

# STERLING BIOTECH LIMITED


## Balance sheet as at 31 March 2018

Particulars	Note	As at	
		31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	2,48,812.15	2,72,629.18
Capital work-in-progress	3	2,50,320.44	2,44,230.25
Financial assets			
Investments	4	1,58,644.56	1,58,207.12
Deferred tax assets (net)	5	81,285.55	37,958.27
Other non-current assets	6	585.60	14,723.60
		<u>7,39,648.30</u>	<u>7,27,748.42</u>
<b>Current Assets</b>			
Inventories	7	6,092.96	70,330.16
Financial assets			
Trade receivables	8	5,134.09	4,332.82
Cash and cash equivalents	9	911.40	1,263.26
Bank Balances other than above	10	417.07	429.54
Other current assets	11	35,510.81	31,405.00
		<u>48,066.33</u>	<u>1,07,760.78</u>
<b>Total assets</b>		<u><b>7,87,714.63</b></u>	<u><b>8,35,509.21</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity Share capital	12	2,721.70	2,721.70
Other Equity	13	24,863.61	1,24,887.44
<b>Total Equity</b>		<u><b>27,585.31</b></u>	<u><b>1,27,609.14</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial Liabilities			
Borrowings	14	1,97,873.50	3,99,151.90
<b>Current liabilities</b>			
Financial Liabilities			
Borrowings	14	1,21,086.74	95,820.30
Trade Payables	15	2,070.34	3,789.80
Other Financial Liabilities	14	4,37,455.87	2,07,731.17
Other Current Liabilities	15	1,642.85	1,406.89
		<u>5,62,255.79</u>	<u>3,08,748.17</u>
<b>Total liabilities</b>		<u><b>7,60,129.29</b></u>	<u><b>7,07,900.07</b></u>
<b>Total equity and liabilities</b>		<u><b>7,87,714.63</b></u>	<u><b>8,35,509.21</b></u>

Accompanying notes are integral part of the financial statements. As per our report of even date attached.

### As per our report of even date attached

For JHS & Associates LLP  
Chartered Accountants  
F.R.No. 133288W/W100099

  
Jignesh Thaker  
Partner  
Membership No. :107231



  
Insolvency Resolution Professional  
Sundaresh Bhat

Resolution Professional of Sterling Biotech Limited  
Signed without any liability for administrative purpose only, as review period is prior to appointment of insolvency professional/ commencement of corporate insolvency resolution process, read with Note No. 33 & 34

**Mr. Sundaresh Bhat**  
Reg. No. IBBI/IPA-001/  
IP-P00077/2017-18/10162

Place: Mumbai  
Date: 19/12/2018



1/19

# STERLING BIOTECH LIMITED

## Statement of Profit and Loss for the year ended 31 March 2018

Particulars	Note	Year ended	Year ended
		31 March 2018	31 March 2017
		Rs. Lacs	Rs. Lacs
Revenue from operations	17	35,972.74	40,018.95
Other income	17.1	550.06	397.70
<b>Total income (I)</b>		<b>36,522.80</b>	<b>40,416.64</b>
<b>Expenses</b>			
Cost of raw material and components consumed	18	23,787.39	25,860.60
Change in inventories of finished goods and work-in-progress	19	1,363.48	1,485.48
Excise Duty/ GST on sale of goods		739.43	3,176.39
Employee benefits expense	20	5,841.18	5,440.69
Finance costs	21	43,967.15	36,979.77
Depreciation & amortisation	22	24,574.79	26,354.78
Other expenses	23	2,831.56	2,798.43
<b>Total expenses (II)</b>		<b>1,03,104.98</b>	<b>1,02,096.15</b>
<b>Profit/(Loss) before exceptional item and tax (I-II)</b>		<b>(66,582.18)</b>	<b>(61,679.50)</b>
Less : Exceptional Item	29	77,229.33	-
<b>Profit/(Loss) before tax</b>		<b>(1,43,811.51)</b>	<b>(61,679.50)</b>
Tax expense			
- Current tax		-	-
- Deferred tax		(43,273.00)	(20,434.00)
<b>Total tax expense</b>		<b>(43,273.00)</b>	<b>(20,434.00)</b>
<b>Profit/(Loss) for the period</b>		<b>(1,00,538.51)</b>	<b>(41,245.50)</b>
<b>Other Comprehensive Income</b>			
Items that will not to be reclassified to profit or loss			
Net (loss)/gain on FVTOCI of equity securities		460.32	2,963.61
Income tax effect		54.28	(483.29)
<b>Net other comprehensive income not to be reclassified to profit or loss</b>		<b>514.60</b>	<b>2,480.32</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(1,00,023.91)</b>	<b>(38,765.19)</b>
Earning per equity share [Face value of Rs.1/- each]	24		
- Basic		(36.94)	(15.15)
- Diluted		(36.94)	(9.52)

Accompanying notes are integral part of the financial statements. As per our report of even date attached.

### As per our report of even date attached


For JHS & Associates LLP  
Chartered Accountants  
F.R.No. 133288W/W100099

  
Jignesh Thaker  
Partner  
Membership No. :107231



Place: Mumbai

Date: 15/12/2018

  
Insolvency Resolution Professional  
Sundaresh Bhat

Resolution Professional of Sterling Biotech Limited

Signed without any liability for administrative purpose only, as review period is prior to appointment of insolvency professional/ commencement of corporate insolvency resolution process, read with Note No. 33 & 34

**Mr. Sundaresh Bhat**  
Reg. No. IBBI/PA-001/  
IP-P00077/2017-18/10162



# STERLING BIOTECH LIMITED

## Statement of Cash Flows for the Year Ended March 31, 2018

Particulars	Note	Year ended	Year ended
		31 March 2018	31 March 2017
		Rs. Lacs	Rs. Lacs
<b>A) Cash flow from operating activities:</b>			
Net Profit before taxation and exceptional items		(66,582.18)	(61,679.50)
Adjustments for			
- Depreciation/amortisation		24,574.79	26,354.78
- Interest expenses		43,967.15	36,979.77
Interest Income		(26.83)	(31.09)
Profit on sale of Fixed Assets		(4.19)	0
Profit on Investments (Foreign Exchange Gain)		(179.14)	(22.07)
<b>Operating profit before working capital changes</b>		<b>1,749.61</b>	<b>1,601.89</b>
Movement in working capital :			
(Increase)/Decrease in Trade Receivables		(625.78)	(85.48)
(Increase)/Decrease in Inventory		1,177.20	1,422.87
(Increase)/Decrease in Other Receivables		(4,098.13)	(4,525.27)
Increase/(Decrease) in Trade Payable (Current Liabilities)		(1,483.49)	1,649.75
		(3,280.60)	63.76
Direct Tax		-	-
<b>Net cash flow (used in)/from operating activities (A)</b>		<b>(3,280.60)</b>	<b>63.76</b>
<b>B) Cash flows from investing activities</b>			
(Purchase) of fixed assets		(946.47)	(4,943.84)
Sales of fixed assets		4.85	16.05
Sales / (Purchase) of investments		-	0.12
Interest Income on Fixed Deposit		26.83	31.09
<b>Net cash flow used in investing activities (B)</b>		<b>(914.79)</b>	<b>(4,896.58)</b>
<b>C) Cash flows from financing activities</b>			
Proceeds from Issue of Preference Shares		6,613.50	5,856.50
Proceeds from Share Premium on issue of shares		-	-
Proceeds/(Repayment) of borrowings and Interest		(2,769.96)	(994.75)
<b>Net cash (used in)/from financing activities (C)</b>		<b>3,843.54</b>	<b>4,861.75</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents (A+B+C)</b>		<b>(351.86)</b>	<b>28.93</b>
Cash and cash equivalents at the beginning of the year		1,263.26	1,234.33
<b>Cash and cash equivalents at the end of the year</b>		<b>911.40</b>	<b>1,263.26</b>


**Notes:**

1. The Cash flow has been prepared under the Indirect Method as set out in Ind AS-7 on Cash Flow statement.
2. Figures in bracket represents Cash Outflow.

Accompanying notes are integral part of the financial statements. As per our report of even date attached.

**As per our report of even date attached**

For JHS & Associates LLP  
Chartered Accountants  
F.R.No. 133288W/W100099

  
Jignesh Thaker  
Partner  
Membership No. :107231



Place: Mumbai  
Date: 19/12/2018

**Insolvency Resolution Professional**

Sundaresh Bhat  
Resolution Professional of Sterling Biotech Limited  
Signed without any liability for administrative purpose only, as review period is prior to appointment of insolvency professional/ commencement of corporate insolvency resolution process read with note no. 33 & 34

**Mr. Sundaresh Bhat**  
Reg. No. IBBI/IPA-001/  
IP-P00077/2017-18/10162



# Statement of Changes in Equity for the quarter ended 31 March 2018

## a. Equity share capital

Equity shares of Rs.1/- each	No. in lacs	Rs. Lacs
Authorised		
At 31 March 2017	5,000.00	5,000.00
At 31 March 2018	5,000.00	5,000.00
Issued and Subscribed		
At 31 March 2017	2,758.94	2,758.94
At 31 March 2018	2,758.94	2,758.94
Paid up (fully paid)		
At 31 March 2017	2,721.70	2,721.70
At 31 March 2018	2,721.70	2,721.70

## b Other Equity

	Reserves and Surplus		Items of OCI	Total Other Equity	
	Share Premium	Debenture Redemption Reserve	Retained earnings FVTOCI reserve		
<b>For the year ended 31 March 2018</b>					
As at 31st March 2017	1,00,133	4,982	-90,310	1,10,082	1,24,887
Profit for the year	0	0	-1,00,539	0	-1,00,539
Exceptional Items (refer note 27)	0	0		27	27
Other comprehensive income	0	0		488	488
Total comprehensive income	0	0	-1,00,539	515	-1,00,024
Issue of share capital	0	0	0	0	0
<b>As at 31 March 2018</b>	<b>1,00,133</b>	<b>4,982</b>	<b>-1,90,849</b>	<b>1,10,597</b>	<b>24,863</b>

### As per our report of even date attached

For JHS & Associates LLP  
Chartered Accountants  
F.R.No. 133288W/W100099



Jignesh Thaker  
Partner  
Membership No. :107231



  
Insolvency Resolution Professional

Sundaresh Bhat  
Resolution Professional of Sterling Biotech Limited

Signed without any liability for administrative purpose only, as review period is prior to appointment of insolvency professional/ commencement of corporate insolvency resolution process, read with Note No. 33 & 34

Reg. No. IBBI/IPA-001/  
IP-P00077/2017-18/10162

Place: Mumbai

Date: 15/12/18



## Notes to the Financial Statements for the year ended 31 March 2018

### 1. Corporate Information

Sterling Biotech Limited ('The Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 applicable in India. The Equity shares of the Company are listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in India. The registered office of the Company is located at 43, Atlanta Building, Nariman Point, Mumbai - 400 021, Maharashtra, India.

