



To
The Members of Karuturi Global Limited

Report on the Financial Statements

We have audited the accompanying Standalone Ind AS financial statements of **KARUTURI GLOBAL LIMITED** (“the Company”) which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. (herein after referred to as “standalone Ind AS financial statements”).

Management’s Responsibility for the Ind AS Financial Statements

The Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these (Standalone) Ind AS financial statements that give a true and fair view of the financial position, financial performance 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, 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 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 Ind AS 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 thereunder.

We have 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 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 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 Ind AS Standalone financial statements

Basis for Qualified Opinion

- During the year, the Company has made sales amounting to Rs. 865.33 Lakhs and Purchasing amounting to Rs. 808.4 Lakhs, Wherein we observed that, there is a difference sales of 221.22 Lakhs and Purchase difference of 213.68 lakhs compared to VAT & GST returns filed by the Company. The company is not filing GST, VAT and TDS returns on time.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its Profit/Loss and its Cash Flow 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”), as amended, 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 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 it appears from our examination of those books;
 - c. The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income) and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - d. In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of written representations received from the directors as on March 31, 2018 taken on record by the Board of

Directors, the following directors are disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

- a. Sai Ramakrishna Karuturi
 - b. Anitha Karuturi
- 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 disclosed the impact of pending litigations on its financial position in its Standalone IndAS financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For and on behalf of

H. Muralidhar & Co

Chartered Accountants

Firm's registration number: 011874S

H. Muralidhar

Membership number: 220686

Place: Bangalore

Date: 30th May, 2018





“Annexure A” to the Independent Auditors’ Report

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2018:

- 1) (a) The Company has not maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (b) As per the explanation given to us, the Fixed Assets have not been physically verified by the management in a phased manner, designed to cover all the items over a period of three years. In our opinion, the system of Fixed Asset Verification adopted is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.
 - (c) The title deeds of movable and immovable properties are held in the name of the company, except Land at Doddaballapur and Car are not held in the name of company.
- 2) As per the information provided by the management , has conducted the physical verification of inventory at reasonable intervals.
- 3) As per the explanation given to us Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
- 4) 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 Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.
- 7) a) According to information and explanations given to us, the undisputed dues towards TDS, Sales Tax, Wealth Tax, Provident Fund, ESI and service tax have not been regularly deposited.
 - b) According to the information and explanations given to us, the undisputed dues towards TDS, Sales Tax, Wealth Tax Provident Fund, ESI and service tax which are outstanding for more than 6 months from the date they have become due are as follows:

Name of the statute	Nature of the dues	Amount (in Lakhs)	Period to which the amount relates
Income Tax Act 1961	Tax Deducted at Source	214.21	AY 2015-16 and prior
Karnataka VAT Act 2003	Value Added Tax	2.49	AY 2013-14
Karnataka VAT Act 2003	Value Added Tax	1.71	AY 2014-15
Finance Act, 1994	Service Tax	2.27	AY 2010-11
Finance Act, 1994	Service Tax	37.42	AY 2011-12
Finance Act, 1994	Service Tax	0.56	AY 2014-15
Income Tax Act 1961	Tax Deducted at Source	30.33	AY 2016-17
Finance Act, 1994	Service Tax	0.25	AY 2015-16
Karnataka VAT Act, 2003	Value Added Tax	0.52	AY 2015-16
Finance Act, 1994	Service Tax	0.16	AY 2016-17
Finance Act, 1994	Service Tax	0.17	AY 2016-17

- c) According to the information and explanations given to us, the company has defaulted in payment of Tax Deducted at Source on the provision of interest on FCCB during the assessment years 2013-14 to 2014-15 amounts to Rs. 656.62 Lakhs. Company has not provided for interest during the year.
- d) According to the information and explanation given to us, and based on the records of the company, the dues outstanding in respect of income tax, sales tax, wealth tax, service tax and other statutory duties on account of any dispute are as follows:

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Name of the Statute	Nature of the dues	Amount	Period to Which the Amount relates	Pending before the Authority
Finance Act, 1994	Service Tax	172.62	A.Y2006-07	Commissioner/CESTAT (Appeals)
Income Tax Act 1961	Income Tax	863.44	A.Y2005-06	Commissioner (Appeals) Bangalore
Income Tax Act 1961	Income Tax	793.33	A.Y2006-07	High Court of Karnataka
		600.00	A.Y2006-07	Commissioner (Appeals) Bangalore
Income Tax Act 1961	Income Tax	1,850.91	A.Y2007-08	Commissioner (Appeals) Bangalore
Income Tax Act 1961	Income Tax	19,303.07	A.Y2008-09	Income Tax Appellate Tribunal,
		3,254.27	A.Y2009-10	Income Tax Appellate Tribunal,
		4,830.70	A.Y2010-11	Income Tax Appellate Tribunal,
Income Tax Act 1961	Income Tax	5,706.24	A.Y2011-12	Income Tax Appellate Tribunal,
Income Tax Act 1961	Income Tax	5,472.63	A.Y2012-13	Income Tax Appellate Tribunal,
		5,471.86	A.Y2013-14	Commissioner (Appeals) Bangalore
Income Tax Act 1961	Income Tax	1,493.84	A.Y2014-15	Commissioner (Appeals) Bangalore
Karnataka Tax on entry of goods act, 1979	Entry tax	0.97	A.Y2007-08	Joint Commissioner of Commercial Taxes, Audit-13, VATDVO-1
Karnataka Tax on entry of goods act, 1979	Entry tax	3.87	A.Y2008-09	Joint Commissioner of Commercial Taxes, Audit-13, VATDVO-1
Karnataka Tax on entry of goods act, 1979	Entry tax	1.57		Joint Commissioner of Commercial Taxes, Audit-13, VATDVO-1

- 8) In our opinion and according to the information and explanations given to us, the Company has defaulted in the repayment of dues to banks and the same under dispute. The Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, no managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- 13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Standalone Ind AS Financial Statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made preferential allotment or private placement of shares. The requirement of Section 42 of Companies Act, 2013 have been complied with and the amount raised has been used for the purpose for which the funds were raised
- 15) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For and on behalf of
H Muralidhar & Co
Chartered Accountants
Firm's registration number: 011874S

H Muralidhar
Membership number: 220686
Place: Bangalore
Date: 30th May, 2018



“Annexure B” to the Independent Auditor’s Report of even date on the Standalone Ind Financial Statements of KARUTURI GLOBAL LIMITED

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 **KARUTURI GLOBAL LIMITED** (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 judgement, 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 for Qualified Opinion

The standard operating procedures and internal controls procedures are not established in the area of Sales, Purchases and Statutory dues transactions as evidenced in the basis of qualified opinion paragraph in audit report and in the annexure A. The default in filing of returns were observed & informed.

Opinion

In our opinion, the Company has, in all material respects, except to the matters mentioned in the Basis for Qualified Opinion Paragraph, 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 and on behalf of
H Muralidhar & Co
Chartered Accountants
Firm’s registration number: 011874S

H Muralidhar
Membership number: 220686
Place: Bangalore
Date: 30th May, 2018