SWAMY & CHHABRA
CHARTERED ACCOUNTANTS

Independent Auditor's Report

To the Members of
Modella Textiles Industries Ltd

Report on the Audit Standalone financial statements

We have audited the accompanying standalone Ind AS financial statements of **Modella Textiles Industries Ltd** ("the Company") which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss for the period then ended, Statement of Changes in Equity, Cash Flow Statement and a summary of significant accounting policies and other explanatory information.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid standalone Ind AS 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, 2022, and its loss for the period ended on that date.

Basis for Qualified Opinion

1. We refer to Note B13 of the standalone Ind AS financial statements which discloses that the company has defaulted in the repayment of dues to the lenders to the extent of Rs.2,76,72,65,410/- to ECL Finance Ltd and Rs.1,02,55,69,863/- to Edelweiss Finvest Private Limited (amounts inclusive of interest). However, informed by the erstwhile management that the Company is in the process of settlement of said loan. Accordingly, no interest has been provided on the same. Also, there is an application being C.P. (IB) No. 68/NCLT/MB/C-IV/2021 filed by Beacon Trusteeship Limited, the Financial Creditor/Applicant, under section 7 of Insolvency & Bankruptcy, 2016 (I&B Code) against the company for initiating Corporate Insolvency Resolution Process (CIRP). The petition is filed by the Financial Creditor who acting as Debenture Trustee on behalf of Edelweiss Asset Reconstruction Company Limited. NLCT has admitted such application for initiating Corporate Insolvency Resolution Process (CIRP) on May 4th, 2022. The total claim of secured loan of Rs. 9,91,31,34,672 has been admitted by

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NCLT. We are not in a position to opine whether the said 'Long Term Borrowings' or 'Other Financial Liabilities' show a fair and true disclosure.

2. We refer to Note B23 of the standalone Ind AS Financial Statements which is regarding reliance placed by us on information received from the erstwhile management with regard to the disclosure of Contingent Liabilities of the Company. The company is having on-going litigation in the court. Erstwhile management estimates the possible outflow of economic resources based on available information on the legal status of the proceedings. In the absence of clarity on the said point, and absence of consequent provisions (if required), we are not in a position to opine of the true and fair treatment thereof in the financial statements.

3. We draw attention to the note B5 & B6 of the standalone Ind AS Financial Statement which is regarding the balances of loans and advances are subject to confirmation, reconciliation and consequential adjustments, if any. In absence of alternative corroborative evidence, we are unable to comment on the extent to which such balances are recoverable. Impact whereof on the financial statements, if any is not presently ascertainable.

Emphasis of matter

Emphasis of matter is a paragraph which is included in auditor's report to draw users' attention to important matter(s) which are already disclosed in financial statements and are fundamental to the users' for understanding of Financial Statements.

Attention is invited to:

1. We draw attention to Note B22 of the standalone Ind AS financial statements, regarding balances that are subject to confirmation, reconciliation and adjustments if any.
2. As stated in Note B4 of the standalone Ind AS financial statement which discloses the cash balance with the Company to the tune of Rs. 11,40,458 , This balance is counted and confirmed by the Erstwhile management vide a certificate.
3. We draw attention to Note "A" of the standalone Ind AS financial statement which states that Corporate Insolvency Resolution Process ("CIRP") has been initiated in case of the Company vide order 4th May,2022 ("Admission Order") of Hon'ble National Company Law Tribunal ("NCLT"), Mumbai Bench under the Provisions of the Insolvency and Bankruptcy Code,2016 (the Code). Pursuant to the order, the erstwhile management of affairs of the Company and powers of board of directors of the Company are now vested with the Resolution Professional ("RP") who is appointed by the Committee of Creditors ("CoC").

Our opinion is not qualified in the respect of above matters.

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Responsibilities of Erstwhile management and those charged with Governance for the Standalone IND AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Indian Accounting Standards) Rules 2015.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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process. The Hon'ble National Company Law Tribunal, Mumbai ("NCLT") on May 4th, 2022 admitted the Corporate Insolvency Resolution Process ("CIRP") application filed against the Company and appointed Mr. Bhrugesh Amin, as the Interim Resolution Professional in terms of the Insolvency and Bankruptcy Code, 2016 ("Code"). Further, the committee of creditors constituted during the CIR process has confirmed appointment of Mr. Bhrugesh Amin as the Resolution Professional ("RP") to manage the affairs of the Company. In view of the pendency of the CIR process, the power and responsibilities of the Board of Directors shall vest with the RP under the provisions of the Code and these powers are exercisable till the date of handover of the erstwhile management.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS 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 there under.

