

Independent Auditors' Report

To the Members
of **BMW INDUSTRIES LIMITED**

Report on the Standalone Financial Statements

Opinion

We have audited the accompanying standalone Financial Statements of BMW Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Standalone Financial Statements, including a summary of significant accounting policies and Other Explanatory Notes for the year ended on that date (hereinafter referred to as "Standalone Financial Statements").

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 March 31, 2019, and its profit, 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 (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone 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 the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made 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 obtained by us is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 to be the key audit matters for incorporation in our report.

| Key audit Matters | Addressing the Key Audit Matters |
|---|---|
| <p>Trade Receivables</p> <p>Gross Trade Receivable of the Company is Rs.19,439.77 Lakhs as on 31st March 2019. This includes significant amounts, which have fallen due for payment and are lying outstanding for a considerable period of time. (Note No. 8 of the Standalone Financial Statements)</p> <p>The increasing challenges over the economy and operating environment in the steel industry have increased the risks of default against receivables from the customers. The Company is exposed to potential risk of financial loss when the customers fail to meet their contractual obligations.</p> <p>The recoverable amount was estimated by management based on recoverability assessment of recoverability on case to case basis and required significant audit attention. The Company evaluates whether there is any objective evidence that trade receivables are impaired and determines the amount of impairment allowance as a result of the inability of the customers to make required payments. The Company bases the estimates on the ageing of the trade receivables, credit worthiness of the parties and historical write-off experience.</p> | <p>Our audit procedures based on which we arrived at the conclusion regarding the carrying amount of Trade Receivables include the following:</p> <ul style="list-style-type: none"> We obtained an understanding from the Management, assessed and tested the design and operating effectiveness of the Company's key controls over the recoveries against the outstanding amounts and resultant impairment assessment of material Trade Receivables; We reviewed Management's assessment and evaluation on the credit worthiness of the major trade receivables and historical trends and current dealing with the customers; Assessed the recoverability of the unsettled receivables on a sample basis through our evaluation of management's assessment keeping in view the credit profile of the customers, historical payment pattern of customers, publicly available information and latest correspondence with customers and to consider if any provision should be made; Tested settlement of trade receivables subsequent to the balance sheet date on a sample basis; and We further discussed with the Management the adequacy of the allowance for impairment as recognised and reviewed the supporting documents provided in relation to the same. |

| Key audit Matters | Addressing the Key Audit Matters |
|---|--|
| <p>Inventory determination and Valuation</p> <p>As at 31st March 2019, the Company has Rs.21,089.53 Lakhs of Inventories (Note No. 7 of the Standalone Financial Statements). Given the size of the Inventory relative to the total assets of the Company and the estimates and judgements described below, the determination and valuation of Inventory required significant audit attention.</p> <p>Given the nature of Industry and volume of inventory and physical verification being undertaken in phases not covering all the locations, determination thereof in absence of specific identification, batches etc has largely been arrived on theoretical basis considering cross-sectional weight including for the locations not covered for verifications. Moreover, certain materials are lying in heaps and / or are susceptible to obsolescence and deterioration in quality. All these requires specific procedures based on technical experience for arriving at the ground stock of usable / saleable inventory. The result of these procedures may not always be accurate and involves significant management judgement and estimation.</p> <p>As disclosed in Note 1(C) (k), Inventories are held at lower of cost or Net Realizable Value determined using the First in First Out/ Weighted Average cost method. At year end, valuation of Inventories is reviewed by the management and the cost of Inventory is reduced in cases where the Net Realizable value is lower.</p> <p>Management reviews the Ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory items and performed a line-by-line analysis to ensure that it is stated at the lower of cost or net realizable value.</p> | <p>Our audit procedures based on which we arrived at the conclusion regarding the carrying amount of Inventories include the following:</p> <ul style="list-style-type: none"> • Witnessed the year end Physical Verification carried at production units by the management and physically verified the sample drawn for this purpose. • Reviewed the procedures and documentation with respect to the verification carried out by the management • Obtained the reports of the verification carried during the year at different locations by the independent agencies and reviewed the outcome thereof. • Reviewed the ageing report used by the management by agreeing a sample of aged inventory items; • On a sample basis we verified the net realizable value of inventory items to recent realizable value; and • enquiring management personnel, including those outside of finance function were made, and the results of our testing as given above were considered to determine the inventory and the valuation thereof. |

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

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's Report including Annexures to Director's Report, Management Discussion and Analysis Report, Business Responsibility Report and Report on Corporate Governance, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

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 standalone 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 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.

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 the Act with respect to the preparation of these Standalone financial statements that give a true and fair view of the state of affairs (financial position), Profit or Loss (financial performance including other comprehensive income), 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 Standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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.

Auditors' Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Standard on Auditing (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 Standalone Financial Statements.

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

- Identify and assess the risks of material misstatement of the standalone 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 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 standalone 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 standalone financial statements, including the disclosures, and

whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone 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 standalone 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- I. 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 Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- II. 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 including Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow 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 specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

- e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls with reference to Standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal control with reference to financial statements; 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) 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 on its financial position in its 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- III. With respect to the reporting under Section 197 (16) of the Act to be included in the Auditors' Report, in our opinion and according to the information and explanations given to us, the Remuneration (including Sitting fees) paid by the Company to its Directors during the current year is in accordance with the provisions of Section 197 of the Act and is not in excess of the limit laid down therein.

