

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KANORIA SUGAR & GENERAL MANUFACTURING COMPANY LIMITED

Report on the Financial Statements

1. We have audited the accompanying Standalone financial statements of **KANORIA SUGAR & GENERAL MANUFACTURING COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

Management's responsibility for the Financial Statements

- 2 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 provision 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.

Auditors' Responsibility

- 3 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 the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Companies Act, 2013. 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 misstatements.
- 4 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 internal 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. An audit also includes evaluating the appropriateness of 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.

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

Basis of the Qualified opinion.

- (i) The Company's net worth has been eroded completely and Consortium member banks (Punjab National Bank and Canara Bank) has recalled the entire loans outstanding, however, the company has prepared its accounts on a going concern basis as the management is in the process of submitting restructuring proposal to bank and is confident that it shall continue to operate further.
- (ii) Continued default in payment of Interest and for repayment of Principal amount on due dates (refer note no viii in CARO Report)

Qualified Opinion

- 6 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Financial Statements except to the extent of matters mentioned in the Qualified opinion paragraph, 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 Company as at 31st March, 2018 and its Loss and its cash flows for the year ended on that date.
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2018;
- (ii) in the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
- (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirement

7. As required by the Companies (Auditor's Report) Order, 2016 ('Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we enclose in the Annexure 'A' a statement on the matters specified in paragraphs 3 and 4 of the said Order.
- 8 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 the law have been kept by the Company, so far as appears from our examination of those books;
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts;
- d. In our opinion, the aforesaid Financial Statements dealt with by this report comply with the Accounting Standards referred to in section 133 of the Companies Act, 2013;

- e. The matter described in the basis of qualified opinion paragraph may have the adverse effect on the functioning of the company.
- f. On the basis of written representations received from the directors as on 31st March 2018, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2018 from being appointed as director in terms of section 164(2) of the Companies Act, 2013 ;
- g. With respect to the adequacy of the Internal Financial Controls over the financial reporting of the Company and operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- 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. The Company has disclosed the impact of pending litigation on its financial position in its financial statement – Refer No. 29(B) (2) to the financial statement.
- ii. The Company did not have any long term contracts including derivatives contract for which there were any material foreseeable losses.
- iii. There were no amount which were required to be transferred to the Investor Education and Protection Fund by the Company.

PLACE: NEW DELHI
DATE: 21st August , 2018

FOR M. L GARG & CO.
CHARTERED ACCOUNTANTS
FRN 001604N

(MANISH K GARG)
PARTNER
M.NO. 96238

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

The Annexure "A" referred to in paragraph 7 of our report of even date to the members of **Kanoria Sugar & General Manufacturing Company Limited** on the Financial Statements for the year ended 31st March, 2018.

- i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As per information and explanation given to us, the fixed assets of the Company have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (c) As per information and explanation given to us, the title deeds of immovable properties are held in the name of the company. However, the title deeds are lying as security with a financial Institution from whom the company had taken loan.
- ii) Physical verification of inventory has conducted at reasonable intervals by the management. In our opinion, the discrepancies noticed on physical verification of stock as compared to book records were not material in relation to the operations of the company and the same have been properly dealt with in the books of account.
- iii) The company has not granted any loans, secured or unsecured, to the companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act 2013 and as such clauses 3(iii) (a), (b) & (c) of the order are not applicable to the company.
- iv) According to the information and explanations given to us, the Company has not given Loans and guarantees and hence Clause 3(iv) is not applicable to the Company. However, the company has Investments which were prior to applicability of section 186 of the Companies Act 2013.
- v) The Company has not expected any deposits during the year and hence Clause 3(v) is not applicable to the Company.
- vi) We have broadly reviewed the books of account maintained by the Company in respect of production of sugar where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under sub-section (1) of 148 of the companies Act, 2013 and are of the opinion that prima facia, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion the Company is generally regular in depositing the undisputed dues including provident fund, income – tax, sales-tax, service-tax, Goods & Service Tax (GST), duty of customs, duty of excise, value added tax, cess and any other statutory dues as applicable to the appropriate authorities. As regard ESI, as explained to us the provisions of Employees State Insurance Act 1948 are not applicable to the company.

Further, no undisputed amounts payable in respect of income-tax, sales-tax, service-tax, Goods & Service Tax (GST), duty of customs, duty of excise,

M. L. GARG & CO.
CHARTERED ACCOUNTANTS

value added tax, cess were in arrears, as at 31st March, 2018 for a period of more than six months from the date they payable.

