To,
The Members of
M/s. Lakshmi Precision Screws Limited
46/1, Mile Stone, Hisar Road, Rohtak-124001

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of Lakshmi Precision Screws Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with 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 the 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 thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 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 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 qualified audit opinion on the standalone financial statements.

BASIS FOR QUALIFIED OPINION

1. *We are unable to observe physical inventories of Finished Goods, Semi-Finished Goods, Stock in Trade (Traded Goods) and Consumable Stores and Spares due to the size and nature of inventories and we are also unable to satisfy ourselves by alternative means concerning the inventories held at 31st March, 2017. However, as explained by Management, physical verification of Inventories has been conducted at reasonable intervals internally on 'A' Category of Items and no material discrepancies were observed.*

2. *The Company has capitalized the inventory of dies and tools having value of Rs.49,95,884/- during the current financial year. However, no physical verification has been conducted in respect of dies and tools so capitalized. Adjustments, if any are not ascertainable and will be provided after physical verification of dies and tools.*

3. *Certain advances of materials, services and capital goods aggregating to Rs. 12,22,06,531/- (previous year Rs. 14,61,43,791/-) were outstanding as on 31/03/2017. The confirmations from the parties to whom these advances are given has not been made available. Out of such advances, provision for doubtful advances should be recognized in respect of advances, outstanding for a period of three years or more where no movement has taken place and no confirmations are available. Adjustments, if any are not ascertainable and will be provided on identification of such parties.*

4. *Balance under Sundry Debtors and Sundry Creditors, loans and advances given by the Company and parties from whom unsecured loans have been taken are subject to confirmations and adjustments, if any, required upon such confirmations are not ascertainable and hence not provided for.*

5. *In respect of loans and advances of Rs.55,00,000/- given to Hanumat Wires Udyog Private Limited, the Company has not furnished any agreement and in absence of the same, the terms of repayment, chargeability of interest and other terms are not verifiable.*

6. *The Company has capitalized Borrowing Costs amounting to Rs. 5,54,36,971/- for the year ended 31st March, 2017 in respect of capital work in progress at IMT, Rohtak. However the same is not in compliance with Accounting Standard-16 "Accounting for Borrowing Costs". Since no substantial development activity has been carried out at IMT, Rohtak, borrowing cost of Rs. 5,54,36,971/- should be charged to Statement of Profit and Loss and to that extent loss for the year is understated.*

7. *A fraud of Rs. 1,60,59,342/- was reported during the Financial Year 2005- 06 incurred by an ex-employee of the Company which is under litigation and pending before the Hon'ble Delhi High Court. During the current financial year, Rs.20,00,000/- were recovered. In our opinion, provision for doubtful debt should be recognized for the remaining amount and to that extent the loss for the year is understated.*

8. *The Company is in violation of Section 73 of Companies Act, 2013 read together with Companies (Acceptance of Deposits) Rules, 2014, as it has taken advances from customers amounting to Rs. 2,21,50,242/- having balance outstanding for more than 365 days. In terms of Rule 2(1)(xii)(a) such advances are liable to be treated as deposits read together with section 73 of the Companies Act, 2013 and hence the Company is in violation of the same.*

   The company has also taken advances of Rs. 7,14,00,000/- prior to 01.04.2014. The same has now been considered as acceptance of deposits which is in violation of Section 76 of Companies Act, 2013 read together with Companies (Acceptance of Deposits) Rules, 2014. The outstanding balance of deposits in violation of Section 76 of the Companies Act,2013 as on 31.03.2017 amounts to Rs. 4,80,55,000/-. This matter is under litigation in Punjab & Haryana High Court.

9. *The Company has taken unsecured loans from Companies amounting to Rs.1,00,00,000/- which are outstanding as at the end of the year and the same has been shown under short term borrowings in the Balance Sheet. However, loan agreements in respect of these loans have not been furnished and in absence of the same, the terms of repayment, chargeability of interest and other terms are not verifiable.*

10. *As per the accounting policy of the Company, the Company is valuing its inventories at lower of cost and net realizable value. As explained to us, since exact cost is not ascertainable, the same is arrived at list price less 57% in case of finished goods and at list price less 66% in case of semi-finished goods and special items have been valued at 31% less in case of semi-finished goods and 22% less in the case of finished goods of the selling price. Since proper cost records are not maintained, exact cost is not ascertainable, and therefore the impact if any, on account of valuation of inventories on basis of actual cost is not quantifiable and provided for.*

Special items are intended for exports sale. As the Company is not having significant export orders and hence such special items should be valued at lower prices and provision should be made for impairment.

