

CHETAN & CO

CHARTERED ACCOUNTANTS

PARK CENTRE (2ND FLOOR) 24 PARK STREET, KOLKATA - 700 016

Phone: (033) 4601 2507 E-mail : chetanco@hotmail.com

INDEPENDENT AUDITORS' REPORT

To
The Members of
M/s. Orient Steel & Industries Limited
Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of **Faridabad Unit of Orient Steel & Industries Limited ("the Unit")**, which comprise the Balance Sheet as at March 31, 2020 and the Statement of Profit and Loss for the year ended on that date, and notes to the financial statements including a summary of the significant accounting policies and other explanatory information for the year ended March 31, 2020.

In our opinion and to the best of our information and according to the explanations given to us, *except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report*, the aforesaid financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India, of the state of affairs of the Unit as at March 31, 2020, and its profit for the year ended on that date.

Basis for Qualified Opinion

- i. As referred in Note No. 27 (1) to the accompanying financial Statement, no provision had been made against the dues of INR 335.80 Lacs (PY: 342.06 Lacs) pending for realization from customers in the accounts as at March 31, 2020 for the reason stated therein. In absence of any corroborate evidences of the party we are unable to comment on the extent of realizability of these outstanding dues; and
- ii. As referred in Note No. 27 (6) to the accompanying financial Statement, wherein balances of Trade payables of INR 689.59 Lacs, Other Current Liabilities of INR 672.50 Lacs, Trade receivables of INR 1977.25 Lacs and Short Term Loans and advances of INR 33.61 Lacs as at March 31, 2020 has not been confirmed as such its consequential impact upon receipt of such confirmation/reconciliation of such balances, if any is not ascertainable at this stage;

We further report that the overall impact of matters mentioned under aforesaid paragraph, the effect of which cannot be determined and commented upon by us.

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and its unit in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules made thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate



opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.

<u>Sl. No.</u>	<u>Key Audit Matter</u>	<u>Auditor's Response</u>
1.	<p><u>Modified Audit Procedures carried out in light of COVID-19 outbreak:</u></p> <p>Due to COVID-19 pandemic, Nation-wide lockdown and travel restrictions imposed by Central / State Government / Local Authorities during the period of our audit wherever physical access was not possible, audit could not be conducted by visiting the Units/Regional Sales offices. As we could not gather audit evidence in person/ physically/ through discussions and personal interactions with the officials at the Units/Regional Sales offices, we have identified such modified audit procedures as a Key Audit Matter. Accordingly, our audit procedures were modified to carry out the audit at head office.</p>	<p>Due to the outbreak of COVID-19 pandemic that caused nationwide lockdown and other travel restrictions imposed by the Central and State Governments/local administration during the period of our audit, we could not travel to the Units/Regional Sales offices and carry out the audit processes physically at the respective Units/Regional Sales offices. Wherever physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us at head office by the management of the respective Units/ Regional Sales offices through E-Mail and to the extent generated from the system. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us on which were relied upon as audit evidence for conducting the audit and reporting for the current period.</p> <p>Accordingly, we modified our audit procedures as follows:</p> <ol style="list-style-type: none"> a) Conducted verification of necessary records/ documents/Trial Balances and other relevant application software electronically through remote access/emails in respect of Units/Regional Sales offices wherever physical access was not possible. b) Carried out verification of scanned copies of the documents, deeds, certificates and the related records made available to us through emails and remote access over secure network of the Unit. c) Making enquiries and gathering necessary audit evidence through telephonic communication and e-mails.



Management Responsibility for the Financial Statements

The Unit's management is 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 of Unit in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Unit and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Unit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Management are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

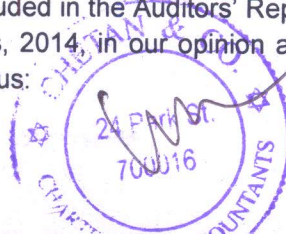
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "**Annexure-A**", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 2) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Unit so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss dealt with by this Report are in agreement with the relevant books of account maintained at the Unit.
 - d) *Except as reported in Paragraph 1 of the Basis for Qualified Opinion* section of our report above, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of written representations received from the directors as on 31st March, 2020, and taken on record by the Management, none of the directors is disqualified as on 31st March, 2020 from being appointed as director in terms of Section 164 (2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Unit and the operating effectiveness of such controls, refer to our separate Report in "**Annexure-B**";
 - g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



- i. The Unit does not have any pending litigations which would impact its financial position
- ii. The Unit did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Unit.

For Chetan & Co.

