

Independent Auditor's Report

**To the Members of
Aarti Industries Limited**

Report on the Standalone Financial Statements

1. We have audited the accompanying Standalone Financial Statements of **Aarti Industries Limited** ("the Company"), which comprises the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Board of Directors of the Company are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended 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 judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Standalone 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 there under and the Order issued under Section 143(11) of the Act. We conducted our audit 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 Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Standalone Financial Statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone 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 accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the Financial Statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

Opinion

6. 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 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, 2018, of the profit, total comprehensive income, its cash flows and the changes in the equity for the year ended March 31, 2018;

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the Annexure A, a statement on the matters Specified in paragraphs 3 and 4 of the Order.

8. As required by Section 143(3) of the Act, we further 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 of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss including Other Comprehensive Income, Cash Flow Statement and 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 Financial Statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015;
 - e) on the basis of written representations received from the Directors as on March 31, 2018, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 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 over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
 - g) In our opinion and to the best of our information and according to the explanations given to us, we report as under 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:
 - (i) The Company has disclosed the impact of pending litigation on its financial position in its Standalone Financial Statements. Refer Note 24 to the Standalone Financial Statements.
 - (ii) The Company has made provision, as required under the applicable law or accounting standards see 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, to the Investor Education Fund and Protection Fund by the Company.

For **Kirtane & Pandit LLP,**
Chartered Accountants
 FRN: 105215W/ W100057

Milind Bhawe
 Partner

Place: Mumbai
 Date: May 11, 2018

Membership No.: 047973

Annexure A to the Auditor's Report –

March 31, 2018

Annexure A referred to in paragraph 7 of our Report of even date to the members of Aarti Industries Limited on the accounts of the company for the year ended March 31, 2018.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- (i) (a) The Company is generally maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
 - (b) The Company has phased programme of physical verification Property, Plant and Equipment by which all Property, Plant and Equipment are verified over a period of three years. In our opinion, periodicity of physical verification is reasonable having regard to the size of the Company and nature of assets. As informed to us, there were no material discrepancies were noticed on such physical verification;
 - (c) According to the information and explanation given to us and on the basis of examination of the records of the Company, the title deeds of immovable properties other than self-constructed immovable property (buildings) are held in the name of the Company.
- (ii) The Management has been conducted physical verification of the inventories at reasonable intervals, except inventories lying at third parties, confirmation of such stocks has been obtained. No major discrepancies were found in the physical verification. All minor discrepancies have been properly dealt with in books of accounts.
 - (iii) According to the information and explanations given to us, the Company had granted unsecured loan to its one wholly owned subsidiary in the register maintained under Section 189 of the Act,
 - (a) In our opinion, terms and conditions of such loan was not prejudicial to the interest of the Company.
 - (b) The schedule of principal amount and interest has been stipulated and it is regular.
 - (c) There is no overdue amount in respect of such loan granted.
- (iv) In our opinion and according to the information and explanations given to us, Company have been complied with provision of Section 185 and 186 of the Act, in respect of loans, investments, guarantees and security.
 - (v) The Company has not accepted any deposits from the public covered under Section 73 to 76 of the Companies Act, 2013.
 - (vi) The Company has maintained cost records as required under sub-Section (1) of Section 148 of the Act. We have not carried out any detailed examination of such records.
 - (vii) According to the information and explanations given to us and based on the records of the company examined by us,
 - (a) The company has generally been regular in depositing the undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service Tax, Excise Duty, Custom Duty and other material statutory dues, as applicable, with the appropriate authorities in India ;

According to the information and explanation given to us, no undisputed amount payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service Tax, Excise Duty, Custom Duty and other material statutory dues were in arrears as at March 31, 2018 for a period of more than six months from the date they become payable.
 - (b) According to the information and explanations given to us and based on the records of the company examined by us, there are no dues of Income Tax, Sales Tax, Service Tax, Goods and Service Tax, Excise Duty and Custom Duty which have not been deposited on account of any disputes except following:

Name of the Statute	Amount in ₹	Period for which it relates	Forum where dispute is pending
The Central Excise Act, 1944, Custom Duty, Service Tax, Interest & Penalty	31.84 Crs	FY 2001-02 to FY 2014-15	Commissionerate
	39.63 Crs		Appellate Authorities and Tribunals
Income Tax Act, 1961 and Interest & Penalty	12.77 Crs	FY 2008-09 to FY 2013-14	Commissionerate
	5.19 Crs		Appellate Authorities and Tribunals
Total	89.44 Crs		

- (viii) In our opinion and according to the information and explanations given to us and based on our examination of the records, the Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, monies raised by way of debt instruments and the term loans during the year have been applied by the Company for the purposes of which they are raised. Company does not raise money by way of initial public offer or further public offer and term loans, other than for what it was purposes.
- (x) In our opinion and according to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of to the Act.
- (xii) The nature of business is not related to Nidhi Company; hence, this clause is not applicable.
- (xiii) In our opinion, and according to the information and explanations given to us and based on our examination of the records of the Company, all transactions with related parties are in compliances with the Section 177 & 188 of the Companies Act, 2013 and details have been disclosed in the Financial Statements as required by the applicable Accounting Standards.
- (xiv) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) In our opinion and according to the information and explanations given to us, during the year, the company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Kirtane & Pandit LLP**,
Chartered Accountants
FRN: 105215W/ W100057

Milind Bhawe
Partner
Membership No.: 047973

Place: Mumbai
Date: May 11, 2018

Annexure B to the Auditor's Report –

March 31, 2018

Annexure B referred to in paragraph (f) under “Report on Other Legal and Regulatory Requirements” Section of our Report to the members of Aarti Industries Limited of 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 Aarti Industries Limited (“the Company”) as of March 31, 2018 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 Board of Directors are 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 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 ICAI 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, both applicable to an audit of Internal Financial Controls and, 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 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 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.

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, 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 **Kirtane & Pandit LLP,**
Chartered Accountants
FRN: 105215W/ W100057

Milind Bhawe
Partner

Place: Mumbai
Date: May 11, 2018

Membership No.: 047973