QUALIFIED OPINION

In our opinion and to the best of our information and according to the explanations given to us, subject to the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the standalone 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 of the state of affairs of the Company as at March 31, 2017, its losses, and its cash flows for the year ended on that date.

EMPASIS OF MATTER

1. Attention is invited to note no. 34(27) of the financial statements, wherein the Company, has changed its accounting policy of depreciation from written down value method to straight line method with respect to Dies and Tools in Plant-I & IV in the current financial year thereby writing back excess depreciation charged in earlier years amounting to ₹ 13,08,55,707/- and adjusting the same under the head "Other expenses" (note no. 29).

2. Attention is invited to note no. 34(29) of the financial statements, wherein the Company, has changed the price list used for valuation of cost of the finished goods and work-in-progress considering the selling prices of finished goods mentioned in the revised price list as on 01.01.2015. The above change in price list has resulted in increase in closing value of work-in-progress by ₹ 1,61,05,076/- and of finished goods by ₹ 79,58,996/-, with total increase in cost of inventory by ₹ 2,40,64,072/-.

3. Attention is invited to note no. 34(30) of the financial statements, wherein the Company, has changed the accounting policy with regard to research and development expenses incurred during the year which have been amortized @ 20% per annum keeping in view future economic benefits to be generated in 5 financial years, including the financial year in which expenditure is incurred.

Our opinion is not modified in respect of above matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's report) Order, 2016 (''the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure A**, a statement on 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 purpose of our audit;

   (b) Except for the effects of the matter described in the "Basis for Qualified Opinion paragraph" above, 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 Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) Subject to the possible effects of the matter described in the "Basis for Qualified Opinion paragraph" above, in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) The matters described in clauses 1, 2 and 8 of the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (refer Annexure A) in our opinion, may have an adverse effect on the functioning of the Company;

(f) On the basis of written representations received from the directors as on 31st March, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017, from being appointed as a director in terms of Section 164(2) of the Act;

(g) The matters described in the "Basis for Qualified Opinion Paragraph" above and clauses 1(a),1(b), 2, 3(b), 3 (c),5,6,7 and 8 of the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act(refer Annexure A) in our opinion are related to the maintenance of accounts and other matters connected therewith;

(h) 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**" to this report;

(i) 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:

1. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note No. 33;

2. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long –term contracts including derivatives contracts;

3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

4. The company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 31 December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 35 to the standalone financial statements.

For B.M. Chatrath & Co LLP Chartered Accountants,
Firm Registration Number: 301011E

SD/-
Bharat C. Swain
Partner
Membership No.: 501999

PLACE: NEW DELHI
DATED: 20TH JUNE, 2017

The Annexure A referred to in our report to the members of Lakshmi Precision Screws Limited for the year ended 31.03.2017. We report that:

1. a. The Company has maintained proper records showing full particulars including quantitative details of fixed assets. However, the same needs updation with regard to item-wise identification and situation of fixed assets. The Company has capitalized dies and tools of Rs.49,95,884/- during the financial year 2016-17.

   b. The Company has a phased periodical programme of physical verification of all fixed assets, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies have been noticed on such verification. However no physical verification has been conducted in respect of dies and tools during the financial year 2016-17 and therefore cannot be commented upon.

   c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, all the title deeds of the immovable properties are held in the name of the company. As informed to us, the original title deeds are in possession of bankers and mortgagees from whom credit facilities have been taken. Therefore, based on our audit procedures and the information and explanations given to us, we report that the title deeds of immovable properties of the Company held as fixed assets are held in the name of the Company.

2. As per explanations and reports provided to us, physical verification in respect of inventories of Raw Material has been done by the management and in respect of inventory of Finished Goods, Semi- Finished Goods (Work In Progress) and Consumable Stores and Spares have been conducted by the management on random sample basis . However, in absence of a complete physical verification of Inventories covering all items, we are unable to comment whether discrepancies between book records and physical verification are material.

3. a) In our opinion and according to the information and explanations given to us, the Company has not granted any loan during the year to parties covered in the register maintained under section 189 of the Companies Act, 2013. However, the Company has an outstanding balance of loan of Rs. 55,00,003/- due from M/s Hanumat Wires Udyog Private Limited , which was granted in earlier years and outstanding as on 31.03.2017. Since no loan has been granted during the year, para 3(iii)(a) of the Order is not applicable to the Company and hence not commented upon.

   b) According to the information and explanations received by us, the schedule of repayment of principal and payment of interest has not been stipulated between the Company and the related parties listed in the register maintained under section 189 of the Companies Act, 2013 and hence we are unable to comment upon the regularity of repayments or receipts.

   c) The amount due from parties covered in the register maintained under section 189 of the Companies Act, 2013 is more than three years old. And in absence of schedule of repayment and payment of interest, we are unable to comment upon whether any amount is overdue for more than ninety days and whether any steps for recovery have been taken by the Company.

4. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted during the year in respect of which provisions of section 185 and 186 of the Companies Act, 2013 are applicable.Therefore,para3(iv) of the Order is not applicable to the Company and hence not commented upon.

5. The Company is in violation of Section 73 of Companies Act, 2013 read together with Companies (Acceptance of Deposits) Rules, 2014, as it has taken advances from customers amounting to Rs. 2,21,50,242/- having balance outstanding for more than 365 days. In terms of Rule 2(1)(xii) (a) such advances are liable to be treated as deposits read together with section 73 of the Companies Act, 2013 and hence the Company is in violation of the same.

   The company has also taken advances of Rs. 7,14,00,000/- prior to 01.04.2014. The same has now been considered as acceptance of deposits which is in violation of Section 76 of Companies Act, 2013 read together with Companies (Acceptance of Deposits) Rules, 2014. The outstanding balance of deposits in violation of Section 76 of the Companies Act,2013 as on 31.03.2017 amounts to Rs. 4,80,55,000/-. This matter is under litigation in Punjab & Haryana High Court.

6. The Company is in the business of manufacturing high tensile fasteners, cost records in respect of which have been mandated u/s 148(1) of the Companies Act, 2013 read together with Companies (Cost Accounting Records) Rules, 2014. In our opinion and according to the information and explanations given to us, the necessary cost records have not been maintained by the Company.

7. a) The Company is not regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities. Arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable are as under:-

SR. NO.	NATURE OF STATUTORY DUES	AMOUNT OF ARREAR OUTSTANDING FOR MORE THAN SIX MONTHS FROM THE THE DATE THEY BECAME PAYABLE. (₹)
1.	Contribution towards PF	92,74,998/-
2.	Contribution towards ESI	3,15,383/-
3.	TDS and TCS	6,31,71,843/-
4.	Work Contract Tax	7,74,580/-
5.	R.D. Cess	5,22,897/-
6.	Excise Duty	4,02,91,680/-
7.	Service Tax	1,50,01,935/-
8.	CST / VAT	2,25,02,419/-
9.	Income Tax	2,50,00,000/-
10.	Wealth Tax	3,98,091/-
11.	Interest on Statutory Dues	4,17,62,687/-
12.	LWF	65,930/-
13.	Welfare Commission Fund	2,36,930/-
	TOTAL	21,93,19,373/-

b) According to the information and explanation given to us, the dues outstanding of income tax and other taxes which have not been deposited on account of any dispute are as follows:-

NAME OF THE STATUTE	NATURE OF THE DUES	AMOUNT (₹.)	PERIOD TO WHICH THE AMOUNT RELATES	FORUM WHERE DISPUTE IS PENDING
Income Tax Act, 1961	Deduction/Claim in respect for export business u/s 80HHC and charging of interest u/s 234B whether on returned/assessed income	2,90,376 /-	A.Y. 1991-92	High Court, Chandigarh
	Determination of book profit before or after depreciation	54,26,222 /-	A.Y. 1990-91	
	Expenses allowable under various heads viz bonus and insurance	20,00,075 /-	A.Y. 1990-91	
	TOTAL	77,16,673/-		

8. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayments of dues to banks, financial institutions and Government as under:-

LENDER CONCERNED	PERIOD OF DEFAULT (NO. OF DAYS-RANGE)	TOTAL AMOUNT INVOLVED (INCLUDING INTEREST)
Canara Bank (term Loan no. - 1171773002272)	2 days to 92 days	59,86,277/-
Intec Capital Limited (term loan no.- 2111)	30 days to 486 days	1,23,98,301/-
Intec Capital Limited (term loan no.- 1846)	30 days to 424 days	72,50,728/-
Intec Capital Limited (term loan no.- 4078)	15 days to 258 days	24,06,562/-
Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC)	59 days to 1066 days	20,04,83,703/-
Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC)- Deferred Payment Liability	882 days to 1517 days	2,19,92,111/-
Hero Fincorp Limited	3 day to 82 days	1,51,33,438/-
Karvy Financial Services Limited (term Loan-1)	26 days	1,62,04,016/-
Karvy Financial Services Limited (term Loan-2&3)	26 days to 177 days	1,15,53,685/-
Canara Bank (Working Capital Loan)	The balance is in excess of sanctioned limits for the period of 4 days since last irregularity	The balance exceeded the sanctioned limits by 3,66,73,147/-
State Bank of India (Working Capital Loan)	The balance is in excess of sanctioned limits for the period of 36 days since last irregularity.	The balance exceeded the sanctioned limit by 11498887/-

9. According to the information and explanations given to us, the Company has not raised any moneys by way of initial public offer or further public offer and has not taken any term loans, therefore para 3(ix) is not applicable to the Company.