The Company is engaged in the manufacturing of Pharma Grade Gelatine & Di-Calcium Phosphate and other Pharma products. The Company has presence in both domestic and international markets.

The Company was admitted to corporate insolvency resolution process ("CIRP") vide order of the National Company Law Tribunal ("NCLT"), Mumbai Bench, dated June 11, 2018 ("Insolvency Commencement Date") under the provisions of the Insolvency and Bankruptcy Code, 2016 ("Code"). [NCLT order dated June 26, 2018 and taken over by RP on June 27, 2018].

In accordance with the applicable provisions of the Insolvency and Bankruptcy Code 2016 ("IBC/Code Mr. Sundaresh Bhat having Registration No.IBBI/PA-001/IPPO0077/2017-2018/t0162 was appointed as the Interim Resolution Professional ("IRP") to manage the affairs of the Company. Subsequently, Mr. Sundaresh Bhat was confirmed as the Resolution Professional ("RP") by the committee of creditors ("CoC"). On appointment of the IRP/RP, the powers of the Board of Directors of the Company were suspended.

### 2. Significant Accounting Policies

#### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Land and buildings classified as property, plant and equipment,
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current - non current classification of assets and liabilities.

#### 2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting period end. Difference between the actual results and estimates are recognised in the period in which results are known/materialised.

#### 2.3 Property, Plant and Equipment

All the property, plant and equipment are stated at acquisition cost, net of accumulated depreciation and net of impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Freehold land is not depreciated.

Subsequent expenditures related to an item of property, plant and equipment are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Items of property, plant and equipment that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the Statement of Profit and Loss.

Loss arising from the retirement of, and gains or losses arising from disposal of property, plant and equipment which are carried at cost are recognised in the Statement of Profit and Loss.

#### 2.4 Depreciation / Amortisation

Depreciation is provided on pro-rata basis on the Straight Line Method (SLM) over the estimated useful lives of property, plant and equipment's considering the nature, estimated usage, operating conditions, past history of replacement, anticipated technology changes, etc. Considering these factors, the Company has decided to retain the useful life adopted for various categories of property, plant and equipment's, which are different from those prescribed in Schedule II of the Companies Act, 2013. Depreciation is not charged on capital work-in-progress until construction and installation are complete and is ready to be put to use.

#### 2.5 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in Statement of Profit and Loss in the period in which they are incurred.

#### 2.6 Impairment of non-financial assets

Assessment is done at each Balance Sheet date as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/ cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net-selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at each Balance Sheet date as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.



## 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2.8 Revenue Recognition

Sale of goods: Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract and are recognised net of trade discounts, rebates and sales tax/ VAT /GST.

## 2.9 Other Income

Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Export Benefits: The Company accounts for export benefit entitlements under the Duty Entitlement Pass Book Scheme of Government of India, on accrual basis.

## 2.10 Foreign Currency Translations

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transactions. Exchange difference on settlement of transactions of fixed assets is capitalized with acquisition cost of fixed assets. The balance exchange fluctuation is charged to revenue. Current Assets and Liabilities are translated at year-end exchange rates.

## 2.11 Retirement Benefits

Retirement benefits payable to employees is charged to revenue on accrual basis. Employer's contribution to Provident Fund is accounted for on accrual basis.

## 2.12 Employee Benefits

### a. Short Term Employee benefits

All Short term employee benefit plans such as salaries, wages, bonus, special awards and medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognised on an undiscounted basis and charged to the Statement of Profit & Loss.

### b. Defined Contribution Plan

The company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner and contribution of the company is charged to the Statement of Profit & Loss on accrual basis.

### c. Defined Benefit Plan

The Company's liability towards gratuity to its employees is covered by a group gratuity policy with LIC of India. The contribution paid / payable to LIC of India is debited to the statement of Profit & Loss on accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation using the Projected Unit Credit method and debited to the Statement of Profit & Loss on accrual basis. Thus charge to the Statement of Profit & Loss includes premium paid to LIC, current service cost, interest cost, expected return on plan assets and gain/loss in actuarial valuation during the year, net of fund value of plan asset as on the balance sheet date. Liability towards leave salary is provided on actuarial basis.

## 2.13 Current and deferred tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the taxation laws prevailing in the respective jurisdictions.

Deferred tax for timing differences between the book profits and tax profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date. Deferred tax assets arising from the timing differences are recognised to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised for tax loss and depreciation carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is virtually certain and is supported by convincing evidence that sufficient future taxable profits can be realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

## 2.14 Research and Development expenditure

Revenue expenditure is charged to the statement of Profit and Loss in the period in which it is incurred and is reflected under the appropriate heads of account. Capital expenditure is debited to Fixed Assets and depreciated at applicable rates.

## 2.15 Provisions and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle present obligation at the Balance Sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent Liabilities are disclosed when there is possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

## 2.16 Cash and Cash Equivalents

In the cash flow statement cash and cash equivalent include cash in hand, demand deposits with banks and other short term highly liquid investments.

## 2.17 Earning Per Share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which would have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless they have been issued at a later date.



## 2.18 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### (i) Financial Assets

#### a) Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### b) Subsequent Measurement

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

#### c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset

#### d) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure. The Company follows 'Simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. net cash shortfalls), discounted at the original EIR.

Equity instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

### (ii) Financial Liabilities

#### a) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### b) Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

**Loans & Borrowings** - After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss. This category generally applies to borrowings.

#### c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2.19 Fair Value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability



3. Property, Plant and Equipment Particulars	Land &	Leasehold Land	Buildings	Plant & machinery	Office	Vehicles	Rs. Lacs	
							Total	
As at 31 March 2017	3,414.90	6,377.90	35,427.37	2,79,425.59	1,932.80	2,174.74	3,28,753.30	
Additions	-	-	19.54	661.69	29.35	47.84	758.42	
Disposals	-	-	-	-	-	1.37	1.37	
As at 31 March 2018	3,414.90	6,377.90	35,446.91	2,80,087.28	1,962.15	2,221.21	3,29,510.35	
<b>Depreciation</b>								
As at 31 March 2017	-	185.11	3,838.44	49,993.23	1,271.89	835.47	56,124.14	
For the year	-	67.31	1,707.03	22,310.72	178.27	311.44	24,574.77	
Disposals	-	-	-	-	-	0.71	0.71	
As at 31 March 2018	-	252.42	5,545.47	72,303.95	1,450.16	1,146.20	80,698.20	
<b>Net Book Value</b>								
As at 31 March 2018	3,414.90	6,125.48	29,901.44	2,07,783.33	511.99	1,075.01	2,48,812.15	
As at 31 March 2018	3,414.90	6,125.48	29,901.44	2,07,783.33	511.99	1,075.01	2,48,812.15	
<b>Net Book Value</b>								
					As at			
					31 March 2018	31 March 2017		
					Rs. Lacs	Rs. Lacs		
Property, Plant and Equipment					2,48,812.15	2,72,629.18		
Capital Work in Progress					2,50,320.44	2,44,230.25		

The company CWIP of Rs.250,320.44 lacs as at 31-03-2018 comprises of expenditure incurred on setting of new manufacturing facility at Bharuch district and amount incurred over several year is largely comprises of capital expenditure, borrowing cost, Foreign exchange variance of foreign currency loans, pre-operative expenses and other related expenses.

4. Non-current Investments	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
<b>Investments at FVTOCI</b>		
Investments in Mutual Funds	188.54	168.99
Investments in Shares (Quoted)	53.46	56.76
Investments in Shares (Un-quoted)	1,58,402.00	1,57,980.81
National Savings Certificate	0.56	0.56
<b>Total</b>	<b>1,58,644.56</b>	<b>1,58,207.12</b>

**Schedule of Investment**

4.1 Particulars	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
<b>Investment in Mutual Funds</b>		
Jm Basic Fund-Growth Plan	27.76	24.97
Jm Core 11 Fund-Series I	83.96	73.53
Jm Multi Strategy Fund-Growth Plan	52.17	47.99
L&T India Large Cap Fund-Growth	24.65	22.50
<b>Total</b>	<b>188.54</b>	<b>168.98</b>
<b>Investment in Equity Shares - Quoted</b>		
Reliance Power Limited	3.15	4.19
Transwarranty Finance Limited	50.31	52.57
<b>Total</b>	<b>53.47</b>	<b>56.76</b>
<b>Investments in Shares (Un-quoted)</b>		
Share-Atlantic Bluewater Services	8.65	8.62
Share-British Oil & Gas Exploration Ltd.	9.42	9.90
Share - Sterling Oil Resources Limited	1,392.53	1,392.22
Share - Sterling Port Limited	1,39,133.24	1,39,101.53
Share - Sterling SEZ & Infrastructure Private Ltd	15,572.05	15,186.02
SEEPSCO BVI	1,136.11	1,132.52
Shimnit Utsch India P.Ltd.	1,150.00	1,150.00
<b>Total</b>	<b>1,58,402.00</b>	<b>1,57,980.82</b>

The Mutual funds and Quoted Equity Shares are traded in active markets and fair value are based on quoted market prices at the 31 March 2018.

The Unquoted Equity Shares are investments made in Companies which are recognised as related parties, except Shimnit Utsch India P.Ltd. . The said investments are not traded in an active market.

