

Independent Auditor's Report

To The Members of Valecha Engineering Limited

Report on the Audit of Standalone Financial Statements

Qualified Opinion

We have audited the accompanying standalone financial statements of **Valecha Engineering Limited** ("the Company"), which comprise the standalone balance sheet as at March 31, 2020, the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone Statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the 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, except for the effects/possible effects, if any, of the matters described in the "Basis for Qualified Opinion" paragraph of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("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, its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

a) The Company has not evaluated impairment provisions for expected credit losses (ECL) as required under Ind AS 109 "Financial Instruments" in relation to following Investments made, loans and advances given and Corporate Guarantees extended to its Subsidiary, Step-Down Subsidiary and Associate Companies whose net-worth is completely eroded on account of continued losses incurred in the past:

- Loans & advances aggregating to Rs. 212.22 crores given to its three subsidiary companies and two step-down subsidiary company;
- Investments aggregating to Rs. 2.16 crores in its three subsidiary companies and Rs. 0.07 crores in two associate companies;
- Corporate Guarantees aggregating to Rs. 381.35 crores to Banks on behalf of one subsidiary company and two step-down subsidiary companies.

Had such provision towards impairment of Investments, loans and advances and Corporate Guarantees made by the Company, the retained earnings would have been reduced by Rs.595.80 crores as at March 31, 2020.

b) The Company has also not done any fair valuation of its Corporate guarantees referred to in pt. (a) above nor has recognized guarantee fees/commission during the period in relation to such Corporate guarantees issued without consideration as per the requirements of Ind AS 109 & Ind AS 113.

In the absence of any further detailed information, we are unable to comment upon the resultant impact, if any, on the standalone financial statements, which may arise on account of fair valuation adjustment of referred Corporate guarantees.

c) The Company has neither evaluated any impairment provisions for expected credit losses (ECL) as required under Ind AS 109 "Financial Instruments" nor made any fair valuation as per the requirements of Ind AS 113 "Fair Value Measurements" for Investment made of Rs. 39.84 crores, loan given of Rs. 73.46 crores, and Corporate Guarantees extended of Rs. 670.84 crores as at March 31, 2020 to one of its subsidiary company (other than subsidiary companies referred in point a above). The net-worth of such subsidiary is completely eroded and it continues to incur losses. The Subsidiary Company has filed a claim on its customer for Rs. 1373.70 crores and is expected to repay/settle all dues. However, in view of the uncertainty involved over settlement of the claim amount and consequent repayment of all its dues, we are unable to comment upon the need for impairment provisions and the impact of fair valuation adjustments, if any, which may be required and the resultant impact on the standalone financial statements, if any.

d) We draw attention to Note No. 41 to the standalone financial statement, the Company has not evaluated expected credit losses for long outstanding Trade Receivables of Rs. 222.21 crores which includes Rs. 100.32 crores pertaining to additional claims raised during earlier years due to price escalation and various other reasons which are under arbitration before various authorities.

The Company has also not evaluated impairment provisions for expected credit losses as required under Ind AS 109 "Financial Instruments" for loans given to related parties amounting to Rs. 6.57 crores and to other than related parties amounting to Rs. 139.10 crores as at March 31, 2020.

In absence of any detailed information regarding the recoverability of such loans, third party confirmation/reconciliations for such trade receivables and loans & advances, we are unable to comment upon the recoverability and corresponding impact of impairment on the standalone financial statements.

e) We draw attention to Note No. 42 to the standalone financial statement, wherein the Company has not provided for regular interest payable to banks estimated at Rs. 87.07 Crores for the year ended 31st March, 2020 as it expects certain relief in view of the proposed One Time Settlement plan being pursued by the Management. The Company has also not provided for any penal interest, if any, which may arise for defaults in repayments of various borrowings for similar reasons.

The Company has also not provided Interest on its outstanding payments to its Vendors registered under MSME.

The Company has also not provided for interest of Rs. 2.61 crores which may arise towards delayed payment of dues towards tax deducted at source as on 31st March 2020.

