

KRYPTON INDUSTRIES LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of

Krypton Industries Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **Krypton Industries Limited ("the Company")**, which comprises the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (herein after 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 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019 and its profit and other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 Companies Act, 2013 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 audit opinion on the standalone financial statements.

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.

Description of Key Audit Matter

The Key Audit Matter	How the matter was addressed in our audit
<u>Revenue Recognition</u> Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. During the year ended March 31, 2019,	Our audit procedures included the following:- <ul style="list-style-type: none">• Considering Company's revenue recognition policy and its compliance in terms of Ind AS 115 'Revenue from contracts with customers'.• Assessing the design and tested the operating effectiveness of internal controls related to revenue recognition.

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<p>the company has recognised revenue amounting to Rs. 2851.24 Lakhs & Rs. 766.32 Lakhs from domestic and export (including exports from SEZ) sales respectively. Terms of sales arrangements, including the timing of transfer of control, delivery specifications including terms in case of exports, timing of recognition of sales require significant judgment in determining revenues. The risk is, therefore, that revenue may not get recognised in the correct period or that revenue and associated profit may be misstated. Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers', it has been determined to be a key audit matter in our audit of the standalone Ind AS financial statements.</p>	<ul style="list-style-type: none"> • Testing samples of individual sales transaction and tracing to sales invoices, sales orders, (received from customers) and other related documents including terms and conditions, if any. • Selecting sample of sales transactions made pre- and post-year end, agreeing the period of revenue recognition to underlying documents. • Performing analytical review of revenue to identify any unusual trends. • Assessing the relevant disclosures made within the standalone Ind AS financial statements.
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The Key Audit Matter	How the matter was addressed in our audit
<p><u>Provisions/Accruals for Rebates & Incentives</u></p> <p>Revenue is recognised net of Rebates, discounts, incentives, and sales returns owed to the customers based on the arrangement with customers.</p> <p>The recognition and measurement of rebates, discounts and incentives, including establishing an appropriate accrual at year end, involves significant judgement and estimates, particularly the expected level of claims of each of the customers.</p> <p>The value of rebates, discounts and schemes allowances together with the level of judgement involved make its accounting treatment a significant matter for our audit.</p>	<p>Our audit procedures included the following:-</p> <ul style="list-style-type: none"> • Selecting a sample of revenue transactions and scheme details to re-check that rebates, discounts and incentives were calculated in accordance with the eligibility criteria mentioned in the scheme details; • Considering the assumptions and judgements used by the Company in calculating rebates, discounts and incentives, including the level of expected claims, by reviewing historical trends of claims.

The Key Audit Matter	How the matter was addressed in our audit
<p><u>Inventories</u></p> <p>Total Inventory as at 31.03.2019 was Rs. 1734.82 Lakhs and Finished goods of Rs. 801.38 Lakhs comprise 46.19 per cent of such inventory holdings. Total Inventories are 47.96 per cent of the total turnover of the company for FY 2018-2019.</p> <p>The inventories are counted by the company on a</p>	<p>Our audit procedures included the following:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to physical verification of inventories by the management of the Company.

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<p>cyclical basis and accordingly provisions for obsolescence, if any, of inventories are assessed and recognized by the management in the financial statements based on management estimation as at the end of the reporting period. Significant degree of judgment is thereby required to assess the net realizable value of the inventories and appropriate level of provisioning for items which may be ultimately sold below cost. Such judgment includes management's expectations for future sale volumes, inventory liquidation plans and future selling prices less cost to sell.</p> <p>Such high holdings, existence and valuation of inventories make it a key audit matter.</p>	<ul style="list-style-type: none"> • Assessing whether items in the inventory ageing report prepared by the management were classified within the appropriate ageing bracket; • Performing a review of the provisions for inventories by examining movements in the balance during the current year; • Assessing, on a sample basis, the net realizable value of inventories as calculated by management with reference to prices achieved and costs to sell after the financial year end.
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Information Other than the Standalone Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report but does not include the standalone financial statements and our auditor's report thereon.

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 during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone 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 to 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 financial statements, management is 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.

The Board of Directors are also responsible for overseeing the company's financial reporting process.

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

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.

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 financial controls 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 system 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.

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Report on other Legal and Regulatory Requirement

1. 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 A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement 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 Accounting Standards specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 over financial reporting of the Company and the operating effectiveness of such controls, 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 Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - (i) The Company as detailed in Note 40 to the standalone financial statements has disclosed the impact of pending litigations as on March 31, 2019 on its financial position in its standalone financial statements.
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
3. 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 **P. K. LUHARUKA & CO.**
CHARTERED ACCOUNTANTS
FIRM REGISTRATION NO. 322020E

Place : Kolkata.
Dated : 30.05.2019

PRADEEP KUMAR LUHARUKA
PARTNER
Membership No.055782

ANNEXURE "A" TO INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 9 under "Report on other Legal and Regulatory Requirements" of our report of even date to the Financial Statements of the Company for the year ended March 31, 2019

