

## **INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF  
NET 4 INDIA LIMITED**

### **REPORT ON THE STANDALONE FINANCIAL STATEMENTS**

We have audited the accompanying standalone financial statements of **NET 4 INDIA LIMITED** ('the Company'), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE 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 and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 are 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.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the standalone 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 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 the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 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 financial statements.

### **BASIS FOR QUALIFIED OPINION**

- During the financial year 2013-14, the Company had defaulted in repayment of principle and interest thereon of Term Loan taken from State Bank of India (SBI). The amount outstanding as on 31<sup>st</sup> Mar, 2016 is Rs. 2,334.16 Lacs. This loan had been classified as Non – performing Assets (NPA) by the Bank. There is no provision made during the current year for interest against such loans. The status of this loan has remained the same during the current financial year. State Bank of India (SBI) has also filed legal case before the P.O. (Presiding Officer) and Registrar against the Company. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from bank in this regard.
- During the financial year 2013-14, the Company had defaulted in repayment of principle and interest thereon of Working Capital Loan taken from State Bank of India (SBI) and State Bank Travancore (SBT). The amount outstanding as on 31<sup>st</sup> Mar, 2016 is Rs. 11,378.73 Lacs. There is no provision made during the current year for interest against such loans. This loan had been classified as Non –performing Assets (NPA) by the Bank. The status of this Credit facility has remained the same during the current financial year. State Bank Travancore (SBT) has also filed legal case before the P.O. (Presiding Officer) against the Company. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from bank in this regard.
- Unsecured loan has been taken from one of the Shareholders i.e. Ms. Suzanne Surendra Pal of Rs. 205 Lacs from Sep, 2013 by the Company. But the same has not been repaid during the current financial year. There is no provision made during the current year for interest against such loans. Further, it is a contravention of Section 74 of the Companies Act, 2013.
- Unsecured Loan taken from IBM India Pvt. Ltd. is Rs. 39.23 Lacs as per the books of accounts as on 31<sup>st</sup> March, 2016. There is no repayment of the same during the current financial year. There is no provision made during the current year for interest against such loans. The above figure has been taken on the basis of audited financial statements for the year ended on 31<sup>st</sup> March, 2015. There is no communication received from IBM India Pvt. Ltd. in this regard.
- Fixed Deposit amounting to Rs. 1,066.59 Lacs were due for repayment as on 31<sup>st</sup> March, 2016. There is no provision in the books during the year for penalty and damages for contravention of provision of fixed deposits as laid down in Companies Act, 2013. The company had applied for a scheme of reschedulement to the H'ble company laws board in Dec 2014 and has been following instructions for repayment of the company law board from time to time. Further, the management has indicated

further substantial payment has been made subsequent to 31<sup>st</sup> Mar, 2016 till date of this report.

- In respect of various loans as stated above, there is interest payable of Rs. 1,251.71 Lacs for the previous years outstanding in the books as on 31.03.2016.
- Income Tax demand of Rs. 1,286.98 Lacs from A.Y. 2004-05 to A.Y. 2011-12 not deposited and appeals has been filed against this demand or in the process of filing. Income Tax Return from A.Y. 2012-13 to A.Y. 2014-15 has also not been filed by the Company.
- Service Tax amounting to Rs.1,170 Lacs (approx) up to 31<sup>st</sup> March, 2016 not deposited by the Company but further reconciliation is required on account of cenvat credit, sales return etc to arrive at the correct amounts and Service Tax Return has also not been filed by the Company during the year.
- As per Books of accounts, Tax deduction at source (TDS) amounting to Rs. 109.60 Lacs as on 31<sup>st</sup> March, 2016 not deposited by the Company. TDS Return has also not been filed by the Company during the year except the first quarter in respect of Section 194I of the Income Tax Act, 1961. In some cases TDS has also not been deducted.
- As per books of accounts, Provident Fund amounting to Rs. 6.75 lacs as on 31<sup>st</sup> March, 2016 not deposited by the Company. PF Challan till Oct, 2015 has been filed by the Company.
- Employees State Insurance (ESI) amounting to Rs. 3.16 Lacs as per Books as on 31<sup>st</sup> March, 2016 not deposited by the Company. Consequently challan and return in respect of this has also not been filed by the Company during the year.
- As per the information and explanation received from the Management, the Company is registered under the Delhi VAT, UP VAT, Maharastra VAT, Karnatka VAT, Tamil Nadu VAT and Andhra Pradesh VAT but during the year, no transactions were made by the company and accordingly no VAT Liability has been arised during the year. However, the company has not filed VAT Return in any of the above VAT authorities during the year.
- Professional Tax amounting to Rs. 0.72 Lacs as per Books as on 31<sup>st</sup> March, 2016 not deposited by the Company. Consequently challan and return in respect of this has also not been filed by the Company during the year.
- Company has not made any provisions for the employee's benefits i.e. for Gratuity or Leave Encasement etc. during the year of audit.
- The Company has not provided bank accounts balance confirmation as on 31<sup>st</sup> March, 2016, in respect of some bank accounts.
- The Company has written off bad debts amounting to Rs. 708.24 Lacs during the year and makes provision for bad and doubt full debts amounting to Rs. 146.32 Lacs during the year. Due to the written off bad debts or provision of bad debts, the profit