Had such provision towards estimated regular interest payable to banks for the year ended 31st March, 2020 and interest on delayed payment of dues towards Tax deducted at Source as on 31st March, 2020 been made in the standalone financial statements for the year ended 31st March,

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2020, the Company's net loss after comprehensive income for the year ended 31st March, 2020 would have been Rs. 86.31 crores. In absence of detailed computation of penal interest for default in repayment of Borrowings, interest for default in payment of TDS and interest for delayed payments to vendors registered under MSME we are unable to comment on its resultant impact on the standalone financial statements.

- f) We draw attention to Note No. 43 to the standalone financial statement, the Company has not repaid fixed deposits from deposit holders (including unpaid interest provided upto March 2017 of Rs. 2.58 crores) amounting to Rs. 30.73 crores outstanding as at March 31, 2020 as per the contractual terms. Pursuant to the NCLT order dated 03.04.2019, 11.06.2019, 22.08.2019, 14.11.2019 and 26.05.2020 and in terms of NCLAT order dated 12.02.2020 the matter has been subjudiced. As per these orders, the proceeds from Canara Bank and refunds from Income Tax department will be exclusively utilized for repayment of deposits to deposit holders. The Company has also not provided for regular interest on such deposits for the F.Y. 2017-18, F.Y.2018-19 and for year ended 31st March, 2020 as per the terms of issue and acceptance of deposits. Further, the Company has also not provided penal interest and fine as may be applicable under rule 21 of (Acceptance of Public Deposit) Rules, 2014. Non provision of such interest is not in compliance with Ind AS 23 "Borrowing Cost". In absence of detailed information and computation of such regular interest, penal interest and fine, if any, we are unable to comment upon its resultant impact on the standalone financial statements.
- g) We draw attention to Note No. 44 where the Company has previously assigned its loan amounting to Rs. 23.29 crores to its various creditors. However, the loanee company is unable to repay such creditors and hence the Company has reversed the assignment of creditors with its loan receivable and accordingly reinstated such creditors and loan receivable in its books of accounts. We have however not been provided with confirmations / appropriate documentation to verify such assignment of loan / offsetting and its consequent reversal and accordingly are unable to comment upon the resultant impact, if any on the standalone financial statements.
- h) We draw attention to Note No. 45 to the standalone financial statement, where the Company has stated that Other Current Assets as at March 31, 2020 includes Rs 33.73 crores receivable towards various indirect taxes from Government Authorities which are pending for assessments. However, in view of unavailability of updated information on status of such assessments, we are unable to comment upon the resultant impact, if any on the standalone financial statements.
- i) We draw attention to Note No. 46 to the standalone financial statement, where the Company in relation to its sixteen project sites, which have either been de-mobilized or completed or otherwise shut or non-operational, could not obtain details of transactions effecting, if any, through Bank accounts previously operated through such project sites. There have been no operations in such project sites during the year. Movement in accounts of such project sites, if any, is on account of balances being written off/written back and payments / receipts being made by the Head Office division in relation to assets / liabilities of such project sites.

Such Project Sites comprises total assets of Rs. 92.04 crores [including Trade Receivables Rs. 78.65 crores and loans to other parties Rs. 4.30 crores referred in point (d) above, balances with revenue authorities of Rs. 7.32 crores referred in point (h) above] and total liabilities of Rs. 42.20 crores as at the year end. In view of unavailability of information, we are unable to comment upon the resultant impact, if any on the standalone financial statements.

- j) The accounts of certain Banks, Loans & Advances given, Trade Receivables, Other Current Assets, Lenders' liability, Trade Payables and Other liabilities are subject to confirmations, reconciliations and adjustments, if any, having consequential impact on the standalone financial statements.
- k) There are various Legal Cases filed by / against the Company, since the cases are ongoing, we are unable to comment on any consequential impact in respect of the same on the standalone financial statements.

The matters stated above except at point (h) were subject matter of qualification in our audit opinion on the standalone financial statements for the year ended 31 March 2020 also.

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 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 (ICAI) 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 made 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 qualified audit opinion on the standalone financial statements.

Material Uncertainty Related to Going Concern:

We draw attention to Note No. 42 & Note No. 55 to the standalone financial statements which indicates that the Company has accumulated losses and its net worth has been substantially eroded and there has been defaults in repayment of various borrowings and deposits. These conditions, along with other matters set forth in Note No 42 & Note No. 55, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, the standalone financial statements of the Company have been prepared on a going concern basis for the reasons stated in Note No.55 to the standalone financial statements.

