



**INDEPENDENT AUDITOR'S REPORT**

To the Members of **M M FORGINGS LIMITED**

**Report on the IND AS Standalone Financial Statements**

We have audited the accompanying Standalone Ind AS Financial statements of M/S. M.M. Forgings Limited ("the Company"), which comprises the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income) the statement of changes in equity 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 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 including other comprehensive income and cash flows and changes in equity of the Company in accordance with the Accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of The Act, read with relevant rules issued thereunder.

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 and 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.

In conducting 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 Auditor's report under the provisions of the Act and rules made there under and the Order issued under Section 143 (11) of The Act.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by The Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the Audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone 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 over all presentation of the 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 standalone financial statements.

**Opinion**

- 1) 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 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 financial position of the company as at 31<sup>st</sup> March 2018 and its **PROFIT** and cash flows for the year ended on that date.

**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 in terms of sub-section 11 of section 143 of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the said Order.
- 2) As required by section 143(3) of the Act, we report that:
  - a) 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under section 133 of the Act read with relevant rule issued thereunder.
- e) On the basis of written representations received from the Directors as on March 31 2018, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2018, 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 Auditor's Report in accordance with Rule 11 of The Companies (Audit and Auditors) Rules 2014, in our opinion and to the best of our information and according to the explanations given to us :
  - i) The Company does not have any pending litigation which would impact its financial position.
  - ii) The Company does not have any long term contract including derivative contract for which there were any material foreseeable losses.
  - iii) There has been no delay in transferring the amounts, required to be transferred, to the investor education and protection fund.
  - iv) The reporting on disclosure relating to Specified Bank Notes is not applicable to the Company for the year Ended 31.03.2018.

For G R N K & Co  
Chartered Accountants  
FRN: 016847S

G R Naresh Kumar  
Proprietor  
Membership No. 215577

Place : Tiruchirapalli  
Date : 28 May 2018

#### ANNEXURE A TO THE AUDITOR'S REPORT

The Annexure referred to in Independent Auditor's Report to the members of the Company on the Financial Statements for the Year Ended 31.03.2018:

We report that

- I
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
  - b) As explained to us, all the assets have not been physically verified by the management during the year but there is a regular program of verification to cover all the items of Fixed Assets in a phased manner, which, in our opinion, is reasonable, considering the size and the verification having regard to the size of the company and the nature of its assets. Pursuant to the program, certain Fixed Assets were physically verified by the Management during the year. No material discrepancies have been noticed on such physical verification.
  - c) According to the information and explanations furnished to us, the records examined by us and based on the examination of the conveyance deeds provided to us, we report that the Title Deeds, comprising of all the immovable properties of the Land Buildings which are Freehold, are held in the name of the company as at the Balance Sheet date. Based on the above, we also report that all the assets of the Company are Freehold and the Company has not acquired any Asset on Lease. Also, all the assets are held for the use of the Company only and none of the assets are held for use by others.
- II
  - a) The inventories have been physically verified by the management during the year at reasonable intervals, except materials lying with third parties, where confirmations are obtained. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- III According to the information and explanations furnished to us, the Company has neither granted nor taken any loans to and from companies, firms or other parties covered in the Register, maintained under Section 189 of the

Companies Act, 2013, except the Loan of ₹ 4628.36 Lakhs to M/S. DVS Industries Private Limited, subsidiary of the Company in respect of which,

- a) The Terms and conditions of the grant of such loan is, in our opinion, not prejudicial to the interest of the Company;
- b) The repayment of the said loan is yet to commence as per the schedule stipulated for the repayment;
- c) There is no overdue amount remaining outstanding as on the date of the Balance Sheet.

IV In our opinion and according to the information and explanations furnished to us, the Company has complied with the Provisions of Sections 185 and 186 of The Act in respect of Grant of Loans and making investments. The Company has not given any Guarantees and securities falling under section 185 / 186 of The Companies Act 2013.

