

EL FORGE LIMITED

INDEPENDENT AUDITOR'S REPORT

To the Members of El Forge Limited Report on the Audit of the Financial Statements

01. Qualified Opinion

We have audited the Financial statements of El Forge Limited ("the Company"), which comprise the balance sheet as at 31st March 2020, 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, except for the possible effects of the matter described in the 'Basis for Qualified Opinion' section of our report, the aforesaid Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013 ("the Act"), of the state of affairs (financial position) of the Company as at 31 March 2020, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

02. Basis for Qualified Opinion

- (01) 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 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.
- (02) We draw attention to the following matters:
 - i. Non provision of loss or gains on account of Actuarial Valuation, as required by the Indian Accounting Standards, namely, Employees Benefit, as per Ind AS 19 due to nonpayment of contribution to Employees Gratuity Plan agreed upon with Life Insurance Corporation of India.
 - ii. Shakespeare Forgings Ltd (SFL), a Company incorporated in United Kingdom (UK) was an erstwhile wholly owned subsidiary (WOS) of the Company. During the Financial year 2014-15, the UK based wholly owned subsidiary (WOS) of the Company has ceased to be 100% foreign subsidiary (with effect from February 2015) and has become as Associate Company (in UK) concern with the meaning of the Companies Act, 2013. However, consolidation of the Financial Statements (Financial Results) has not been prepared, since the Company does not, in the opinion of the management, have any significant control over the affairs and operations of SFL. Accordingly, the loss or profit relating to the aforesaid SFL was not accounted in the books of the Company. The increase or decrease if any, in value of investment is also not provided in the books of account.

03. Emphasis Matter

- (01) We draw attention to Sl.No. 18 of Note 3.01 to the financial statements, which explain the uncertainties and the impact of COVID-19 pandemic situation on the Company's financial results as assessed by the management.
- (02) We also draw the attention to the following:

- i. Slno.11 of Note 3.02, namely Statutory dues, in the Ind AS financial statements, relating to Other Information;
- ii. Slno.12 of Note 3.02, namely Pending Litigation, in the Ind AS financial statements, relating to Other Information;
- iii. The amounts due to a few Creditors, who had filed cases against the Company, before The National Company Law Tribunal, under the Act, for recovery of their dues, have been settled with them based on the written memorandum of understanding executed with them by the company and subjected to fulfillment of terms and conditions, contained therein.

(03) Our opinion is not modified in respect of the above matters.

04. Key Audit Matters

- (01) Key audit matters are those matters those, 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.
- (02) Based on the examination of books of account and explanations provided to us, we are of the opinion that there are no materially significant key audit matters that requires disclosure in this report.

05. Information Other than the Financials Statements and Auditor's Report thereon (Other Information)

- (01) The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure to Board's Report, Corporate Governance and Corporate Information, but does not include the financial statements and our auditor's report thereon.
- (02) Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- (03) In connection with our audit of the financial statements, our responsibility is to read the other Information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
- (04) When we read the Directors' Report to the Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and we are further required to report such fact. In the above regard, we have nothing to report.

06. Responsibility of Management and Board of Directors for Financial Statements

- (01) 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 financial statements that give a true and fair view of the state of affairs (financial position), profit or loss(financial performance), 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.
- (02) 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

- (03) In preparing the 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 but to do so.
- (04) That Board of Directors is also responsible for overseeing the company's financial reporting process.

07. Auditor's Responsibilities for the Audit of the Financial Statements.

- (01) Our objectives are to obtain reasonable assurance about whether the 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 Standards of Auditing 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 financial statements.
- (02) As part of an audit in accordance with Standards on Auditing, 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 explaining our opinion on whether the Company has adequate internal financial controls 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 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 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 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.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
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 if they are materially significant in our auditor's report unless labor 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.

08. Report on Other Legal and Regulatory Requirements

- (01) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (02) As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The financial statements dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act
 - (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 (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 – Refer item no.12 of Note No.3.02 to the 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.13 of Note No.3.02 to the Financial statements, relating to money that are required to be transferred to the Investor Education and Protection Fund by the Company.
 - (h) With respect to the matter to be included in the Auditors' Report under Section 197(16) of the Act;

In our opinion and according to the information and explanations given to us, the remuneration paid or provided by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act.

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

Place: Chennai
Date: 29.07.2020

L Mukundan
Partner
Membership No. 204372
UDIN: 20204372AAAACZ9419

EL FORGE LIMITED

Annexure – A 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 paragraph 08 (01) of Main Audit Report, 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. No material discrepancies as compared to book records were noticed on such verification.
 - c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land, are held in the name of the Company as at the balance sheet date. Immovable properties of freehold land disclosed as fixed assets in the financial statement whose title deeds have been pledged as security for loans, 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. In respect of immovable properties of land that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
2. The inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable and adequate in relation to the size of the company and nature of

its business. No material discrepancies were noticed on physical verification of inventories as compared to the book records.

3. During the year, 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. Accordingly, the provisions of clauses (iii) (a), (b) &(c) of Para 3 of the Order are not applicable.

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 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.

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. 65.10 Lakhs, as at 31-03-2020; 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 no deposit is going to be matured in the immediately succeeding 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. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under sub Section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

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. 378.55 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):
- c. 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.
- d. 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	132.74	Assessment Year 2007-08	CIT Appeals, Chennai
3	Service Tax	Service Tax Demand	4.89	2006-08 to 2008-09	Commissioner Appeals of Central Excise & Service Tax, Chennai
4	The Central Excise	Excise Demand	1.47	2003-04 to 2006-07	Commissioner of Central Excise Chennai IV Commissionerate
5	The Central Excise	Excise Demand	1.72	2002 to 2005	Customs, Excise and Service Tax Appellate Tribunal
6	The Central Excise	Excise Demand	4.86	2008-09 to 2012-13	Additional Commissioner of Central Excise Div. appeal Chennai III
7	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 (or the Assets Reconstruction company) and amount outstanding with the banks as at 31-03-2020 is Rs. Nil. Further we draw your attention to Item no.14 of Note no. 3.02 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.

- d. The option, exercising conversion of preferential share (Optionally Convertible preference shares) to equity shares, has not been received by the company.
9. In our opinion and according to the information and explanations given to us, the Company has not availed any term loan from the financial institutions during the year under audit. The Company has not raised monies by way of initial public offer or further public offer (including debt instruments) during the year
10. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements, to the best of our knowledge and belief and as per the information and explanations given to us by the Management, and the representations obtained from the management, no material fraud by the Company and no fraud on the company by its officers or employees has been noticed or reported during the year.
11. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid or provided managerial remuneration 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. According to the information and explanations given to us and based on our examination of the records and approvals of the Audit Committee of the Company, all transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations give 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 and hence, reporting under Clause 3 (xiv) of the Order is not applicable to the Company.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with its directors or persons connected to its directors. Accordingly, paragraph 3(xv) of the Order is not applicable.
16. According to the information and explanation given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

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

Place: Chennai
Date: 29.07.2020

L Mukundan
Partner
Membership No. 204372
UDIN: 20204372AAAACZ9419

Annexure - B to the Independent Auditors' Report
(Referred to in paragraph 08(02)(f) of the Main Audit Report under the heading '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, 2020 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 (IFCoFR) 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 (the "Guidance Note") 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 internal financial controls over financial reporting of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 IFCoFR 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 IFCoFR 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 IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR 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, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, 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 Control over Financial Reporting issued by the ICAI.

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

Place: Chennai
Date: 29.07.2020

L Mukundan
Partner
Membership No. 204372
UDIN: 20204372AAAACZ9419