

## INDEPENDENT AUDITOR'S REPORT

**TO  
THE MEMBERS OF K.S.OILS LIMITED**

### Report on Financial Statements

We have audited the accompanying standalone financial statement of **K. S. OILS LIMITED** ('the company') which comprise the balance sheet as at **31st March 2016** and the Statement of Profit & Loss and the cash flow statement for the period 1st April 2015 to 31 March 2016 and a summary of significant policies and other explanatory information.

### Management's Responsibility for the 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 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 except with regard to the matters discussed below where we have not been able to perform the audit in conformity with the relevant auditing standard on account of unavailability of adequate documents/information

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

1. As regards trade receivables, inventory, costs, production margin and sales price of goods sold, we state that:

- a) In absence of confirmation and other relevant documents of balances trade receivable as on 31.03.2016, provision to be made if any for adverse variation in the carrying amount of these balances are not quantified.
  - b) Position of inventory is as per management as more details in note no.36. As explained in the note, we could not observe inventory count as required under SA 501(Revised) 'Audit evidence – Specific Consideration for selected Items'.
  - c) Attention is invited to Note 35 on the explanation of the management with regard to abnormal variations/fluctuations sales price due to quality. We are unable to comment on this, being a technical matter.
2. In the absence of details of testing for impairment of certain assets viz. Production plants which were not operational during the period, we are unable to state whether provision, if any, is required to be made in this regard.
  3. Out of transactions of purchase and sales of goods selected on a sample basis; in some cases, full supporting documents were not made available for our verification.
  4. Long term Loan and Advances include advances aggregating capital advance Rs.38446 Lacs given to the suppliers which include advances Rs.604 Lacs and short term Loan & Advances Rs. 37564 Lacs outstanding for more than a year. Relevant documents and confirmations of balances are yet to be obtained.
  5. The net worth of the company has completely eroded. The loans grouped under head secured loan could not be termed as fully secured.
  6. The company had been served demand notice under section U/s 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of security Interest Act, 2002 on dated 4th March 2014 for Edible Oil Business for payment of Outstanding principal amount including interest etc. within 60 days from the date of notice.  
  
As stated in the Note no.33, pending quantification of interest payable, penalty, other financial charges, the ultimate liability for financial charges and related impact on reported loss is not quantifiable for the period and the Company has not provided interest liability for the current financial year.
  7. The financial statements of company have been prepared on a going concern assumption, though the company has incurred a net loss of Rs. 14934 Lacs during the twelve months period ended March 31, 2016 and it's net worth has eroded totally, CDR of the company has been called off and it has been served SARFAESI Notices by bankers & financial institutions for payment of loans. Further, The Lenders has filled the Original Application (OA) before Hon'ble Debt Recovery Tribunal – II, New Delhi (DRT) for recovery of debt. This situation indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in normal course of business. The Company's ability to continue as a going concern is dependent upon the factors mentioned in Note 37.
  8. Attention is invited to the following Notes forming part of the financial statements:
    - a) Note no. 30 With regard to certain contingent liabilities, whose impact is not ascertainable.
    - b) Note no. 31 with regard order of settlement passed in the favor of company the Appeal of Income Tax department is pending before M.P. High court Gwalior.
    - c) Note no. 38 (a) & (b) With regard to manner of utilization of fund raised through preferential allotment of equity shares in previous years.

- d) Note no. 39 With regard to the declared dividend Balance of Rs.90 Lacs has not been transferred to separate bank account.
- e) Note no. 8&9 With regard to the, Trade Payable Rs 18396 Lacs, advance from customers. Rs 3061 lacs and payable for Capital goods Rs.1255 lacs ,other Payable Rs.698 Lacs In absence of confirmation and other relevant documents of Customers and parties as on 31.03.2016 for any adverse variation in the carrying amount of these balances are not quantified.

**Qualified opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the matters described in **paragraphs 1 to 7 above, and the resulting effects of all these on the relevant assets, liabilities and the loss** for the period which are not quantifiable the 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:

- (i) In the case of the Balance sheet of the State of affairs of the Company as at **31st March 2016**.
- (ii) In the case of the Profit & Loss Account, of the 'LOSS' for the year ended on that date.
- (iii) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date

**Report on Other Legal and Regulatory Requirements**

- 1. As required by the Companies (Auditor's Report) Order, 2015 issued by the Company Law Board in terms of Sub-Section (11) of Section 143, dated 10, April 2015 of the Companies Act, 2013, we give in Annexure A statement on matters specified in paragraphs 3 and 4 of the said Order.
- 2. As required by section 143(3) of the Act, we report that:
  - a. Except as stated in our comments under Basis of Qualified Opinion, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