for the year at 31<sup>st</sup> March, 2016 has been reduced by that amounts. Accordingly the net assets at 31<sup>st</sup> March, 2016 have also been reduced by the bad debts amounts.

- The Company has booked Loss on Redundant Assets of Rs. 968.40 Lacs during the year.
- As per AS-29 “Provisions, Contingent Liabilities and Contingent Assets” the Company is mandatorily required to make provisions for Audit Fee but the same has not provided in the books of accounts for the year ended 31<sup>st</sup> March, 2016.

### **QUALIFIED 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 matters describes in the Basis for Qualified Opinion paragraph above, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016;
- b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **OTHER MATTER**



As per statutory records produced before us and explanations given us, our comments are as follows;

- The Composition of Board of Directors is not in terms of SEBI (Listing Obligations and Listing Requirements) Regulations, 2015.
- There was no Independent Directors in the company leading to non-compliance of the provisions of the SEBI (Listing Obligations and Listing Requirements) Regulations, 2015 as well as section 149 of the Companies Act, 2013.
- There was no Internal Auditor’s as required under section 138 of the Companies Act, 2013.
- There was no Women director in the Board of the Company, leading to non-compliance of the applicable provisions. However, the Company has women director from 02<sup>nd</sup> Nov, 2014 to 05<sup>th</sup> Dec, 2015.
- There was no Audit Committee as required under section 177 of the Companies Act, 2013 and in terms of SEBI (Listing Obligations and Listing Requirements) Regulations, 2015.
- There was no Nomination and Remuneration Committee as required under section 178 of the Companies Act, 2013 and in terms of SEBI (Listing Obligations and Listing Requirements) Regulations, 2015.

- There was no Shareholder's and Investor Grievance Committee for the year in the Company.
- There was no compliance as required by the Regulation 24 of the SEBI (Listing Obligations and Listing Requirements) Regulations, 2015 i.e. corporate governance requirements with respect to subsidiaries companies.
- Non Compliance of provisions relating to public deposit i.e. repayment of deposits accepted before commencement of this act i.e. 01.04.2014 as per section 74 of the Companies Act, 2013. Since the company has accepted public deposit before 01.04.2014, which were due for repayment as on 31<sup>st</sup> Mar, 2016. However the company has filed scheme of rescheduling of fixed deposits in Dec 2014 and has been repaying fixed deposit to the holders as per the directions of the Company Law board from time to time.
- The company has litigations filed against it under various courts or authorities like Delhi High Court, Arbitration, and Registrar for various matters like recovery of debts, winding up petition, etc. As per available information & explanation provided by the management, the exact quantum of amount on these cases cannot be ascertained. However, almost all the cases involve disputed amounts and have been adequately challenged.
- Sundry Debtors and Sundry Creditors are subject to balance confirmation.
- As per Para 17 of the AS-22, "Accounting for Taxes on Income", where as enterprises has carry forward of losses under tax laws, deferred tax assets should be recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The company has amounting to Rs. 1,287.20 Lacs deferred tax assets as per books, but we are unable to find the convincing evidence that in future sufficient future taxable income will be available.
- A per our observation during audit, Directors residing out of India have been incurring expenses through Credit Card for which part payment is being made by the Company. As per board resolution dated 23<sup>rd</sup> Aug, 2013, the Company is maintaining the office at London, United Kingdom. For the part payment made by the company, these expenses have been further booked in the Company's books of accounts but we have not received all the supporting documents for the same.
- We are unable to find the status of the Micro and Small Enterprises, to whom the company owes, which are outstanding more than 45 days at 31<sup>st</sup> March, 2016. This information as required to be disclosed under the Micro, small and Medium Enterprises Development Act, 2006.

