

# INDEPENDENT AUDITORS' REPORT

To the Members of ONMOBILE GLOBAL LIMITED

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the standalone financial statements of Onmobile Global Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements")

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules 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 opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Investments in subsidiaries – See note 4 to the standalone financial statements	
The key audit matters	How the matter was addressed in our audit
<p>The Company is carrying significant investment in subsidiaries amounting to INR 3,253.49 million (net of impairment provision amounting to INR 568.11 million) as at 31 March 2019.</p> <p>The annual impairment testing was significant to our audit, because of the financial quantum of the assets in the context of the standalone financial statements as well as the fact that the testing relies on critical judgements, estimates and assumptions.</p> <p>Significant judgment is required in forecasting the future cash flows, together with the rate at which they are discounted.</p>	<ul style="list-style-type: none"> <li>• Testing operating effectiveness of controls over the review of the impairment analysis.</li> <li>• We evaluated the forecasts by comparing them with the historical growth trends, agreeing the forecast used in prior year models to its actual performance of the business and also agreed to the management approved plans.</li> <li>• We reviewed the sensitivity analysis prepared by the Management to test the reasonably possible change in key assumptions used in the valuation carried out and its consequential impact on impairment analysis, if any.</li> </ul>
Recoverability of Trade receivables (including unbilled receivables) and receivables from subsidiaries (including unbilled receivables) (Refer note 6 and note 10 to the Standalone financial statement)	
The key audit matters	How the matter was addressed in our audit matter
<p>The Company has trade receivables including unbilled receivables from external parties amounting to INR 567.15 million (net of allowance for expected credit loss INR 169.50 million) and receivables from subsidiaries amounting to INR 876.08 million (net of expected credit loss INR 333.28 million) as at 31 March 2019.</p>	<ul style="list-style-type: none"> <li>• Tested the design of internal financial controls and operating effectiveness of the relevant key controls;</li> </ul>

## Key Audit Matters (Continued)

The key audit matters	How the matter was addressed in our audit matter
<p>The Company's customers and subsidiaries operate in a number of geographical locations having different credit profiles.</p> <p>Management judgement is required in determining the appropriate level of allowance for expected credit losses to be recorded in respect of such receivables using the life time expected credit losses analysis.</p> <p>Recoverability of trade and other receivables was an area of focus for us because of significance of the amounts involved in context of the standalone financial statements and the fact that it involved critical estimates.</p>	<ul style="list-style-type: none"> <li>Enquired with Company's management of the significant and long overdue balances with reference to recent history of settlement, default or disputes and the ageing profile of the relevant trade and other receivables and receivables from subsidiaries.</li> <li>Reviewed the appropriateness of level of allowance for expected credit losses by considering the historical cash collection trends and the local economic environment in each of the geographies.</li> </ul>
<p><b>Recoverability of deferred tax assets (Refer note 28 to Standalone financial statements)</b></p>	
The key audit matters	How the matter was addressed in our audit matter
<p>The balance of deferred tax assets recognized as at 31 March 2019 in the standalone financial statements is INR 526.30 million which includes Minimum Alternate Tax ('MAT') entitlement credits amounting to INR 273 million arising on account of tax holiday benefits enjoyed by the Company.</p> <p>Assessment of recoverability of such MAT credits and deferred tax assets require management to prepare forecasts for future profitability and potential tax liabilities, which involves significant judgment and accordingly was an area of focus.</p>	<p>Our audit procedures included assessing the revenue and profit forecast against the historical performance, remaining period of tax holiday benefit which the Company enjoys.</p> <p>We also assessed the sensitivity of key assumptions including the growth rate and the impact of tax holiday benefit for future years on the ability to utilize the MAT credits.</p>

## Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's Management and Board of Directors are responsible for the other information. The other information comprises of Management Reports such as Board's Report, Management Discussion and Analysis, Corporate Governance Report and Business Responsibility Report (but does not include the Financial Statements and our Auditor's Report thereon) which we obtained prior to the date of this Auditor's Report, and the remaining reports, which is expected to be made available to us after that date.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained 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.

