

# AVNISH SHARMA & ASSOCIATES

## CHARTERED ACCOUNTANTS

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To,

The Members

MEGASTAR FOODS PRIVATE LIMITED

### INDEPENDENT AUDITOR'S REPORT

#### Report on Financial Statements

We have audited the accompanying financial statements of M/S Megastar Foods Private Limited ("the Company"), which comprises of the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss and cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rule, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on 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 rules made thereunder.

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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 the internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls systems over financial reporting and operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

HEAD OFFICE : PANCHKULA BRANCH : LUDHIANA

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the the Act in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India *subject to note no. (e) of notes to accounts regarding gratuity and note no. (n) regarding non- confirmation of balances* :

- a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2015; and
- b) In the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date.
- c) In the case of the Cash Flow Statement, of the Cash flow of the Company for the year ended on that date.

**Report on Other Legal and Regulatory requirements**

As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Sub Section 11 of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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 purpose of our audit.
- (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss and the Cash flow statement dealt with by this Report are in agreement with the books of accounts.
- (d) 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 directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of 164(2) of the Act.
- (e) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
  - i. The Company does not have any pending litigations which would impact its financial position;
  - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;
  - iii. There were no amounts which required to be transferred by the Company to the Investor Education and Protection Fund.

for Avnish Sharma & Associates  
Chartered Accountants  
FRN - 009398N

Place : Chandigarh  
Dated : 31.07.2015

Dinesh Manchanda (M.No. 097591)  
Partner

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE  
TO THE MEMBERS OF M/S MEGASTAR FOODS PRIVATE LIMITED  
Reports under The Companies (Auditor's Report) Order, 2015 (CARO 2015)**

- 1 In respect to its fixed assets:
  - a) The company has maintained proper records, showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
  - b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- 2 In respect of inventories:
  - a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is resonable.
  - b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - c) The company has maintained proper records of inventories. As per the information and explanation given to us, no material discrepancies were noticed on physical verification.
- 3 The company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- 4 In our opinion and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal control system.
- 5 According to the information and explanations given to us, the Company has not accepted any deposit from the public. Therefore, the provisions of Clause (v) of paragraph 3 of the CARO 2015 are not applicable to the Company.
- 6 We informed that maintenance of cost records as prescribed by the Central Government under Section 148(1) of Companies Act, 2013 are not applicable to the company.
- 7 In respect to Statutory dues:
  - a) According to the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2015 for a period of more than six months from the date of becoming payable.
  - b) According to the records of the Company, there are no amounts that are due to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- 8 The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

- 9 Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- 10 In our opinion and according to the explanations given the company has not given any guarantee for loans taken by others from banks/financial institutions.
- 11 According to the information and explanation given to us, prima facie, the term loan raised is utilized for designated purposes.
- 12 According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

for Avnish Sharma & Associates  
Chartered Accountants  
FRN - 009398N

Place : Chandigarh  
Dated : 31.07.2015

Dinesh Manchanda (M.No. 097591)  
Partner

**MEGASTAR FOODS PRIVATE LIMITED**  
**Significant Accounting Policies and Notes forming part of the Financial Statements**  
**Year Ending: 31-Mar-2015**

**1 COMPANY OVERVIEW**

Megastar Foods Private Limited was incorporated on 28th November 2011 under the Companies Act, 1956. The company has its Registered Office and Head Office at 807, Industrial Area Phase II, Chandigarh and Plant In Ropar Dist .The company is engaged in the business of Roller Flour Mills manufacturing Wheat Products.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**a) Method of Accounting**

These financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rule, 2014 and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on accrual basis.

**b) Use of estimates**

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expense during the year. Examples of such estimates include provisions for doubtful receivables, employee benefits, provision for income taxes, accounting for contract costs expected to be incurred, the useful lives of depreciable fixed assets and provisions for impairment. Future results could differ due to changes in these estimates and the difference between the actual result and the estimates are recognised in the period in which the results are known / materialise.

**c) Fixed Assets**

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses related to acquisition but net of duty credit availed. All pre-operative expenditure including interest on borrowings, specifically for the acquisition/project or interest on general borrowings to the extent utilized for such project, for the period up to the completion of erection is capitalized as part of the asset cost. Indirect expenditure related to acquisition & erection of machineries for the period up to the completion of such erection is treated as pre-operative expenditure and allocated on pro-rata basis.

**d) Depreciation**

In respect of fixed assets acquired during the year, depreciation/ amortisation is charged on a straight line basis so as to write off the cost of the assets over the useful lives and for the assets acquired prior to April 1, 2014, the carrying amount as on April 1, 2014 is depreciated over the remaining useful life based on an evaluation.