

INDEPENDENT AUDITOR'S REPORT

To
The Members,
Mishra Dhatu Nigam Limited.

Report on the Audit of Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of **MISHRA DHATU NIGAM LIMITED**, ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, 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 then ended and a summary of 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 Standalone Financial Statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the 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 31st March, 2019, the profit and total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing (SA's) specified under Section 143(10) of the Act. 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 ("ICAI") together with Independence requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 that there are no Key Audit Matters to communicate in our Report.

Emphasis of Matter

We draw attention to the following matter in the Notes to the Standalone Financial Statements:

Note No. 9 (Other Non-Current Assets), Note No. 14 (Other Financial Assets), Note No. 15 (Other Current Assets), Note No. 22 (Other Non-current Liabilities), Note No. 24 (Trade Payables), Note No. 25 (Other Financial Liabilities) and Note No. 26 (Other Current Liabilities) to the Standalone Financial Statements are subject to receipt of confirmation of balances/reconciliation.

Our opinion is not modified in respect of the above matter.

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

The Company's Board of Directors is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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 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.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of Act, with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, the changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 skepticism throughout the audit. We also:

- a. 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.
- b. Obtain an understanding of internal control 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.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d. 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.
- e. 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. 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 Requirement

- 1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A, a Statement on the Matters specified in the Paragraph 3 and 4 of the Order, to the extent applicable
- 2) As required by Section 143(3) of the Act, based on our audit we report that:
 - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account;

- d) in our opinion, the aforesaid Standalone Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with the of the Companies (Indian Accounting Standards) Rules, 2015, as amended;
- e) in terms of Ministry of Corporate Affairs GSR No. 463 (E) dated 5th June 2015, Government companies are exempt from the applicability of the provisions of section 164(2) of the Act. Hence no comments offered.
- 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 C. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) As required by Section 143(5) of the Act, we give in Annexure D, a statement on the matters contained in directions issued by the Comptroller & Auditor General of India in terms of aforesaid section.
- 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, as amended, in our opinion and to the best of our information and according to the explanations given to us :
 - i) The Company has disclosed the impact of pending litigations in its financial position in its Standalone Financial Statements. Refer to Note No. 43 of the Notes on Accounts to the Standalone Financial Statements.
 - ii) The company did not have any long term contracts including Derivative Contracts for which there were any material foreseeable losses.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for BASHA & NARASIMHAN
Chartered Accountants
Firm's Registration No.: 006031S

Sd/-
(K. Narasimha Sah)
Partner
Membership No.201777

Place: Hyderabad,
Date: 29th May, 2019

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" of our report to Members of Mishra Dhatu Nigam Limited of even date)

- i. In respect of the Company's fixed assets:
- The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - The Company has a program of verification to cover all the items of fixed assets, in our opinion, it is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, all the fixed assets have been physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - According to the information and explanation given to us and on the basis of our examination of the conveyance deeds provided to us, we report that, the title deeds of immovable properties of land and buildings which are mentioned here under are not held in the name of the Company as at the Balance sheet date.

Sl No.	Particulars	Land Details
1	Total Number of Cases	Factory Area: 132 acres and 31 Guntas Corporate Office: 8.00 Acres Township Area: 97 Acres and 05 Guntas Under lease to DRDO & Others: 37 Acres and 39 Guntas.
2	Whether Freehold/ Lease hold	Free hold
3	Gross/ Net Block as on 31-03-2019 of the above.	₹ 12.88 millions
4	Remarks	Conveyance Deed for 275 Acres and 35 Guntas of land acquired are yet to be executed in the name of the Company. Out of this 1.5 Acres land is under dispute on account of unauthorized occupancy by third party.