- b) According to the information and explanations given to us and the records of the Company examined by us, the disputed statutory dues aggregating to Rs 300.26 Lakhs that have not been deposited on account of matter pending before appropriate authorities.

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Name of the Statutory	Nature of dues	Period which pertaining	Amount (Rs. Lacs)	Forum where the Dispute is pending
Central Excise 1944	Service Tax	2010-2011	4.88	CESTAT-NEW DELHI
Central Excise 1944	Service Tax	July 11-Oct 15	38.62	ASSTT COMM-SERVICE TAX-GORAKHPUR
-do-	CENVAT	2006-2007	1.27	CESTAT-NEW DELHI
-do-	Service Tax	2012-2016	18.50	ASSTT. COMM –SERVICE TAX-GORAKHPUR
-do-	CENVAT	2008-2009	1.37	COMM-(APPEAL)-C.EX
-do-	CENVAT	2008-2009	2.32	CESTAT-NEW DELHI
-do-	CENVAT	2015-2017	21.22	ASSTT COMM-SERVICE TAX-GORAKHPUR
-do-	CENVAT	2012-2013	1.50	ASSTT COMM-C.EX
-do-	CENVAT	2013-2014	10.88	ADDL.COMM-CEX
-do-	CENVAT	Apr 14 to Nov. 14	1.53	ASST.COMM-C.EX
-do-	CENVAT & PENALTY	2010-2011	0.64	COMM-(APPEAL)-C.EX
-do-	CENVAT & PENALTY	July 12 to Dec. 13	2.37	CESTAT- ALLAHABAD
-do-	CENVAT & PENALTY	July 09 to June 2010	1.36	CESTAT- ALLAHABAD
-do-	CENVAT & PENALTY	July 10 to Mar 11	0.54	CESTAT-ALLAHABAD
Tax on entry of Goods Act 1999	Entry Tax	2000-2001	1.19	SALES TAX - TRIBUNAL
-do-	Sales Tax	2003-2004	6.16	JT COMMISSIONER COMMERCIAL TAX-GORAKHPUR
Sales Tax	U.P SALES TAX 1956 TAX	2004-2005	8.76	SALES TAX – TRIBUNAL
Sales Tax	U.P SALES TAX 1956 TAX	2005-2006	10.81	HIGH COURT (ALLAHABAD)
-do-	Sales tax	2006-2007	10.29	ASSISSTANT COMMISSIONER COMMERCIAL TAX-PADRAUNA
-do-	Sales tax	2006-2007	14.68	ASSISSTANT COMMISSIONER COMMERCIAL TAX-PADRAUNA
-do-	Sales tax	2007-2008	6.38	JT COMMISSIONER COMMERCIAL TAX-GORAKHPUR
-do-	Sales tax	2007-2008	1.16	JT COMMISSIONER COMMERCIAL TAX-GORAKHPUR
TNGST	Sales tax	2004-2005	10.09	ASST COMM-CENNAI TAMIL NADU
CENTRAL EXCISE 1944	CENVAT	2009-2010	18.37	CESTAT, DELHI
CENTRAL EXCISE 1944	CENVAT	2010-2011	56.48	COMM APPEAL, INDORE
CENTRAL EXCISE 1944	CENVAT	2010-2011	25.27	CESTAT, DELHI
CENTRAL EXCISE 1944	CENVAT	2010-2011	0.57	SERVICE TAX WORKS CONTRACT
CENTRAL EXCISE 1944	CENVAT	2011-2012	22.73	CESTAT, DELHI
CENTRAL EXCISE 1944	CENVAT	2010-2011	0.32	CENTRAL EXCISE UJJAIN

- viii. During the year the Company has defaulted in repayment of dues to Banks and in the payment of interest Rs 1560.98 lacs and dues of Sugar Development Fund (SDF) where there is a default of Rs 2,151,08 Lacs (Excluding penal interest). (Refer note 9 of 29 B) and such defaults are continued till the end of the financial year and thereafter.
- ix. To the best of our knowledge and belief and to the information and explanations given to us, in our opinion, term loan availed by the Company were prima facie, applied by the Company during the year for the purpose for which the loan were obtained. Further, the Company has not raised money by way of public offer (including debt instruments).
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the company or any fraud by its officers or employees nor have we been informed of such case by the management.
- xi. According to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approval mandated under section 197 read with Schedule V to the Companies Act 2013.
- xii. According to the information and explanations given to us, the company is not a Nidhi Company and hence Clause 3(xii) is not applicable to the company.
- xiii. According to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of companies Act,2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence Clause 3(xiv)is not applicable to the company.
- xv. The company has not entered into any non-cash transactions with directors or persons connected with him and hence Clause 3(xv) is not applicable to the company.
- xvi. The Company is not a NBFC and therefore not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence Clause 3(xvi) is not applicable to the company.