- d. In our opinion the aforesaid financial statements complies with the Accounting Standards specified in section 133 of the Companies Act, 2013, read with Rule 7 of the companies (Accounts) Rule 2014; However as explained above, we are unable to comment upon the complete compliance with accounting standard AS 1 "Disclosure of Accounting Policies," AS 2 " valuation of Inventory ", AS 9 " Revenue Recognition", AS 28 Impairment of Assets" and AS 29 Provision, Contingent Liabilities and Contingent Assets.
- e. 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 (except Mr. Ramesh Chand Garg) is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164(2) of the Act 2013.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial positions in its financial statements as referred in note no. 30 to the financial Statements.
  - ii. The Company did not have long-term contracts including derivative contracts as such the question of commenting on any material foreseeable losses thereon arise.
  - iii. According to the information and explanations given to us there was no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For Ladha G. D. & Co.**  
Chartered Accountants  
Firm Registration number: 010962C

New Delhi  
Dated: October 14, 2016

**Nitin Pahariya**  
Partner  
Membership number: 409770

## Annexure “B” to the Auditor’s 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 **K. S. OILS LIMITED** (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### Management’s Responsibility for Internal Financial Controls

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 judgement, 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.

#### Opinion

In our opinion, the Company has not, 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 31st 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.

**For Ladha G. D. & Co.**  
Chartered Accountants  
Firm Registration number: 010962C

New Delhi  
Dated: October 14, 2016

**Nitin Pahariya**  
Partner  
Membership number: 409770

**Annexure to Auditors; Report**

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:-

**1) In respect of Fixed Assets:**

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Fixed assets have been physically verified by the management on test basis. Such verifications are made at reasonable intervals. We are informed that no material discrepancies were noticed on such observation.
- 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

**2) In respect of inventories:**

As mentioned in paragraph 1(b) of the Auditors' report and as also stated in note 36, we are unable to comment upon reasonableness and adequacy of the procedures of physical verification of inventory followed during such verification.

- 3) According to informed and explained to us the company has not granted any Loans to the companies, firm or other parties covered in the register maintained under section 189 of the Act.
- 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 and investments made.

5) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the provision of Sections 73 to 76 or any other relevant provision of the Companies Act, 2013 and the rules framed there under.

6) The Central Government has prescribed maintenance of cost records under section 148 (1) (d) of the Companies Act, 2013 in respect of Company's 'Vanaspati, Refined Vegetable Oils and Power Generation'. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records, and are of the opinion that prima facie, *the prescribed accounts and records have not been made and maintained*

**7) In respect of the Statutory Dues:**

a) According to the information and explanations given to us and records examined by us, *Undisputed statutory dues including provident fund, investor education and protection fund; employees' state insurance, income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues, if any applicable to it, have not been regularly deposited with appropriate authorities and there have been material delays in numerous number of cases. The Arrears of outstanding dues at the last day of financial year concerned for a period of more than six months from the date they became payable are as under:*

Name of the Statute	Nature of the dues	Amount (Rs. in Lacs)	Period to which the amount relates	Due Date	Date of payment
Employee State Insurance Act	ESIC	3.37	Period related to 2012-16	Various dates	
Employees Provident Fund and Miscellaneous Provisions Act	Provident Fund	93.49	Period related to 2012-16	Various dates	
Central Excise & Custom Act	Excise Duty	2.03	Period related to 2013-14	Various dated	
Service Tax	Service Tax	84.41	Period related to 2013-16	Various dated	Paid Rs. 11.178 on 5th April 2016
State Sales Tax	VAT	878.08	Period related to 2012-16	Various dated	
State Sales Tax	WCT	7.34	Period related to 2014-16	Various dated	
Sate Sales Tax	Entry Tax	100.36	Period related to 2012-16	Various dated	Paid Rs. 46 595/-
Income Tax	TDS	3.40	Period related to to 2012-16	Various dated	

b) Details of Dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, duty of custom & Excise, Value Added Tax, Cess which have not been deposited as on March 31, 2016 on account of disputes are given below:

Name of the statute	Nature of the dues	Amount	Period (Rs. in lacs) amount relate	Forum where dispute is pending to which
Sales Tax Act	Sales Tax / CST	11	1998-99	Hon'ble High Court
Sales Tax Act	Sales Tax / CST	6	2003-04	Revenue Board
Sales Tax Act	Sales Tax / CST	3	2003-04	Revenue Board
Sales Tax Act	Sales Tax / CST	4	2007-08	Tax Board Bhopal
Sales Tax Act	Sales Tax / CST	119	2008-09	*
Sales Tax Act	Sales Tax / CST	52	2010-11	*
Sales Tax Act	Sales Tax / CST	267	2011-12	**
Sales Tax Act	Sales Tax / CST	22	2011-12	**
Sales Tax Act	Sales Tax / CST	18	2012-13	**
Sales Tax Act	Sales Tax / CST	247	2012-13	**
Sales Tax Act	Sales Tax / CST	4	2013-14	**
Sales Tax Act	Sales Tax / CST	76	2012-13	**
Madya Pradesh VAT Act	VAT	12	2007-08	Tax Board Bhopal
Madya Pradesh VAT Act	VAT	19	2008-09	Tax Board Bhopal
Madya Pradesh VAT Act	VAT	4560	2007-08	Hon'ble Settlement Commission , Bhopal
Madya Pradesh VAT Act	VAT	8	2009-10	Tax Board Bhopal
Madya Pradesh VAT Act	VAT	202	2010-11	*
Madya Pradesh VAT Act	VAT	264	2010-11	*
Madya Pradesh VAT Act	VAT	70	2011-12	**
Madya Pradesh VAT Act	VAT	413	2011-12	**
Madya Pradesh VAT Act	VAT	502	2012-13	**
Madhya Pradesh VAT Act	VAT	26	2011-12	**
Madhya Pradesh VAT Act	VAT	81	2012-13	**
Madhya Pradesh VAT Act	VAT	84	2012-13	**
Madhya Pradesh VAT Act	VAT	8	2012-13	**
Madhya Pradesh VAT Act	VAT	84	2012-13	**
Madhya Pradesh VAT Act	VAT	52	2013-14	**
Madhya Pradesh VAT Act	VAT	11	2013-14	**
Entry Tax Act	Entry Tax	41	2006-07	Deputy Commissioner Appeal, Gwalior
Entry Tax Act	Entry Tax	10	2007-08	Tax Board Bhopal
Entry Tax Act	Entry Tax	1205	2007-08	Hon'ble Settlement Commission, Bhopal
Entry Tax Act	Entry Tax	1	2009-10	Tax Board Bhopal
Entry Tax Act	Entry Tax	3	2009-10	Tax Board Bhopal
Entry Tax Act	Entry Tax	668	2009-10	Additional Commissioner, Gwalior
Entry Tax Act	Entry Tax	196	2010-11	*
Entry Tax Act	Entry Tax	59	2011-12	**
Entry Tax Act	Entry Tax	4	2013-14	**
Central Excise Act	Excise Duty	24	2001-02	High Court
Central Excise Act	Excise Duty	3	2002-03	High Court
Central Excise Act	Service Tax	43.1	2009-2012	Commissioner Of Central Excise (Appeals)
Central Excise Act	Service Tax	12.85	2008-09	Commissioner Of Central Excise (Appeals)

- \* Marked appeals decided by the authority against us in the absence of appeal advance, hence no further appeals are pending.
- \*\* Marked no appeals are submitted against the demand in the absence of appeal advance
- c) According to the records of the Company, there are no amounts that are due to be transferred to the investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made there.
- 8. *As mentioned in paragraph 7 of the Auditors' report and as also stated in note 33 the company has defaulted in repayment of dues to bank and financial institutions. According to the information and explanations given to us the amount and period of default could not be given as details such as overdue interest, penalties, damages, cost etc. as considered in their SERFASI Notice by lenders and other parties have not been mentioned or made available to the company. Further the Company has not provided any interest liability for the current period due to non- charging of interest by majority of banks and unavailability of their statements of accounts.*
- 9. 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.
- 10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
- 11. According to the information and explanations give to us and based on our examination of the records of the Company, in our opinion, managerial remuneration has been paid in accordance with the provisions of Section 197 read with Schedule V of the Companies Act, 2013
- 12. In our opinion, 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 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.
- 14. 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.
- 15. According to the information and explanations given to us and based on our examination of the records of the Company, non cash transactions with the directors or persons connected with him are in compliance with sections 192 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- 16. According to the information and explanation given to us, the provisions section 45-IA of the Reserve Bank of India Act 1934 is not applicable to the Company.

**For Ladha G. D. & Co.**  
Chartered Accountants  
Firm Registration number: 010962C

New Delhi  
Dated: October 14, 2016

**Nitin Pahariya**  
Partner  
Membership number: 409770