- According to the information and explanations given to us and based on our examination of records, Physical verification of inventory has been conducted by the management at reasonable intervals and the discrepancies noticed on such physical verification by the management have been properly dealt with in the books of account.
- According to the information and explanations given to us and based on our examination of records, the company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered under section 189 of the Act. Accordingly the clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the Company.
- According to the information and explanations given to us and based on our examination of records, the provisions of section 185 and 186 of the Act are not applicable to the Company vide Notification GSR No.463(E) F.No.1/2/2014-CL.V dated 5th June 2015.
- According to the information and explanations given to us and based on our examination of records, the Company has not accepted any deposits during the year and does not have any unclaimed deposits as at 31st March, 2019 and therefore, the provisions of the clause 3(v) are not applicable to the Company.
- We have broadly reviewed the cost records maintained by the Company as prescribed by the Central Government under sub-section (1) of Section 148 of the Act and are of the opinion that prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of these records with a view to determine whether they are accurate and complete.
- According to the information and explanations given to us and on the basis of examination of the records of the Company in respect of Statutory dues:
 - The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Entry Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
 - There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at 31st March 2019 for a period of more than six months from the date they became payable.

- c) Details of disputed Statutory Dues of Sales Tax, Value Added Tax, Customs Duty, Excise Duty, Entry Tax, Service Tax, Cess (as applicable) as at 31st March 2019, on account of disputes pending before appropriate authorities as given in Annexure - B.
- viii. According to the information and explanations given to us and on the basis of examination of the records of the Company, the Company has not defaulted in repayment of dues to any financial institution or bank or government during the year. The Company has not issued any debentures.
- ix. According to the information and explanations given to us and on the basis of examination of the records of the Company, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- x. According to the information and explanations given to us and on the basis of examination of the records of the Company, no material fraud by the company or on the Company by its officers or employees has been noticed or reported during the year or informed any such case by the management.
- xi. In our Opinion and according to the information and explanations given to us, Provision of Section 197 are not applicable to Government companies vide notification no. G.S.R. 463(E) F.No.1/2/2014-CL.V dated 5th June 2015 issued by the Central Government, therefore the provisions of clause 3(xi) of the order are not applicable to the Company.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given to us and on the basis of examination of the records of the Company, all transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the Standalone Financial Statements etc., as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with its Directors or persons connected to its directors and hence reporting under clause 3(xv) of the Order is not applicable to the Company.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence reporting under clause 3(xvi) of the Order is not applicable.

for BASHA & NARASIMHAN
Chartered Accountants
Firm's Registration No.: 006031S

Sd/-
(K. Narasimha Sah)
Partner
Membership No.201777

Place: Hyderabad,
Date: 29th May, 2019

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph vii(c) of Annexure A, a statement on the matters specified in the Companies (Auditor's Report) Order, 2016 (as amended) of the Company for the year ended on 31st March, 2019.

According to the records of the company dues on account of any dispute with respect to Sales Tax, Value Added Tax, Customs Duty, Excise Duty, Service Tax, Entry Tax, Cess and the particulars are furnished below:

(₹ in million)

Name of the Statute	Nature of Dues	Disputed Amount	Paid under Protest	Balance	Period to which the amount relates	Forum where dispute is pending
CST Act, 1956	CST	16.57	8.28	8.28	2010-11	VAT Tribunal
VAT Act, 2005	VAT	0.38	0.10	0.29	2010-11	Appellate Deputy Commissioner
CST Act, 1956	CST	0.23	0.21	0.02	2011-12	Appellate Deputy Commissioner
CST Act, 1956	CST	2.12	0.53	1.59	2013-14	Appellate Deputy Commissioner
VAT Act, 2005	VAT	17.86	2.23	15.63	02/2014 to 06/2017	Appellate Deputy Commissioner
AP Entry Tax Act, 2001	Entry Tax	2.10	0.74	1.37	2013-14 & 2014-15	Appellate Deputy Commissioner
Customs Act, 1962	Customs Duty & Penalty	10.62	-	10.62	2011-12	CESTAT
Central Excise Tariff Act, 1985	Excise Duty & Penalty	22.60	-	22.60	2006-07 to 2008-09	Comm. of Customs, Central Excise & Service Tax
Central Excise Tariff Act, 1985	Excise Duty on account of non-reversal of ITC for material sent on job work	13.00	0.41	12.59	2012-13 & 2013-14	Comm. of Customs, Central Excise & Service Tax
Finance Act, 1994	Service Tax on LD received from Vendors	15.42	0.77	14.65	07/2012 to 03/2016	CESTAT
Finance Act, 1994	Service Tax on LD received from Vendors	3.32	0.25	3.07	2016-17	Comm. Of Customs, Central Excise & Service Tax
Finance Act, 1994	Service Tax on Works Contract	0.09	0.01	0.08	2016-17	Comm. Of Customs, Central Excise & Service Tax
	Total	104.31	13.52	90.79		

