

INDEPENDENT AUDITOR'S REPORT

To the Members of Synergy Green Industries Limited

Report on the Standalone Financial Statements

Opinion

We have audited the accompanying financial statements of Synergy Green Industries Limited (“the Company”), which comprises the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss and Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the Financial Statements”).

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2019, its profit 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 Standalone Financial Statements section of our report. We are independent to the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone 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 as the Key Audit Matters to be communicated in our report.

a. Utilisation of funds raised through Initial Public Offer:

During the year Company has raised Rs.26,46,00,000 through initial public offer and got listed on SME exchange of BSE on September 21, 2018. Company had proposed in prospectus to spent Rs.12,00,00,000 on working Capital, Rs.12,04,75,000 on Capital Expenditure, Rs.1,80,00,000 on public issue expenses and Rs.61,25,000 on general corporate expenses. According to regulation 32 of SEBI (LODR), statement of utilisation of IPO proceeds is to be submitted to stock exchange and deviations if any in end use of IPO proceeds it is to be certified by statutory auditors. The Company has spent Rs.11,95,01,860 for working capital purpose, Rs.4,45,53,267 for capital expenditure, Rs.1,78,59,800 on public issue expenses and Rs.60,86,772 on general corporate expenses.

Considering the quantum of expenditure, its significance regarding commitments in prospectus towards shareholders as well as compliance requirements of SEBI (LODR), we have considered utilisation of funds raised through IPO as key audit matter.

Audit methodology:

1. We have read and reviewed the prospectus and its fund allocation proposed in prospectus.
2. Also we reviewed overall framework of the company regarding capital budget, working capital budget its utilization mechanism. Internal approval procedures were also reviewed.

3. We further reviewed IPO fund allocation process followed by the Company towards working capital and capital expenditure payments.
4. We have cross verified the purchase orders raised for capital purpose along with payments made for capital expenditures with object clause of the prospectus.
5. Budget plan prepared and submitted for prospectus was reviewed and referred while checking IPO fund allocation.
6. We have verified compliance with regulation 32 of SEBI (LODR), done by compliance officer regarding utilisation of funds.

b. Inventory verification, Valuation and Cut-off procedures:

Company's inventories consist of 33% of its total assets, also it is situated at various vendor locations for machining purpose. Almost 67.14 % of total work in process inventory is at vendor locations. Finished goods are dispatched from certain vendor locations directly to the customers. Considering the volume of transactions, multi-located inventory and direct dispatch from vendor locations, we have identified inventory verification, valuation and cut-off procedures as a Key audit matter.

Audit methodology:

1. We have verified internal control process regarding inventory verification, valuation and cut off procedures.
2. At the year-end we carried out physical inventory verification at 2 plant locations and 12 vendor locations out of 19 vendor locations.
3. Reconciliations of physically stock, Book stock and vendor balance confirmation stock was carried out. Differences identified were properly dealt with in the books of accounts.
4. WIP and FG valuation is certified by management expert appointed by management as on 31 March 2019. We have carried out series of discussions with expert and identified procedure followed for inventory valuation and confirmed whether the same is in conformity with AS -2 Inventory Valuation.
5. Cut Off procedures regarding transfer of risk and rewards to the customer were understood and sample verification was carried out for 2 plant locations and 2 vendor locations from where the direct dispatches takes place.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in Annual Report but does not include the standalone financial statements, Secretarial Report and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance 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 standalone financial statements or our knowledge obtained in the 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 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, cash flows of the company in accordance with the accounting principles generally accepted in India, including Accounting Standards specified in the Companies (Accounting Standards)

Rules, 2006 (as amended) 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 judgements 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, 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.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 judgement and maintain professional skepticism throughout the audit.

We also:

- B 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 Companies Act, 2013, 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.
- B Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- B 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.
- B 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 Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by Central Government of India in terms of sub-section (11) of section 143 of the Companies Act 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, the 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the existence of internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
 - 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) Amendment Rules, 2014, 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 on its financial position in its financial statements – Refer Note no. 30 to the financial statements;
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March 2019.
 - iii) There has been no delay in transferring amounts, required to be transferred, to the investor Education and Protection Fund by the Company.

For M/s. P. G. Bhagwat
Chartered Accountants
Firm's Reg No: 101118W

Akshay B. Kotkar
Partner
Membership No. 140581

Place: Kolhapur
Date: May 20, 2019

Annexure - A to the Independent Auditor's Report

Referred to in paragraph 1 of our Report on Other Legal and Regulatory Requirements of even date to the Members of Synergy Green Industries Limited.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company are physically verified by the Management as per policy. In our opinion, the frequency of verification is reasonable.
- (c) The title deeds of immovable properties as disclosed in note 13 on fixed assets to the financial statements, are held in the name of the company.

