

## **Independent Auditors' Report**

### **TO THE MEMBERS OF SURYAAMBA SPINNING MILLS LIMITED**

#### **Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of SURYAAMBA SPINNING MILLS LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS financial statements").

#### **Management's Responsibility for the Ind AS 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 Ind AS financial statements that gives a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and the changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified in the Companies (Indian Accounting Standard) Rules, 2016 (as amended) prescribed under Section 133 of the Act.

This responsibility also includes the 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 were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that gives 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 Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and the matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of Ind AS financial statement 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 the reasonable assurance about whether the Ind AS financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS financial statements that gives a true and fair view in order to design the 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 Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 including Ind AS, of the state of affairs of the Company as at March 31, 2018, and its profit (including total comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### **Other Matter**

The comparative financial information of the Company for the year ended March 31, 2017 and the transition date Opening Balance Sheet as at April 01, 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statement for the year ended on March 31, 2017 and March 31, 2016 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) audited by us whose report dated May 29, 2017 and June 10, 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in accounting principles adopted by the Company on the transition to Ind AS, which have been audited by us.

Our opinion on the Ind AS financial statements and our Report on Other Legal and Regulatory Requirements below are not modified in respect of these matters.

### **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 Sub - Section (11) of Section 143 of the Act, we give in Annexure - "A" a statement on the matters specified in paragraph 3 and 4 of the Order.
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 the law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Ind AS financial statements dealt with by this report are in the agreement with the relevant books of account;
  - d. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with the relevant rules issued thereunder;

- e. On the basis of the written representation received from the directors as on March 31, 2018 taken on the record by the Board of Directors, none of directors is disqualified as on March 31, 2018, from being appointed as a director in term of Section 164(2) of the Act.
- f. With respect to adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such control, refer to our separate report in Annexure – “B”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting.
- g. With respect to the other matters to be included in the Independent Auditor’s Report in accordance with the 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 Ind AS financial statements – “Refer Notes No. 34”.
- (ii) The provisions has been made in Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.
- (iii) There has been no delay in transferring the amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For S. VENKATADRI & CO.**  
Chartered Accountants  
FRN No. 004614S

PLACE : HYDERABAD  
DATED: MAY 29, 2018

**K. SRINIVASA RAO**  
Partner  
Membership No. 201470

## **Annexure "A" to the Independent Auditors' Report**

### **(Referred to in Paragraph 1 under "Report on the Other Legal and Regulatory Requirements" Section of Our Report of Even Date)**

Report on the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in term of Sub - Section (11) of Section 143 of the Companies Act, 2013 ("the Act") of SURYAAMBA SPINNING MILLS LIMITED ("the Company")

- i) In respect of the Company's fixed assets:
  - (a) The Company has maintained proper records in the electronic mode showing the full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets were physically verified by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such physical verification. In our opinion, this periodicity of physical verification is reasonable having regards to the size of the Company and the nature of its fixed assets.
  - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company produced and verified by us, we report that, the title deeds of immovable properties of land and buildings which are freehold land, are held in the name of the Company as at the Balance Sheet date.
- ii) In respect of the Company's inventories:

As explained to us, inventories except goods in transit and stock lying with the third parties have been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of such verification is reasonable and adequate. For stock lying with third parties at the year end, written confirmations have been obtained. As explained to us, there was no material discrepancies noticed on such physical verification of inventories as compared to the book records. However, the deficiencies if any, noticed on such physical verification have been properly dealt with in the books of accounts.
- iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to any companies, firms, and limited Liabilities partnerships or other parties are covered in the register maintained under section 189 of Companies Act, 2013. Hence, the sub - clause (a), (b) and (c) of the said clause are not applicable to the Company.
- iv) According to the information and explanations given to us, the Company has not provided any loans, guarantee, and securities and not made any investments as per the provisions of Section 185 and 186 of the Act. Hence, the provision of the clause (iv) of the said Order are not applicable to the Company.
- v) The Company has not accepted any deposits during the year and does not have any unclaimed deposits as at March 31, 2018 from the Public in accordance with the provision of Section 73 to Section 76 or any other provisions of the Companies Act, 2013 and the rules made thereunder.
- vi) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under section 148(1) of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost record have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in respect of statutory dues, we report that:
  - (a) The Company has generally been regular in depositing the undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service



Tax, Value Added Tax, Duties of Custom, Duties of Excise, Cess and other material statutory dues applicable to it with the appropriate authorities in India.

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 Service Tax, Sales Tax, Value Added Tax, Service Tax, Duties of Custom, Duties of Excise, Cess and Other Material Statutory Dues were in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanation given to us and based on the records of the Company's examined by us, there are no material dues of Duties of Customs, Income Tax, Goods and Service Tax, Sales Tax, Duties of Excise, Service Tax and Value Added Tax which have not been deposited with the appropriate authority on account of any dispute.

- vii) According to the information and explanation given to us and based on the records of the Company's examined by us, the Company has not defaulted in the repayments of dues to the financial institution, banks, government or debenture holder during the year.
- ix) The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments). However, the term loan have been applied for the purpose for which the loans were obtained except the funds deployed temporarily elsewhere.
- x) According to the information and explanation given to us and on the basis of examination of records of the Company, we report that no fraud by the Company or no material fraud on the Company by any of its officers or employees has been noticed or reported during the course of audit.
- xi) According to the information and explanations given to us and the basis of examinations of the records of the Company, the Company has paid and provided the Managerial Remuneration in accordance with the requisite approvals mandated by the provision of the Section 197 read along with the Schedule - V of the Act.
- xii) The Company is not a Nidhi Company and hence the reporting under clause 3(xii) of the Order is not applicable to the Company.
- xiii) According to information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Section 177 and Section 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.
- xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence the reporting under clause 3(xiv) of the said Order is not applicable to Company.
- xv) In our opinion and according to the information and explanation given to us, during the year, the Company has not entered into any non - cash transactions with its Directors or the persons connected with him and hence the provisions of Section 192 of the Act are not applicable. Thus, reporting under clause 3 (xv) of the Order is not applicable to the Company.
- xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934

**For S. VENKATADRI & CO.**  
Chartered Accountants  
FRN No. 004614S

**K. SRINIVASA RAO.**  
Partner  
Membership No. 201470

PLACE : HYDERABAD  
DATED: MAY 29, 2018

## **Annexure "B" to the Independent Auditors' Report**

**(Referred to in Paragraph 2(f) under "Report on the Other Legal and Regulatory Requirements" Section of Our Report of Even Date)**

**Report on the Internal Financial Controls Over Financial Reporting 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 **SURYAAMBA SPINNING MILLS LIMITED** ("the Company") as of March 31, 2018 in conjunction with our audit of the 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 the 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 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 were 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 auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS financial statements for external purposes in accordance with generally accepted accounting principles including Ind AS.

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 Ind AS financial statements in accordance with generally accepted accounting principles including Ind AS, 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 Ind AS financial Statements.

**Inherent Limitations of Internal Financial Controls over the 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, to the best of our information and according to the explanations given to us, 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, 2018, 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 **S. VENKATADRI & CO.**  
Chartered Accountants  
FRN No. 004614S

PLACE : HYDERABAD  
DATED: MAY 29, 2018

**K. SRINIVASA RAO.**  
Partner  
Membership No. 201470