- (i) In respect of its fixed assets:
 - (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 fixed assets are verified in a phased manner over a period of three years. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such physical verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets
 - (c) According to the information and explanations given to us and the records examined by 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, except for leasehold building acquired, pursuant to the scheme of Amalgamation (i.e. Eco Wheels Pvt. Ltd. and Barons Polymers Pvt. Ltd.) as per High Court Order dated 28.02.2013.
- (ii) During the year, the inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable. On the basis of our examination of the record of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) In respect of the loans, secured or unsecured, granted by the Company to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013:
 - (a) In our opinion the rate of interest and other terms and conditions on which the loans had been granted were not, prima facie, prejudicial to the interest of the company.
 - (b) The borrowers are regular in repaying the Principal Amounts and interest as stipulated, and are also regular in payment of as applicable.
 - (c) There is no overdue amount for more than 90 days.
- (iv) In our opinion and to the best of information and explanations given to us the Company has complied with the provisions laid down under sections 185 or 186 of the Act with respect to loans and investments made in the current year. However, Opening balance of such loans granted to "persons in whom the director is interested" before the commencement of Section 185 still exists on Balance Sheet date.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (v) of Paragraph 3 of the Order are not applicable.
- (vi) We have broadly reviewed the cost records maintained by the company as 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 records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

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(vii) In respect of Statutory Dues:

- (a) According to the information and explanations given to us and on the basis of examination of records given to us, amounts deducted/accrued in the books of accounts in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Custom Duty, Excise Duty, Value Added Tax, etc have been generally regularly deposited during the year by the company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Custom Duty, Excise Duty, Value Added Tax, etc were in arrears as at 31st March, 2019 for a period of more than six months from the date they become payable.

- (b) According to the information and explanations given to us and on the basis of examination of records given to us, there are no dues of customs which have not been deposited with appropriate authorities on account of any dispute. However, according to information and explanations given to us, dues of Income Tax aggregating ₹20,36,029/- and Sales Tax aggregating ₹ 31,59,113/-, which have not been deposited on account of disputes, the details of which are set out below. We have been informed that there are no further dues in respect of income tax, sales tax and custom duty which have not been deposited on account of any dispute.

Sl. No.	Name of the Statute	Nature of the Dues	Amount (₹)		Period to which the amount relates	Forum where the dispute is pending
			Amount of Demand / Dispute (₹)	Amount Deposited (₹)		
1	Income Tax Act, 1961	Income Tax (For the Company)	₹ 14,33,509/-	–	AY : 2012-13	Appeal u/s 246A before CIT (Appeals)
2		Income Tax (For the Company)	₹ 6,02,520/-	–	FY : 2011-12	Appeal u/s 246A before CIT (Apeels)
3	Central Sales Tax Act/WB VAT Act.	Sales Tax & VAT (For the Company)	₹ 31,97,413/-	₹ 38,300/-	FY : 2010-11	Appeal with joint Commissioner

(viii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of loans or borrowings to any financial institution, bank or government. Further, the Company has not issued any debentures. Hence, reporting under Clause (viii) of the Order is not applicable to the Company.

(ix) The Company did not raise any money by way of Initial Public Offer or Further Public Offer (including debt instruments). All money raised by Term loans was applied for the purposes for which it was raised.

(x) According to the information and explanations given to us no material fraud on or by the Company by its officer or employees has been noticed or reported during the course of our audit.

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- (xi) According to the information and explanations given to us and on the basis of examination of records of the Company, the Company has paid/provided for Managerial Remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company and hence reporting under Clause (xii) of CARO 2016 Order is not applicable here.
- (xiii) According to the information and explanations given to us and on the basis of examination of records of the Company the transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such transactions has been disclosed in the financial statements, etc. as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on the basis of examination of 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 and hence reporting under Clause (xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and on the basis of examination of records of the Company the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly paragraph 3(xv) of Order is not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934

For **P. K. LUHARUKA & CO.**
CHARTERED ACCOUNTANTS
FIRM REGISTRATION NO. 322020E

Place : Kolkata.
Dated : 30.05.2019

PRADEEP KUMAR LUHARUKA
PARTNER
Membership No.055782

ANNEXURE "B" TO INDEPENDENT AUDITORS' REPORT

Referred to in Clause (f) of Paragraph 10 under "Report on other Legal and Regulatory Requirements" of our report of even date to the financial statements of the company for the year ended March 31, 2019.

**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 Krypton Industries Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended and as on March 31, 2019.

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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India. 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.

Auditor's 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 and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Control, 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 judgment, 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 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, 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, 2019, based on the internal financial 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 **P. K. LUHARUKA & CO.**
CHARTERED ACCOUNTANTS
FIRM REGISTRATION NO. 322020E

Place : Kolkata.
Dated : 30.05.2019

PRADEEP KUMAR LUHARUKA
PARTNER
Membership No.055782