V During the year, the Company has not accepted any Deposits from the Public or from the members. The Company does not have any Deposits on the date of the Balance Sheet. The Company does not have any Unclaimed Deposits on the date of the Balance Sheet. Therefore, the provisions of Clause 3 (v) of the Order are not applicable to the Company.

VI The maintenance of Cost Records under section 148 (1) of The Act has not been specified by The Central Government for the Business activities carried on by the Company. Thus, reporting under Clause 3 (vi) of the Order is not applicable to the Company.

- a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, GST, Sales Tax, Value Added Tax, Wealth Tax, Customs Duty, Excise Duty, Service Tax, Cess and other material statutory dues applicable to it.
- b) There were no undisputed amounts payable in respect of any of the above statutory dues.
- c) The following taxes under Tamil Nadu VAT Act are under dispute and appeals are pending before various forums. The company has already paid a sum of ₹ 116.38 Lakhs against the disputed TN VAT.

Nature Of the Statute	Nature of Dues	Amount in ₹ in Lakhs	Period to which it relates	Forum where Appeal is Pending
TN VAT Act	Vat	196.64	Various Years	DC- Appeals

VIII Based on our audit procedure and on the information and explanation given by the management, we are of the opinion that the company has not defaulted in repayment of its dues to Financial Institutions, Banks and debenture holders.

IX The Company has not raised any money by way of initial public offer or other public offer. The Company has availed the following term loans / Working Capital facilities from Banks:

Net Long Term Borrowings ₹ 7979.04 Lakhs

Net Short Term Borrowings ₹ 9814.15 Lakhs

Based on our audit, we report that the proceeds of the Term Loan / Working Capital have been utilized for the purpose for which they were borrowed – namely creation of Fixed Assets of the Company. The total investment in Fixed Assets / Current Assets for the year is at ₹ 10812.98 Lakhs as against Term Loan availed of Rs. 7979.04 Lakhs.

Further, as against Working Capital Borrowings of ₹ 9814.15 Lakhs during the Year, the application for Short Term uses is at ₹ 12556.42 Lakhs.

X To the best of our knowledge and based on the audit procedures performed and information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

XI Based on the audit procedures performed and information and explanations given by the management, we report that 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 Act.

XII The Company is Not a Nidhi Company. Accordingly, para 3 (xii) of The Order is not applicable to the Company.

XIII Based on the audit procedures performed and information and explanations given by the management, all the transactions with the related parties are in compliance with Sections 177 / 188 of the Companies Act 2013 were applicable and details of such transactions are duly reported in the standalone Financial Statements as required by the applicable Accounting Standards.

XIV During the Year, The Company has not made any preferential allotment or Private placement of shares or fully / partly convertible debentures during the year. Hence, reporting under Clause 3 (xiv) of the Order is not applicable to the Company.



- XV Based on the audit procedures performed and information and explanations given by the management The Company has not entered in to any Non Cash Transactions with Directors or persons connected with him and hence, the provisions of section 192 of The Companies Act 2013 are not applicable to the Company.
- XVI. No registration is required under Section 45 IA of The Reserve Bank of India Act.

For G R N K & Co  
Chartered Accountants  
FRN: 016847S

G R Naresh Kumar  
Proprietor  
Membership No. 215577

Place : Tiruchirapalli  
Date : 28 May 2018

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

Report on the Internal Financial Controls under Clause (i) of Sub – section 3 of Section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of M.M Forgings Ltd ('the Company') as of 31 March 2018 in conjunction with our audit of the standalone 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 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 on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') and the standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone 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 control systems 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 the management and Directors of the company; and (3) provide reasonable assurance regarding prevention or timely direction of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 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 G R N K & Co  
Chartered Accountants  
FRN: 016847S

G R Naresh Kumar  
Proprietor  
Membership No. 215577

Place : Tiruchirapalli  
Date : 28 May 2018