Act, 2013 for the activities of the Company.
- vii. According to the information and explanations given to us and according to the books and records as produced and examined by us in accordance with the generally accepted auditing practices in India, in respect of statutory dues:
- (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, employee's state insurance, income tax, goods and service tax, custom duty, cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
- (b) There were no undisputed amounts payable in respect of provident fund, income tax, goods and service tax, customs duty, value added tax and cess which were in arrears as at 31 March 2021 for a period of more than six months from the date they become payable.
- (c) The details of statutory dues which have not been deposited as on 31 March 2021 on account of disputes are given below:

| Statute            | Nature of dues                   | Forum where dispute is pending                      | Period to which the amount relates | Amount involved<br>(₹ in Lakhs) |
|--------------------|----------------------------------|---|------------------------------------|---------------------------------|
| Central Excise Act | Excise Duty                      | Commissioner of Customs & central Excise, Hyderabad | April 2010 To March 2014           | 276.59                          |
| APGST Act          | Purchase Tax                     | Hon'ble High court of Andhra Pradesh                | April 2003 To March 2004           | 22.37                           |
| Bihar VAT Act      | VAT & CST (Interest and penalty) | Hon'ble High court of Bihar                         | April 2012 To March 2013           | 11.94                           |

- viii. The Company does not have any loans or borrowings from any financial institutions, banks, government or debenture holders during the year; accordingly, paragraph 3(viii) of the Order is not applicable.
- ix. According to the information and explanations given to us, the Company has utilised the money raised by way of term loans for the purposes for which they were obtained. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year.
- x. During the course of our examination of the books and other records of the Company in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year, nor have we been informed of such case by the management.
- xi. According to the information and explanations given to us and based on the examination of records of the Company, managerial remuneration has been paid or provided with requisite approvals mandated in accordance with the provisions of section 197 read with schedule V to the Companies Act, 2013.
- xii. According to the information and explanations given to us and based on our examination of the records, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on the examination of records of the Company,
- all the transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and the details of related party transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on the records of the Company examined by us, the Company has not made preferential allotment or private placement of shares or fully or partly Convertible debentures during the year.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with directors or directors of its subsidiaries or persons connected with them and hence provisions of Section 192 of the Act are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

for **M. Bhaskara Rao & Co.,**  
Chartered Accountants  
Firm Registration No 000459S

Sd/-  
**M. V. Ramana Murthy**  
Partner

Membership No.206439  
UDIN: 21206439AAAABP7276

Hyderabad, 29 May 2021

# 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 to the members of Kaveri Seed Company Limited 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 Kaveri Seed Company Limited ("the Company") as of March 31, 2021 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.

### 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 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 and according to the information and explanation given to us, 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 31 March 2021, 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.

for **M. Bhaskara Rao & Co.,**  
Chartered Accountants  
Firm Registration No 000459S

Sd/-  
**M. V. Ramana Murthy**  
Partner

Membership No.206439  
UDIN: 21206439AAAABP7276

Hyderabad, 29 May 2021

