

INDEPENDENT AUDITORS REPORT

To the Members of M/s. Lloyds Steels Industries Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying financial statements of Lloyds Steels Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on 31st March, 2020, and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 Indian Accounting Standards prescribed Under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the State of Affairs of the Company as at March 31, 2020, the Profit and Total Comprehensive Income, Changes in Equity and its Cash Flows for the year ended on that date.

Basis for Opinion

We conducted our audit 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 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 independence requirements that are relevant to our audit of the 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. **IND AS 116:** The Company has adopted IND AS 116 "Leases" from 1st July, 2019, since it came into effect from 1st April, 2019. The impact of Ind AS 116 on the Company's Financial Statements at 31st March 2020 is as follows:

Balance Sheet: The adoption of Ind AS 116 will result in an increase in total assets of Rs. 331.92 Lakhs split between right-of-use assets of Rs. 322.45 Lakhs and deferred tax assets of Rs. 9.47 Lakhs. Financial Liabilities are expected to increase by Rs.331.92 Lakhs

Statement of Profit and Loss: The adoption of Ind AS 116 will result in increased depreciation of Rs.49.61 Lakhs from the right-of-use assets and increased finance costs of Rs.22.23 Lakhs per year due to the interest recognized on lease liabilities. These will offset the reduction in operating lease expenses of Rs. 62.37 Lakhs for the year, resulting in an overall net reduction of profit before taxes of Rs.9.47 Lakhs.

Auditors Response: We assessed the entities process to identify the impact of adoption of the new IND AS 116 "Leases" on the Financial Statements. Our audit approach consisted examining accuracy of the calculations and its appropriate presentation & disclosure necessary as per the applicable standard.

2. **Evaluation of Contingent Liabilities:** Claims against the Company not acknowledged as debts is disclosed in the Financial Statements. The existence of the payments against these claims requires management judgment to ensure disclosure of most appropriate values of contingent liabilities.

Refer Note 19 to the Financial Statements

Auditors Response: Our audit procedures include, among others, assessing the appropriateness of the management's judgment in estimating the value of claims against the Company not acknowledged as debts as given in the Note 19.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure to Board's Report, Corporate Governance Report but does not include the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

LLOYDS STEELS INDUSTRIES LIMITED

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 Financial Statements that give a true and fair view of the Financial Position, Financial Performance, (Changes in Equity) and Cash Flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards 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 Financial Statement 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

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.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Companies Act, 2013 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 it appears from our examination of those books;
 - c. The Company has no branch office and hence the Company is not required to conduct audit under Section 143 (8) of the Act;
 - d. The Balance Sheet, the Statement of Profit and Loss, the Cash flow statement dealt with by this Report are in agreement with the Books of Account;
 - e. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (As amended);
 - f. On the basis of the written representations received from the directors as on 31st March 2020 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March 2020 from being appointed as a Director in terms of Section 164 (2) of the Act;

- g. 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". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's Internal Financial Controls over financial Reporting; and
- h. 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 (As amended):
 - i. The Company has disclosed the impact of pending claims on its financial position in Note 19 of the Financial Statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. During the year, no amounts were required to be transferred to the Investor Education and Protection Fund by the Company. So, the question of delay in transferring such sums does not arise.
2. 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 Companies Act 2013, we give in the 'Annexure B', a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **TODARWAL & TODARWAL LLP**
Chartered Accountants
ICAI Firm Reg. no.: W100231

Sd/-
Kunal S. Todarwal
Partner
M.No.: 137804
UDIN: 20137804AAAADY2589

Dated: 19th June, 2020
Place: Mumbai

LLOYDS STEELS INDUSTRIES LIMITED

ANNEXURE – A TO THE INDEPENDENT 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/s Lloyds Steels Industries Limited (“the Company”) as of 31 March 2020 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

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,. 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 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 reflecting in 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, 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 31st March 2020, 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 **TODARWAL & TODARWAL LLP**
Chartered Accountants
ICAI Firm Reg. no.: W100231

Sd/-
Kunal S. Todarwal
Partner
M.No.: 137804
UDIN: 20137804AAAADY2589

Dated: 19th June, 2020
Place: Mumbai

ANNEXURE – B TO THE INDEPENDENT AUDITOR’S REPORT

REPORT ON THE FINANCIAL STATEMENTS OF LLOYDS STEELS INDUSTRIES LIMITED AS ON 31ST MARCH 2020.

- 1 (a) *The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.*
- (b) As per the information and explanation given to us, fixed assets are physically verified by the management according to a phased programme designed to cover all the locations which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, the management during the year physically verified the Fixed Assets at certain locations and no material discrepancies were noticed on such verification.
- (c) According to the information and explanation given to us, the title deed of immovable properties are held in the name of the company except in the case of one land parcel the reason for which is given in “Note No. 4 – Property, Plant and Equipment” of the financials.
2. As per the information provided to us, Inventory has been physically verified by the management during the year and no material discrepancies were noticed that would have an impact over the Financial Statements.
3. (a) According to information and explanation given to us, the Company has not granted unsecured loans to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
In view of the above, provisions of clause 3(iii) (b) and (c) are not applicable to the Company.
4. In our opinion and according to information and explanation given to us, the Company has, in respect of Loans, Investments, Guarantees, and Security Provisions, complied with Section 185 and 186 of the Companies Act, 2013.
5. According to the information and explanation given to us, the Company has not accepted any Deposits, whether the directives issued by the Reserve Bank of India, and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013. Hence the provisions of clause 3(v) are not applicable to the company.
6. Pursuant to the rules made by the Central Government, the maintenance of Cost Records has been prescribed u/s. 148(1) of the Companies Act, 2013. We are of the view that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
7. (a) According to the Books and Records as produced and examined by us in accordance with generally accepted Auditing Practices in India and also Management Representations, undisputed Statutory Dues in respect of Provident Fund, Employees’

State Insurance, Income Tax, Custom Duty, Cess, Goods & Service Tax and other statutory dues, if any, applicable to it, has been regularly deposited with the appropriate authorities.

- (b) According to the information and explanation given to us and the record produced before us, there is no disputed amount payable in case of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Goods & Service Tax or Cess.
8. According to the information and explanation given to us and based on the records produced before us, the Company has not defaulted in repayments of dues to Financial Institutions and Banks.
9. According to the information and explanation given to us and the record produced before us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). The Company has not taken any term loan during the year.
10. During the course of our examination of the Books of Account carried in accordance with the generally accepted Auditing Standards in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.
11. According to the information and explanation given to us and the Books of Accounts verified by us, the Managerial Remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
12. The Company is not a Nidhi Company as specified in the Nidhi Rules, 2014, hence the provision of clause 3(xii) are not applicable to the Company.
13. According to the information and explanation given to us, there are no transactions with the Related Parties.
14. According to information and explanation given to us, the Company during the year, has not made any Preferential Allotment or Private Placement of Shares or Fully or Partly Convertible Debentures, hence the provision of clause 3(xiv) are not applicable to the Company.
15. According to the information and explanation given to us and the books of accounts verified by 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.

For **TODARWAL & TODARWAL LLP**

Chartered Accountants
ICAI Firm Reg. no.: W100231

Sd/-
Kunal S. Todarwal
Partner
M.No.: 137804
UDIN: 20137804AAAADY2589

Dated: 19th June, 2020
Place: Mumbai