5. Deferred Tax Asset (net)	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Deferred Tax Asset/(Liability)	1,12,458.99	69,185.99
Deferred Tax Liability recognised in FVTOCI	(31,173.44)	(31,227.72)
<b>Total</b>	<b>81,285.55</b>	<b>37,958.27</b>





6. Other Non-current assets

	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Opening Balance	14,142.80	16,238.03
Add : Capitalised during the period		-
Less : Amortised/Written off during the period	14,142.80	2,095.23
Deposits	585.60	580.80
<b>Closing Balance</b>	<b>585.60</b>	<b>14,723.60</b>

Initially, during the year 2013, the Company has decided to develop an improved process of manufacturing of Gelatin with higher yield and effective colors and viscosity, which is typically high for high Bloom gelatins, to retain higher profits and sales realisation from it. The international standards are also becoming stringent and more demanding in terms of parameters. The Company is always improving its product and it's a continuous effort. Considering the same, the Company has identified the new process for proper Ph, Moisture control, lesser ASH, Control Sulphur dioxide content (SO2), acceptable microbiological properties and accordingly charged the bone and the same was lying in the process with various utilities application as Work In Process stage for development to improvise yield and technical properties. While gelatin is very stable in its gel form, various factors such as pH, temperature or bacterial environment may cause an hydrolysis of the protein chain yielding not only a decreased viscosity but also a decrease in Bloom. However, the company continued to invest the funds in inventory of Bone, Lime, HCL and utilities in work in process stage as the improvement seen at work in process stage was highly encouraging and the technical team of the Company was convinced that the development is in right direction.

During the year 2014, due to the stringent pollution control norms for ETP plant, the Company was forced to keep material for longer period of even more than 210 days. Resultant in the process, instead of development of better ossien, all gelatin licked up during liming process. Ossien was lying without any other process and liming reaction was continued. Accordingly, Company was forced to take decision to dispose off the material without further extraction of Gelatin to avoid contamination.

The Company had been earlier amortizing the carrying value over a period of 10 years. However, in the current year, the Company has written off the balance outstanding under exceptional items.

7. Inventories

	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Raw Materials	1,096.19	1,057.38
Stock in Process	2,674.87	67,266.73
Stores & Spares parts	858.17	698.13
Finished Goods	1,463.73	1,307.92
<b>Total</b>	<b>6,092.96</b>	<b>70,330.16</b>

8. Trade Receivables

(Unsecured, Considered Good)

	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Outstanding for a period exceeding six months from the date they are due for payment	18.68	5.46
Other receivables	5,115.40	4,327.36
<b>Total</b>	<b>5,134.09</b>	<b>4,332.82</b>

9. Cash and Bank Balances

	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
<b>Cash and cash equivalents</b>		
Cash on hand	40.31	27.44
Balances with banks		
In Current Account	871.09	1,235.83
<b>Total</b>	<b>911.40</b>	<b>1,263.26</b>

10. Bank Balances other than above

	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Fixed Deposits ( Margin Money under lien to bank and Debt service reserve account)	417.07	429.54
<b>Total</b>	<b>417.07</b>	<b>429.54</b>

11. Other current assets

	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
Balance with Excise & Other Government Authorities	1,943.50	1,128.75
Advance recoverable in cash or kind or for value to be received	33,567.31	30,276.25
<b>Total</b>	<b>35,510.81</b>	<b>31,405.00</b>

Advance recoverable in cash or kind includes amount of Rs. 28,636.40 lacs as at 31-03-2018, these are the opening balances carried forward from prior years. Company is attempting to get the details of these loans and advances and only upon compilation of information one can make the assessment of recoverability/non- recoverability of these amounts.



09/12

	No. in Lacs	Rs. Lacs
<b>12. Equity Share Capital</b>		
<b>Authorised Share Capital</b>		
<b>50,00,00,000 Equity shares of Rs.1/- each</b>		
At 31 March 2017	5,000.00	5,000.00
Increase/(decrease) during the year	-	-
<b>At 31 March 2018</b>	<b>5,000.00</b>	<b>5,000.00</b>
<b>Issued and Subscribed</b>		
<b>27,58,94,388 Equity share of Rs.1/- each</b>		
At 31 March 2017	2,758.94	2,758.94
Increase/(decrease) during the year	-	-
<b>At 31 March 2018</b>	<b>2,758.94</b>	<b>2,758.94</b>
<b>Paid-up (fully paid)</b>		
<b>27,21,70,388 Equity shares of Rs.1/- each</b>		
At 31 March 2017	2,721.70	2,721.70
Increase/(decrease) during the year	-	-
<b>At 31 March 2018</b>	<b>2,721.70</b>	<b>2,721.70</b>

**Rights, preferences and restrictions attached to Equity Shares**

The Company has only one class of equity shares having a par value of Rs.1/- per share. Each shareholder of equity share is entitled for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

	As at 31 March 2018		As at 31 March 2017	
	No. in Lacs	% holding	No. in Lacs	% holding
<b>Equity shares of Rs.1/- each fully paid</b>				
Albula Investment Fund Limited	159.63	5.87%	159.63	5.87%
Lotus Global Investments Ltd-Adr/Gdr	139.48	5.12%	139.48	5.12%

**13. Other Equity**

	As at	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Share Premium Account	1,00,133.08	1,00,133.08
Debenture Redemption Reserve	4,982.14	4,982.14
Retained Earnings	(80,251.61)	19,772.21
<b>Total</b>	<b>24,863.61</b>	<b>1,24,887.44</b>

Refer statement of change in other equity for movement in components of other equity.



14. Borrowings

	As at	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
<b>Non-Current borrowings</b>		
<b>Secured</b>		
(Secured by way of first charge on Fixed Assets of the company, on pari passu basis)		
Term Loans from Banks		77,513.15
External Commercial Borrowings		
<b>Unsecured</b>		
Foreign Currency Convertible Bonds	-	1,30,378.75
Zero Coupon Convertible Bonds due 2019 (Aggregating to USD 201,082,000 (31 March 2018: USD 201,082,000))		
8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares carrying no voting rights of Rs.10/- each	1,97,873.50	1,91,258.50
Preference Share application money pending allotment	-	1.50
<b>Total</b>	<b>1,97,873.50</b>	<b>3,99,151.90</b>

1. The summary of FCCBs due 2019 are as under:

- The FCCBs carry a 0% coupon with a yield of 5.43% per annum (calculated on semi-annual basis).
- The FCCBs will mature on March 25, 2019.
- The FCCBs are convertible into equity shares of the Company. The outstanding FCCBs are USD 201,082,000.
- The FCCBs are convertible at any time after May 05, 2014 at a conversion price of Rs. 60.00 per share with fixed rate of exchange on conversion of Rs. 48/- per USD.

v) The FCCBs are admitted for trading on the Euro MTF market of Luxembourg Stock Exchange.

2. The Company has only one class of Unlisted 8% Redeemable Cumulative Non-Participating Non-Convertible Preference Shares redeemable at the end of 15 years from the date of allotment, carrying no voting rights, of face value of 10/- each issued at par on private placement basis to Promoter Group & Associates whether or not they are member(s) of the Company.

Accumulated dividend on proportionate basis of issued Preference Shares as on balance sheet date amounts to Rs.51761.45 Lacs is not provided for.

	As at	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
<b>Current borrowings</b>		
Working Capital Borrowings from Banks (Secured by way of first charge on Current Assets and second charge on fixed assets of the company, on pari passu basis)	60,759.34	50,408.44
Interest accrued and due on working capital borrowings	32,500.09	22,697.81
Short Term Loans from Banks	27,827.31	22,714.06
<b>Total</b>	<b>1,21,086.74</b>	<b>95,820.30</b>

1. Interest rates on Working capital Borrowings from Banks vary in the range of 13.65% p.a. to 19.00% p.a. (linked with BPLR/MCLR). The said loans are repayable on demand and also secured by way of first charge on current assets of the company and second charge on the fixed assets of the Company, on pari passu basis. Part of the said loans are additionally secured by way of a personal guarantees of the two Promoter Directors of the Company.

2. Interest rate applicable on the Short Term Loans from Banks during the year were in the range of 13.25% to 15% p.a.

	As at	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
<b>Other Financial Liabilities</b>		
Current maturities of long term borrowings [Including interest accrued and due]		
Foreign Currency Convertible Bonds	1,30,792	-
Zero Coupon Convertible Bonds due 2019 (Aggregating to USD 201,082,000 (31 March 2018: USD 201,082,000))		
Term Loans from Banks	1,22,036.00	39,079.49
Redeemable Non-Convertible Debentures	73,329.65	63,902.59
External Commercial Borrowings		
a) ECB 2009 aggregating USD 45,374,591 (March 31, 2018: USD 45,374,591)	29,513.49	27,685.95
b) ECB 2010 aggregating USD 114,749,455 (March 31, 2018: USD 114,749,455)	74,637.75	69,260.53
Derivative Loss payable	7,146.99	7,802.61
<b>Total</b>	<b>4,37,455.87</b>	<b>2,07,731.17</b>



11/19

1. Interest rates on Rupee term loans from banks vary in the range of 11.4% p.a. to 16.35% p.a. (linked with BPLR/MCLR). These loans are secured by first pari passu charge on Fixed Assets of the Company. Part of the said loans are also secured by way of second charge on the current assets of the Company, both present and future, on pari passu basis and/or the personal guarantees of the Promoter Directors of the Company.

2. Interest rate on Redeemable Non-Convertible Debentures is 12% with additional 2% p.a for defaulting period. The said debentures were redeemable in 20 quarterly installments starting from November 05, 2010 and last installment due on August 05, 2015. The said debentures are Secured by first charge on pari passu basis on entire immovable and movable properties of the Company offering minimum Fixed Asset Coverage Ratio of 1.25 times during the tenure of debentures.

3. Interest rates on External Commercial Borrowings 2009 is 6 months LIBOR +375 bps. They are secured by first pari passu charge on all immoveable and moveable Fixed Assets of the Company second charge on the current assets of the Company, both present and future, on pari passu basis. The same are repayable in 9 half yearly installment after moratorium of 30 months from date of disbursement.

4. Interest rates on External Commercial Borrowings 2010 is 6 months LIBOR +475 bps. They are secured by first pari passu charge on all immoveable and moveable Fixed Assets of the Company second charge on the current assets of the Company, both present and future, on pari passu basis. The same are repayable in 12 half yearly installment after moratorium of 23 months from date of disbursement.

5. The company has executed Rupee Term Loan Agreement on January 09, 2015 with certain lenders including ECB lenders under obligor co-obligor structure for facilities granted to domestic group companies of Sandesara Group to which Company belongs. Accordingly, the securities and future cash flows are charged in favour of the lenders participating in Obligor co-obligor structure and the interest rate for facilities extended by these lenders is at 12% p.a.

