

INDEPENDENT AUDITOR'S REPORT

To the Members of EL FORGE LIMITED

Report on the Financial Statements

We have audited the accompanying standalone Ind AS financial statements of EL FORGE LIMITED ("the Company") which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of changes in equity, and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone 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 (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, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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

1. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
2. 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.
3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements, that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances.

5. An audit also includes evaluating the appropriateness of 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.
6. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

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 31st March 2018, its loss, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Emphasis of Matters

Without qualifying our opinion, we draw the attention to the following

1. Sl.no.5, namely, Miscellaneous Expenditure, in Notes on Standalone Ind AS financial statements, relating to Other Information;
2. Sl.no.6, namely Non Provision for diminution in the Value of Investments, in the Standalone Ind AS financial statements, relating to Other Information;
3. Sl.no.9, namely Non Payment of Group Gratuity Fund, in the Standalone Ind AS financial statements, relating to Other Information;
4. Sl.no.10, namely Non Disclosure of details under Employees benefit, in the Standalone Ind AS financial statements, relating to Other Information;
5. Sl.no.11, namely Penalty and Interest, in the Standalone Ind AS financial statements, relating to Other Information;
6. Sl.no.12, namely Change in the method of Accounting, in the Standalone Ind AS financial statements, relating to Other Information;
7. Sl.no.13, namely Pending Litigation, in the Standalone Ind AS financial statements, relating to Other Information;

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, we further report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- c) The Balance Sheet, Statement of Profit and Loss (including other comprehensive income), Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 as amended;
 - e) The matters described in the emphasis of matters paragraph above, in our opinion may have adverse effect on the functioning of the Company.
 - f) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of Section 164(2) of the Act
 - 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 A"**; and
 - h) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 Ind AS financial statements – Refer note 13 to the Standalone 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.
 - iii. We draw your attention to item no.14 of Note No. 28 to the Financial statements, relating to money that are required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Act, we give in **'Annexure B'** a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **L Mukundan and Associates**
Chartered Accountants
Firm Registration No: 0102835

Place: Chennai
Date: 30.05.2018

L Mukundan
Partner
M No. 204372

Annexure - A to the Independent Auditors' Report

(Referred to in paragraph 1(g) under 'Report on Other Legal and Regulatory Requirements' section of our report to the members of EL FORGE LIMITED of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the Internal Financial Controls over financial reporting of **EL FORGE 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 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 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 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 L Mukundan and Associates
Chartered Accountants
Firm Registration No: 010283S

Place: Chennai
Date: 30.05.2018

L Mukundan
Partner
M No. 204372

Annexure – B to the Independent Auditor's Report

Statement of matters specified in Para 3 & 4 of the order referred to in sub-section (11) of 143.

The annexure referred to in Para 2 under the heading of "Report on other Legal and Regulatory Requirements" of our report to the members of EL FORGE LIMITED of even date.

1. In respect of company's fixed assets:

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- b) As per the information and explanation given to us, all the fixed assets have been physically verified by the Company at reasonable intervals and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets;
- c) Considering the observations made in the aforesaid sub-paragraph, the remaining part of the Clause of the Order, relating to "whether the same(i.e., material discrepancies) have been properly dealt within the books of account" is not applicable to the Company for the year under report; and accordingly, we have not made any observation thereon; and
- d) 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; but it has been explained that the title deeds of the immovable property have been mortgaged with the Banks/Financial Institutions, etc.,(or other Agencies, namely Assets Reconstruction Company, through assignment in terms of under Securitization and reconstruction of financial assets and enforcement of Security Interest Act, 2002) for securing the borrowings and loan raised by the Company; accordingly, the same was not in the possession of the Company.

2. Relating to Inventory

- a) The Management has the policy of physical verification of Inventories once in every year, which is, in our opinion, a reasonable interval, considering the nature of inventories, volume of the inventories, nature of business and size of the Company. Accordingly, the Management has carried out physical verification of these inventories during the last month of the financial year under report;
- b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business;
- c) No material discrepancies were noticed by the Management on such physical verification;
- d) Considering the observations made in the aforesaid sub-paragraph, the remaining part of the Clause of the Order, relating to "Whether the same (i.e., material discrepancies) have been properly dealt with in the books of account" is not applicable to the Company for the year under report and accordingly, we have not made any observation thereon.

