

Sundaram-Clayton Limited

Independent Auditor's Report for the year ended 31st March 2020

To the Members of
Sundaram-Clayton Limited

Report on the Audit of the Standalone IND AS Financial Statements

Opinion

We have audited the standalone financial statements of Sundaram-Clayton Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the 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 31st March 2020, 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 of the standalone financial statements in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

S.No.	Key Audit Matter	Auditor's Response
1	Application of IND AS 116 From 1 st April 2019, IND AS 116 has to be applied on all applicable leasing contracts with the application and appropriate	Principal Audit Procedures The company has employed an external agency to assist with the transition into IND AS 116 during the financial year and has

S.No.	Key Audit Matter	Auditor's Response
	accounting treatment of identifying lease liability, right to use asset, interest on such lease.	extensively documented, for each of its leases, based on a policy of general materiality, the applicability or non-applicability of the standard, to such lease. We have verified the new leases during the year for new assets leased during the year and have found that the approach applied is consistent to the policy in place and also in line with the requirements of the standard. The company has had modifications in lease by way of changes in lease period. The company has appropriately treated this in the book of accounts with proper recognition of lease liability. We have also performed an independent verification of the calculation of the lease liability, interest on lease and right to use assets based on the information made available to us and found the results satisfactory.

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

The Company's management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, 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 during the course of 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 the Management and Board of Directors, for the Standalone Financial Statements

The Company's management and Board of Directors are 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

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and fair view of the financial position, financial performance, total 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. 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 the 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 misstatements, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatements, 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 scepticism 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 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 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 upto 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 economic decisions of a reasonably knowledgeable user of the 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 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, 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.

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Report on Other Legal and Regulatory Requirements

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 the paragraphs 3 and 4 of the Order, to the extent applicable.

As required by the 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 purpose 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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss(including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with books of accounts.
 - (d) In our opinion, the aforesaid standalone financial statements comply with Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rule, 2014.
 - (e) On the basis of written representations received from the directors as on 31st March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2020 from being appointed as directors in term of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over the 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 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 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 the financial position in its standalone financial statements-Refer Note 37(i) to the financial statements;
 - ii. The company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, the Investor Education and Protection Fund by the Company.

For RAGHAVAN, CHAUDHURI & NARAYANAN
Chartered Accountants
Firm Regn. No. 007761S

V. SATHYANARAYANAN
Partner

Place : Bengaluru
Date : 29th May 2020

Membership No. 027716
UDIN : 20027716AAAAFL4375

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Annexure'A' to Independent Auditors' Report - 31st March 2020 (Referred to in our report of even date)

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) Fixed assets are physically verified by the management in accordance with a regular programme at reasonable intervals. In our opinion the interval is reasonable having regard to the size of the company and nature of its assets. No material discrepancies have been noticed on such verifications;
- (c) The title deeds of the immovable properties of the company are held in the name of the company;
- ii) The inventory, other than in-transit, has been physically verified at reasonable intervals during the year under review by the management. The discrepancies noticed between the book stock and physical stock were not material and have been properly dealt with in the books of accounts.
- In respect of inventories with third parties, which have not been physically verified, there is a process of obtaining confirmation from such parties;
- iii) During the year, the Company has not granted any loan to a company, firm or other parties covered in the register maintained under Section 189 to the Companies Act 2013;
- 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, as applicable. The company has not provided any guarantees or securities;
- v) The Company has not accepted any deposits from the public within the meaning of Section 73 to 76. Hence, reporting under sub-clause (v) of paragraph 3 of the Order is not applicable to the company;
- vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government under Section 148(1) of the Companies Act, 2013 for the maintenance of cost records and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii) (a) According to the information and explanation given to us, and on the basis of our examination of the records of the company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, Income-tax, sales-tax, custom duty, excise duty, service tax, value added tax, cess, goods and services tax and any other material statutory dues with the appropriate authorities except for few marginal delays;
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales-tax, custom duty, excise duty, service tax, value added tax, cess, goods and services tax, were in arrears as at 31st March 2020 for a period of more than six months from the date they became payable;
- (c) According to the information and explanations given to us, following are the details of the disputed dues that were not been deposited on account of any dispute as on 31st March 2020:
- | Nature of Duty / Tax under Dispute | Amount Involved (Rs. in crores) | Forum where dispute is pending |
|------------------------------------|---------------------------------|---|
| Central Excise | 1.41 | Central Excise and Service Tax Appellate Tribunal |
| Service Tax | 1.40 | Central Excise and Service Tax Appellate Tribunal |
| VAT | 0.03 | Tamil Nadu Sales Tax Appellate Tribunal |
| Income tax | 0.11 | Commissioner of Income Tax (Appeals) |
- viii) Based on our verification and according to the information and explanations given by the management, the company has not defaulted in repayment of dues to its banks or to the Government. The Company has not borrowed from any financial institution nor has issued any debentures.
- ix) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence, reporting on utilization of such money does not arise;
- (b) In our opinion and according to the information and explanations given to us, the term loans availed by the Company have been utilised for the purpose for which they were obtained;
- x) Based on the audit procedures adopted and the information and explanation given to us, no fraud by the Company or on the Company has been noticed or reported during the course of our audit;

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- xi) In our opinion and according to the information and explanations given to us, Managerial remuneration paid/provided are 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 as such this clause of the order is not applicable;
- xiii) In our opinion and according to the information and explanations given to us, all transactions with the related parties are in compliance with Section 177 and 188 of the Act and details of such transactions have been disclosed in standalone Ind AS financial statements as required by the applicable accounting standards;
- xiv) According to the information and explanation given to us and in our opinion, the company has not made any preferential or private placement of shares or fully or partly convertible debentures during the year under review;
- xv) According to the information and explanation given to us and in our opinion, the company has not entered into any non-cash transactions with directors or persons connected with them;
- xvi) The company is not required to be registered under Section 45-IA of the Reserve Bank Act, 1934.

For RAGHAVAN, CHAUDHURI & NARAYANAN
Chartered Accountants
Firm Regn. No. 007761S

V. SATHYANARAYANAN
Partner

Place : Bengaluru
Date : 29th May 2020

Membership No. 027716
UDIN : 20027716AAAAFL4375

Annexure 'B' to the Independent Auditors' Report for the year ended 31st March 2020

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 Sundaram-Clayton Limited ("the Company"), "Chaitanya", No.12, Khader Nawaz Khan Road, Chennai 600 006, as of 31st March 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 and Board of Directors are responsible for establishing and maintaining internal financial controls based on 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 Companies Act, 2013.

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, issued by Institute of Chartered Accountants of India and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 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 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.

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, 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 system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 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 RAGHAVAN, CHAUDHURI & NARAYANAN
Chartered Accountants
Firm Regn. No. 007761S

V. SATHYANARAYANAN
Partner

Place : Bengaluru
Date : 29th May 2020

Membership No. 027716
UDIN : 20027716AAAAFL4375