6. The Company defaulted in repayment of loans and borrowings to the banks and financial institutions during the year and the Company has also defaulted in repayment of dues to debenture-holders during the year. Pursuant to the continuing defaults of the Company, a corporate insolvency resolution process ("CIRP") under the Insolvency and Bankruptcy Code, 2016 was initiated against the Company vide an order of the Mumbai Bench of the National Company Law Tribunal ("NCLT") dated 11th June, 2018. Owing to the initiation of CIRP, the borrowings are considered currently payable and therefore, classified under other financial liabilities as 'current maturities of long term borrowings'.



<b>15. Trade payables and Other Current Liabilities</b>	As at	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Trade payables	2,070.34	3,789.80
Other current liabilities	1,642.87	1,406.89
<b>Total</b>	<b>3,713.21</b>	<b>5,196.69</b>
<b>16. Contingent Liabilities (to the extent not provided for)</b>	As at	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Estimated amount of contracts remaining to be executed on capital account	122.35	108.47
Claims against the Company not acknowledged as debts		
(i) Excise Duty & Service Tax	4,192.54	4,090.39
(ii) Sales Tax	296.71	296.71
(iii) Income Tax	33,883.34	6,078.40
<b>17. Revenue</b>	Year ended	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Sale of Finished goods	35,233.32	40,018.95
<b>Revenue from operations</b>	<b>35,233.32</b>	<b>40,018.95</b>
<b>17.1 Other Income</b>	Year ended	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Sales Miscellaneous	86.98	60.86
Export Incentive and Duty Draw back	260.97	173.46
Interest Earned	102.46	77.09
Other Income	99.65	86.29
	<b>550.06</b>	<b>397.70</b>
<b>18 Cost of material consumed</b>	Year ended	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Opening Stock	1,755.51	1,692.90
Add: Purchases	23,973.68	25,923.21
	25,729.19	27,616.11
Less: Closing Stock	1,941.80	1,755.51
<b>Total</b>	<b>23,787.39</b>	<b>25,860.60</b>
<b>19 Changes in inventory of finished goods and work-in-progress</b>	Year ended	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Inventory at the end of the period		
Finished goods	1,463.73	1,307.92
Work-in-progress	2,674.87	67,266.73
	4,138.60	68,574.65
Inventory at the beginning of the period		
Finished goods	1,307.92	1,090.89
Work-in-progress	67,266.73	68,969.24
	68,574.65	70,060.13
Less- Prior Period Expenses	63,072.57	
	5,502.08	70,060.13
<b>(Increase)/decrease in inventory</b>	<b>1,363.48</b>	<b>1,485.48</b>
<b>20 Employee benefits expense</b>	Year ended	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Salaries, Wages & Bonus	5,292.40	4,899.32
Contribution to Provident Fund & Other funds	427.39	257.19
Staff Welfare expenses	121.39	284.18
<b>Total</b>	<b>5,841.18</b>	<b>5,440.69</b>
Managerial Remuneration (included above)	Year ended	
	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs
Salary (including Bonus)	8.00	24.00



	Year ended		Year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
<b>21 Finance Cost</b>				
Interest expense on debts and borrowings	43,936.68	36,719.57		
Bank Charges and Commission	8.54	18.88		
Other Finance Cost	21.15	240.75		
Other Interest	0.78	0.57		
<b>Total</b>	<b>43,967.15</b>	<b>36,979.77</b>		
<b>22 Depreciation and amortisation</b>				
Depreciation on fixed assets	24,574.79	24,259.55		
Amortisation of Non-current Assets	-	2,095.23		
<b>Total</b>	<b>24,574.79</b>	<b>26,354.78</b>		
<b>23 Other expenses</b>				
Repair & Maintenance: Buildings	60.01	7.74		
Repair & Maintenance: Plant & Machinery	775.40	662.47		
Travelling & Conveyance	352.06	418.30		
Telephone & Telex	50.93	65.31		
Printing & Stationery	18.39	27.51		
Postage, Telegram & Courier	16.26	15.77		
Office Expenses	1,071.77	1,189.63		
Audit Fees	8.75	8.63		
Selling & Distribution Expenses	477.98	403.08		
<b>Total</b>	<b>2,831.56</b>	<b>2,798.43</b>		
Auditors Remuneration				
Audit Fees	7.00	4.00		
Tax Audit Fees	1.75	1.50		
Taxation and other matters	-	2.00		
GST/Service Tax	-	1.13		
<b>Total</b>	<b>8.75</b>	<b>8.63</b>		
<b>24 Earnings per share (EPS)</b>				
a. Total Loss for the period	(1,00,538.52)	(41,245.50)		
b. Nominal value of each Equity share (Rs.)	1.00	1.00		
c. Weighted average No. of Equity Shares for Basic EPS	2,721.70	2,721.70		
d. Basic Earnings per Share (Rs.) (a/c)	(36.94)	(15.15)		
e. Weighted average No. of Equity Shares for Diluted EPS	4,330.36	4,330.36		
f. Diluted Earnings per Share (Rs.) (a/e)	(23.22)	(9.52)		
<b>25 Foreign Currency Earnings and Expenditure</b>				
a. FOB value of Exports	7,854.36	4,507.02		
b. CIF Value of Imports	205.48	142.08		
c. Other Expenditure	57.14	1,569.82		
<b>26 Segmental Reporting</b>				

The company's operations fall under single segment and there are no reportable segments in accordance with Ind AS 108 on 'Operating Segments'.



14/19

## 27 Financial Instruments

### 27.1 Capital Management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

### 27.2 Categorization of Financial Instruments

Particulars	As at	
	31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
<b>(i) Financial Assets</b>		
(a) Investments at FVTOCI (note 4)	1,58,644.56	1,58,207.12
(b) Measured at Amortised Cost		
Trade receivables (note 8)	5,134.09	4,332.82
Cash and cash equivalents (note 9)	911.40	1,692.81
Other current assets (note 10)	35,510.81	31,985.80
	<u>41,556.30</u>	<u>38,011.43</u>
<b>(ii) Financial Liabilities</b>		
Measured at Amortised Cost		
Borrowings (Non-current) (note 13)	1,97,873.50	3,99,151.90
Borrowings (Current) (note 13)	1,21,086.74	95,820.30
Other Financial Liabilities (note 13)	4,37,455.87	2,07,731.17
Trade Payables (note 14)	2,070.33	3,789.80
Other Current Liabilities (note 14)	1,520.90	1,406.89
	<u>7,60,007.34</u>	<u>7,07,900.07</u>

### 27.3 Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of the financial markets and seek to minimize the potential adverse effects on its financial performance.

#### (i) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as commodity price risk. Financial instruments affected by market risk include trade receivables, deposits and current investments.

#### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has long term debt obligations hence highly affected by interest rate fluctuations. The mark to market valuation of its portfolio is impacted by fluctuation of the interest rates.

#### (iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in exchange rates. The Company has an international business and some part of its sales are in foreign currencies which exposes to changes in foreign exchange rates. Fluctuating rupee can impact the realisation of its receivables. The maximum export sales are done on advance payment basis and outstanding export receivables are not insignificant. However, the foreign currency loans will have a significant impact on the Company's foreign currency risk.

#### (iv) Commodity Price Risk

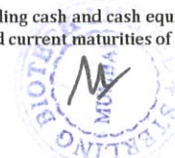
The Company is affected by the price volatility of its key raw materials. Its operating activities require a continuous supply of key material for manufacturing of Gelatine and pharma products. The Company's procurement department continuously monitors the fluctuation in price and takes necessary action to minimize its price risk exposure.

#### (v) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its treasury operations. The Company majorly sells its goods on advance payment basis and hence is not subject to credit risk for its receivables.

#### (vi) Liquidity Risk

As of March 31, 2018, the Company has working capital of Rs. 108,121.70 lacs (current assets of Rs. 108,121.70 lacs including cash and cash equivalents of Rs. 1,328.47 lacs). The Company has outstanding bank borrowings of Rs. 354,420.97 lacs as working capital borrowings, short term loans and current maturities of long term loans. Accordingly, the high liquidity risk is perceived.



27.4 Fair Value Measurement

The management assessed that fair value of loans, cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

- i) The fair value of unquoted instruments are evaluated by the Company based on parameters such as interest rates and its investments rating.
- ii) The fair values of the quoted instruments are based on price quotations at the reporting date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.





28 **Related Party Disclosure**

A. **Names of Related Parties and relationship**

i) **Details of Key Management Personnel**

Mr. Nitin J. Sandesara Managing Director  
 Mr. Chetan J. Sandesara Joint Managing Director

ii) **Enterprises in which significant influence is exercised by Key Management Personnel**

Sterling SEZ and Infrastructure Limited  
 Sterling Oil Resources Limited  
 Sterling Port Limited  
 Sterling International Enterprises Limited  
 PMT Machines Limited  
 Atlantic Bluewater Services Pvt. Ltd.  
 British Oil & Gas Exploration Ltd.  
 Sterling Exploration & Energy Production Co. Ltd.  
 Sterling Oil Exploration & Energy Production Co. Ltd.

B. **The aggregate amount of transaction with the related parties is as below**

Particulars	Nature of transaction	Year ended	Year ended
		31 March 2018 Rs. Lacs	31 March 2017 Rs. Lacs
1 Mr. Chetan J. Sandesara	Remuneration	8.00	24.00
2 Sterling SEZ and Infrastructure Limited	Lease rent and maintenance charges	170.69	170.69
	Loans & Advances	-	-
	Maximum amount outstanding	0.60	0.78
3 Sterling Port Limited	Loans & Advances	40.00	0.51
	Maximum amount outstanding	40.55	(367.70)
4 Sterling Oil Resources Limited	Loans & Advances	-	-
	Maximum amount outstanding	-	(1,217.00)
5 PMT Machines Limited	Loans & Advances	105.00	-
	Maximum amount outstanding	105.00	(465.00)
6 Sterling SEZ and Infrastructure Limited	Investment	4,875.00	4,875.00
7 Sterling Oil Resources Limited		500.00	500.00
8 Sterling Port Limited		9,900.00	9,900.00
9 Atlantic Bluewater Services Pvt. Ltd.		4.97	4.97
10 British Oil & Gas Exploration Pvt. Ltd.		5.46	5.46
11 Sterling Exploration & Energy Production Co. Ltd.		6.97	6.97
12 Sterling SEZ and Infrastructure Limited	Preference Share Capital	26,126.50	22,928.50
13 Sterling Port Limited	(incl. Appln Money)	1,38,240.00	1,38,240.00
14 PMT Machines Limited		33,507.00	30,090.00
15	The company has executed ANZ SBLC Facility Agreement on September 30, 2015 with certain lenders as co-obligor under the ANZ SBLC Facility of USD 560 Mn. granted to Sterling Global Oil Resources Private Limited, Mauritius to avail ANZ FC facility of USD 544 Mn. by Sterling Exploration and Energy Production Company Limited, BVI. Accordingly, all tangible and intangible movable and immovable assets of the Company, both present and future, are charged in favour of the lenders participating in ANZ SBLC Facility, on pari-passu basis with existing charge holders.		