3. Relating to Loans Granted

- a) During the year under report, the Company has not granted, no loan previously given has been outstanding, at the end of the financial year any loan, secured or unsecured, companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- b) Considering the observations made in the aforesaid sub-paragraph, the remaining part of the Clause of the Order, given below, is not applicable to the Company for the year under report
 - i. Whether the terms and conditions of the grant of such loans are not prejudicial to the company's interest;
 - ii. Whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular; and
 - iii. If the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;
- c) Accordingly, we have not made any observation, relating to the above.

4. Relating to loans, investments, guarantees, and security

- a) Compliance of Section 185 of the Act (Loan to directors, etc.):
 - i. Based on verification, as per the information and explanations given to us, the Company has not given any loan to any directors of the company.
 - ii. Accordingly, we have not made any observation on the compliance of the aforesaid section.
- b) Compliance of Section 186 of the Act 2013 (Loans, investments, guarantees, and security)
 - i. Relating to the Current Financial Year:
 - A. The Company has not (i) given give any loan to any person or other body corporate, (ii) given any guarantee or provide security in connection with a loan to any other body-corporate or person, and (iii) acquired by way of subscription, purchase or otherwise, the securities of any other body corporate, during the year;
 - B. In view of the above, the provisions of section 186 of the Act are not applicable to the Company for the year under report; accordingly, we have not made any observation on the compliance of the aforesaid section.

- ii. Relating to the earlier financial years:

The guarantee given (for loans taken by a domestic company from its banker), much earlier to the 12-09-2013, by the company, has been settled by the domestic Company during April. 2017 Considering the aforesaid facts, in our opinion, the guarantee given is not prejudicial to the interest of the company.

5. Relating to Deposits

- a) In our opinion and according to the information and explanations given to us, the Company has accepted or renewed deposit from the public to which the directives issued by the Reserve bank of India, provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies Acceptance of Deposits Rules, 1975 are applicable.
- b) The company has paid all the fixed deposits which have been matured and claimed; but the company has not paid the Fixed Deposits matured but not claimed. The amount of such unclaimed deposits works out to Rs 87.36 Lakhs, as at 31-03-2018; since the amount is due for payment the same has been included and or shown under the under the grouping Current Liabilities in the Balance Sheet.
- c) The company has not made any amount as are required to be kept as liquid assets in respect of public deposit. Since they are due now and not going to mature in the ensuing financial year.
- d) It has been explained to us that no order (not the CARO-Order, referred by us) has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal; accordingly, the remaining part of the sub-clause of the aforesaid Clause of the Order, namely, "Whether the same (order) has been complied with or not" is not applicable for the financial year under report.
- e) As required by Paragraph 4 of the order, we give reason for our unfavorable or qualified remarks (Answers), as follows:

The company has not repaid the amount of deposits outstanding and became due, but remained unclaimed. Hence, we have qualified the same together with the amount remaining unpaid.

6. Relating to Cost Records

The company has maintained pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013. We have broadly reviewed the aforesaid cost records, maintained by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

7. Relating to Statutory Dues

- a) As per the records examined by us, the company is not regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax etc., with the appropriate authorities. As per the records examined by us, an amount of Rs. 378.30 Lakhs has been outstanding towards statutory dues, as at the last day of the financial year under report, for a period of more than six months from the date they became payable.

- b) As required by Paragraph 4 of the order, we give reason for our unfavorable or qualified remarks (Answers):

Since the company has not paid the undisputed statutory dues, even though they are due, we have qualified the same together with the amount, as per the aforesaid clause of the Order.

