



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF MARMAGOA STEEL LIMITED**

#### **Report on the Financial Statements:**

1. We have audited the accompanying financial statements of **MARMAGOA STEEL LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2016, the Statement of Profit and Loss, and the Cash Flow Statement for the year ended and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements:**

2. The management and Board of Directors of the Company are 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 and financial performance of the Company in accordance with the 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 includes 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; design, implementation and maintenance of adequate internal financial controls, that are 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.

#### **Auditors' Responsibility:**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the

Company's Management and Board of Directors, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion:**

6. We have been informed by the company that the production activities have been suspended since June 2013 for want of Working Capital Support from the Banks, consequent upon the company's loans which have been classified as NPA by both the Bank of Maharashtra and the Union Bank of India and have invoked the provisions of SARFAESI ACT, 2002 and assigned the respective debts in favour of Asset Reconstruction Companies; PARAS – Hyderabad and ARCIL - Mumbai. As a result, there is no generation of cash flows even to meet the day to day expenses. *However, pending finalization of rehabilitation plan the accounts have been prepared on a going concern basis.*

Subject to this, in our opinion and to the best of our information and

according to the explanations given to us, the aforesaid financial statements read together with the Notes thereon, 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:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2016.
- ii) In the case of the Statement of Profit & Loss, of the Losses for the year ended 31st March 2016 and
- iii) In the case of the Cash Flow Statement, of the Cash Flows during the year ended that date in the functioning of the Company.

#### **Report on other Legal and Regulatory requirements:**

7. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in Annexure (A) our report on the matters specified in paragraphs 3 and 4 of the Order.

8. As required by section 143(3) of the Act, we further report that:

- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, Statement of Profit and Loss and Cash Flow statement dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014;
- e) on the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a

director in terms of Section 164(2) of the Act

transferring such sums does not arise.

- f) Report in Internal Financial Controls under clause (1) of sub-section 3 of section 143 of the Companies Act, 2013 is enclosed as Annexure (B) to this report
- g) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014.
  - i. The pending litigations which would impact the financial position of the Company is given at Note 32 of the Notes to financial statements
  - ii. The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise
  - iii. There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund. The question of delay in

**For N.D.HEGDE & ASSOCIATES,**  
Chartered Accountants  
(ICAI Firm Reg.No.103616W)

**NAGESH D. HEGDE**  
Membership No.: 041345

Place: Curtorim  
Date: 29.06.2016

## **ANNEXURE (A) - Report under the Companies (Auditor's Report) Order, 2016**

### **Referred to in our report of even date**

In terms of the information and explanations sought by us and given by the company and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that: -

1. a) The company has maintained proper records in electronic medium 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 programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.  
c) The title deeds of immoveable properties are held in the name of the company.
2. As explained to us, the inventory has been physically verified at reasonable intervals during the year by the management. 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. The discrepancies have been properly dealt with in the books of accounts.
3. The company had granted during the year 2012-13 an interest free loan to a company covered in the register maintained under section 189 of the Act.
  - a) The terms and conditions of the grant of such loans are not prejudicial to the company's interest.
  - b) No Schedule of repayment of principal and payment of interest has been stipulated.
  - c) No Schedule of repayment of principal and payment of interest has been stipulated and therefore the question of overdue amounts does not arise. Though Company has informed that the reasonable steps have been taken for recovery of the principal and interest.
4. The company has not given any loans, investments guarantees, and security.
5. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits in contravention of Directives issued by Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed there under, where applicable . No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

6. We have broadly reviewed the books of accounts and records maintained by the company pursuant to the rules prescribed under section 148(1) of the Act for maintenance of cost records in respect of the products of the Company and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of records.
7. a) According to the information and explanations given to us, undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty and Cess that were in arrears, as at 31<sup>st</sup> March 2016 for a period of more than six months from the date they became payable are given below.

Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which amount relates	Due Date
1. Employees Provident Funds And Miscellaneous Provisions Act, 1952	Employers contribution	13.91	From March 2013 to May 2013	15 <sup>th</sup> of April 2013
2. ESI Act, 1948	Employers contribution	4.30	-do-	21 <sup>st</sup> of April 2013
3. Service Tax Act, 1994	Service Tax	30.75	2012-13	6 <sup>th</sup> of Sep. 2012 onwards
4. Income Tax Act, 1961	TDS	65.76	2012-13	7 <sup>th</sup> of May 2012 onwards
5. The Central Sales Tax Act, 1956	Central Sales Tax	430.61	2005-06 to 2012-13	31.05.2005 onwards
6. VAT & Entry Tax Act of various States	VAT & Entry Tax	298.37	2008-09 to 2012-13	31.10.2008 onwards

- b) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and Cess which have not been deposited on account of any dispute.

8. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion, the company has defaulted in repayment of dues to their Bankers viz., Bank of Maharashtra, Margao Branch and Union Bank of India, Panjim Branch who have invoked the provisions of SARFAESI Act, 2002 and also assigned the respective dues in favour of Asset Reconstruction Companies; Pridhvi Asset Reconstruction and Securitisation Company Ltd., Hyderabad and Asset Reconstruction Company (India) Ltd., Mumbai respectively. We have been informed that negotiations are in progress with both the ARCs for arriving at a negotiated settlement of dues.
9. The company has not raised moneys by way of initial public offer or further public offer (including debt instrument) and term loans during the period under consideration.
10. Based upon the audit procedures performed and according to the information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the course of our audit that causes the financial statements to be materially misstated.
11. 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.
12. The company is not a Nidhi Company hence this clause is not applicable.
13. Based upon the audit procedures performed and according to the information and explanations given to us, all transactions with related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial statements etc. as required by the applicable accounting standards.
14. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
15. 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 N. D. Hegde & Associates,**  
Chartered Accountants  
FRN: 103616W

**NAGESH D. HEGDE**  
M. NO. : 041345

Place : Curtorim

Date : 29.06.2016



## **ANNEXURE (B) TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MARMAGOA STEEL LIMITED**

### **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 MARMAGOA STEEL LIMITED ('the Company') as of 31<sup>st</sup> March 2016 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. 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 I/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 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.

### **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 31<sup>st</sup> March 2016.

**For N. D. Hegde & Associates,**

Chartered Accountants

FRN: 103616W

**NAGESH D. HEGDE**

M. NO. : 041345

Place : Curtorim

Date : 29.06.2016.