29 **Exceptional Items**

Particulars	March 31, 2018	March 31, 2017
Foreign exchange fluctuation loss of prior period*	26.53	-
Inventory	63,060.00	-
Misc Expenditure	14,142.80	-
	<u>77,229.33</u>	<u>-</u>

\*Exceptional items include Foreign Exchange fluctuation loss on Valuation of investments at Fair market Value amounting to Rs. 26.53 lacs pertains to year ended March-2017 on Investments held in Foreign Companies which have now been transferred from other comprehensive income

30 **Dues to micro and small enterprises**

Based on the information received by the Company from vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (The Act) there are no amounts due to such vendors during the year and as at the year end. Therefore, disclosure required under the Act have not been given.



17/19

31

**Material Changes affecting the Financial Position of the Company:**

Search and seizure operation of the Company was conducted by the officials of the Directorate of Enforcement at its offices in Vadodara and Mumbai on 05th August, 2017. During the operation many books and documents of company was seized by the officials.

The company is currently under "Corporate Insolvency Resolution Process" as per the provisions of Insolvency and Bankruptcy Code, 2016 by the order of NCLT dated 11th June, 2018. This has resulted in suspension of powers of the Board of Directors of the company and therefore no Board is available and hence the authority now rests with Mr. Sundarsh Bhatt (having Insolvency Professional Registration No. IBBI/IPA-001/IP-P00077/2017-2018/10162) as the Resolution Professional (RP) of Sterling Biotech Limited. Also, Investigation is going on in the company by Enforcement Directorate (ED), Central Bureau of Investigation (CBI) and Serious Fraud Investigation Office (SFIO). On 29th May 2018 the Enforcement Directorate has attached the properties of the company.

First Information Report under Sec 154 Cr.P.C suspecting criminal conspiracy and abuse of official position during the period 2005 - 2011 has been filed against IT officers and Management of the company.

Further, Enforcement Directorate have made an allegation against directors for criminal conspiracy with dishonest intention to cheat Andhra Bank and other public sector Banks in relation to Prevention of Money Laundering Act, 2002. This matter is sub-judice and the impact, if any of the outcome is unascertainable at this stage.

On 28 June 2018, the Tamilnadu Pollution Control Board has issued closure direction of the Ooty unit of the company with the stipulation to install and implement Zero Liquid Discharge (ZLD) system in the Unit. This requirement is for the reason that the Ooty being eco sensitive area and the permission to discharge treated liquid/ water was in the nearby dam, which has been discontinued. The Committee of Creditors (CoC) constituted under the Corporate Insolvency Resolution Process (CIRP) has at its meeting held on 4 September 2018 decided to implement the ZLD. The company has also approached Court and NGT to process the work in progress. NGT has directed to TNPCB to review and decide on the same. The matter is pending with the TNPCB now and the company is optimistic that some favorable decision will be taken by TNPCB in respect of WIP.

32

The Company has incurred net loss during the current year and in the previous year and the Company's current liabilities have exceeded its current assets as at the balance sheet date.

However, the petition was admitted by the Hon'ble National Company Law Tribunal, Mumbai Bench pursuant to an order dated 11th June, 2018 and corporate insolvency resolution process was initiated against the Company under Section 7 of the Insolvency and Bankruptcy Code, 2016. Subsequently, the Resolution Professional took over the management of the affairs of the Company.

The new management is working towards a workable resolution plan to resolve financial position with the lenders within the prescribed time limit and to continue its business as a going concern.

Following are some of the highlights of the improvements which further substantiate the going concern assumption:

- i) The company has managed to cut down the purchase expenses by negotiating with the vendors.
- ii) Masar Division has achieved the highest sales in August'18 and September'18 comparing past twelve months.
- iii) Due to increase in production, sales and receivable, Masar & Karakhadi plants are able to manage their working capital requirements from their internal accruals and the cash accrual of company have gone up.
- iv) The company has successfully retained and catered the gelatin requirement of Ooty division from Karakhadi division, of the customers who were affected due to closure of production facility at Ooty. Company is catering to the needs of 50 to 60 % of the Ooty customer's requirement from Karakhadi.
- v) Committee of creditors (CoC) of the company have passed resolution dated 8th September, 2018 approving the implementation of Zero Liquid Discharge for Ooty Plant from internal accruals of the corporate debtor / company.

Thus, on the basis of the grounds mentioned above, the financial statements have been prepared on the going concern assumption.

33

**Key Roles and Responsibilities & Data Sources during the FY 17-18:**

Area of Work	HO	Karkhadi	Masar	Ooty
Overall Accounts and Finance & decisions	Promoters and Directors till August 2017			
Finance & treasury - V.P. Finance	Sanjay Surana			
	Manish Shah #			
Accounts & Consolidation	Girish Jethmalani	Riya Chaudhari	Rakesh Modi	D. Chandrasekaran
Plant Heads	N.A.	Pawan Bhatnagar	Satish Shah	C. Manokaran

#Mr. Manish is a consultant-commercial functions from the past 15 years and is working for sterling Biotech limited and its group companies exclusively.

Mr. R.B.Dixit is an Independent Director and has refused to sign for the current financial year. No promoter directors are present in India.

34

It is pertinent to note that the Resolution Professional made all practical and reasonable efforts from time to time to facilitate information/data from the officials of the Company in relation to the preparation of the financial statements of the company and also the information required by the auditors for the purpose of carrying out the audit of the financial statements of the Company. It is to be noted that the financial statements for the FY 2017-18 as well as the information provided to the auditors for the purpose of audit of the same, pertain to the period prior to the appointment of the Resolution Professional and therefore, while facilitating the collection and dissemination of the said information, the Resolution Professional has relied upon and assumed the accuracy/ veracity of data/information provided by the officials of the Company, suspended directors, and long term consultants and the records of the Company made available to the Resolution Professional, which the Resolution Professional has assumed are in conformity with the applicable law and present a true and fair view of the position of the Company as of the dates and for the period indicated therein. The RP has not personally verified the information provided by the officials of the Company and has placed confidence in the data/ information provided to him. The financial statements have been signed by the Resolution Professional as no promoter director is present in India and the independent director / directors have refused to sign. Accordingly, the Resolution Professional should be absolved from the accuracy, veracity and sufficiency or completeness of such information. Readers and users of these statements are advised to do their due diligence before arriving at any conclusions. The Resolution Professional has signed the Financial Statements to facilitate the CIRP process and to facilitate the statutory requirements without any liability of the same.



18/19

35 Previous period figures

Previous period figures have been regrouped / reclassified wherever necessary to correspond with the current period classification / disclosure.

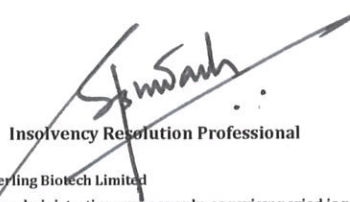
These are the notes referred to in our report of even date.

As per our report of even date attached

For JHS & Associates LLP  
Chartered Accountants  
F.R.No. 133288W/W100099



Ajayesh Thaker  
Partner  
Membership No. :107231



Insolvency Resolution Professional

Sundaresh Bhat  
Insolvency Resolution Professional of Sterling Biotech Limited

Signed without any liability for administrative purpose only, as review period is prior to appointment of insolvency professional/ commencement of corporate insolvency resolution process, read with Note No. 33 & 34

**Mr. Sundaresh Bhat**  
**Reg. No. IBBI/IPA-001/**  
**IP-P00077/2017-18/10162**



Place: Mumbai

Date: 19/12/2018

2/15

19/19

## Independent Auditor's Report

To  
The Members of  
Sterling Biotech Limited

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Sterling Biotech 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 Cash Flow Statements for the year then ended, and a summary of the significant accounting policies and other explanatory notes for the year ended on that date (hereinafter referred to as "financial Statements")

### Management's Responsibility for the Financial Statements

2. The Company's Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.
3. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
4. The Honorable National Company Law Tribunal, Mumbai ('NCLT') on June 11, 2018 admitted the Corporate Insolvency Resolution Process ('CIRP') application filed against the Company and appointed Mr. Sundaresh Bhat as the Resolution Professional ('RP') in terms of the Insolvency and Bankruptcy Code, 2016 ('the Code') [NCLT order dated June 26, 2018 and taken over by RP on June 27, 2018]. Further, the committee of creditors constituted during the CIRP has confirmed appointment of Mr. Sundaresh Bhat as the RP to manage the affairs of the Company. In view, of the pendency of the CIRP, the power and responsibilities of the Board of Directors shall vest with the RP under the provision of the Code.



#### Registered Office

C-701, Mary Ellen,  
Ceasars Cross Road,  
Amboli, Andheri (W),  
Mumbai - 400 058.  
Tel : + 91 98 2005 1936

#### Mumbai Office

A-78, 1<sup>st</sup> Floor, Virwani Industrial  
Estate, Opp. Westin, Off. Western  
Express Highway, Goregaon (E),  
Mumbai - 400 063.  
Tel : +91 22 2927 2030

#### Vadodara Office

3<sup>rd</sup> Floor, TNW Business Centre,  
Above Mcdonald's, Near Manisha  
Cross Road, Old Padra Road,  
Vadodara - 390 007.  
Tel : + 91 26 5233 3698 / 230 4800

#### Kolkata Office

Suite No. 402, 4<sup>th</sup> Floor,  
Vardhan Complex,  
25A Camac Street,  
Kolkata - 700 016.  
Tel : + 91 98 3115 0209

### Auditor's Responsibility

5. Our responsibility is to express an opinion on these financial statements based on our audit.
6. In conducting 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.
7. 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 these financial statements are free from material misstatement.
8. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 financial statements.
9. The Financial Statements provided to us for review have been signed only by the RP. Section 134(1) of the Companies Act, 2013 requires such signature to be undertaken by (a) the chairperson of the company where he is authorized by the board, or by two directors out of which one shall be managing director; and (b) the chief executive officer, the Chief Financial officer and the Company Secretary, wherever they are appointed. Since CIRP has been initiated, the RP, pursuant to his appointment, has been vested with the management of the Company and the powers of the board of directors of the Company stand suspended. Therefore, the Financial Statements has been signed by the RP alone. Though the powers of the board of directors are suspended, none of such directors of the Company were available/ agreeable to sign the said Financial Statements.