Chartered Accountants

(Firm's Registration No.321151E)


Malaya Ray Chaudhuri

Partner

(Membership No. 053201)

Place: Kolkata

Date: 31st July, 2020

UDIN: 20053201AAAAAR3520



“Annexure-A” to the Independent Auditors’ Report

[Referred to in Paragraph 1 of “Report on Other Legal and Regulatory Requirements” section of our Independent Auditors’ Report]

- (i) In respect of its fixed assets:
- (a) The Unit has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets were been physically verified by the management during the year in accordance with the regular programme of verification, which in our opinion, is reasonable having regard to the size of the Unit and nature of its business. According to the information and explanations given to us, no discrepancies were noticed on such physical verification.
 - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Unit, title deeds of immovable properties as per management are held in the name of the Unit and title deeds have been mortgaged as security with bank for securing loans taken by the Unit.
- (ii) In respect of Inventories as explained to us, has been physically verified during the year by the management. In our opinion and explanations given to us, the frequency of such verification is reasonable. In our opinion and according to the information and explanation given to us, the Unit is maintaining proper records of inventory. No such material discrepancies noticed on physical verification.
- (iii) According the information and explanations given to us, the Unit has not granted any loans, secured or unsecured to Companies, firms, Limited Liability Partnership or other parties, covered in the register maintained under section 189 of the Companies Act, 2013 as such provisions of paragraph 3(iii) of the said order are not applicable.
- (iv) According to the information and explanations given to us, there are no loans, investments, guarantees and securities given in respect of which provisions of Section 185 and 186 of the Companies Act, are not applicable and hence not commented upon.
- (v) According to the information and explanations given to us, the Unit has not accepted any deposits from the public within the meaning of directives issued by the Reserve bank of India and provisions of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under. According to the information and explanations given to us, no order has been passed by the Unit Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal on the Unit in respect of the aforesaid deposits.
- (vi) Based on the information available and as explain to us, the cost records are maintained by the Unit pursuant to the Rule made by the Central Government for the maintenance of cost records under section 148(1) of the Companies act, 2013 and *prima facie* the prescribed accounts and records have been made and maintained. However, a detailed examination of the records with a view to determine whether they are accurate or complete has not been done by us.
- (vii) In respect of statutory dues:
- a) According to the information and explanations given to us and on the basis of our examination of books of account, the Unit has been generally regular in depositing the undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues as applicable to it with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.



- b) According to the information and explanations given to us, there are no statutory dues payable which are remain outstanding as on March 31, 2020 and which have been deposited as on 31st March, 2020 on account of any dispute with the relevant authorities.
- (viii) According to the information and explanations given to us, the Unit has not defaulted in repayment of loans or borrowings to financial institutions, banks and government. The Unit has not issued any debentures during the year.
- (ix) According to the information and explanations given to us, the Unit has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year. Based on the information available, the term loan has applied for the purpose for which they were raised.
- (x) According to the information and explanations given to us, no fraud by the Unit or on the Unit by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us, compliance with requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013 is taken care at Head office level as such provision to paragraph 3 (xi) of the order are not applicable to the Unit.
- (xii) According to the information and explanations given to us, the Unit is not a Nidhi Company and as such provisions of paragraph 3(xii) of the said order are not applicable to the Unit.
- (xiii) According to the information and explanations given to us and based on our examination of books of accounts, transactions with the related parties are in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, preferential allotment or private placement of shares or fully or partly paid convertible debentures are taken care at head office level and hence reporting under this clause is not applicable to the Unit.
- (xv) According to the information and explanations given to us and based on our examination of books of accounts, the Unit has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of Section 192 of the Companies Act, 2013 are not applicable to the Unit.
- (xvi) The Unit is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and as such reporting under this clause is not applicable to the Unit.

For Chetan & Co.

Chartered Accountants

(Firm's Registration No.321151E)


Malaya Ray Chaudhuri

Partner

(Membership No. 053201)

Place: Kolkata

Date: 31st July, 2020

UDIN: 20053201AAAAAR3520



“Annexure-B” to the Independent Auditors’ Report

Report on the Internal Financial Controls Over Financial Reporting 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 **Orient Steel & Industries Limited** (hereinafter referred as “**the Unit**”) as of March 31, 2020 in conjunction with our audit of the financial statements of the Unit for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Unit’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Unit considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective Unit’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.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Unit based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Unit.

Meaning of Internal Financial Controls Over Financial Reporting

A Unit’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 Unit’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Unit; (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 Unit are being made only in accordance with authorizations of management and directors of the Unit; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Unit’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur



and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

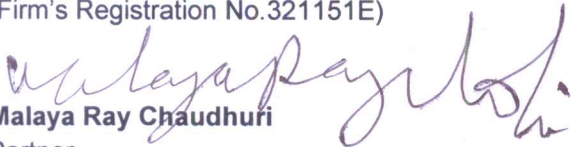
Opinion

According to the information and explanations given to us, and based on our audit, in our opinion, the Unit has generally maintained, in all material respects, an internal financial controls over financial reporting which were operating effectively as of March 31,2020, based on the internal control over financial reporting criteria established by the Unit considering the essential components of internal controls stated in the "Guidance Note on Audit of Internal Financial Controls over Financial Reporting" issued by the Institute of Chartered Accountants of India. However the Unit has to improve its design deficiencies by way of identifying the significant account balances incorporating the process flow by which the financial transactions are initiated, authorized, process, recorded and reported, related accounting records, supporting information and events/conditions other than the transactions that are significant to the financial statements so as to fulfill objectives of control criteria established at Unit. However, our opinion is not qualifies in this respect.

For Chetan & Co.

Chartered Accountants

(Firm's Registration No.321151E)



Malaya Ray Chaudhuri

Partner

(Membership No. 053201)

Place: Kolkata

Date: 31st July, 2020

UDIN: 20053201AAAAAR3520



