

INDEPENDENT AUDITOR'S REPORT

To the Members of Insilco Limited**Report on the audit of the financial statements****Qualified Opinion**

1. We have audited the accompanying financial statements of Insilco Limited ("the Company"), which comprise the balance sheet as at March 31, 2021, and the statement of Profit and Loss ((including Other Comprehensive loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and, except for the indeterminate effects of the matter referred to in the Basis for Qualified Opinion section of our report, 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, 2021, and total comprehensive loss (comprising loss and other comprehensive loss), changes in equity and its cash flows for the year then ended.

Basis for qualified opinion

3. We draw your attention to Note 33 to the Financial Statements regarding suspension of the Company's manufacturing operations due to rejection of the Company's applications for water and air consent approvals by the U.P. Pollution Control Board (UPPCB) vide its order dated October 22, 2019. The Company's appeals before the Special Secretary, Department of Environment, UP have been dismissed by the Special Secretary vide orders dated December 4, 2020. Further, as described in the said note, the Board of Directors has recommended voluntary liquidation of the Company and accordingly, as described in Note 36, use of the going concern basis of accounting in the preparation of the financial statements is considered inappropriate as there are no realistic alternatives for resumption of the Company's operations and accordingly, the financial statements for the year ended March 31, 2021 have not been prepared on a going concern basis and certain adjustments described in the said note have been made based on the current estimates of the Company. However, future course of events as stated in the aforesaid note for the realisation of the assets and settlement of its liabilities might affect the classification and consequential adjustments to the carrying values of assets and liabilities of the Company, the impact of which on the financial statements cannot be ascertained at this stage.
4. We draw your attention to Note 35 to the Financial Statements regarding letter dated July 1, 2020 of Uttar

Pradesh State Industrial Development Authority (UPSIDA) granting conditional approval of the change in Shareholding and Directors in earlier years subject to payment of proportionate transfer levy amounting to Rs.80,900 thousands, restriction on transfer of controlling interest for five years, execution of fresh lease deed with the Company, increase in lease rent during remaining period of lease of land and compliance with other conditions. As described in the said note, the Company has deposited transfer levy of Rs.80,900 thousands along with interest of Rs.5,710 thousands under protest which has been expensed during the year ended March 31, 2021 and has contested before UPSIDA that the aforementioned other terms and conditions in respect of the lease are not applicable to the Company. As described in the said note, the Company has filed writ petition before the Hon'ble Allahabad High Court in this regard which is pending disposal. Pending resolution of these matters with appropriate authorities, we are unable to comment on the potential impact, if any, on carrying value of the assets and liabilities in these financial statements.

We are unable to determine the impact of the aforesaid matters, in aggregate, on the loss for the year and consequently, on the shareholders' funds as at March 31, 2021.

5. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the Basis for Qualified Opinion section above, we have determined that there are no other key matters to be communicated in our report.

Other Information

7. The Company's Board of Directors is responsible for

the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

8. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, 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. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
9. 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. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

11. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal 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 with reference to financial statements 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 up to 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. 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.
13. 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.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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

15. 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 B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
16. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and except for the matters described in the Basis of Qualified Opinion section of our report, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, except for the indeterminate effect of the matter described in the Basis for Qualified Opinion paragraph section of our report, 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 (including other comprehensive loss), the Statement of Changes in Equity and Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, except for the indeterminate effect of the matters described in the paragraphs 3 & 4 of the Basis for Qualified Opinion section of our report, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - (e) The matters described under basis of qualified

- opinion paragraph 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 March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 section of our report
- (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 A".
- (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 financial statements – Refer Notes 26 and 35 to the financial statements;
 - 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 – Refer Note 12 to the financial statements. The Company did not have any derivative contracts as at March 31, 2021;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2021;
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2021.
17. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009

Sd/-
Charan S Gupta
Partner
Membership Number: 093044
UDIN: 21093044AAAAO9879

Gurugram
May 31, 2021

Annexure A to Independent Auditors' Report

Referred to in paragraph 16 (h) of the Independent Auditors' Report of even date to the members of Insilco Limited on the financial statements for the year ended March 31, 2021

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Insilco Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. 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 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.

4. 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.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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

6. A company's internal financial controls with reference to financial statements 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 controls 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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

7. 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 controls 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.

Basis for Qualified opinion

8. According to the information and explanations given

to us and based on our audit, a material weakness in the Company's internal control system has been identified as at March 31, 2021 in the period end financial reporting process as we were unable to obtain sufficient appropriate evidence with respect to operating effectiveness of the Company's internal control for the evaluation and assessment of carrying value of certain assets and liabilities along with the classification, presently under litigation as described in note 35 of the financial statements, along with the related uncertainty over the future course of events in respect of realisation of the assets and settlement of its liabilities as described in note 36 of the financial statements.

9. 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.

Qualified Opinion

10. In our opinion, except for the possible effects of the material weakness described in the Basis for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria, 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

March 31, 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 ICAI.

11. 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 financial statements of the Company for the year ended March 31, 2021, and the material weaknesses referred to in paragraph 8 have affected our opinion on the financial statements of the Company and we have issued a qualified opinion on the financial statements. Refer Basis of Qualified Opinion section of the main audit report.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009

Sd/-

Charan S Gupta

Partner

Membership Number: 093044

UDIN: 21093044AAAAO9879

Gurugram

May 31, 2021

Annexure B to Independent Auditors' Report

Referred to in paragraph 15 of the Independent Auditors' Report of even date to the members of Insilco Limited on the financial statements as of and for the year ended March 31, 2021

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of property, plant and equipment, right-of-use assets, investment properties and other intangible assets.
- (b) The property, plant and equipment, right-of-use assets and investment properties are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the property, plant and equipment has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 3(b) on Leases – Right-of-use assets and Note 4 on investment properties to the financial statements, are held in the name of the Company.
- ii. The physical verification of inventory have been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. 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. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained as may be applicable since there were no

operations during the year as described in Note 33 of the Financial Statements. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of property and water tax to Nagarpalika Parishad (refer Note 22 (b) of the financial statements) and Income Tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, sales tax, service tax, duty of customs,

duty of excise, value added tax, cess, goods and service tax and other material statutory dues, as applicable, with the appropriate authorities. Also refer note 26(c) to the financial statements regarding management's assessment on certain matters relating to provident fund.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax, duty of customs, duty of excise which have not been deposited on account of any dispute. The particulars of dues of sales tax, and value added tax as at March 31, 2021 which have not been deposited on account of a dispute, are as follows:

Name of the Statute	Nature of Dues	Amount (Rupees in '000)	Period to which the amount relates	Forum where the dispute is pending
West Bengal Value Added Tax, 2003	Penalty	107*	2010-11	West Bengal Taxation Tribunal
Uttar Pradesh Value Added Tax Act, 2008	Value added tax	546**	2015-16	Assistant Commissioner of Commercial Tax (Appeals)

* Net of payment under protest of Rs. 50 ('000)

** Net of payment under protest of Rs. 231 ('000)

- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 17 of our main audit report.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of

Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are 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. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009

Sd/-
Charan S Gupta
Partner
Membership Number: 093044
UDIN: 21093044AAAAO9879

Gurugram
May 31, 2021