PLACE: NEW DELHI
DATE: 21st August , 2018

FOR M. L GARG & CO.
CHARTERED ACCOUNTANTS
FRN 001604N

(MANISH K GARG)
PARTNER
M.NO. 96238

ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KANORIA SUGAR & GENERAL MANUFACTURING CO. 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 **Kanoria Sugar & General Manufacturing Company Limited** (“the Company”) as at **31st March, 2018** in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting 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”. 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 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.

Opinion

In our opinion, ,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 31ST March, 2018, 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”

PLACE: NEW DELHI
DATE: 21st August , 2018

FOR M. L GARG & CO.
CHARTERED ACCOUNTANTS
FRN 001604N

(MANISH K GARG)
PARTNER
M.NO. 96238

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To The Members of KANORIA SUGAR & GENERAL MANUFACTURING COMPANY LIMITED

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of **KANORIA SUGAR & GENERAL MANUFACTURING COMPANY LIMITED** (hereinafter referred to as "the Parent Company"), its subsidiary Companies (the Parent Company and its subsidiary together hereinafter referred to as "the Group"), comprising of the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its subsidiary 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.

The respective Board of Directors of the Parent Company and of its subsidiary companies are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group 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 the 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, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Parent Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the 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 Consolidated Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Financial Statements. The procedures selected



depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent Company's preparation of the Consolidated 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 Parent Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence obtained by us in respect of Companies audited by us and the audit evidence obtained by the other auditors in terms of their reports referred to the other matters paragraph below is sufficient and appropriate to provide basis for our opinion on the Consolidated Financial Statements.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated 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:-
 - a) In the case of the Consolidated Balance Sheet, of the state affairs of the Parent and its associates as at 31st March, 2018.
 - b) In the case of the Consolidated Statement of Profit and Loss, of the Loss for the year ended on that date; and
 - c) In the case of the Consolidated Cash Flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. 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 of the aforesaid Consolidated Financial Statements;
 - b) in our opinion proper books of account as required by law relating to the preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and reports of other auditors as well as the unaudited financial statements and financial information that were furnished by the management of the Parent Company;
 - c) the Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, and Consolidated Cash Flow Statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements;
 - d) in our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

M.L GARG & CO.
CHARTERED ACCOUNTANTS

- e) on the basis of written representations received from the Directors of the Parent Company, and its associates as on March 31, 2018, and taken on record by the Board of Directors of the Parent Company, and its associates, none of the Directors of the Group and its associate companies is disqualified as on March 31, 2018, 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 the financial reporting of the Parent and its subsidiary and operating effectiveness of such controls, refer to our separate Report in "Annexure - A";
- 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 Consolidated Financial Statements disclose the possible impact of pending litigations on the consolidated financial position of the Group and its subsidiary - Refer Note 29 (B)(2) to the Consolidated Financial Statements.
 - ii. The Group did not have any long-term contracts including derivative contracts for which there any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent Company and its subsidiary companies

PLACE: NEW DELHI
DATE: 21st August , 2018

For M.L.GARG & CO,
CHARTERED ACCOUNTANTS
FRN 001604N

(MANISH K GARG)
PARTNER
M.NO.96238

**TO THE MEMBERS OF KANORIA SUGAR & GENERAL MANUFACTURING
COMPANY LIMITED**

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE
CONSOLIDATED FINANCIAL STATEMENT OF KANORIA SUGAR & GENERAL
MANUFACTURING CO LIMITED**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of
Section 143 of the Companies Act, 2013 ("the Act")**

1. In conjunction with our audit of the Consolidated Financial Statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of **Kanoria Sugar & General Manufacturing Company Limited**
2. (hereinafter referred to as "the Parent Company"), and its subsidiary , which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

3. The respective Board of Directors of the Parent company and its subsidiary companies, which are companies incorporated in India, are 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 the respective 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.

Auditor's Responsibility

4. 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") issued by the ICAI 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 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.

5. 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.
6. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports 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

7. 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

8. 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

9. In our opinion, the Parent Company, the subsidiary companies audited by other auditors which are companies incorporated in India, have, 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, 2018, 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".

PLACE: NEW DELHI
DATE: 21st August , 2018

For M.L.GARG & CO,
CHARTERED ACCOUNTANTS
FRN 001604N

(MANISH K GARG)
PARTNER
M.NO.96238