When we read the other sections of Annual Report (other than those mentioned above), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions, as applicable under the applicable laws and regulations.

## Management's Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, Management and Board of Directors are 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.

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

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

### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(A) 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) 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 standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' 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:
  - a) The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 29 to the standalone financial statements;
  - b) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 34 to the standalone financial statements;
  - c) There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2019; and
  - d) The disclosures in the Standalone Ind AS Financial Statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these Standalone Ind AS Financial Statements since they do not pertain to the financial year ended 31 March 2019.
- (C) With respect to the matter to be included in the Auditors' Report under Section 197(16):
 

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

**For B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership No: 060573

Bangalore

24 May 2019

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

In respect of the Annexure referred to in Independent Auditor's Report to the members of the Company on the standalone financial statements of Onmobile Global Limited for the year ended 31 March 2019. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and basis our examination of the records of the Company, the Company does not hold any immovable properties as at 31 March 2019.
- (ii) The Company does not have any physical inventories and thus, paragraph 3(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us the Company has granted unsecured loans to companies covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act').
- (a) In our opinion, the rate of interest and other terms and conditions on which the loans have been granted to the companies listed in the register maintained under Section 189 of the Act are not, prima facie, prejudicial to the interest of the Company.
- (b) In the case of the loans granted covered in the register maintained under Section 189 of the Act, the principal and interest are repayable on demand and there were no demand for repayments during the year.
- (c) There are no overdue amounts in respect of the loans granted to companies covered in the register maintained under Section 189 of the Act
- (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 given, investments made, guarantees and securities given, as applicable.
- (v) According to information and explanations given to us, the Company has not accepted any deposits during the year.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the activities of 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 provident fund, employees' State insurance, income-tax, goods and service tax, cess and other material statutory dues have generally been regularly deposited during the year with the appropriate authorities. According to the information and explanation given to us, the Company did not have any dues on account of sales tax, duty of customs and duty of excise.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Goods and Services tax, Cess and other material statutory dues were in arrears as at 31 March 2019, for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of income-tax or service tax or goods and service tax or duty of Customs or duty of excise or value added tax which have not been deposited by the Company on account of any disputes, except for the following:

Name of the statute	Nature of dues	Amount disputed (INR in million)	Period to which the amount relates	Forum where dispute is pending
Income-tax Ordinance, 1984, Bangladesh	Income tax	3.25	FY 2009-10	High Court of Bangladesh
Income-tax Act, 1961	Income tax	1.16	FY 2007-08	High Court of Karnataka
Income-tax Act, 1961	Income tax	127.32	FY 2013-14	Dispute Resolution Panel (DRP)
Income-tax Act, 1961	Income tax	20.01	FY 2014-15	Income Tax Appellate Tribunal (ITAT)
Finance Act, 1994	Service tax	5.51	FY 2006-07 to FY 2008-09	CESTAT

\* net of amounts paid under protest and/or adjusted against refunds.

- (viii) The Company does not have any loans or borrowings from financial institutions, banks and government or has not issued any debentures.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of public issue or further public offer (including debt instruments) during the year.
- (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 year.
- (xi) According to the information and explanations given to us and based on examination of the records of the Company, the Company has paid/provided managerial remuneration in accordance with the requisite approvals as per 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.
- (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 standalone financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given 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.
- (xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

**For B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

**Sampad Guha Thakurta**

Partner

Membership No: 060573

Bangalore

24 May 2019

## **ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT**

---

**Annexure B to the Independent Auditor's Report of even date on standalone financial statements of Onmobile Global Limited for the year ended 31 March 2019**

**Report on the Internal Financial Controls with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

**(Referred to in paragraph A (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### **Opinion**

We have audited the internal financial controls with reference to financial statements of Onmobile Global Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

### Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 (hereinafter referred to as "the Act").

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 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 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 such internal financial controls, 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 standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

### Meaning of Internal Financial Controls with reference to standalone financial statements

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 include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls with reference to standalone financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial 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.

#### For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

#### Sampad Guha Thakurta

Partner

Membership No: 060573

Bangalore

24 May 2019