

INDEPENDENT AUDITOR'S REPORT

To,

The Members of
FUTURA POLYESTERS LIMITED

Report on the audit of the financial statements

We have audited the accompanying standalone financial statements of FUTURA POLYESTERS LIMITED ('the Company') which comprise the Balance Sheet as at 31st March 2019, and 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.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements do not give the information required by the Companies Act, 2013 ("the Act") in the manner so required and also do not 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 March 31, 2019, and its loss, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Adverse Opinion

We conducted our audit in accordance with the standards on auditing specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.

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

1. Attention is invited to :
 - i. Note No. 17 for assuming 'going concern basis' despite closure of manufacturing operation, sale of all the immovable assets of the company, suffering recurring losses from discontinued operations, having negative net worth and initiating recovery proceedings by banks under

SARFAESI Act, 2002 and thus have substantial uncertainty about the intention of the company to continue as a 'going concern'.

- ii. Note No. 6 regarding amounts of bank balances in current and deposit account of Rs. 476.06 Lakhs (Previous Year Rs. 406.96 Lakhs) which are subject to adjustment against the agreed liability of the banks and thus the liability of banks is overstated and consequently the Cash & Cash Equivalents are overstated.
- iii. Non provision of Interest on amounts payable to workers amounting to Rs. 274.91 Lakhs (Previous Year Rs. 283.68 Lakhs) and thus the liability of the Workers are understated by Rs. 274.91 Lakhs and consequently the losses of the company have been understated.
- iv. Trade Payable, Trade Receivable, Loans, Advances, deposit, other current liabilities and other current assets are subject to confirmation, reconciliation and consequent adjustment as to its recoverability and payment obligation, effect thereof shall be recognised in the year of such confirmation /reconciliation. The amount of such impact is unascertainable.
- v. Note No. 22 (b) regarding contingent liabilities of Rs. 1916.20 Lakhs (Previous Year Rs. 1916.20 Lakhs), details thereof is not available for verification.

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

- A. The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Director's Report including Annexure to Director's Report, Business Responsibility Report, Corporate Governance and Information for Shareholder, 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.
- B. In connection with our audit of the 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 are required to report that fact. We have nothing to report in this regard.

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Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS 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 Indian Accounting Standards (Ind AS) specified under Section 133 of the Act.

This responsibility also includes the 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 the 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 control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, 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.

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

Auditor's Responsibility for the Audit of Standalone Financial Statements

- A. Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole 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.
- B. As part of an audit in accordance with SAs, we exercise professional judgment and maintain

professional scepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - ii. Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
 - iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - v. Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- C. 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

 **FUTURA POLYESTERS LIMITED**

Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

- D. 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.
- E. 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.
- F. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 the paragraph 3 and 4 of the Order, to the extent applicable.
- 2. As required by section 143 (3) of the Act, based on our audit we report to the extent applicable:
 - 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 appears from our examination of those books;
 - c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the statement of Cash Flow 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 Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
- e. On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act
- f. With respect to 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**". Our report expresses a adverse opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the Company has not paid any remuneration to its directors during the year.
- h. 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. The company was required to be transfer an amount of Rs. 395,233/- to the Investor Education and Protection Fund which has not been transferred.

For **LLB & Co.**
Chartered Accountants
Firm's Registration No.: 117758W

CA Lalit Bajaj
Partner
Membership No.: 104234
UDIN: 19104234AAAACQ3532

Place: Mumbai
Date: 25th November, 2019

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Annexure - A referred to in paragraph titled as “Report on other Legal and Regulatory Requirements” of Auditor’s report to the members FUTURA POLYESTERS LIMITED for the year ended 31st March 2019.

The annexure referred to in our Independent Auditors’ Report to the members of the Company on the standalone financial statements for the year ended 31 March 2019, we report that:

- i. (a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The company has a regular programme of physical verification of its fixed assets by which fixed assets were physically verified during the year by management. According to the information and explanations given to us, no material discrepancies were noticed on such verification;
- (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. (a) As explained to us, the company does not hold any inventories. Accordingly, paragraph 3(ii)(a), (b) and (c) of the Order is not applicable.
- iii. The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Thus, paragraph 3(iii) of the Order is not applicable.
- iv. In our opinion and according to information and explanation given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect of loans, investments, guarantees and security.
- v. According to the information and explanation given to us, the company has not accepted any deposit during the year to which the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 apply.
- vi. As per information & explanation given by the management the company do not have any operations thus the requirement of maintenance of cost records under sub-section (1) of section 148 of the Act are not applicable to the company.
- vii. (a) According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees’ State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and

any other statutory dues have generally **not** been regularly deposited with the appropriate authorities. According to the information and explanations given to us there are undisputed amount payable in respect of the wealth tax, income tax, property tax, excise duty, service tax and others were outstanding as at 31st March 2019 for a period of more than six months from the date they became payable.

