

## Textual information (40)

### Disclosure in auditor's report explanatory [Text Block]

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ZYDEN GENTEC LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying Standalone Ind AS Financial Statements of Zyden Gentec Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'standalone Ind AS financial statements').

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and the Statement of changes in Equity 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 Rule 7 of the Companies (Accounts) Rules, 2014.

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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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 and the Rules made thereunder including 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 and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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 judgment, 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 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.

#### Basis for Qualified opinion

i. We draw your attention to the Note No. 23 other explanatory information: Point No. (b) regarding not providing depreciation as required by IND-AS-16 of Rs 10,06,207/- in respect of building, plant and Machinery and all other fixed assets due to its being not in operation; due to this loss has been understated by Rs 10,06,207/-.

ii. We draw your attention to the Note No. 23 other explanatory information: Point No. (d) regarding not recognizing deferred tax liability as required by IND AS -12 considering absence of virtual certainty and amount is also not quantified.

iii. The management is valuing old Raw Material of Rs 23,81,898/-, Finished Goods of Rs 43,11,223/-, Stores, spares and consumable/packing material of Rs 2,29,969/- whereas the possession of above material is with PNB bank who acquired u/s 13(4) of SARFAESI Act on 05.02.2015. and Land & Building and Plant & Machinery auctioned 04.12.2017. The net realizable value is not ascertained by the company as required by IND AS -2.

iv. The management is considering good of old loans & advances to related and other parties, balances with statutory/ Government authorities and interest receivables of Rs 9,76,15,252/- and old sundry debtors of Rs 3,91,34,919/- whereas the actual recoverable value is not ascertained by the company.

v. Some of the closing bank balances could not be reconciled such as State Bank of India Dr. Balance of Rs.10,357/-, SIDBI Loan (HYD) Cr. Balance of Rs 32,43,920/-, as statements were not available for verification.

#### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except qualification given above in para i. to v. for the effect on the standalone Ind AS financial statements of the matters described in the basis for qualified opinion paragraph, 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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March 2018, and its loss (financial performance including other comprehensive income), its cash flows and changes in equity for the year ended on that date.

#### 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.

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 statement of cash flows 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 subject to basis for qualified opinion paragraph;

(e) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act; and

(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) 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 not disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts including derivative contracts.

iii. As explained to us by the management, the company has not transferred any amount to the Investor Education and Protection Fund account as stated by the company.

For Rajvanshi & Associates

Chartered Accountants

Firm Regn. No : 005069C

sd/-

Vikas Rajvanshi

Partner

M.No : 073670

Place : Jaipur

Date : 30th May 2018

#### ANNEXURES TO THE INDEPENDENT AUDITORS' REPORT

##### (ANNEXURE "A" TO THE AUDITOR'S REPORT)

The Annexure referred to in our Independent Auditors' Report in Paragraph 2 of Report on Other Legal and Regulatory Requirements to the members of the Company on the financial statements for the year ended 31st March 2018, we report that:

(i). In respect of Fixed Assets:

(a) The Possession of fixed assets of the Company has been taken over by the PNB under SARFAESI Act 2002 on 05.02.2015 and Land, Building and Plant & Machinery at Kota have been auctioned on 04.12.2017 by PNB till then company maintained reasonable records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information , which were not verified by the auditor.

(b) As explained to us, fixed assets have been physically verified by the management in a phased periodical manner which in our opinion is reasonable having regard to the size of the Company and the nature of its assets till 04.12.2017 i.e. before the auction under SARFAESI is done by PNB.

(c) 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 were held in the name of the Company till the auctioned date 4.12.2017.

(ii) In respect of Inventories:

The management is valuing old Raw Material of Rs 23,81,897/-, Finished Goods of Rs 43,11,222/-, Stores, spares and consumable/ packing material of Rs 2,29,969/- lying in factory at Kota which were not verified by the auditor, whereas the possession of above material is with PNB Bank who acquired u/s 13(4) of SARFAESI Act on 05.02.2015 and auctioned land Building, plant and machinery on 4.12.2017. The net realizable value is not ascertained by the company. As explained to us, the inventories have been physically verified by the management till the possession of PNB and could not verify after possession. In our opinion and according to the information and explanations given to us by the management, the physical verification of inventory is not possible as inventories are in possession of bank.

(iii) The Company has granted unsecured loan to one company covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). The amount outstanding to Deepak Health Care Pvt. Ltd. was Rs 41,38,406/-.

The terms & condition of the grant of such loan are prejudicial to the company's interest;

b) Schedule of repayment of principal has not stipulated. Receipt of the principal amount are not regular and interest is not charged;

c) There was overdue amount in respect of loan granted but no reasonable steps have been taken by the company for recovery of principal.

(iv) According to the information and explanations given to us, the Company has granted loan to one company in which director is also director under provision of section 185 and 186 of the Companies Act, 2013 in the nature of business advance as reported by the management.

(v) As informed and explanation given to us the Company has not accepted any new deposits from the public during the year. Hence RBI directives are not applicable.

(vi) As informed to us, the company is not required to maintain the cost records as prescribed under Section 148(1) of the Companies Act 2013.

(vii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, in our opinion:-

(a). The payment in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues have not been regularly deposited with the appropriate authorities. According to the information and explanations given to us, undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2018 for a period of more than six months from the date of becoming payable is CST 2% Rs. 1,91,049/-, CST 5% Rs. 2,411/-, VAT Payable Rs 12,359/-, EPF Payable Rs. 5,21,871/-.



Firm Regn. No.: 005069C

sd/-

Vikas Rajvanshi

Partner

M No. : 073670

Place : Jaipur

Date : 30th May 2018

#### ANNEXURES TO THE INDEPENDENT AUDITORS' REPORT

(ANNEXURE "B" TO THE AUDITOR'S REPORT)

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 ZYDEN GENTEC LIMITED ("the Company") as of 31 March 2018 in conjunction with our audit of the 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 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 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 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 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.

## Basis of Qualified Opinion

The company has defaulted the repayment of loans of secured creditors such as PNB, SIDBI and State Bank of Hyderabad. The PNB has taken possession & done auction of land, building, plant & machinery of the company under SERFAESI Act, 2002. The operations of the company are closed.



## Qualified Opinion

In our opinion, the Company does not have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were not operating effectively as at 31 March 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 Rajvanshi & Associates

Chartered Accountants

Firm Regn. No.: 005069C

sd/-

Vikas Rajvanshi

Partner

M. No. : 073670

Place : Jaipur

Date : 30th May 2018