Emphasis of matter:

- a. We draw attention to Note no. 49 to the standalone financial statements, as per MCA Notification dated 12/09/2018, the Company has to obtain Secured Lenders approval for payment of remuneration to managing/ whole time director. The Company is in the process of one-time settlement (OTS) with secured lenders and which are expected to be concluded in due course. Pending the aforesaid OTS settlement, recovery of managerial remuneration of Rs.3.08 Crores pertaining to previous years in terms of special resolution passed by the members in the Annual General meeting has been kept in abeyance.
- b. We draw attention to Note no. 50 to the standalone financial statements, where during the year ended 31st March, 2020 the Company has identified certain balances which are not recoverable and / or payable. The aggregate of non-recoverable balances is Rs.67.21 crores and aggregate of non-payable balances is Rs.67.88 crores. These balances have been netted and a net income of Rs.0.67 crores has been recorded as "Balances written (back)/ off (Net)"

c. We draw your attention to Note no 54 of the standalone financial statements with regards to Management’s assessment of, inter-alia, realisability of financial Investments, Inventories and recoverability of Trade receivables measured at amortised cost due to COVID 19 pandemic outbreak. The management apart from considering the internal and external information upto the date of approval of these standalone financial statements, has also performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the management expects to recover the carrying amount of these assets.

The impact of the global health pandemic may be different from that estimated as at the date of approval of these standalone financial statements. Considering the continuing uncertainties, the management will continue to closely monitor any material changes to future economic conditions.

Our report is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sr. No	Key Audit Matters	Auditor’s response
1	Revenue from Construction Contracts	
	<p>There are significant accounting judgment including estimation of costs to complete, determining the stage of completion and the timing of revenue recognition.</p> <p>The Company recognizes revenue and profit/loss on the basis of stage of completion based on the proportion of contract costs incurred at balance sheet date, relative to the total estimated costs of the contract at completion. The recognition of revenue and profit/loss therefore rely on estimates in relation to total estimated costs of each contract.</p> <p>Refer to Note No. 2.7 Summary of significant accounting policies – “Revenue Recognition” of the Standalone Financial Statements</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Assessing the appropriateness of the Company’s revenue recognition accounting policies in line with Ind AS 115 and testing thereof. Testing of the design and implementation of controls involved for the determination of the estimates used as well as their operating effectiveness; Testing the relevant information technology systems’ access and change management controls relating to contracts and related information used in recording and disclosing revenue in accordance with the new revenue accounting standard; Testing a sample of contracts for appropriate identification of performance obligations; For the sample selected, reviewing for change orders and the impact on the estimated costs to complete; Discussion with the qualified & experienced project personnel regarding estimates of costs to complete for sample contracts, determination of milestones, various inherent contingencies in the contracts. Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.

Information Other than the Standalone Financial Statements and Auditor’s report thereon

The Company’s Board of Directors is responsible for the preparation of other information. The Other information comprises the information included in the Management Discussion and Analysis, Board’s Report including Annexures to the Board report, Corporate Governance report 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 our 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 required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the Standalone 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, other comprehensive income, changes in equity and cash flows 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 Rule 7 of the Companies (Account) 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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In preparing the 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.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 control 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 entity'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 entity 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 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 the 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 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 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 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. Pursuant to 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, except for the possible effects of matters described in the "Basis for Qualified Opinion" paragraph above, obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) Except for the effects / possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs above, 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 standalone balance sheet, the standalone Statement of profit & loss (including other comprehensive income), the standalone statement of changes in equity and the standalone cash flow statement dealt with by this Report are in agreement with the books of account.
 - d) Except for the effects / possible effects of matters described in the "Basis for Qualified Opinion" paragraphs above, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

- e) The matters described in the “Basis for Qualified Opinion” paragraphs and the “Emphasis of Matter” paragraphs above, in our opinion, may have an adverse effect on the functioning of the Company.
- f) On the basis of the written representation 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 Directors in terms of Section 164(2) of the Act.
- g) 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”.
- h) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of Sec 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.
- i) With respect to the matters to be included in the Auditor’s report in accordance with the 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 No. 31]
 - ii. Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Company has made provision, as required under the applicable law or Ind AS for material foreseeable losses, if any, on long-term contracts.
 - ii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Bagaria & Co. LLP