10. In our opinion and according to the information and explanations given to us, neither fraud on the Company by its officers or employees nor any fraud by the Company has been noticed or reported during the year.

11. The Company has paid/provided for managerial remuneration in accordance with the approval of Central Government, vide letters dated 17th October 2016 valid upto 31/12/2017 which is in compliance with the provisions of Section 197 read with Schedule V of the Companies Act 2013.

12. In our opinion, the Company is not Nidhi Company. Therefore, the provisions of para 3(xii) of the Order are not applicable to the Company and hence not commented upon.

13. In our opinion, the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

14. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review, and hence, reporting requirements under para 3(xiv) are not applicable to the Company and therefore not commented upon.

15. In our opinion and according to the information and explanation given to us, the company has not entered into any non-cash transactions with directors or persons connected with him.

16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 therefore para 3(xvi) is not applicable to the Company.

For B.M. Chatrath & Co LLP,
Chartered Accountants
Firm Registration No. 301011E

SD/-
Bharat C. Swain
Partner
Membership No.: 501999

PLACE:
AUDITOR: NEW DELHI
BOARD: ROHTAK
DATED: 20TH JUNE, 2017

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 Lakshmi Precision Screws Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone 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 judgment, 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 qualified 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 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

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.

QUALIFIED OPINION

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2017:

a) The procedures of physical verification of inventory of Finished Goods, Semi-Finished Goods, Stock in Trade (Traded goods) and Consumables Stores followed by the management are not reasonable and adequate in relation to the size of the Company and the nature of its business.

b) The Company did not have an appropriate internal control system over Debtors and Creditors confirmation and reconciliation of balances with the parties. These could potentially result in material misstatements in the Company's trade payables and trade receivables balances.

c) The Management does not review the provision for doubtful trade receivables methodology, assumptions and underlying calculation for appropriateness on a periodic basis, therefore these could result in risk of material misstated net receivables and bad debts expenses.

d) The Company's financial control over repayment of long term borrowings and short term borrowings is highly ineffective with regard to repayment of principal and interest. The Company has defaulted in repayment of loan taken from Banks, Financial Institutions and others on many occasions and further there is general lack of financial planning and management on part of the Company.

e) The Company does not have adequate system of segregation of duties to effectively monitor and operate the control of depositing undisputed statutory dues including Provident Fund, Income Tax, TDS, Sales-Tax, Wealth tax, VAT, duty of customs, Service tax, Cess and other material undisputed statutory dues with the appropriate authorities. This could potentially result in levy of interest and other penal provisions of statutes and have a significant impact on functioning of the Company.

f) There is a material weakness with regard to control over advances given to suppliers for goods and services. The controls with regard to subsequent settlement of advances are ineffective and as a result many parties to whom advances have been given are very old and remain unsettled. Further there is no control system over confirmation and reconciliation of balance with parties. These could potentially result in write off of advances and have an impact on financial statements of the Company.

g) The Company did not have an adequate internal control system for physical verification of dies and tools capitalized as fixed assets, further the internal control system needs updation with regard to item-wise identification and situation of fixed assets. This may have material impact on stated value of fixed assets and depreciation.

h) The Company has inadequate design of information technology (IT) general and application controls that prevent the information system from providing complete and accurate information consistent with financial reporting objectives and current needs.

i) There are significant deficiencies in Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. There is Ineffective internal control over legal compliance by the Company.

j) The Company did not have an appropriate internal financial control system over financial reporting since the internal controls adopted by the Company did not adequately consider risk assessment, which is one of the essential components of internal control, with regard to the potential for fraud when performing risk assessment.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effects/possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained adequate and effective internal financial controls over financial reporting as of March 31, 2017 , 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"

We have considered the material weaknesses, identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 standalone financial statements of the Company, and these material weaknesses have affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

For B.M. Chatrath & Co LLP,
Chartered Accountants
Firm Regsitration No. 301011E

SD/-
Bharat C. Swain
Partner
Membership No.501999

PLACE:
AUDITOR: NEW DELHI
BOARD: ROHTAK
DATED: 20TH JUNE, 2017