

Independent Auditor's Report

To the Members of Blue Coast Hotels Limited

Report on the Audit of Standalone Financial Statements

Opinion

We have audited the accompanying standalone Financial Statements of **Blue Coast Hotels Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, 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 summary of significant accounting policies and other explanatory information (hereinafter referred to as "the 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, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the 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 together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act 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 judgement, were of most significance in our audit of 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 to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response (Principal Audit Procedures)
1	<p>On account of default in repayment of term loan IFCI initiated recovery proceeding under SARFAESI Act, 2002, against the company and allegedly sold the Hotel property Park Hyatt, Goa for an amount of Rs. 51544.01 Lakhs. On 19.03.2018 Hon'ble Supreme Court of India ordered the Company to handover the possession of the Hotel to the auction purchaser within a period of six months. In compliance of Hon'ble Supreme Court order, the company has handed over the possession of the property Park Hyatt Goa Resort & Spa to the auction purchaser on 19.09.2018.</p> <p>The handing over of only operational asset of the company to the auction purchaser pursuant to aforesaid order has impacted the company's ability to continue as a going concern.</p> <p>(Refer Note. No. 26(a) to the financial statements.)</p>	<p>We collected the following documents:-</p> <p>Copy of order of Hon'ble Supreme Court of India.</p> <p>We read and analyzed the various orders/judgments in respect of the matter.</p>
2	<p>The Company has availed of its Right to redeem the property u/s 60 of the Transfer of Property Act, 1882 by giving notice to IFCI before handing over the possession of property. The Writ Petition is pending adjudication at Hon'ble High Court of Bombay at Goa. The outcome of the writ petition may have the material impact on the company as a going concern and may also impact the alleged sale of Hotel property at Goa. (Refer Note. No. 26(a) to the financial statements.)</p>	<p>We collected the following documents:-</p> <p>Copy of order of writ petition filed before Hon'ble High Court of Bombay at Goa and other papers related to the matter under reference.</p> <p>We read and analyzed the various orders/judgments in respect of the matter.</p>
3	<p>The Company sold its entire holding in its subsidiary, Silver Resort Hotel India Private Limited comprising of 27,35,10,000 Equity Shares of Rs.10/- each to the highest buyer, Joy Hotel & Resort Private Limited, a related party, for a consideration of Rs. 15.00 Lakhs pursuant to approval received from equity shareholders.</p> <p>(Refer Note. No. 26 (b) to the financial statements.)</p>	<p>We collected the following documents:-</p> <p>Copy of valuation report of SEBI Registered (Category-I) Merchant Banker, of Equity shares of Silver Resort Hotel India Private limited.</p>

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

The Company's Board of Directors is responsible for preparation of the other information. The other information comprises the information included in Annual Report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on financial statement 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's responsibility for the 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 financial position, financial performance, total comprehensive income, changes in equity and cash flows of the company in accordance with applicable Ind AS and other accounting principles generally accepted in India.

This responsibility also 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 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease the operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of 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 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 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedure responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statement 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 transaction 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 financial statements may be influenced. We consider quantitative materiality and qualitative factor in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 disclosures 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.

Matter of Emphasis

We draw attention to Note 26 (a) in the financial statements regarding handing over of only operational asset of the company to the auction purchaser pursuant to Hon'ble Supreme Court order and 26 (e) regarding erosion of net worth, raising significant doubt on the company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government in terms of section 143(11) of the Act, we give in 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, 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 accounts 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), Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act read with relevant rules issued thereunder.
 - 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 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 B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/provided by the company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements. (Also refer Note No. 26 (a) of Financial Statement)
 - (ii) The Company did not have any long term contracts including derivative contracts. Hence, the question of any material foreseeable losses does not arise.
 - (iii) During the year, the company was not liable to transfer any amount to the Investor Education and Protection Fund.

Place : New Delhi
Date : 30th May 2019

For DEWAN AND GULATI
Chartered Accountants
Firm's Regn. No: 03881N

Sd/-
CA. (Dr.) Sunil Gulati
(Partner)
Membership No. 082929

ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone financial statements of Blue Coast Hotels Limited for the year ended 31st March, 2019.)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) According to the information and explanation given to us, the Company has a regular programme of physical verification of its fixed assets. In our opinion, the frequency of physical verification is reasonable having regard to the size and the nature of its assets. As, informed to us, the discrepancies noticed on such verification are not material and have been properly dealt with in the books of accounts.
 - (c) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the title deeds of immovable property are held in the name of the Company.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 (the “Act”). Hence provision of this clause is not applicable.
- (iv) According to the information and explanations given to us and based on audit procedures performed, we are of the opinion that in respect of loans, investments, guarantees and security, the company has complied with the provisions of section 185 and 186 of the Act.
- (v) The Central Government has not prescribed cost records for the company under section 148(1) of the Act. Hence, the provisions of this clause are not applicable.
- (vi) According to the information and explanations given to us and on the basis of our examination of the records of the company, during the year, the company is regular in depositing amount deducted /accrued in respect of undisputed statutory dues including duty of custom, duty of excise, Cess with the appropriate authorities.
- (vii) According to the information and explanations given to us by the management, the company has not defaulted in repayment of loans or interest to Banks/FIs during the year. Also refer Note No. 26(a) & 26(d) of the Financial Statement during the year.
- (viii) According to the information and explanations given to us and based on our 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/or term loan during the year.
- (ix) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the company or on the company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management

- (x) According to the information and explanations given to us and on the basis of our verification of books of accounts of the company, the company has paid/provided for Managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 of the Act read with Schedule V of the Act.
- (xi) In our opinion and according to information and explanations given to us, the company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xii) 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 & 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiii) 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 convertible debentures during the year under review. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable to the company.
- (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 entered into any non- cash transaction with directors or person connected with them during the year. Accordingly, the provision of clause 3(xv) of the Order are not applicable to the company.
- (xv) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act,1934.

Place: New Delhi
Date: 30th May 2019

For DEWAN AND GULATI
Chartered Accountants
Firm's Regn. No: 03881N

Sd/-
CA. (Dr.) Sunil Gulati
(Partner)
Membership No. 082929

ANNEXURE “B” TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date on the standalone financial statements of Blue Coast Hotels Limited for the year ended 31st March 2019)

Report on the Internal Financial Controls over Financial Reporting 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 **Blue Coast Hotels Limited** (“the Company”) as of 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 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 (the “Guidance Note”). 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 over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial control. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records 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.

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 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.

Place : New Delhi
Date : 30th May 2019

For DEWAN AND GULATI
Chartered Accountants
Firm's Regn. No: 03881N

Sd/-
CA. (Dr.) Sunil Gulati
(Partner)
Membership No. 082929