The positions of Chief Financial Officer and Company Secretary of the Company, as on the date of signing of the Financial Statements were vacant. We understand that the office of Chief Finance Officer and the Company Secretary of the Company is vacant before the start of the year under audit. The Company has not appointed such key managerial personnel as required under Section 203 of the Companies Act, 2013 read with Rule 8 of the Companies (Appointments and Remuneration of Managerial Personnel) Rules, 2014. As such, the Financial Statements may suffer from issues of accuracy, veracity, sufficiency, completeness and reliability, as none of the key managerial personnel of the Company other than RP has signed the Financial Statements.

For the purpose of this audit review, we have relied upon the Financial Statements provided to us by the RP. It is observed that the RP has inserted a note, as part of notes to accounts, set out in Note 34 of financial statement, as per which he has assumed that the data/ information provided by the officials of the Company and the records of the Company made available to him are in conformity with the applicable laws and present a true and fair view of the position of the Company and has not personally verified such information; and that he should be absolved from the accuracy, veracity and sufficiency or completeness of information provided to him by



the officials of the Company basis which the Financial Statements have been prepared. As per the said note, the RP has signed the Financial Statements only to facilitate the CIRP process without any liability of the same. To the extent the RP has disclaimed his liability with respect to accuracy, veracity and sufficiency or completeness of information provided to him by the officials of the Company, the Financial Statements may suffer from issues of accuracy, veracity, sufficiency, completeness or reliability. Relevant observations upon the extent of veracity of the Financial Statements have been made in the below paragraphs 10 -20 of this Section.

### **Basis for Disclaimer of Opinion**

#### **10. Carrying Value of Plant, Property and Equipment ('PPE')-**

We have not been provided with the fixed assets register disclosing full particulars including quantitative details, asset's physical location and the value of gross and net block of the property plant and equipment owned by the Company.

The Company has detailed listing of all the plant and machineries installed at different locations, however, in the absence of unique numbering system in place for identification of fixed assets, it is not possible for us to trace the items of plant and machinery against the listing provided to us by the Company. No listing for other items of PPE like vehicles, furniture and fixtures and office equipment is currently available with the Company.

Further, in the absence of availability of gross value, opening net value and Management's assessment of the estimated useful life for various items of PPE, we are not able to comment on the adequacy and accuracy of the depreciation of Rs. 24,574.77 Lakh charged for the year under audit.

In view of the limited information provided to us, we are unable to comment on the existence and the value of PPE owned by the Company and carried at Rs. 248,812.15 Lakh as on the reporting date.

The Company has taken land on rent for a term of 99 years from Sterling SEZ and Infrastructure Limited on March 26, 2010 on payment of premium of Rs. 6,462.68 Lakh. In addition, an annual lease rental of Rs 1 per square meter amounting to Rs 4.36 Lakh. The same is disclosed by the Company as owned assets reflected at carrying value of Rs 6,125.48 Lakh instead of operating lease as per the requirement of Ind AS 17 'Leases'. As a result, the PPE is overstated by Rs. 6,125.48 Lakh.

An agreement to sell was entered into at Vadodara on November 19, 2015 by and between Sterling Biotech Limited and Alembic Pharmaceuticals limited for sale of land namely 782, 789, 791, 800, 801, 802, 818/B, 830/B/1, 830/B/2, 831/A, 831/B, and 832 defined specifically in annexure of the agreement for total consideration of 499.63 Lakh. An amount of Rs 247.31 Lakh was received as advance for the aforementioned purpose by Sterling in November 2015. The said land has been mortgaged to SREI Infrastructure Finance Limited. The balance amount of Rs 249.81 Lakh was to be paid at the time of completion of the sale and on Sterling delivering vacant and peaceful possession of the said land along with necessary approvals. It was agreed that the transfer of the said land shall be completed on or before November 18, 2017. As of the Balance sheet date, the transfer of the land has not materialized and management is unable to share further details on the outcome of the transfer.

#### **11. Capital Work in Progress ('CWIP')-**

The Company is in the process of setting up a new manufacturing facility at Baruch district, Gujarat under approval reference no. SSEZ/DC/U.A./03/09-10/09 dated 4th Sep 2009. The opening value of CWIP on this account is stated at Rs. 244,230.25 Lakh. We have not been provided with the details of various components of cost (whether direct or indirect) that has been capitalized and currently disclosed as CWIP in the books. During



the year under audit, based on our examination of available books and records, no further work has been carried out at the said facility and the addition of Rs. 6,090.19 Lakh during the year under the head CWIP comprises of only interest cost of External Commercial Borrowing taken for setting up this facility and foreign exchange fluctuation on the same (Refer Note no 3 of financial statement). There is no one on one mapping available to establish that the proceeds from the external commercial borrowings are used for the development of the said facility. Further the capitalization of entire foreign exchange fluctuations is not in accordance to Ind AS 23. In view of all these factors, we are unable to comment on the accuracy of the value of CWIP carried in the financial statements.

#### 12. Carrying Value of Inventory –

We have been appointed as statutory auditors after March 31, 2018 and thus could not observe the counting of physical inventories as at the end of the year. On the basis of physical verification conducted by management, for the inventory of finished stock, work in process and raw material held at reporting date and based on information and explanations provided to us the carrying amount of inventory approximates to Rs 6,092.96 Lakh (Refer Note no 7 of financial statement). Further, we draw attention that percentage completion and value of inventory of work in process and physical condition of other items of inventory has not been certified by any technical expert. In the absence of required information we are unable to comment on the carrying value of inventory in the financial statements

#### 13. Loans and Advances –

As at March 31, 2018, outstanding balance of advances given by the Company is Rs. 33,567.31 Lakh (Refer Note no 11 to the financial statement) to various parties including related parties for supply of goods and services, security deposits and others. Based on the management assessment of these loans and advances, full amount is treated as recoverable and considered good in the books of accounts. In the absence of confirmations from these parties and non-availability of adequate information and explanation from the management we are not able to comment on the recoverability of these amounts.

#### 14. Investments –

The Company has investments in shares of Companies which are not traded in an active market amounting to Rs. 158,402.00 Lakh (Refer Note no 4 to the financial statement). These investments include investment in equity shares of various Group companies amounting to Rs. 156,115.89 Lakh. The Management have not provided adequate fair valuation report and also not conducted any impairment testing of these investments. In the absence of sufficient and reasonable audit evidence, market based assumptions and adequate valuation; we are unable to comment on the fair value of these investments

#### 15. Deferred Tax Assets –

As at March 31, 2018, the Company has recognized deferred tax assets (net) of Rs. 81,285.56 Lakh in the financial statements (Refer note no. 5 of financial statement). In the absence of reasonable certainty on realization of this asset against future taxable profits of the Company, we are unable to comment on the carrying value of this asset in the financial statements.

#### 16. Loans, Borrowings and Corporate Guarantees –

As at March 31, 2018, the Company has reported loans, borrowings and external commercial borrowings of Rs. 756,416.11 Lakh (Refer note no 14 of financial statement) from various banks, financial institutions and other parties. Corporate Insolvency Resolution Process has been initiated against the Company by the NCLT and the estimated amount of claims from financial creditors is Rs 1,493,866 Lakh and admitted claim as per "List of Claims" is Rs 896,767.00 Lakh upto November 21, 2018. These claims also includes claims admitted in relation to corporate guarantees provided by the Company on behalf of group companies. In the absence of necessary information and



in view, of the pendency of the CIRP, we are unable to comment on probability of occurrence of any default and the actual liability that may devolve on the Company in this regard.

**17. Internal Controls –**

As the Company has no documented control framework which includes standard operating process for various areas of operations, risk control matrices, etc. and also due to the inability of the management to substantiate that there is adequate internal control that exist and operates effectively, we are unable to comment on the presence and effectiveness of internal controls that are designed to prevent and detect any material misstatement, fraud, errors and omissions.

**18. Non Compliance with Ind AS –**

The Company has not fully complied with all the requirements of the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and hence the financial statements are not Ind AS compliant (Refer note 2.1 of financial statement)

**19. Non-Compliances –**

We have not been provided with any documented framework to ascertain completeness and timely compliance with the provisions of various applicable statutes. Therefore, we are not able to comment on the completeness of compliances under applicable statutes. Further, during the course of our audit, we have observed few instances of non-compliances with provisions of SEBI Listing Obligations and Disclosure Requirements and The Companies Act, 2013. Major non-compliances observed are -

- a) The Company has not prepared and presented Consolidated Ind AS Financial Statements for the year ended March 31, 2018 as required under Section 129 (3) of the Companies Act, 2013.
- b) The Company has not appointed Internal Auditors as required by Section 138 of the Companies Act, 2013.
- c) As required by Section 203 of the Companies Act, 2013, the Company has not appointed full time Company Secretary.
- d) As required by Section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014, the Company has not conducted audit of Cost Records.

**20. Disclaimer of Opinion**

Because of the significance of matters described in the "Basis for Disclaimer of Opinion" paragraph above, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. In the absence of the requisite information, the impact of these matters on the financial statements as at March 31, 2018 cannot be ascertained. Accordingly, we do not express an opinion on the aforesaid financial statements.

**Emphasis of Matter**

We draw an attention of the following matters in the financial statements:

**21. Opening Balances**

The financial statements of the Company for the corresponding year ended 31 March 2017 were audited by the predecessor Statutory Auditor, M/S. H. S. Hathi & Co., who expressed unmodified opinion vide their report dated May 30, 2017 and reliance has been placed by us on the same for the purpose of this report. We have been appointed as the Statutory Auditors of the Company vide resolution dated August 2, 2018 of the Committee of Creditors ('COC') meeting. We have performed our audit on the basis of books of accounts and other relevant records produced before us after the date of our





appointment and on the basis of explanation and information provided to us by the Company and are not responsible for any events that occurred prior to our appointment.