Our opinion is not qualified in respect of this matter.

## **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 the paragraph 3 and 4 of the order.

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 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 and the cash flow statement 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) The matter described in the basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

(f) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure B**"; and

(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 does have pending litigations which may have impact on its financial position in its financial statements – Refer Notes to the financial statements.

ii. The company did not have any long term contracts including derivatives contracts; as such the question of commenting on any material foreseeable losses thereon does not arise.

iii. There were no amounts which were required to be transferred to Investor Education and Protection Fund. So, question of delay in transferring the amount into above funds does not arise.

FOR LAXMI TRIPTI & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FRN:-009189C

Sd/-  
L.N. AGRAWAL  
PARTNER  
M.No.-078427

Place: Delhi  
Date: 17.06.2016



**ANNEXURE - A TO THE AUDITORS' REPORT**

Annexure A referred to Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details. However in some cases situation of its fixed assets have not been mentioned.  
  
(b) As explained to us, the physical verification of a major portion of fixed assets as on March 31, 2016 was conducted by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed 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 immovable properties are held in the name of the Company.
- ii. As explained to us, the company has not purchased/sold goods during the year, but the company has some opening stocks, which was physically verified at reasonable interval by the management and no material discrepancies have been noticed on physical verification of stocks as compared to book records.
- iii. The Company has not granted any loans, secured or unsecured to any companies, firms, Limited Liabilities Partnerships or other parties as covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the order are 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, with respect to the loans and investments made.
- v. The Company has not accepted any deposits from the public covered under section 73 to 76 of the Companies Act' 2013 during the year. However, public deposits were accepted in earlier years. Earlier, deposits were governed by the provisions of Section 58A of the Companies Act, 1956 and the rules framed there under relating to the deposits accepted. The Company has defaulted in repayment of principal and interest thereon w.e.f. August 2013.

During the financial year 2015-16, the company has paid amount of principle and interest of Rs. 158.21 Lac. Total amount payable (due plus overdue amount) as on 31.03.2016 is Rs. 1,066.59 Lac. During the year, the company had received 10, complaints, out of which all 10 complaints were resolved.

As per explanation and records produced, the reason for defaults has been due to heavy losses resulting to cash crunch in the company leading to bouncing of cheques issued towards repayment of deposits (principal and interest).

The company filed a scheme with CLB for repayment of fixed deposits and as on 31<sup>st</sup> Mar, 2016 had been repaying fixed deposits as per the directions of the CLB. The Company has also made further payments and entered into settlement agreements with numerous deposits holders that had approached the company for settlement.



- vi. As per information & explanation received by the management, The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company and hence this clause is not applicable to the company.
- 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 employees' state insurance, income-tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues have not been regularly deposited during the year by the Company with the appropriate authorities. However, the company is paying regularly the amount of provident fund to the concerned authorities. According to the information and explanations given to us, there were outstanding statutory dues as on 31<sup>st</sup> of March, 2016 for a period of more than six months from the date they become payable, which are as follows;

<b>Particulars</b>	<b>Amount (Rs. in Lacs)</b>
Service Tax (Approx)	<b>877.36</b>
Tax Deduction at Source (TDS)	<b>53.35</b>
Employees State Insurance (ESI)	<b>1.60</b>

