

# Independent Auditors' Report

TO THE MEMBERS OF PRAJ INDUSTRIES LIMITED

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the Standalone Financial Statements of Praj Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, 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 notes to the Standalone Financial Statements, including a 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 accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit and other comprehensive income, its 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 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 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 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 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 key audit matters to be communicated in our report.

#### 1) Recognition of Revenue from Contracts with Customers

##### Description of Key Audit Matters

Revenue from Projects is recognized as per Ind-AS 115 on satisfaction of performance obligation overtime, where progress towards complete satisfaction of performance obligation is measured under Input Method. For the year ended 31st March 2020 project revenue recognized amounted to Rs. 8639.592 Mn, opening and closing Contracts in Progress amounted to Rs. 833.304 Mn and Rs. 761.386 Mn respectively.

Measuring of satisfaction of performance obligation under Input Method involves estimation of budget costs in respect of projects contracted and capturing of actual costs incurred against such projects. As the revenue is recognized in proportion of project costs incurred to the total budgeted cost, inaccurate capturing of costs incurred as well as inaccurate budget estimates would result in incorrect recognition of revenue.

##### Description of Auditors' Response

We have performed the following processes in relation to the accuracy of revenue recognized and accrued:

- a) Understood, evaluated and tested key controls over the 'Statement of Revenue Recognition', which is a statement prepared in which data related to Contract price, Budgeted costs, Progressive billings raised and Percentage completion of contract is captured and on the basis of which proportionate revenue is recognized under Input Method.
- b) Tested on sample basis the process of estimation of budget costs of the projects which are considered in 'Statement of Revenue Recognition'.
- c) Checked on sample basis contract values considered in 'Statement of Revenue Recognition' from the approved contracts with the Customers.
- d) Tested on sample basis the process of capturing of costs in 'Statement of Revenue Recognition' with respect to the projects in process.



- e) Verified revenue to be recognized for the year under audit from 'statement of Revenue Recognition'

Our Audit process did not identify any material incorrect Recognition of Revenue.

## 2) Trade Receivables

### Description of Key Audit Matters

Trade Receivables, net of impairment allowance, amounts to Rs. 2657.180 Mn as on 31st March 2020, which constitutes about 25% of the total Assets of the Company. Impairment provision carried in the books as on 31st March 2020 is Rs. 897.934 Mn.

Management's judgment is involved in identifying impairment in the value of the receivable as well as in formulating a policy for creating provisioning against impairment which has an adverse effect on the profits of the Company.

### Description of Auditors' Response

We have performed the following processes in relation to Management's Judgment in identification of impairment of value of Receivables and adequacy of impairment provision:

- We have referred to the defined policy in place stipulating the methodology of making impairment provision in respect of overdue Receivable amounts. We have also reviewed age-wise analysis in respect of Receivables and ensured that the provisioning is made according to such policy. The above referred provisioning policy stipulates different provisioning norms for Receivables with confirmations and without confirmations
- We have sought information and explanations from the Project Heads regarding the status of receivable for the purpose of ensuring adequate impairment provisions.
- We have also tested subsequent collections made from the overdue receivables.

Our Audit process did not identify any material inadequate provisioning for impairment in the value of Receivables.

## 3) Investment in Subsidiaries

### Description of Key Audit Matters

In terms of option of Deemed Cost as per Ind-AS 101 'First Time Adoption of Indian Accounting Standards' the Company has valued its investments in Subsidiaries amounting to Rs. 1673.234 Mn as on 31st March 2020 at cost. Provision for impairment as on 31st March 2020 is Rs. 97.558 Mn.

As per Ind-AS 36 'Impairment of Assets' Management has to assess at the end of each reporting period whether there is any indication that an Asset may be impaired and if such indication exists the Management has to estimate the recoverable amount and compare the same with the carrying amount of the investment in order to identify an impairment loss. Impairment loss, if any, has to be recognized immediately in the Statement of Profit and Loss.

