

**INDEPENDENT AUDITORS' REPORT**To the Members of **INDIA STEEL WORKS LIMITED**

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Ind AS Financial Statements of **INDIA STEEL WORKS LIMITED** which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit & Loss including Statement of Other Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity for the year then ended and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its **LOSS**, other comprehensive expenses, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 Companies Act, 2013 and the Rules there under, 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 audit opinion on the Standalone Ind AS financial statements.

Emphasis of the Matter

- The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations. The situation changes on a daily basis giving rise to inherent uncertainty. The Company is confronted with this uncertainty as well, which has been disclosed in the Note No 50 to the Ind AS financial statements, together with its evaluation thereof. We draw attention to these disclosures. Our opinion is not modified in respect of this matter.
- In absence of information of Investee Company, we are unable to determine the fair value of the investments as on reporting date. Hence the same are carried at cost and no provision for diminution, if any in value of such investments in made.
- No effect is given in respect of settlement deed with the creditor resulting into possible reduction in liability to the extent of ₹46.11 Crores, after adjusting ₹9.23 Crores on the basis of the payment made before the audit of the said Standalone Financial Results.
- In the absence of uncertainties of making profit in immediate future the company has decided not to create Asset/Liability on account of Deferred Tax.
- We did not Audited the financial statement of overseas branch included in the financial statement, which constitute the total current assets of ₹288,487,457/- and net assets of ₹9,59,382/- as at 31st March 2020, total revenue of Rs. Nil, Net Loss of ₹14,09,857/- and net cash flow amounting to ₹3,05,945/- for the period ended on that date, as considered in the financial statement.

Key Audit Matters

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.

a) Going Concern	Our audit procedures included
As of 31 March 2020, the Company's total liabilities did not exceed its total assets; however company is continuously incurring losses. The directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the financial statements.	Going through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of going concern, including the preparation of cash flow forecasts.



<p>a) Going Concern</p>	<p>Our audit procedures included</p>
<p>The directors of the Company made their assessment of going concern by preparing a cash flow forecast in which some key; assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and the availability of banking and other financing facilities.</p>	<p>Evaluating the key assumptions in the cash flow forecasts (including future revenue, gross profit, operating expenses and capital expenditure) with reference to historical production information, current performance, internal investment and production plans, and market and other external available information,</p>
<p>We identified going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Company which are inherently uncertain and because the management judgement and _ inherently uncertainties and because the management judgement and _ inherent uncertainties could have significant impact on the basis of preparation of the financial statements and could be subject to management bias.</p>	<p>Considering the accuracy and reliability of cash flow forecasts made by management in prior years by comparing them with the current year's results; We also checked if any waivers were obtained from the financial institutions from which borrowings are made. Based on our procedures we noted that the key assumptions used in the forecasts were within a reasonable range of our expectations.</p>
<p>(b) Revenue Recognition</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p>
<p>The Company's revenue is derived from the sale of steel products. The Company recognizes revenue when the control is transferred to the customer. The terms set out in the Company's sales contracts relating to goods acceptance by customers are varied. Accordingly, the terms and conditions of sales contracts may affect the timing of recognition of sales to customers as each sales contract could have different terms relating to customer acceptance of the goods sold.</p>	<p>Evaluating the design, implementation and operating effectiveness of key internal controls over the existence, accuracy and timing of revenue recognition; performed substantive test of details over revenue recognized throughout the period by selecting a sample of transactions to ensure that the samples selected meet the revenue recognition criteria and are appropriately recorded;</p>
<p>We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and is, therefore, subject to an inherent risk of misstatement to meet targets or expectations and because errors in the recognition of revenue could have a material impact on the Company.</p>	<p>Tested sample transactions around the period end to end sure they were recorded in the correct period; and tested journal entries posted to revenue accounts focusing on unusual or irregular items, if any.</p>
<p>Contingent Liabilities (Note No.32) Evaluation of uncertain tax positions</p>	<p>Our audit procedures include the following substantive procedures:</p>
<p>The Company operates in multiple jurisdictions and is subject to periodic challenges by local tax authorities on account of tax matters during the normal course of business including transfer pricing and indirect tax matters. These involve significant management judgment to determine the possible outcome of the uncertain tax positions, consequently having an impact on related accounting and disclosures in the standalone financial statements. Refer Note 32 to the standalone financial statements.</p>	<p>Obtained understanding of key uncertain tax positions and, We –</p> <ul style="list-style-type: none"> • Read and analyzed select key correspondences external legal opinions / consultations by management for key uncertain tax positions; • Discussed with appropriate senior management and evaluated management' s underlying key assumptions in estimating the tax provisions and • Assessed management' s estimate of the possible outcome of the disputed cases.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's report including annexure to Board's report, but does not include the Standalone Ind AS Financial Statements and our auditor's report thereon.



Our opinion on the Standalone Ind AS 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 Ind AS 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 Ind AS 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.

Management's Responsibility for the Standalone Ind AS Financial Statements

These Standalone Financial Results have been prepared on the basis of the annual Standalone Financial Statements. The Company's Board of Directors are responsible for the preparation and presentation of these Standalone Financial Results that give a true and fair view of the net profit and other comprehensive income and other financial information of the Company and the balance sheet and the statement of cash flows in accordance with the recognition and measurement principles laid down in the Indian Accounting Standards prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 and Regulation 52 of the Listing Regulations. The Board of Directors of the Company are responsible for 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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, which have been used for the purpose of preparation of the Standalone Financial Results by the Directors of the Company, as aforesaid.

