

Ref. No. :

Date :

Independent Auditor's Report

To the Members of Kirloskar Roadrailer Limited

Report on the Financial Statements

We have audited the accompanying (Standalone) financial statements of Kirloskar Roadrailer Limited ("the Company") which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for (Standalone) Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these (Standalone) 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) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these (Standalone) 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 the 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 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 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 control 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid (Standalone) financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its Profit/Loss and its Cash Flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
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 purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as 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 account
 - d. in our opinion, the aforesaid (Standalone) 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 March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as

on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - 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 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 Company.

"Annexure A" to the Independent Auditors' Report

Referred to in paragraph 1 under the heading 'Report on Other Legal & Regulatory Requirement' of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

- 1)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (b) The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business.
- 2) There is no Inventory with the Company.
- 3) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) As Informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.

- 7) (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2016 for a period of more than six months from the date on when they become payable.

b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.
- 8) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- 12) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- 13) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 15) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

"Annexure B" to the Independent Auditor's Report of even date on the Standalone Financial Statements of Kirloskar Roadrailer Limited

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 Kirloskar Roadrailer Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone 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. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016.

KIRLOSKAR ROADRAILER LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2016

	Note No.	Rs.	As at 31ST MARCH 16 Rs.	As at 31ST MARCH 15 Rs.
I. EQUITY AND LIABILITIES				
(1) SHAREHOLDERS' FUNDS :				
(a) Share Capital	1	45,700,000		45,700,000
(b) Reserves & Surplus	2	<u>(4,395,846)</u>		<u>(2,740,754)</u>
			41,304,154	42,959,246
(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :				
(3) NON CURRENT LIABILITIES :				
(4) CURRENT LIABILITIES :				
Creditors	3		330,194,660	330,174,860
	Total		<u>371,498,814</u>	<u>373,134,106</u>
II. ASSETS :				
(1) NON CURRENT ASSETS :				
Capital work in progress			324,388,746	324,388,746
Non Current Investments			61,934	61,934
(2) CURRENT ASSETS :				
Sundry Receivables	4		33,046,598	33,095,383
Cash and Bank Balances			14,001,536	15,588,043
	Total		<u>371,498,814</u>	<u>373,134,106</u>
Notes forming part of the Financial Statements	1-9			

KIRLOSKAR ROADRAILER LIMITED

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2016.

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
Other Income			50	50
I Total Revenue			50	50
II EXPENSES :				
Interest		320		160
Other Expenses	5	<u>1,654,822</u>		<u>2,528,928</u>
Total Expenses			1,655,142	2,529,088
III Profit before Exceptional and Extraordinary Items and Tax (III - IV)			(1,655,092)	(2,529,038)
IV Exceptional Items				
V Profit before Extraordinary Items and Tax (V-VI)			(1,655,092)	(2,529,038)
VI Extraordinary Items				
VII Profit before Tax (VII-VIII)			(1,655,092)	(2,529,038)
Profit (Loss) for the Period			<u>(1,655,092)</u>	<u>(2,529,038)</u>

KIRLOSKAR ROADRAILER LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

PARTICULARS	2015-2016 Rs.	2014-2015 Rs.
(I) OPERATING ACTIVITIES		
(A) PROFIT BEFORE TAXATION	(1,655,092)	(2,529,038)
(B) ADJUSTMENTS :		
CASH FROM OPERATIONS	(1,655,092)	(2,529,038)
(C) (INCREASE) / DECREASE IN CURRENT ASSETS		
(i) Inventories	-	-
(ii) Sundry Debtors	-	-
(iii) Other Current Assets, Loans & Advances	48,785	(805,563)
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES	48,785	(805,563)
(i) Liabilities	19,800	-
NET CASH FROM OPERATIONS	68,585	(805,563)
	(1,586,507)	(3,334,601)
(II) INVESTMENT ACTIVITIES		
(i) Investments, net.	-	(61,934)
(ii) Capital Expenditure - Tangible Assets	-	(26,503,206)
(III) FINANCING ACTIVITIES		
(i) Increase in Share Capital	-	44,700,000
NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)	(1,586,507)	14,800,259
Cash & Cash Equivalents as at 1-4-2015 (Opening Balance)	15,588,043	787,784
Cash & Cash Equivalents as at 31-3-2016 (Closing Balance)	14,001,536	15,588,043