Chartered Accountants

Firm Registration No: 113447W/W-100019

Vinay Somani

Partner

Membership No: 143503

UDIN:20143503AAAAJT1436

Place : Mumbai

Date : August 20, 2020



Annexure “A” referred to in “Report on Other Legal and Regulatory Requirements” section of our report to the members of Valecha Engineering Limited of even date

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 state that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its Property, Plant and Equipment.
- b) A major portion of fixed assets have been physically verified by the management in accordance with the programme of verification, which, in our opinion, provides for physical verification of all fixed assets at reasonable interval having regard to the size of the Company and nature of its assets. According to the information and explanations given to us, the discrepancies noticed on such verification were properly dealt with in the books of account.
- 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 are held in the name of the Company.
- ii) According to the information and explanations given to us, the inventories have been physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on such verification. Due to COVID 19 related nationwide lockdown, the Management was not able to perform year end physical verification of inventory.
- iii) The Company has granted unsecured loans to six parties covered in the register maintained under Section 189 of the Act, in respect of which:
 - a. According to the information and explanations given to us and based on the audit procedures conducted by us, we are of the opinion that the terms and conditions of loans granted by the company to six parties covered in the register maintained under Section 189 of the Act, (balance outstanding as at balance sheet date Rs. 285.68 crores) are prejudicial to the Company's interest on account of them being interest free and without adequate security.
 - b. Since there is no stipulated repayment schedule in case of loans to above referred parties, we are unable to comment on the regularity of repayment of principal & interest.
- iv) In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions referred to in section 185 of the Act. The Company has complied with the provisions of 186 of the Act with respect to the loans and investments made.
- v) According to the information and explanations given to us, the Company has not accepted any fresh deposits from the public during the year. However, the Company has defaulted in repayment of Deposits accepted in earlier years amounting to Rs.28.16 Crores and cumulative interest thereon of Rs.2.58 Crores. Further, the Company has not complied with repayment schedule / order passed by the Company Law Board – New Delhi Branch heard on February 22, 2016 (Order passed under section 74(2) of the Companies Act Ref.C.P.NO. 05(MB) 2016). Further, the Company has also not provided penal interest and fine as levied under rule 21 of (Acceptance of Public Deposit) Rules, 2014.
- vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government of India, regarding the maintenance of cost records under sub-section (1) of Section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii) a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable, except for the following :

Name of the Statute	Nature of the Dues	Amount (Rs.in Crores)	Period to which the amount relates	Due Date
Income Tax Act, 1961	Tax Deducted at source	2.11	FY 2015-16	7th day from the end of the relevant month.
		1.15	FY 2016-17	
		0.14	FY 2017-18	
		0.29	FY 2018-19	
		0.33	April 2019 to September 2019	
Total		4.01		
Provident Fund & Misc. Provision Act 1952.	Provident Fund Contribution	0.08	FY 2015-16	15th day from the end of the relevant month.
		0.04	FY 2016-17	
		0.01	FY 2017-18	
Total		0.13		
Goods and Service Act, 2017	Goods and Service Tax	0.54	FY 2017-18	20 th day from the end of the relevant month.
		1.35	FY 2018-19	
		0.11	April 2019 to September 2019	
Total		2.00		
Profession Tax Act, 1975	Profession Tax	0.01	FY 2017-18	30 th day from the end of the relevant month.
Total		0.01		

- c) According to the information and explanations given to us and on the basis of our examination of the records of the Company and except for the possible effects of the matter described in point (h) under the “Basis for qualified opinion” paragraph, there are no dues of Income Tax, Goods and Service Tax and Duty of Customs, Duty of Excise and Value Add Tax which have not been deposited on account of any dispute.
- viii) Based on our audit procedures and on the basis of information and explanations given to us, the Company does not have any debentures issued / outstanding nor have taken any loan from the government at any time during the year. The Company has defaulted in repayment of loans or borrowings to Banks and financial institution as mentioned below:

Particulars	Amount of Default (Rs. in Crores)		Total	Period of Default (maximum)
	Principal	Interest		
Term Loan from banks				
Central Bank of India	35.98	13.04	49.02	1644 Days
Syndicate Bank	58.16	19.71	77.87	1551 Days
Yes Bank Limited	6.90	1.65	8.55	1033 Days
State Bank of India (SBI)	12.08	3.47	15.55	1460 Days
Term Loan from others				
SREI Equipment Finance Limited	17.53	10.28	27.81	1095 Days
Working Capital Facilities				
State Bank of India	194.04	44.48	238.52	1462 Days
Axis Bank Limited	71.65	22.96	94.61	1471 Days
Canara Bank	21.40	1.93	23.33	1631 Days
Lakshmi Vilas Bank	30.29	-	30.29	821 Days
Fixed Deposits from Public	28.16	2.58	30.73	2038 Days
Total	476.19	120.11	596.28	

- ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) or term loan during the year.
- x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by the officers or employees has been noticed or reported during the year.
- xi) According to the information and explanations given to us and based on the examination of the records, the Company has not paid / provided for managerial remuneration during the year. Also refer point (a) under “Emphasis of Matter” and Note no. 49 to the standalone financial statements in relation to excess managerial remuneration paid in earlier years.
- xii) The provisions of Nidhi Company are not applicable to the Company. Therefore, Para 3 (xii) of the Order is not applicable to the Company.
- xiii) According to the information and explanations given to us, the provision of Section 177 and 188 of Act, to the extent applicable, in respect of transactions with the related parties have been complied by the Company and the details have been disclosed in the Financial Statements as required by the applicable accounting standards in note no. 35 of the Standalone Financial Statements.
- xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures. Therefore, Para 3 (xiv) of the Order is not applicable to the Company.
- xv) 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 under Section 192 of the Act.
- xvi) According to the information and explanations given to us the Company is not required to be registered under Section 45 IA of the Reserve Bank of India Act, 1934.

For Bagaria & Co. LLP
Chartered Accountants
Firm Registration No: 113447W/W-100019

Place : Mumbai
Date : August 20, 2020

Vinay Somani
Partner
Membership No: 143503
UDIN: 20143503AAAAJT1436

Annexure “B” referred to in “Report on Other Legal and Regulatory Requirements” section of our report to the members of Valecha Engineering Limited of even date

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of **Valecha Engineering 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 Board of Directors of the Company 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 component 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.

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 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 controls 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 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 entity are being made only in accordance with authorisations of management; (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the entity’s assets that could have a material effect on the financial statements and (4) also provide us reasonable assurance by the internal auditors through their internal audit reports given to the Company from time to time.

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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company’s internal financial controls over financial reporting as at March 31, 2020:

- a. The Company is not having a full fledge ERP system to manage different operational activities. Accordingly, many of the operations, which would have been taken care by the system, required manual intervention and to that extent there are limitations in control system and processes.
The discrepancies noticed due to the above weakness, were, however, rectified by the year end with manual intervention.
- b. The Company did not have an appropriate internal control system at Sixteen (16) projects sites which could potentially result in the Company recording transactions and carrying balances of assets and liabilities without establishing reasonable certainty of its true nature, recoverability / liability to pay and could potentially result in material misstatements in the Company’s standalone financial statements.
- c. The Company’s internal control system were not operating effectively in evaluating the impairment provisions for expected credit losses and / or fair valuation as per the respective requirements of Ind AS 109 - “Financial Instruments” and Ind AS 113 – “Fair Value Measurement” in relation to the following:
 - Investment, loans & advances and corporate guarantees in certain subsidiaries, step-down subsidiaries and associates as more fully explained in note no. 40 (a) to (d) to the standalone financial statements; and
 - Long outstanding trade receivables and loans to related parties (other than subsidiaries, step-down subsidiaries and associates referred above) and other parties as more fully described in note no 41 to the standalone financial statements.

This could result in the Company not providing for adjustment, if any that may be required to the carrying values of such loans, investments, corporate guarantees and trade receivables and further provisions, if any, required to be made for the obligations on behalf of those entities, and its consequential impact on the accompanying standalone financial statements

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, to the best of our information and according to the explanations given to us, except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 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 said Guidance Note.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company for the year ended March 31, 2020.

For Bagaria & Co. LLP

Chartered Accountants

Firm Registration No: 113447W/W-100019

Vinay Somani

Partner

Membership No: 143503

UDIN: 20143503AAAAJT1436

Place : Mumbai

Date : August 20, 2020