- c) As at the end of the financial period under report, no undisputed amount of income tax / sales tax / Wealth tax / Service Tax / Custom duty / Excise duty / Cess has been outstanding except those, given below:

Sl. No.	Nature of the Statute	Nature of the dues	Amount (Rs. In Lacs)	Year to which the amounts relates	Forum where dispute is pending
1	ESI	ESI contribution	0.77	Year – 2001	Employee Insurance court, Chennai
2	Income Tax	Income Tax Demand	0.03	Assessment Year 2004-05	CIT Appeals, Chennai
3	Income Tax	Income Tax Demand	75.60	Assessment Year 2007-08	CIT Appeals, Chennai
4	Service Tax	Service Tax Demand	4.89	2006-08 to 2008-09	Commissioner Appeals of Central Excise & Service Tax, Chennai
5	The Central Excise	Excise Demand	1.47	2003-04 to 2006-07	Commissioner of Central Excise Chennai IV Commissionerate
6	The Central Excise	Excise Demand	1.72	2002 to 2005	Customs, Excise and Service Tax Appellate Tribunal
7	The Central Excise	Excise Demand	4.86	2008-09 to 2012-13	Additional Commissioner of Central Excise Div. appeal Chennai III
8	The Central Excise	Excise Demand	8.49	2007-08	Assistance commissioner of Central Excise Chennai III

8. Relating to Repayment of Loans

- a) The Company has not borrowed amount from bank (No loan has been obtained from financial institution, government or debenture holders), during the year under report.
- b) During the earlier years, the company has borrowed money, both Long Term and Short Term, from a few banks, under consortium. The company has repaid the amount to the bank and amount outstanding with the banks as at 31-03-2018 is Rs. Nil. Further we draw your attention to Item no.12 of Note no. 28 to Financial Statements.
- c) Accordingly, the remaining part of the Clause, relating to reporting of the period and the amount of default (lender wise) is not applicable to the company for the year report.

9. Relating to application of Term Loan

- a) The Company has not raised moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans, during the year under report;
- b) In view of the above, we have not reported the details of default reason delay and subsequent rectification, if any.

10. Relating to Fraud

Based on the examination of the books of account and the information and explanations representation given to us, no fraud on or by the company has been noticed or reported during the year under report; accordingly, remaining part of the Clause of the Order relating to "the nature and the amount involved is to be indicated" is not applicable to the company for the year under report; and accordingly, we have not made any observation, relating to the above.

11. Relating to managerial remuneration

The 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 Act.

12. Nidhi Company

- a) In our opinion, the Company is not carrying out any activities resulting in Nidhi, accordingly reporting of certain matters, under the clause, namely, "(01) the net-owned funds to deposit liability ratio is more than 1:20 as on the date of balance sheet, (02) compliance with the maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability", are not applicable to company for the financial year under report.
- b) In view of the above, we have not reported the details of default reason delay and subsequent rectification, if any.

13. Related Party Transactions. in compliance with sections 177 and 188 of Act

It has been explained that the related party transactions have been entered into (by the Company and with Related Parties) in the ordinary course of business (or incidental to the ordinary course of business of the company) and on an arm's length basis;

14. Relating to Preferential Allotment

The company has not made any preferential allotment of shares or private placement of shares or fully or partly convertible debentures during the year under report; accordingly, we have not reported on the compliance with requirement of Section 42 of the Act, and the amount raised have been used for the purposes for which the funds were raised. The remaining part of the Clause, namely" providing the details in respect of the amount involved and nature of non-compliance" is not applicable to the Company for the year under report.

15. Relating to Non-Cash Transactions

During the financial year under report, the company has not entered into any non-cash transactions with directors or persons connected with him; accordingly, reporting on the matters, namely, "Whether the provisions of section 192 of Companies Act, 2013 have been complied with" is not applicable to the company for the financial year under report;

16. Relating to registration under section 45-IA of the Reserve Bank of India Act, 1934

During the financial year under report, the Company is not falling under the category or definition of a "Non-Banking Financial Company", as defined under Clause (f) of Section 45-I of Reserve Bank of India Act, 1934. Accordingly, in our opinion, company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. In view of the above, we have not stated, anything relating to "obtaining of the registration from the authorities concerned, as required by Section 45-IA of Reserve Bank of India Act, 1934".

For L.Mukundan and Associates
Chartered Accountants
Firm Registration No: 010283S

Place: Chennai
Date: 30.05.2018

L Mukundan
Partner
M No. 204372