In preparing the Standalone Financial Results, the Board of Directors of the Company are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors of the Company are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Results 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 Standalone Financial Results.

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

1. Identify and assess the risks of material misstatement of the Standalone Financial Results, 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.
2. 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 Standalone Financial Statements in place and the operating effectiveness of such controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
4. Conclude on the appropriateness of the Board of Directors' 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 Standalone



Financial Results 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.

5. Evaluate the overall presentation, structure and content of the Standalone Financial Results including the disclosures, and whether the Standalone Financial Results represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 section 143 (11) of the Companies Act, 2013, we give in the 'Annexure -A' a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143 (3) of the Act, based on our audit 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) 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 & Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanation given to us, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as on year ended March 31, 2020
 - e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 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 with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report:
 - g) 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, as amended 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 Ind AS financial statements Refer Note 32 to the standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Company.
3. In our opinion, the managerial remuneration for the year ended 31 March 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act; The Ministry of Corporate Affairs has not prescribed other details under section 197 (16) which are required to be commented by us.

For Laxmikant Kabra & Co
Chartered Accountants
FRN No.: 117183W

CA Laxmikant Kabra
Partner

Membership No.: 101839
UDIN: 20101839AAAADO2463

Date: 31st July 2020
Place: Thane



ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT

Annexure referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone Ind AS financial statements for the year ended March 31, 2020, we report that:

1. a) The company has maintained proper records showing full particulars, including quantitative details and situations of its fixed assets.
- b) According to the information and explanation given to us, the company has a regular program of physical verification of its fixed assets by which fixed assets are verified in phased manner over a period of three years in accordance with this program, certain fixed assets were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regards to the size of the Company and the nature of its business and no material discrepancies have been noticed on such physical verification.
- c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable's and movable properties are held in the name of the company except certain motor vehicles having carrying value of ₹10.98 lakhs as at 31/03/2020, is held in the name of directors of company's behalf.
2. The inventories have been physically verified by the management during the year except inventories lying with the third parties and goods in transit. In respect of inventories lying with the third parties, these have been substantially confirmed by them and with respect to goods in transit subsequent goods receipts have been verified by management. In our opinion, frequency of physical verification of inventory followed by the management was reasonable in relation to the size of the company and the nature of its business. The discrepancies noticed on physical verification of the inventories have been properly dealt with in the books of account.
3. According to the information and explanation given to us, the Company's has not granted any loans secured or unsecured during the period to company's firms or other parties covered in the register maintained under section 189 of the companies Act 2013. Therefore, comments under clause (a), (b) and (c) are not given.
4. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans, investment and guarantee made.
5. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
6. According to the information and explanation given to us, cost records were maintained by the company pursuant to the order of the Central Government under Section 148(1) of the Act.
7. a) According to the records, the Company is regular in depositing undisputed statutory dues in respect of duty of customs, however undisputed statutory dues including income tax, employees' state insurance, provident fund, duty of excise, sales-tax, service tax, value added tax, Goods & service tax, cess and other statutory dues have not been regularly deposited with the appropriate authorities and there have been delays in depositing the same.
- b) According to the information and explanations given to us, and on the basis of our examination of books of accounts, there are no cases of dues of income tax, goods & service tax, sales tax, duty of customs, duty of excise, value added tax and cess as at 31 March 2020 which have not been deposited on account of disputes except for the following: -

Name of Status	Nature of dues	Amount (In Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax Act	Sales Tax	160.11	FY-2014/2015	Sales Tax Officer
Central Excise Act	Excise	53.53	FY-2012/2013	DGCI
Central Excise Act	Excise	406.30	FY-2012/2013	FTWL
Central Excise Act	Excise	37.99	FY-2005/2006	Commissioner Central Excise
Central Excise Act	Excise	9.64	FY-2012/2013	Addl. Com of Central Excise

8. Based on our audit procedures and on the basis of information and explanations given by the management, we are



of the opinion that the Company has not defaulted in the repayment of dues to banks and financial institute. The company did not have any outstanding dues to debenture holders during the year.

9. During the year, the company did not raise money by way of initial public offer or further public offer (including debt instrument) and term loans during the year.
10. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
11. According to information and explanation given to us and based on our examination of the records, 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 the year under consideration.
12. 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.
13. According to the information and explanations given to us and based on our examinations 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 Ind AS financial statements as required by the applicable Indian accounting standards.
14. According to the information and explanations given to us and based on our examinations of the records of the company, the company had not made any preferential allotment of shares during the year under review.
15. 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 them. Accordingly, paragraph 3(xv) of the order is not applicable.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Laxmikant Kabra & Co
Chartered Accountants
FRN No.: 117183W

CA Laxmikant Kabra
Partner

Membership No.: 101839
UDIN: 20101839AAAADO246

Date: 31st July 2020
Place: Thane



ANNEXURE B

Annexure referred to in paragraph 2 (f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone Ind AS financial statements.

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 **INDIA STEEL WORKS LIMITED** (“the Company”) as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The company's management is responsible for establishing and maintaining internal financial controls based on “the internal control 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, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company, 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 were established and maintained and whether 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

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.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, however, company is required to strengthen its financial controls for obtaining balance confirmations from trade receivables and payables 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).

For Laxmikant Kabra & Co
Chartered Accountants
FRN No.: 117183W

CA Laxmikant Kabra
Partner

Membership No.: 101839
UDIN: 20101839AAAADO246

Date: 31st July 2020
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