(ii) The inventory was physically verified during the year by the management. In our opinion the frequency of verification is reasonable. Discrepancies between the physical stock and the book records noticed on verification were properly dealt with in the books of accounts.

(iii) According to information and explanations given to us, in our opinion the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act 2013.

Accordingly, the reporting under clause 3 (iii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

(iv) According to information & explanations given to us, in our opinion, no loans, investments, guarantees and securities have been given or provided by the company.

Accordingly, the reporting under clause 3 (iv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.

(v) According to information and explanation given to us, the Company has accepted deposits from members during the year. The Company has complied with the provision of Sec 73 to 76 and any other relevant provision of the Companies Act, 2013 and the rules framed there under, where applicable. Also, according to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal against the company.

(vi) We have broadly reviewed the books of accounts and records maintained by the Company relating to manufacture of SG Iron Casting pursuant to the rules made by Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Companies Act 2013 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

(vii) (a) According to information and explanation given to us, the Company is generally regular in depositing undisputed statutory dues with appropriate authorities including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, Goods and Services tax, cess and any other statutory dues applicable to it.

(b) According to the information and explanations provided to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-Tax, Service Tax, Sales-Tax, Goods and services tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were

outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of custom, duty of excise, goods and services tax and cess which have not been deposited on account of any dispute other than those mentioned below:

Sr. No.	Nature of Dues	Forum where disputes pending	Amount (Rs.)
1	Income Tax (AY 2012-13)	Commissioner of Income Tax (Appeals), Kolhapur	1,01,250
2	Income Tax - TDS (AY 2016-17)	Commissioner of Income Tax (Appeals), Kolhapur	4,42,388
3	Income Tax - TDS (AY 2017-18)	Commissioner of Income Tax (Appeals), Kolhapur	8,74,413
4	Income Tax - TDS (AY 2018-19)	Commissioner of Income Tax (Appeals), Kolhapur	3,11,061
5	Service Tax (FY 12-13 & 13-14)	Commissioner of Central GST (Appeals), Pune	14,382

- (viii) According to information and explanations given to us, in our opinion the Company has not defaulted in repayment of loans and borrowings to any bank. Also, according to information and explanations given to us, in our opinion Company neither has any loans or borrowings from financial institution, Government nor issued any debentures.
- (ix) According to the information and explanation given to us, the Company has raised money by way of initial public offer and term loans, in our opinion they were utilised for the purpose for which they were raised except Rs. 7,65,98,301/- raised from IPO of equity shares which is pending for utilisation as at March 31, 2019 (Refer note 4 to financial statements)
- (x) According to information and explanation 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 year.
- (xi) According to information and explanation given to us and based on our examination of the records of the Company, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provision of Section 197 read with schedule V to the Companies Act, 2013.
- (xii) The company is not a Nidhi company, accordingly the reporting under Clause 3 (xii) of the Companies (Auditor's report) Order, 2016, is not applicable to the Company.
- (xiii) According to information & explanation given to us, in our opinion all transactions with related parties are in compliance with sections 177 & 188 of Companies Act 2013 wherever applicable and the details have been disclosed in notes to accounts of Financial Statements as per Accounting Standard 18 - Related Party Disclosures.
- (xiv) According to Information & Explanation given to us, the company has not issued shares by way of preferential allotment/private placement of shares or fully or partly convertible debentures during the year under review, accordingly provisions of section 42 of the Companies Act 2013 are not applicable to the company.

- (xv) According to information & explanation given to us, the Company has not entered into non-cash transactions with directors or persons connected with him; accordingly, provisions of section 192 are not applicable to the Company.
- (xvi) According to information & explanation given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For M/s. P. G. Bhagwat
Chartered Accountants
Firm's Reg No: 101118W

Akshay B. Kotkar
Partner
Membership No. 140581

Place : Kolhapur
Date : May 20, 2019

Annexure - B to the Auditor's Report

(Referred to in paragraph 2(f) of our Report on Other Legal and Regulatory Requirements of even date to the Members of Synergy Green Industries Limited)

Report on the Internal Financial Controls with reference to Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Standalone Financial Statements of Synergy Green Industries Limited ("the Company") as of March 31, 2019 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 with reference to financial statements 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 internal financial controls with reference to Financial Statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the existence of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Financial Statements included obtaining an understanding of internal financial controls with reference to Financial Statements, 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 with reference to financial statements.

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 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 with reference to Standalone Financial Statements, 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 with reference to Standalone Financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to Standalone Financial Statements 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, internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 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 M/s. P. G. Bhagwat
Chartered Accountants
Firm's Reg No: 101118W

Akshay B. Kotkar
Partner
Membership No. 140581

Place: Kolhapur
Date: May 20, 2019