KIRLOSKAR ROADRAILER LIMITED

Note Nos. 1 to 9 are annexed to and forming part of the Financial Statements for the year ended 31st March, 2016

	As at 31 st March, 2016 Rs.	As at 31 st March, 2015 Rs.
NOTE 1 : SHARE CAPITAL :		
EQUITY SHARES:		
AUTHORISED :		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
ISSUED AND SUBSCRIBED :		
15,000,000 (15,000,000) Equity Shares of Rs. 10/- each	150,000,000	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
PAID UP :		
Fully paid		
100,000 (100,000) Equity Shares of Rs.10/- each fully paid	1,000,000	1,000,000
Partly paid		
14,900,000 (14,900,000) Equity Shares of Rs.10/- each Rs.3/- paid	44,700,000	44,700,000
Total	<u><u>45,700,000</u></u>	<u><u>45,700,000</u></u>
Share Holding Details :		
	Nos.	Nos.
Holding Company i.e. Kirloskar Pneumatic Co. Ltd. holds 100% shares	15,000,000	15,000,000

KIRLOSKAR ROADRAILER LIMITED

		As at 31st March, 2016	As at 31st March, 2015
	Rs.	Rs.	Rs.
NOTE 2 : RESERVES AND SURPLUS :			
Surplus :			
As per last Account	(2,740,754)		(211,716)
Add : Transferred from Statement of Profit & Loss Account	<u>(1,655,092)</u>		<u>(2,529,038)</u>
		(4,395,846)	(2,740,754)
Total		<u>(4,395,846)</u>	<u>(2,740,754)</u>
NOTE 3 : CREDITORS :			
For Capital Goods		330,169,860	330,169,860
For Expenses			
Audit Fees		5,000	5,000
Rent		16,200	-
TDS		3,600	-
		<u>330,194,660</u>	<u>330,174,860</u>
NOTE 4 : SUNDRY RECEIVABLES :			
Excise Duty Cenvat		32,284,320	32,284,320
Service Tax Cenvat		28,948	11,063
Prepaid Expenses		733,330	800,000
		<u>33,046,598</u>	<u>33,095,383</u>
NOTE 5 : OTHER EXPENSES :			
Other Expenses :			
Rent	288,000		222,708
Legal & Professional fees	57,500		40,449
Audit Fees	5,000		5,000
Registration & filing fees	21,352		1,742,312
Bank Charges	460		4,517
Insurance General	1,166,670		400,000
Licence Fees	105,000		105,000
Sundry Expenses	10,840		8,942
		<u>1,654,822</u>	<u>2,528,928</u>
Total		<u>1,654,822</u>	<u>2,528,928</u>

6) Accounting Policies -

A. Accounting Policies -

1 Basis of Accounting :

The Accounts of the Company are prepared under Historical Cost Convention in accordance with applicable Accounting Standards.

2 Revenue Recognition :

The Company is following accounting standard AS-9 prescribed / recommended by the Institute of Chartered Accountants of India to recognize its income.

3 Fixed Assets :

Fixed Assets are stated at their original cost less depreciation.

4 Provision for Deferred Tax :

Current Tax is determined as the amount of tax payable in respect of Taxable income for the current year. Deferred tax is recognized, subject to the consideration of prudence, in respect of Deferred Tax Assets, on timing differences between Taxable income and Accounting income that originate in one period and are capable of reversal in one or more subsequent period.

Particulars of Remuneration to Auditors

7) -

Particulars	Amount (Rs.)
Statutory Audit Fees	5,000/-

8) The Company is in process of starting its commercial operations.

KIRLOSKAR ROADTRAILER LIMITED

9) Disclosure of transactions with related parties as required by the AS-18

Name of Related Party	Nature of Relationship
Kirloskar Pneumatic Company Limited	Holding Company

Related Party Transactions

Nature of Transaction	Year	Amount (Rs.)
Rent Paid	2015-16	12,000
	2014-15	45,000
Balance Outstanding		
Payable	2015-16	330,169,860
	2014-15	330,169,860