22. **Corporate Insolvency Resolution Process** - Andhra Bank ("AB"), in its capacity as the Financial Creditor of Sterling Biotech Limited ("Corporate Debtor"), filed C. P. (I.B.) 490/MB/2018 of 2018 ("Petition") under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("IBC") read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 before the Hon'ble Adjudicating Authority, i.e. National Company Law Tribunal, at Mumbai ("Hon'ble NCLT Mumbai") for initiation of Corporate Insolvency Resolution Process ("CIRP") for the Corporate Debtor. The said Application of Andhra Bank has since been admitted by the Hon'ble NCLT Mumbai vide its order dated June 11, 2018 ("Order") and the CIRP has commenced from the date of the order.

The Hon'ble NCLT Mumbai vide its Order has inter alia appointed, Mr. Sundaresh Bhat (having Insolvency Professional registration no. IBBI/IPA-001 /IP-N00077/2017-18/10162) as the Interim Resolution Professional ("IRP") to conduct the CIRP for the Company and to exercise all powers and carry out all duties as envisaged under the provisions of the IBC. As per Section 17(1) of the IBC, the management of the affairs of the Company now vests with the undersigned IRP. All the powers of the Board of Directors of the Company stand suspended and are now vested with and shall be exercised by the IRP.

The Government of India, Ministry of Corporate affairs vide order F No 3/197/2018-CLII (WR) dated April 10, 2018 has ordered investigation into the affairs of the Company under Sec 212(1) (c) of the Companies Act, 2013 by Serious Fraud Investigation Office and the Director, SFIO vide order no SFIO/Inv/AOI/2017-18/II/13513/2018 dated 13-Apr-2018 and has appointed Shri Dheeraj Kumar (Senior Assistant Director) as Investigation Officer under Sec 212(4) of Companies Act, 2013.

First Information Report under Sec 154 of The Code of Criminal Procedure, 1973 suspecting criminal conspiracy and abuse of official position during the period 2005 - 2011 has been filled against Income Tax officers and Directors of the Company.

Further, Enforcement Directorate have made an allegation against directors for criminal conspiracy with dishonest intention to cheat Andhra Bank and other public sector banks as per applicable provisions of Prevention of Money Laundering Act, 2002. This matter is sub-judice and the impact, if any of the enquiry is unascertainable at this stage.

23. The manufacturing activities of the Ooty plant of the Company has been temporarily discontinued due to alleged violation of environmental norms in the state of Tamil Nadu with effect from June 23, 2018. The matter is currently under trial with the Environmental Pollution Control Board of Tamil Nadu. As of December, 2018 temporary power has been granted by the Environmental Pollution Control Board of Tamilnadu to enable the plant convert the existing WIP into finished goods. This power facility is granted only up to January 31, 2019. During this period no fresh purchases, production can be undertaken by the plant. These facts casts material uncertainty about the functionality of the Ooty plant in the near future.

24. **Going Concern** – Management has prepared the financial statements on a going concern basis on the grounds stated in Note 30 of the financial statement in spite of following facts and circumstances:

- i. The Company has incurred net losses of Rs. 100,538.51 Lakh during the current year and the previous year of Rs. 41,245.50 Lakh
- ii. The operating cash flows have turned negative during the current financial year. Negative cash flow from operations are Rs. 3,280.60 Lakhs as against a positive operating cash flow of Rs. 63.76 Lakhs in the previous financial year.
- iii. The Company's current liabilities have exceeded its current assets as at the balance sheet date by Rs. 514,189.46 Lakh.



- iv. National Company Law Tribunal has admitted petition for insolvency proceedings initiated by the Financial and other Creditors against the Company (Refer Note No. 1 to the Financial Statements)

**25. Exceptional Losses during the year -**

During the year under audit, the Company has provided for impairment of various assets as detailed below:—(Refer Note no 29 of financial statement)

Particulars	Impaired / Provided during the year (In Lakh)
Inventory (a)	63,060.00
Miscellaneous Expenditure (b)	14,142.80
Others	26.53
<b>Total impairment provision debited to the statement of profit and loss</b>	<b>77,229.33</b>

- (a) The management on the basis of physical verification of inventory conducted by them had identified the shortage of inventory of work in process to the extent of Rs. 63,060 Lakh. These shortage is adjusted in the books of accounts and the amount written off is treated by the management as an exceptional item.
- (b) The Company had incurred expenditure of Rs. 20,952.30 Lakh for process improvements which were discontinued in the financial year 2013-2014 due to non-adherence of pollution control norms for the Effluent Treatment Plant. The Company had adopted the policy of amortizing this expenditure over a period of 10 years commencing from the financial year 2014-15. During the year under audit, the Company has charged the balance unamortized amount of Rs 14,142.80 Lakh to the statement of profit and loss
26. The Company has not provided for interest on derivative loss payable to JP Morgan Chase from July 11, 2017 to March 31, 2018. As a result, the losses for the year and the liabilities for interest payable are understated to extent Rs. 352.54 Lakh

**Report on Other Legal and Regulatory Requirements**

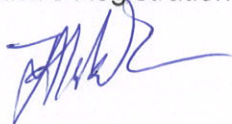
27. As required by the Companies (Auditor's Report) Order 2016 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
28. Further to our comments in Annexure A, as required by Section 143(3) of the Act, we report that:
- As described in the Basis for Disclaimer of Opinion paragraph, we have sought but were unable to obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the Balance Sheet, Statement of



Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

- d. Because of the significance of the matters described paragraphs 8 to 19 in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and state whether the aforesaid financial statements comply with the Accounting Standards under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended;
- e. The matter described in the Basis for Disclaimer of Opinion paragraph above, in our opinion, may have an adverse effect on the going concern of the Company;
- f. We have not received any written representations from the directors regarding disqualification of any directors as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act. Further, as detailed out in para 4, the powers of Board are suspended and Resolution Professional is in charge of the affairs of the Company;
- g. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B";
- h. With respect to the Other Matters to be included in the Auditor's Report in accordance with 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. Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the financial statements discloses the complete impact of pending litigations on its financial position;
  - ii. Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion paragraph, we are unable to state whether the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
  - iii. There were no amounts which were required to be transferred during the year to the Investor Education and Protection Fund by the Company;

For **JHS & Associates LLP**  
Chartered Accountants  
Firm's Registration No.: 133288W/W100099



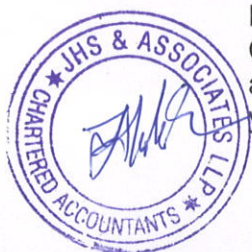
**Jignesh Thaker**  
Partner  
Membership No.: 107231



**Place:** Mumbai  
**Date:** December 19, 2018

**Annexure-A to the Independent Auditor's Report of even date to the members of Sterling Biotech Limited, on the financial statements for the year ended March 31, 2018**

- I. In respect of its fixed assets:
  - a) The Company has not maintained proper records of fixed assets showing full particulars, including quantitative details and situation of fixed assets.
  - b) We have not been provided reports of physical verification of fixed assets conducted by the management during the financial year 2017-18 or any of the preceding years. We have not been provided with the Company's policy on physical verification of fixed assets, its frequency and its reasonableness having regard to the size of the Company and nature of its assets. Accordingly, we do not express an opinion on this clause.
  - c) We have only been provided with title deed of Land held at Ooty, Jambusar & Karakhadi. Title deed provided and verified by us are in the name of the Company. However, in the absence of proper records of the fixed assets available with the Company, it is not possible for us to comment on the completeness of the title deeds for other immovable property, if any.
- II. As informed to us, the inventories consisting of raw materials, work in process & finished goods have been physically verified by the management once during the year. The discrepancies noted on such verification are not material and have not been properly dealt with in the books of the accounts. For identification on discrepancies, we have relied on the physical verification report provided to us by the management.
- III. In respect of loans, secured or unsecured, granted by the Company to companies, firms, limited liability partnership or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'), we have not been provided with the required details. Further, we have not been provided with the updated Register under section 189 of the Act. Accordingly, we are unable to comment on the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order.
- IV. As no information relating to the interests of the Directors in other companies as required under section 185 of the Act are made available to us, we are unable to comment on the compliance with the provisions of the said section for the loans and investments by the Company. The Company has advanced loans to certain parties on which no interest has been charged, which is not in compliance with section 186 of the Act.
- V. According to the information and explanations given to us, the Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act or any other relevant provisions of the Companies Act, 2013 and the rules framed there under. Accordingly, the provisions of Clause 3 (V) of the Order are not applicable.
- VI. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148 of the Companies Act, 2013 and we comment that *prima facie*, the prescribed accounts and records have been made and maintained. However, in the absence of proper records related to the Work in Progress and other records available with the Company, it is not possible for us to comment on the completeness of these cost records.
- VII. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of accounts in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Goods & service tax, Custom Duty, Excise Duty, value added tax, Cess, Service Tax, Income tax, Sales Tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.