For Lodha & Co.
Chartered Accountants
Firm's ICAI Registration No.:301051E

Place: Kolkata
Date: May 30, 2019

H K Verma
Partner
Membership No: 055104

Annexure “A” to the Independent Auditor’s Report

The Statement referred to in paragraph (i) with the heading ‘Report on other legal and regulatory requirements’ of our Report of even date to the members of BMW Industries Limited on the Standalone financial statements of the Company for the year ended 31st March 2019, we report that:

- 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 were physically verified by the management in accordance with a regular programme of verification in a phased manner over a period of three years which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c. Based on verification of title deeds/lease deeds produced to us by the management and according to the information and explanations given to us, in our opinion, the title deeds/lease deeds of immovable properties are held in the name of the company.
- ii) As explained to us, inventories except scrap have been physically verified during the year at reasonable intervals by the management and also by independent agencies undertaking such verifications. As far as ascertained, discrepancies noticed on verification between the physical stocks and the book records were not material and the same has been properly dealt with in the books of account.
- iii) According to the information and explanations given to us, the Company has granted unsecured loans to subsidiary companies which are covered in the register maintained under Section 189 of the Act.

In respect of the loans so granted by the Company, there were no stipulations with respect to repayment of principal amount. As stated, these are repayable on demand. Loan given to one of the subsidiary being strategic in nature and to provide the

financial support to the subsidiary company, interest has been waived during the year.

As informed to us, having regard to above, there are no overdue amounts outstanding in respect of such loans and interest thereon where applicable and the terms and conditions thereof as such, prima facie, are not prejudicial to the interest of the Company.

- iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v) The Company has not accepted any deposits. Consequently, 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 and the rules framed there under, are not applicable to the Company.
- vi) We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148 (1) of the Act in respect of the Company’s products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been maintained. We have, however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
- vii) a. According to the information and explanations given to us, during the year, the Company has generally been regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, service tax, Goods and Services tax, customs duty, excise duty, value added tax, cess and any other material statutory dues as applicable to it with the appropriate authorities. However, according to the information and explanations given to us, there is no undisputed amounts payable in respect of these which were in arrears as on March 31, 2019 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, the details of disputed dues of income tax, sales tax, service tax, custom duty, excise duty and Value added Tax as at March 31, 2019, not deposited on account of any dispute are as follows:

| Name of the statute | Nature of dues | Rupees in Lakhs | Period to which the amount relates | Forum where dispute is pending |
|-----------------------------|--------------------|-----------------|------------------------------------|--|
| Income Tax Act, 1961 | Income Tax Demands | 163.55 | F.Y. 2012 – 2013 | Commissioner of income tax (Appeals) |
| Income Tax Act, 1961 | Income Tax Demands | 14.79 | F.Y. 2013 – 2014 | Commissioner of income tax (Appeals) |
| Central Sales Tax Act, 1956 | Central Sales Tax | 115.52 | F.Y. 2012-2013 | Joint Commissioner of Commercial Taxes (Appeals) |

- viii) In our opinion and on the basis of information and explanations given to us by the management, the Company has not defaulted in repayment of dues to banks and others. As explained, the company does not have any loan or borrowings from any financial institution, governments or any dues to debenture holders.
- ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- x) During the course of our examination of books of account carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud by the Company or on the Company by its officers or employees nor have we been informed of any such cases by the management.
- xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Act.
- xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Standalone financial statements as required by the applicable Indian 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. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- 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 directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Lodha & Co.
Chartered Accountants
Firm's ICAI Registration No.:301051E

H K Verma
Partner
Membership No: 055104

Place: Kolkata
Date: May 30, 2019

Annexure “B” to the Independent Auditor’s Report

(Referred to in paragraph ii (f) under ‘Report on Other Legal and Regulatory Requirements’ of our report of even date)

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 the Standalone financial statements of BMW Industries Limited (“the Company”) as at March 31, 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 Company’s management is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to Standalone financial statements 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 (the “Guidance Note”) 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 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 with reference to Standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the financial statements. 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 control with reference to Standalone 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 adequacy of the internal financial controls with reference to Standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone financial statements included obtaining an understanding of such internal financial controls with reference to Standalone 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 auditors’ judgement, 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 with reference to Standalone financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A Company’s internal financial control with reference to Standalone financial statements 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 with reference to Standalone financial statements 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 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 Standalone financial statements.

Inherent Limitations of Internal Financial Controls with reference to Standalone financial statements

Because of the inherent limitations of internal financial controls 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 with reference to Standalone financial statements to future periods are subject to the risk that the internal financial control 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls with reference to Standalone financial statements and such internal financial controls with reference to Standalone financial statements were operating effectively as at March 31, 2019, based on the internal financial controls with reference to Standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For Lodha & Co.

Chartered Accountants
Firm’s ICAI Registration No.:301051E

H K Verma

Partner

Place: Kolkata

Date: May 30, 2019

Membership No: 055104