ANNEXURE 'C' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(f) under "Report on Other Legal and Regulatory Requirements" of our report to Members of Mishra Dhatu Nigam Limited of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of the Company, as of 31st March 2019 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 Board of Directors of the Company 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. 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 respective 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 Act.

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") issued by ICAI and the Standards on Auditing, prescribed under section 143(10) of the Act, 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 including obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone 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 Standalone 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 Standalone Financial Statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion:

In our opinion, to the best of our information and according to the explanation given to us, the Company has, in all material respects, an adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as on 31st March, 2019, 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 BASHA & NARASIMHAN

Chartered Accountants

Firm's Registration No.: 006031S

Sd/-

(K. Narasimha Sah)

Partner

Membership No.201777

Place: Hyderabad,
Date: 29th May, 2019

ANNEXURE 'D' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(g) under "Report on Other Legal and Regulatory Requirements" of our report to Members of Mishra Dhatu Nigam Limited of even date)

Report on the directions under sub-section 5 of Section 143 of the Act, issued by the Comptroller and Auditor General of India:

Sl. No.	Directions u/s. 143(5) of the Companies Act, 2013	Auditor's Reply on action taken on the directions	Impact
1.	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated	Company is using Oracle ERP software to record all business and financial transactions including Purchase Accounting, Sales Accounting, Inventory transactions, Production transactions, Accounts Payable, Accounts Receivable, Fixed Assets, Payroll, Oracle Process Manufacturing and General Ledger and all the modules are integrated with one another. The software itself has built in checks and validations between inter related modules, thus the data accuracy and integrity is maintained. All payment approvals are processed using the approval hierarchy defined in Oracle Module. All the accounting transactions are processed and the Trial Balance is generated from Oracle based ERP System. In view of the above, we confirm that no financial transactions are carried out outside IT systems and hence there is no financial implication on the integrity of the accounts during the Financial Year 2018-19.	NIL
2.	Whether there is any restructuring of an existing loan or cases of waiver/write-off of debts/loans/interest etc. made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated	According to the information and explanation furnished to us, and based on our examination of books, we are of the opinion that there is no restructuring of an existing loan or cases of waiver / write-off of debts / loans/ interest etc made by a lender to the company during the financial year 2018-19.	NIL
3.	Whether funds received / receivable for specific schemes from central/state agencies were properly accounted for/utilized as per its term and conditions? List the cases of deviation	Based on the examination of the books and records of the company, during the Financial Year 2018-19: a) Grant of Rs.6.00 Crores from Solar Energy Corporation of India Limited towards 4MW Solar Power Plant established at the Company premises. The total funds are utilized for the said purpose. b) Grant of Rs.2.00 Crores from Ministry of Steel for promotion of Research & Development. Under this initiative it is decided by the company to revamp the existing Vacuum Induction Melting Furnace and the procurement actions is in progress. These grants are accounted as per Ind AS 20 and as per the Accounting Policy 2.22	NIL

for BASHA & NARASIMHAN
 Chartered Accountants
 Firm's Registration No.: 006031S

Sd/-
(K. Narasimha Sah)
 Partner
 Membership No.201777

Place: Hyderabad,
 Date: 29th May, 2019