- (b) According to the information and explanations given to us, there are no material dues of duty of customs and duty of excise which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of income tax, sales tax, service tax and value added tax have not been deposited by the Company on account of disputes:

<b>Name of the Statute</b>	<b>Nature of dues</b>	<b>Amounts (Rs. In lacs)</b>	<b>Period which amount relates to</b>	<b>Forum where the disputes are pending</b>
Income Tax Act, 1961	Income Tax	2.59	A.Y. 2004-05	
Income Tax Act, 1961	Income Tax	6.20	A.Y. 2005-06	
Income Tax Act, 1961	Income Tax	1.50	A.Y. 2006-07	
Income Tax Act, 1961	Income Tax	26.02	A.Y. 2008-09	
Income Tax Act, 1961	Income Tax	255.61	A.Y. 2009-10	
Income Tax Act, 1961	Income Tax	723.64	A.Y. 2010-11	
Income Tax Act, 1961	Income Tax	271.42	A.Y. 2011-12	
Finance Act, 1994	Taxability on SSL Certificate Whether Service Tax applicable	91.84 (Approx.) – (Excluding Interest or Penalty)	&	Mumbai High Court and Commissioner Appeals
Finance Act, 1994	Service Tax applicability of	1141.64 (Approx.)	From 2008-09 to 2011-12	Service Tax Department,

## VALUE RESEARCH PREMIUM

	Domain prior to July, 2012	(Excluding Interest & Penalty)		Indraprastha
Maharastra Value Added Tax	Dispute regarding entitlement of Input VAT Credit (2010-11)	15.05 (Approx)(Excluding Interest and penalty)		MVAT Department, Mumbai
Maharastra Value Added Tax	Liability created by Department	4.75 (Approx.) (Excluding interest & penalty)		MVAT Department, Mumbai

viii. Based on our audit procedures and on the information and explanations given by the Management, we are in the opinion that, the company has been in default of dues of loans or borrowings from banks during the year, which are as follows;

<u>Name of the Banks</u>	<u>Principals including interest as on 31.03.2016 (Amt in Lacs)</u>
SBI-65150	9,436.21
SBT-65003	1,517.14
SBT As Hoc	505.38
Term Loan _ Chennai Projects	2,334.16
Interest Payable NPA Liability	1,251.71

- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x. 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 course of our audit.
- xi. According to the information and explanations give to us and based on our examination of the records of the Company, 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.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. 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.

- xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

FOR LAXMI TRIPTI & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FRN:-009189C

Sd/-  
L.N. AGRAWAL  
PARTNER  
M.No.-078427

Place: Delhi  
Date: 17.06.2016

**ANNEXURE - B TO THE INDEPENDENT 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 NET 4 INDIA LIMITED ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('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 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 over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016:

- a. The Company did not have Internal auditor's as required by the Companies Act, 2013, which is one of the essential components of internal control, with regards to the potential for fraud when performing risk assessment.
- b. The Company's internal control system for loans and liabilities, statutory dues and returns and repayment of fixed deposits were not operating effectively, which could potentially result in the Company goes to the various legal cases for the above mentioned liability.
- c. The Company does not has proper internal control system for collection of amount from its debtors or Trade receivable, due to which heavy amount of bad debts are being written off every year, thereby resulting in the reduction of net profit and net assets of the company every year.
- d. The company does not has proper internal control system for compliance of various matters as referred above in our "Other Matter" para as required by the SEBI (Listing Obligations and Listing Requirements) Regulations, 2015 as well as Companies Act, 2013.

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

In our opinion, except for the effects/possible effects of the material weaknesses described above on the achievement of the objective of the control criteria, the Company has maintained adequate and effective internal financial controls system over financial reporting as at 31 March 2016, 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.

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 March 31, 2016 standalone financial statements of the company, and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.

FOR LAXMI TRIPTI & ASSOCIATES  
CHARTERED ACCOUNTANTS  
FRN:-009189C  
Sd/-  
L.N. AGRAWAL  
PARTNER  
M.No.-078427

Place: Delhi  
Date: 17.06.2016