

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Rain Industries Limited

#### REPORT ON THE AUDIT OF THE STANDALONE IND AS FINANCIAL STATEMENTS

We have audited the accompanying standalone Ind AS financial statements of Rain Industries Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and summary of the significant accounting policies and other explanatory information, (collectively referred to as the 'Standalone Ind AS Financial Statements')

#### MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE IND AS 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 standalone Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss (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) prescribed 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 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 Ind AS 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.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We are also responsible to 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

#### OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 December 31, 2018, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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.
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 and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors as on December 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2018 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 financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - 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, 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 Ind AS financial statements – Refer Note 31 to the standalone Ind AS 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

for **B S R & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

*Partner*

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019

## ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS

With reference to Annexure A referred to in our Report of even date to the Members of Rain Industries Limited ("the Company") on the standalone Ind AS financial statements for the year ended December 31, 2018, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. In accordance with the programme, fixed assets have been physically verified during the previous year and no material discrepancies were noticed on such physical verification.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 3 to these standalone Ind AS financial statements, are held in the name of the Company.
- ii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.
- iii. The Company has granted unsecured loans to one subsidiary covered in the register maintained under Section 189 of the Companies Act, 2013 ("Act"). The Company has not granted loans to firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act.
  - a) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
  - b) In respect of the aforesaid loans, the borrowers have been regular in the repayment of the principal and payment of interest, wherever stipulated.
  - c) In respect of the aforesaid loans, there are no amounts which are overdue for more than ninety days.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans given and investments made. Further, there are no guarantees and security given in respect of which provisions of Sections 185 and 186 of the Act are applicable.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed thereunder. Accordingly, paragraph 3(v) of the Order are not applicable to the Company.
- vi. The Central Government has not prescribed the maintenance of cost records under Section 148 of the Act, for services rendered by the Company. Thus, paragraph 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Goods and Service tax, Sales-tax, Value Added Tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Goods and Service tax, Sales-tax, Value Added Tax and other material statutory dues were in arrears as at December 31, 2018 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Goods and Service Tax, Sales Tax, Value-Added Tax which have not been deposited with appropriate authorities on account of any dispute. However, the Company has the following disputed dues with respect to Income tax.

## ANNEXURE A

### TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS (CONTINUED)

| Name of the Statute  | Nature of Dues          | Amount in millions (₹) | Period to which the amount relates | Forum where the dispute is pending  |
|----------------------|-------------------------|------------------------|------------------------------------|---|
| Income tax Act, 1961 | Income tax and interest | 91.24<br>(91.24)       | AY 2004-05                         | Honourable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh |
| Income tax Act, 1961 | Income tax and interest | 25.61<br>(12.80)       | AY 2008-09                         | Honourable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh |
| Income tax Act, 1961 | Income tax and interest | 167.70<br>(94.90)      | AY 2009-10                         | Honourable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh |
| Income tax Act, 1961 | Income tax and interest | 200.44<br>(10.00)      | AY 2010-11                         | Income tax Appellate Tribunal   |
| Income tax Act, 1961 | Income tax and interest | 51.90                  | AY 2011-12                         | Income tax Appellate Tribunal   |
| Income tax Act, 1961 | Income tax and interest | 32.60                  | AY 2012-13                         | Income tax Appellate Tribunal   |
| Income tax Act, 1961 | Income tax and interest | 18.40                  | AY 2013-14                         | Income tax Appellate Tribunal   |

(Amount in parenthesis represents amount deposited under protest with respective authority)

- viii. According to the information and explanations given to us and the records of the Company examined by us, the Company has not defaulted in repayment of loans and borrowings to Banks. The Company did not have any dues to Financial Institution or Government, nor has it issued any debentures as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the moneys raised by way of term loan have been applied on an overall basis for the purpose for which they were obtained.
- x. According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.
- 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. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause (xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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 Note 30 to the standalone Ind AS financial statements as required under Indian Accounting Standard 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause (xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause (xv) of the Order are not applicable to the Company.
- xvi. According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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 (xvi) of the Order are not applicable to the Company.

for **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

Partner

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019

## **ANNEXURE B**

### **TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS**

The Annexure B referred to in our Report of even date to the Members of Rain Industries Limited ("the Company") on the standalone Ind AS financial statements for the year ended December 31, 2018.

#### **REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF THE SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**

We have audited the internal financial controls over financial reporting of the Company as of December 31, 2018 in conjunction with our audit of the standalone Ind AS 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 Act.

#### **AUDITOR'S 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, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial control and both issued by the ICAI. 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 Ind AS 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 Ind AS financial statements for external purposes in accordance with the 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 Ind AS 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 Ind AS financial statements.

## ANNEXURE B

### TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS (CONTINUED)

#### **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 December 31, 2018, 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 **B S R & Associates LLP**

*Chartered Accountants*

ICAI Firm Registration Number: 116231W/W-100024

**Sriram Mahalingam**

*Partner*

Membership Number: 049642

Place: Hyderabad

Date: February 27, 2019