### Description of Auditors' Response

We have performed the following processes in relation to Management's Judgment in identification of impairment of value of Investment in Subsidiaries :

- We have obtained representation from the Management regarding indication of likely impairment loss in respect of Investments made in Subsidiaries and process of estimation of recoverable amount. During the year the management has identified impairment in value of investment in one of the subsidiaries and made provision for impairment amounting to Rs. 97.558 Mn.
- In case of a Subsidiary having material value under Investment, in respect of which no observable inputs were available, we have referred to the valuation obtained by the Management from the independent valuer regarding its Value in Use and tested and discussed the assumptions used in the process of valuation with the management to ensure that no impairment provision against the same is required.

Our Audit process did not identify any requirement of provisioning for impairment in the value of Investment in Subsidiaries other than the investment in subsidiary against which the provision has been made.

## Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the Management Discussion and Analysis; Board of Directors' Report along with its Annexures and Corporate Governance Report included in the Annual Report, but does not include the 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 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 Standalone AS 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 (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 (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

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, 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 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' Responsibilities for the Audit of the Standalone AS 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 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 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 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.



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

1. 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.
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 (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the 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 Companies (Indian Accounting Standards) Rules, 2015, as amended.
  - e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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.
  - g) As required by section 197 (16) of the Act; in our opinion and according to information and explanation provided to us, the remuneration paid by the Company to its directors is in accordance with the provisions of section 197 of the Act and remuneration paid to directors is not in excess of the limit laid down under this 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, 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 – Refer Note 28
    - (ii) The Company did not have any long-term contracts including derivative contracts as at 31st March, 2020 for which there were any material foreseeable losses for which provision was required.
    - (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 Registration Number: 101118W

**Sandeep Rao**  
Partner  
Membership Number: 47235  
UDIN: 20047235AAAABI4122

Pune: 26th May 2020

## Annexure A to Independent Auditors' Report

Referred to in paragraph 1 under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

- i.
  - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
  - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items 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, a portion of the fixed assets has been physically verified by the Management during the year and as informed to us, no material discrepancies have been noticed on such verification.
  - (c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the financial statements, are held in the name of the Company.
- ii. Physical verification of inventory has been conducted at reasonable intervals by the management during the current year. In our opinion, the interval of such verification is reasonable. Discrepancies noticed on physical verification of inventory were not material and the same have been properly dealt with in the books of account.
- iii. 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 Act. Therefore, the provisions of Clause 3(iii), (iii) (a), (iii) (b) and (iii) (c) of the said Order are not applicable to 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 Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it, wherever applicable.
- v. The Company has not accepted any deposits from public within the meaning of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed there under to the extent notified. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii.
  - (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, Goods and Service Tax, cess and other material statutory dues, as applicable, with the appropriate authorities. According to the information and explanation provided to us, no undisputed amounts payable in respect of statutory dues were in arrears as at March 31, 2020, for a period more than six months from the date they became payable.
  - (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax, duty of customs, duty of excise, value added tax, Goods and Service Tax which have not been deposited on account of any dispute. The particulars of dues of Sales tax and Income tax as at balance sheet date which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount Rs. Mn	Period to which the amount relates	Forum where the dispute is pending
Sales tax laws	Demand as per Sales Tax Assessment	20.17	F.Y. 2010-11	Joint Commissioner (Appeals)
Sales tax laws	Demand as per Sales Tax Assessment	166.62	F.Y. 2006-07, 2007-08, 2008-09, 2009-10 and 2011-12	Maharashtra Sales Tax Tribunal, Mumbai
Income Tax	Demand as per Assessment	1.153	A.Y. 2015-16	ITAT, Pune



- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government. The company does not have any debentures holders.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. 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 nor have we been informed of such case by the Management.
- xi. 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 to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Ind AS 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. Refer Note No.31.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are 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. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **M/s P G Bhagwat**  
Chartered Accountants  
Firm's Registration Number: 101118W

**Sandeep Rao**  
Partner  
Membership Number: 47235  
UDIN: 20047235AAAABI4122

Pune: 26th May 2020

## Annexure B to the Independent Auditors' Report

Referred to in paragraph 2 (f) under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

### Report on the Internal Financial Controls

#### Under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Praj Industries Limited ("the Company") as of March 31, 2020 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. 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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 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 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 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, 2020, 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 Registration Number: 101118W

**Sandeep Rao**  
Partner  
Membership Number: 47235  
UDIN: 20047235AAAABI4122

Pune: 26th May 2020