

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PARAMOUNT PRINTPACKAGING LIMITED

Report on financial statements

We have audited the accompanying financial statements of **PARAMOUNT PRINTPACKAGING LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

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 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 Companies Act, 2013 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 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 thereunder. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

Basis for Qualified Opinion

The Opinion has been qualified on the following basis:

- (a) Non provision of depreciation in the financial year amounting to Rs.229.92 lacs due to closure of the factory unit. As a result of which, the loss stated for the quarter/year ended is also understated to the same extent.*
- (b) Non provision of interest on loans from the banks and NBFCs as either the accounts have been classified as NPA and/or Company's request for restructuring / one time settlement of loans is pending.*
- (c) Non provision of labour charges as company's operations have been suspended/ closed, as a result*

labour charges have been accounted to the extent of payments made.

(d) Regarding non reconciliation of Balances of Excise/Cenvat receivable account, and non confirmation of some of of bank balances, sundry debtors, sundry creditors and loans & advances.

Qualified Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act **except for the effects of the matter described in the “Basis for Qualified Opinion”** paragraph in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor’s Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the Order), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

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 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 Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- 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:
 - a. the Company did not have any pending litigations;
 - b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - c. There were no amounts which were required to be transferred to Investor Education and Protection Fund by the Company.

For Laxmikant Kabra & Co.

Chartered Accountants

Firm Registration No: 117183W

Sd/-

Laxmikant Kabra

(Partner)

Membership No : 101839

Date: 30th May, 2016

Annexure A to Independent Auditor's Report

Referred to the Independent Auditors' Report of even date to the members of Paramount Printpackaging Limited on the financial statements as of and for the year ended 31 March 2016

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) Due to closure of the factory unit, the fixed assets are not physically verified by the Management according to a phased programme designed to cover all the items over a period of three years and hence any material discrepancies if any present could not be determined.
 - (c) There are no immovable properties held by the Company.
2. The Company does not hold any inventory. Therefore, the provisions of clause 3(ii) of the said Order are not applicable to the Company.
3. In respect of the loans secured or unsecured, granted by the Company to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
 - a) The company has granted unsecured loan covered in the register maintained under section 189 of the Act. The company has not received any principal amount and interest from these parties during the year.
 - b) *In our opinion and according to the information and explanation given to us, reasonable steps have not been taken by the company for recovery of the principal and interest amounts from the parties.*
4. The Company has not granted any loans or provided any guarantees or security to the parties covered under section 185 and has not made any investments under section 186 of the Act.
5. The Company has not accepted any deposits from the public within the meaning of sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
6. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of section 148 of the Act for any of the products of the Company.
 1. (a) *Based on verification of the records of the company, we are of the opinion that the company is not regular in depositing undisputed statutory dues including Provident fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as on 31st March, 2016 for a period of more than six months from the day they became payable except as referred below:-*

Nature of Dues	Amount (in ₹)
Provident Fund	66,78,183
Profession Tax	3,88,675
Maharashtra Value Added Tax	2,82,248
Central Sales Tax	56,33,530
Service Tax	9,57,216
Wealth Tax F.Y.2010-2011	45,000
Wealth Tax F.Y.2011-12	38,000
Tax Deducted at Source	73,68,828
Income Tax(F.Y. 2011-2012) – as per Assessment Order	10,36,980
Income Tax(F.Y. 2008-2009) – as per Assessment Order	54,820
ESIC	10,69,276
Excise Duty	2,06,47,775

b) According to information and explanation given to us, the details of disputed sales tax demand that have not been deposited on account of disputes are given below:-

Name of Statute	Nature of dues	Amount	Period to which amount relates	Forum where dispute pending
Central Sales Tax Act	Sales Tax	28,41,171	2006-2007	Vide order dated 18.05.2016, Recovery Proceedings have been initiated, however no appeal is filed as in the opinion of the management, the amounts are disputed.
Maharashtra Value Added Tax Act	Sales Tax	18,67,876	2007-2008	
Central Sales Tax Act	Sales Tax	75,78,883	2007-2008	
Maharashtra Value Added Tax Act	Sales Tax	1,49,40,978	2008-2009	
Central Sales Tax Act	Sales Tax	30,51,163	2008-2009	
Maharashtra Value Added Tax Act	Sales Tax	58,70,471	2009-2010	
Central Sales Tax Act	Sales Tax	36,12,175	2009-2010	
Maharashtra Value Added Tax Act	Sales Tax	1,31,88,853	2011-2012	
Central Sales Tax Act	Sales Tax	16,38,099	2011-2012	
Maharashtra Value Added Tax Act	Sales Tax	8,94,452	Other sales tax dues	
Central Sales Tax Act	Sales Tax	21,63,124	Other sales tax dues	

c) According to the information and explanations given to us, there are no such amounts, which were required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under has been transferred to such fund within time.

2. On the basis of audit procedures performed by us, and according to the information, explanation and representation given to us by the management, we state that the company had defaulted in certain repayment of dues (including interest) of domestic financial institutions and banks. The default in principal amount and the interest to the extent provided for, aggregates to ₹.18,28,38,350/- . However upto the date of approval of the accounts, the company has not paid the principal amount and the interest aggregates with respect to above stated dues and the Company has not issued any debentures as at the Balance Sheet date, the provisions of clause 3(viii) of the Order are not applicable to the Company.

9. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company.

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 material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

11. The Company has not paid/provided for managerial remuneration.

12. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of clause 3(xii) of the Order are not applicable to the Company.
13. In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements, etc., as required by the applicable accounting standards.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable to the Company.
15. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the Order are not applicable to the Company.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 as Non-Deposit accepting NBFC and hence the provisions of clause 3(xvi) of the Order are not applicable to the Company.

Annexure B to Independent Auditor's Report

Referred to the Independent Auditors' Report of even date to the members of Paramount Printpackaging Limited on the financial statements for the year ended 31 March 2016

Report on the internal financial controls under clause (i) of sub-section 3 of section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Paramount Limited. ('the Company') as of 31 March 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

2. 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 Act.

Auditors' responsibility

3. 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 deemed to be prescribed under section 143(10) of the Act 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 ICAI. 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.
4. 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.

5. 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

6. 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 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 over financial reporting

7. 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

8. 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 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Laxmikant Kabra & Co.

Chartered Accountants

Firm Registration No: 117183W

Sd/-

Laxmikant Kabra

(Partner)

Membership No.:101839

Place: Thane

Date: 30th May, 2016.