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 standalone Ind AS financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS 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 Ind AS financial statements

Report on Other Legal and Regulatory Requirements

Pursuant to the Companies (Auditor's Report) Order, 2020 ("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" a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by Section 143(11) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements, we report, to the extent applicable, 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 and the Statement of Profit and 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, 2022 taken on record by the Board of Directors, one of the three director's i.e Mr Kesharmal Nensukhlal Gandhi is disqualified as on March 31, 2022 from being

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appointed as a director in terms of Section 164 (2) of the Act. Also, The power of Board of Director of Company are suspended.

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. Except for the matter described in Basis for Qualified Opinion, the Company does not have 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. The Company is not obliged to transfer any amount, required to be transferred, to the Investor Education and Protection Fund by the Company.

   iv. a) The erstwhile management has represented that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend to or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

   b) The erstwhile management has represented, that, to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend to or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee .security or the like on behalf of the Ultimate Beneficiaries.

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c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representation under sub clause (i) and (ii)of Rule 11(e) of The Companies (Audit and Auditors) Rules, 2014, as provided under (a) and (b) above, contains any material misstatement

v. The company has not declared or paid any dividend during the year in contravention of the provisions of section 123 of the Companies Act, 2013.

For Swamy& Chhabra
Chartered Accountants
FRN: 113036W

SWAMY & CHHABRA * Navi Mumbai * Chartered Accountants *

Pavan Chhabra
Partner
Membership No.085553

Place: Mumbai
Date: 15/11/2022
UDIN: 22085553BDKJXO5143

"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 standalone financial statements of the Company for the year ended March 31, 2022:

I. In respect of Company's Property, Plant and Equipment (PPE) and Intangible Assets:

a) The Company has maintained proper records showing full particulars including quantitative details and situation of PPE and relevant details of right-to-use assets.

b) All fixed assets comprising of Property, Plant and Equipment and Investment Properties have not been physically verified by the erstwhile management during the year due to Covid-19 Outbreak. Hence, we are unable to comment upon it.

c) The title deeds in respect of immovable properties as per the books of accounts were not made available, in the absence of which, we are unable to comment on whether the same are in the name of the company.

d) The Company has not revalued any of its PPE (including right-of-use assets) and intangible assets during the year and hence reporting under clause 3(i)(d) of the Order is not applicable to the Company.

e) In our opinion and according to the information and explanations given to us, neither any proceedings have been initiated during the year nor are pending as at March 31, 2022 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988, as amended, and rules made thereunder and hence reporting under clause 3(i)(e) of the Order is not applicable to the Company.

II) In respect of its inventories:

a) The working papers to substantiate the carrying out the exercise of physical verification of inventories during the year are not available due to which we are unable to comment on whether physical verification was carried out.

b) According to the information and explanations given to us and on the basis of our examination of the records, the Company has not been sanctioned working capital limit in excess of Rs 5 crores on the basis of security of current assets, in aggregate, at any point of time during the year from banks and financial institutions and hence reporting under clause 3(ii)(b) of the Order is not applicable to the Company.

III) In According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any investments, provided guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, limited liability partnerships or any other parties during the year. Accordingly, provisions of clauses 3(iii)(a) to 3(iii)(f) of the Order are not applicable to the Company.

IV) The registers required to be maintained under section 185 & 186 have not been provided for our

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verification or are under updation due to which we are unable to comment on the reporting requirements specified under clause (iv) of the order.

V) In our opinion and according to the information and explanations given to us, no deposits or amounts which are deemed to be deposits within the meaning of Section 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014 have been accepted by the Company and hence reporting under clause 3(v) of the Order is not applicable to the Company.

VI) 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.

VII) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and Other statutory dues have been generally regularly deposited with the appropriate authorities except TDS Payment and ESIC were in arrears as at March 31, 2022 for a period of more than six months from the date on when they become payable

Nature of Liability	**Period to which related**	**Amount (Rs.)**	**Remarks**
TDS Payable	On or before 30.09.2021	15,24,80,973	Not paid as on 31/03/2022
ESIC payable	On or before 30.09.2021	2,60,132	Not paid as on 31/03/2022

There are no dues of Income Tax, sales tax, wealth-tax, service tax, custom duty, excise duty, cess which have not been deposited on account of disputes.