Statement of arrears of statutory dues outstanding for more than six months.

Name of the Statute	Nature of Dues	Amount (Rs. In lacs)
Employees Provident Fund Act, 1948	Provident Fund - Penalty	3.11
Excise Act, 1944	Excise Duty	88.13
Tamil Nadu Vat Act	VAT	28.37
Finance Act, 1994	Service Tax	9.66
Foreign Trade (Development and regulation) Act, 1992	Penalty for advance license	52.00
Income Tax Act, 1961	Tax Deducted at Source	181.17
	Professional Tax	4.24
Central Sales Tax Act, 1956	CST	3241.95
Various Statutes	ESIC, Labour Welfare Fund, EPS etc.	2.71

- (b) According to the information and explanations given by the management, the details of dues of income tax/ sales tax/ wealth tax/ custom duty/ excise duty/ cess, which have not been deposited with the appropriate authorities on account of dispute, are given in the Appendix to this report.
- (c) According to the information and explanations given to us the company was required to transfer an amount of Rs. 395,233/- to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under, which has **not been transferred**.
- viii. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has defaulted in repayment of dues of financial institution/banks to the tune of Rs 146 Crores. However, the OTS offered to the lenders was valid till 31-12-2016 only. The Company has made a proposal for fresh OTS to Bank of India (the lead bank) along with other banks namely (SBI, Canara Bank, Union Bank of India, IDBI Bank, Axis Bank, Phoenix ARC Pvt. Ltd,

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- Reliance ARC Pvt. Ltd) dated 22nd July, 2019 for Rs.165 crores. The period of OTS will be one year from the date of final approval of the lenders. The OTS was approved by the Bank of India (the lead bank) along with Phoenix ARC dated 19th August, 2019.
- ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable.
 - x. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by its officers or employees has been noticed or reported during the year.
 - xi. According to information and explanations given to us and based on our examination of the records of the company, the company has not paid/provided for managerial remuneration.
 - xii. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to Nidhi Company. Accordingly, clause 3 (xii) of the Order is not applicable to the Company.
 - xiii. According to the information and explanation given to us, and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sec 177 and 188 of Companies Act, 2013 where applicable and details of such transactions 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, and based on our examination of the records of the Company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, clause 3 (xiv) of the Order is not applicable to the Company.
 - xv. In our opinion and according to the information and explanations given to us, and based on our examination of the records of the Company, the company has entered into any non-cash transactions with directors or persons connected with him. Accordingly, clause 3 (xv) of the Order is not applicable to the Company.
 - xvi. 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 **LLB & Co.**
Chartered Accountants
Firm's Registration No.: 117758W

CA Lalit Bajaj
Partner
Membership No.: 104234
UDIN: 19104234AAAACQ3532

Place: Mumbai
Date: 25th November, 2019

Appendix to Auditor's Report

Name of the Statute	Nature of Dues	Amount (Rs In lacs)	Assessment to which the matter pertains	Forum where dispute is pending
The Central Excise Act, 1944, Service Tax Act, 1994	Excise Duty	4588.43	Various Periods	Various Forums
	Service Tax	501.76	Various Periods	CESTAT
		82.92	Various Periods	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax, Interest	957.61	2014-15	Commissioner (Appeals)
		12592.81	2013-14	Commissioner (Appeals)
		1.50	2012-13	Commissioner (Appeals)
		0.34	2011-12	Commissioner (Appeals)
		449.03	2008-09	ITAT
		131.60	2007-08	ITAT
Govt, of Maharashtra –Irrigation Department	Water Charges	185.38		High Court
Foreign Trade (Development and regulation Act, 1992	Penalty	52.00	2010-11, 2011-12	Joint Director General

*The Customs, Excise and Service Tax Appellate Tribunal

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Annexure - B referred to in paragraph titled as “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 FUTURA POLYESTER LIMITED (“the Company”) as of 31 March 2019 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 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 **inadequate** internal financial controls system over financial reporting and such internal financial controls over financial reporting were **not** operating effectively as at 31 March 2019, 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 **LLB & Co.**

Chartered Accountants

Firm’s Registration No.: 117758W

CA Lalit Bajaj

Partner

Membership No.: 104234

UDIN: 19104234AAAACQ3532

Place: Mumbai

Date: 25th November, 2019