According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Goods & Services Tax, Custom Duty, Excise Duty, value added tax, Cess, Service Tax, Income Tax, Sales Tax and other material statutory dues were outstanding as at the yearend for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us and as per the records of the Company, the details of disputed dues of Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax as at March 31, 2018 are as follows:

Sr. No.	Name of Statute	Nature of dues	Total Amount in Lakh	Period to which Amt. relates	Forum Where dispute is pending
1	The Central Excise Act, 1944	Cenvat Duty on DCP Clearance value	2,325.95	2008 - 2017	Commissioner of Central Excise
2	The Central Excise Act, 1944	Show Cause for Outdoor catering	9.70	2005 - 2012	Assistant Commissioner Central Excise & Customs
3	The Central Excise Act, 1944	Show Cause for Goods Transport Agency	8.73	2008 - 2018	Assistant Com Central Excise & Customs
4	The Central Excise Act, 1944	Show Cause for Air Travel-Airport-Fuel	0.28	2015 - 2018	Range Supdt. Central Excise & Customs
5	The Central Excise Act, 1944	Show Cause for BANKING SERVICE ( IDBI )	148.32	2013-2014	The Joint Commissioner Central Excise & Customs and Service Tax Audit- I Vadodara
6	The Central Excise Act, 1944	Show Cause for Treatment of NOTICE PAY	1.59	2015 -2016	Deputy Commissioner Central Excise & Customs Service Tax Audit- I Vadodara
7	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable and exempted products	460.57	2011 - 2017	Commissioner, Coimbatore
8	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable and exempted products	132.14	2016 - 2017	Additional Commissioner, Coimbatore
9	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable and exempted products	583.04	2008 - 2013	Commissioner, Salem
10	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable and exempted products	0.44	2015 - 2017	Deputy Commissioner, Coonoor Division
11	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable and exempted products	1.50	2008 - 2012	In The Customs, Excise and Service Tax Appellate Tribunal, Chennai
12	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable and exempted products	514.83	2003 - 2017	In The High Court of Judicature At Madras
13	The Central Excise Act, 1944	Denial of credit on common inputs used in both dutiable & exempted products (industrial sludge).	0.29	2016 - 2018	Assistant Commissioner of GST & Central Excise, Coonoor Division
14	The Central Excise Act, 1944	Misclassificationn of FG for the period April -2013 to Jan-2015	53.12	2014-15	Customs Excise and Service Tax Appellate Tribunal
15	The Central Excise Act, 1944	Cenvat Credit of service tax availed on house keeping services utilised in office and manpower services and gardening Services	8.36	2014-15	Commissioner Appeal
16	The Central Excise Act, 1944	Wrongly Availed Basic Custom Duty and Custom Education Cess and Sec. and Higher Edu.Cess	4.43	2016-17	Commissioner Appeal
17	Income Tax	Addition to income in assessment proceedings	33,883.34	AY 2006 - 2015	Commissioner Income Tax (Appeals) - 48, Mumbai
18	Sales Tax	Purchase of FO and LDO against concessional form as a processing material but department assessed as full tax at the time of assessment	296.71	2001 - 2004	Assistant Commissioner of State Tax, Appeal
19	Service Tax Rules, 1994	Denial of credit availed on outdoor catering service.	0.30	2006 - 2007	Deputy Commissioner of Central Excise, Coonoor Division
20	Service Tax Rules, 1994	Denial of cenvat credit availed on ineligible input services.	1.65	2013 - 2016	Assistant Commissioner (Audit Circle-I), Coimbatore
21	Service Tax Rules, 1994	Denial of Service Tax credit availed on outward freight from factory to dumping yard	6.61	2006 - 2012	In The Customs, Excise and Service Tax Appellate Tribunal, Chennai
22	Service Tax Rules, 1994	Denial of Service Tax credit availed	0.96	2017-2018	Customs Excise and Service Tax Appellate Tribunal, Ahmedabad
		Sub-Total	38,443		

\*Out of the above amounts payable reported, the company has paid Rs 7.56 Lakh to various authorities under protest.

\*\*The above figures exclude interest liability up to the reporting date under various statutes.



10/15

- VIII. On the basis of information and explanations given to us the Company has made following defaults in repayment of dues to the banks, financial institutions and debenture holders during the financial year. The amount of defaults are as mentioned in the table below:

Particulars	Amount of default as on Balance sheet date (In Lakhs)	Period Of Default*
Allahabad Bank	6,459.17	1 Years 274 Days
	13,945.87	3 Years 91 Days
Allahabad Bank Hongkong	496.63	2 Years 149 Days
Andhra Bank	25,361.71	2 Years 181 Days
Bank of Baroda	17,974.45	2 Years 305 Days
Bank Of Baroda London	12,658.77	2 Years 0 Days
Bank of India	15,819.21	2 Years 90 Days
Bank Of India - Jersey	10,607.17	2 Years 0 Days
Bank of Maharashtra	3,696.72	5 Years 273 Days
IDBI Bank Ltd	6,319.69	7 Years 1 Days
Indian Overseas Bank	45,120.15	2 Years 90 Days
Indian Overseas Bank - Hkg	7,480.37	2 Years 0 Days
Oriental Bank of Commerce	4,422.66	5 Years 336 Days
Punjab National Bank	30,358.63	1 Years 364 Days
Punjab National Bank - Hkg	6,397.21	2 Years 0 Days
Punjab National Bank - London	4,240.99	1 Years 274 Days
State Bank of India	4,087.09	2 Years 122 Days
State Bank of India-90 mln	29,513.49	2 Years 331 Days
Syndicate Bank	14,028.24	5 Years 273 Days
Syndicate Bank - London	19,109.12	5 Years 183 Days
The Catholic Syrian Bank Ltd	2,496.14	1 Years 90 Days
The Lakshmi Vilas Bank Ltd	1,536.55	3 Years 181 Days
Uco Bank	13,647.49	5 Years 275 Days
	37,033.69	6 Years 0 Days
Vijaya Bank	3,851.79	2 Years 212 Days
HDFC Bank	1,615.58	#
J M Financial Asset Reconstruction Co Ltd	10,611.79	5 Years 212 Days
JP Morgan	5,884.64	#
LIC-Non Convertible Debentures	73,329.65	7 Years 56 Days
<b>TOTAL</b>	<b>4,28,104.66</b>	

\*The period of default is based on the information provided by the Company and no independent specific confirmation from lenders of the above defaults was made available to us by the Company.

#Sufficient evidence / information has not been provided by the Company to ascertain the period of default

- IX. According to the information and explanations given to us, the Company did not raise money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of Clause 3 (ix) of the Order are not applicable.
- X. Based on audit procedures performed by us for the purpose of reporting the true and fair view of the financial statements of the Company and based on records produced to us and according to information and explanations provided to us, an FIR is registered by the CBI, BS&FC on 25-10-2017 bearing no RCBD1/2017/E/0007 u/s 13(2) r/w 13 (1) (d) of PC act, 1988 and 120B r/w 420, 467, 468 & 471 of IPC, 1860 against the Company, Mr. Chetan Sandesara, Director, Mr. Nitin Sandesara, Director, Mr. Rajbhusan Omprakash Dixit, Director, Mr. Vilas Joshi, Director, former employees and key management personnel of the Company for hatching criminal conspiracy with each other with dishonest intention to cheat Andhra Bank and other public sector Banks. Basis on the aforesaid FIR a case was taken up for investigation under the provisions of



PMLA, 2002 by Head office of directorate of Enforcement on 27.10.2017. On the basis of another FIR by CBI dated 30-08-2017, a case was taken up for investigation by the Head office of Directorate of Enforcement under provisions of PMLA, 2002 on 31-08-2017. Prior to the said cases being taken up for investigation under PMLA, investigation under FEMA, 1999 was also initiated as the Company had contravened RBI regulations by raising FCCBs through automatic route and violated the FDI policy. All are subject matter of investigations by the government authorities. The Government of India, Ministry of Corporate affairs vide order F No 3/197/2018-CLII (WR) dated 10-Apr-2018 has ordered investigation into the affairs of Sterling Biotech limited under sec 212(1) (c) of Companies Act, 2013 by Serious Fraud Investigation Office and the Director, SFIO vide order no SFIO/Inv/AOI/2017-18/1/13513/2018 dated 13-Apr-2018 and has appointed Shri Dheeraj Kumar (Senior Assistant Director) as Investigation Officer under Sec 212(4) of Companies Act, 2013

First Information report under sec 154 Cr.P.C suspecting criminal conspiracy and abuse of official position during the period 2005-2011 has been filled against IT officers and Sterling Biotech Limited.

As the final outcome of all these investigations are pending with various agencies, we are not able to comment on the implication of these frauds on the financial statements of the Company.

- XI. Based on the examination and verification of evidences provided by the Company, the Company has not complied with the provisions of Section 197 of the Act read with Schedule V to the Act with respect to requisite approvals mandated in the general meeting for managerial remuneration paid and/ or provided for in books of account. Further, we have not been provided with appropriate evidences to establish the genuineness of various expenditure incurred by the director's and recorded in books of account.
- XII. In our opinion, the Company is not a Nidhi Company and hence reporting under paragraph 3(xii) of the Order is not applicable to the Company.
- XIII. In our opinion and according to the information and explanation provided to us by the management, as the register under section 189 has not been updated, we are unable to comment on compliance with section 177 and Section 188 of the Companies Act, 2013 with respect to transactions with related parties. However, details of related party transactions have been disclosed in Note 26 to the financial statements as certified by the management.
- XIV. The Company has made private placement of unlisted 8% redeemable cumulative non-participating non-convertible preference shares of Rs. 6,615 Lakh carrying no voting rights, at par, to entities under common management during the year. (Refer Note. No. 13 to the financial statements). We have not been provided with sufficient audit evidence to ascertain the end use of the monies raised during the year. Accordingly, we are unable to comment on Clause 3(xiv) of the Order.
- XV. According to the information and explanation provided to us by the management, the Company has not entered into any non-cash transactions with the directors or persons connected with them. However, we are unable to corroborate the management representation with sufficient and appropriate audit evidence and hence we are unable to comment on Clause 3 (xv) of the Order.



- XVI. According to the information and explanations given to us, and to the best of our knowledge and belief, the Company is not required to obtain any registration under Section 45-IA of the Reserve Bank of India Act, 1934.

For **JHS & Associates LLP**  
Chartered Accountants  
Firm's Registration No.: 133288W/W100099



**Jignesh Thaker**  
Partner  
Membership No.: 107231



**Place:** Mumbai  
**Date:** December 19, 2018

*MS*



**Annexure-B to the Independent Auditor's Report of even date to the members of Sterling Biotech Limited, on the financial statements for the year ended March 31, 2018**

**Independent Auditor's 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 the Company as of March 31, 2018 in conjunction with our audit of 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.

**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:

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.

### **Disclaimer of Opinion**

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

The system of internal financial controls over financial reporting with regard to the Company were not made available to us to enable us to determine if the Company has established adequate internal financial control over financial reporting and the effects/possible effects of the material weakness on the achievement of the objectives of the control criteria and whether such financial controls were operating effectively as at March 31, 2018 considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

We have considered the disclaimer reported above in determining the nature, timing and extent of audit test applied in our audit of the financial statements of the Company, and the disclaimer has affected our opinion on the financial statements of the Company and we have issued a disclaimer opinion on the financial statements and we have issued a disclaimer of opinion on the financial statements.

For **JHS & Associates LLP**  
Chartered Accountants  
Firm's Registration No.: 133288W/W100099



**Jignesh Thaker**  
Partner  
Membership No.:107231



NKS

**Place:** Mumbai

**Date:** December 19, 2018