VIII) According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

IX) a) According to the records of the Company examined by us and the information and explanations given to us, the Company has defaulted in repayment of loans or other borrowings and in the payment of interest;.

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Sr no	Nature of Borrowing	Name of Lender	Amount not paid on due date	Whether Principal or Interest	No of days delay/unpaid
1	Term Loan	ECL Finance Limited(NCD)	2,15,36,96,713	Principal & Interest	Current Year Unpaid
2	Term Loan	ECL Finance Ltd (Term Loan)	61,35,68,697	Principal & Interest	Current Year Unpaid
3	Term Loan	Edelweiss Finvest Pvt Ltd	1,02,55,69,863	Principal & Interest	Current Year Unpaid

The above loans due to breach of covenants has been classified as Non-Performing Asset (NPA) by the lenders.

b) In the absence of any information provided by the erstwhile management, we are not in position to comment whether company has been declared as Wilful Defaulter by any bank or financial institution with respect of above loans which are declared as NPA.

c) The Company has not taken any term loan during the year and there are no unutilised term loans at the beginning of the year and hence, reporting under clause (ix)(c) of the Order is not applicable.

d) According to the information and explanations given to us, and on an overall examination of the financial statements of the company, we report that no funds raised on short-term basis have been used for long-term purposes by the company.

e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.

f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries.

X) a) 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 (x)(a) of the Order are not applicable to the Company and hence not commented upon.

b) The company has not made any Preferential Allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year. Accordingly, the provision of this clause is not applicable and hence not commented upon.

XI) a) Based upon the audit procedures performed and the information and explanations given by the erstwhile 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.

b) No report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Second Amendment Rules, 2021.

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XII) 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.

XIII) In our opinion and according to the information and explanation provided to us by the erstwhile management, as the register under section 189 has not been updated, we are unable to comment on compliance with Section 188 of the Companies Act, 2013 with respect to transactions with related parties. However, details of related party transactions to the extent available with the erstwhile management have been disclosed in Note B30 to the standalone financial statements. The company is in non-compliance with Section 177 of Companies Act, 2013

XIV) The Central Government has not prescribed to appoint internal auditor under section 138 of the Act, for any of the services rendered by the Company; & hence the same clause is not applicable.

XV) 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.

XVI). The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause (xvi) (a), (b) and (c) of the Order is not applicable.

There are no other Companies part of the Group, hence, the requirement to report on clause 3(xvi)(d) of the Order is not applicable to the Company.

XVII) The company has incurred cash losses in the financial year of Rs. 1,29,12,226 and in the immediately preceding financial year of Rs. 1,66,44,199. (Cash losses arrived after adding back depreciation charged in Profit & Loss Account)

XVIII) There is no resignation of statutory auditors during the year; hence this clause is not applicable.

XIX) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and erstwhile management plans and based on our examination of the evidence supporting the assumptions, we believe that material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, However, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

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XX) The provisions of Section 135 towards corporate social responsibility are not complied with during the year.

XXI) The reporting under Clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in this report.

For Swamy& Chhabra
Chartered Accountants
FRN: 113036W

Pavan Chhabra
Partner
Membership No.085553

Place: Mumbai
Date: 15/11/2022
UDIN: 22085553BDKJXO5143

"Annexure B" to the Independent Auditor's Report of even date on the Standalone financial statements of Modella Textiles Industries Ltd

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 **Modella Textiles Industries Ltd**("the Company") as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Erstwhile management's Responsibility for Internal Financial Controls

The Company's erstwhile management is responsible for establishing and maintaining internal financial controls based on [for example, "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 judgment, including the assessment

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of the risks of material misstatement of the standalone 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 standalone 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 standalone 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 erstwhile 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 standalone 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 erstwhile 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.

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Opinion

In our opinion, the Company has internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating as at March 31, 2022, based on [for example, "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"].

For Swamy& Chhabra
Chartered Accountants
FRN: 113036W

Pavan Chhabra
Partner
Membership No.085553

SWAMY & CHHABRA
Navi Mumbai
Chartered Accountants

Place: Mumbai
Date: 15/11/2022
UDIN: 22085553BDKJXO5143