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 March31, 2021, 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, 2021, and its loss for the period ended on that date

Basis for Qualified Opinion

1. We refer to Note B14 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 management that the Company is in the process of settlement of said loan. Accordingly no interest has been provided on the same. Since the final outcome hereof is not known to us, 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 management with regard to the disclosure of Contingent Liabilities of the Company. The company is having on-going litigation in the court. 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.

SWAMY & CHHABRA ★ Navi Mumbai ★ Chartered Accountants

122, Satra Plaza, Plot No. 19, Sector- 19D, Palm Beach Road, Vashi, Navi Mumbai - 400 705. • E-mail : admin@swamychhabra.com
Tel. : 022-2789 4341 / 022-2783 3740 / 022-4006 8653

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:

3. We draw attention to Note B3 of the standalone Ind AS financial statements, regarding project cost and inventory, which based upon estimated cost is as per the judgement of the management and have been relied upon by us, these being technical matters.
4. 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.
5. Notwithstanding the efforts as stated above to meet the funding obligations which would involve time to materialise, these standalone Ind AS financial statements have been prepared based on the assumption, and considering the estimates of the management which are based on technical aspects and inputs, and management's assessment to get requisite additional funding from various sources explained above. Relying on the above, no adjustments have been made in these standalone Ind AS financial statements towards any possible impact on account of low key operations and delayed execution of projects under implementation and accordingly these standalone Ind AS financial statements have been prepared on a going concern basis.

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

Other Matters

All the possible impact of known events arising from COVID-19 pandemic in the preparation of the financial results have been considered. However, the impact of assessment of COVID-19 is a continuous process given the uncertainties associated with its nature and duration. The Board will continue to monitor any material changes to future economic conditions.It is very difficult to assess the future outlook at this stage as we are not yet past the COVID-19 crisis. However, given the trend of our operations, the Board is confident that it will tide this situation in the ensuing months and the going concern status will not be affected

Management's Responsibility for theStandalone 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standaloneInd 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 standaloneInd AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standaloneInd AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standaloneInd 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 standaloneInd AS financial statements that give a true and fair view in order to design audit procedures that areappropriate 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 standaloneInd 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 standaloneInd AS financial statements

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 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, 2021 taken on record by the Board of Directors, one of the three directors i.e Mr Kesharmal Nensukhlal Gandhi is disqualified as on March 31, 2021from 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. 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.

For Swamy& Chhabra
Chartered Accountants
FRN: 113036W

SWAMY & CHHABRA * Navi Mumbai * Chartered Accountants *

Pavan Chhabra
Partner
Membership No.085553

Place: Mumbai
Date: 31/01/2022
UDIN: 22085553AGCBCN8910

"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, 2021:

I) In respect of 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)All fixed assets comprising of Property, Plant and Equipment and Investment Properties have not been physically verified by the management during the year due to Covid-19 Outbreak but there is a regular programme of verification which, in our opinion is reasonable having regard to the size of the company and the nature of its assets.

II) In respect of its inventories:

a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

b) 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 & no material discrepancies were noticed on physical verification.

III)

a) The company has granted unsecured loans to companies, firms, or other parties listed in the register maintained under Section 189 of the Companies Act, 2013.

b) We confirm that the rate of interest and other terms and condition of loans given by the company are not prima facie prejudicial to the interest of the company.

c) We confirm that loans given /taken are receivable /payables on demand and therefore the question of overdue amount does not arise.

IV) 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.

V) The company has not accepted any deposits from public.

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.

SWAMY & CHHABRA * Navi Mumbai * Chartered Accountants *

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, 2021 for a period of more than six months from the date on when they become payable

Nature of Liability	Period to which related	Amount	Remarks
TDS Payable	On or before 30.09.2020	15,25,80,986	Not paid as on 31/03/2021
ESIC payable	On or before 30.09.2020	2,60,132	Not paid as on 31/03/2021

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) The Company has not defaulted in the repayment of dues to banks/financial institutions except as given below:

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.

IX) 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.

X) There is no material fraud on or by the Company.

XI) The company has not paid any managerial remuneration & accordingly this clause is not applicable.

XII) The Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.

XIII) All transactions with the related parties are in compliance with section 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.The company is in non-compliance with Section 177 of Companies Act, 2013.

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. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

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 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For Swamy& Chhabra
Chartered Accountants
FRN: 113036W

SWAMY & CHHABRA
Navi Mumbai
Chartered Accountants

Pavan Chhabra
Partner
Membership No.085553

Place: Mumbai
Date: 31-01-2022
UDIN:22085553AGCBCN8910

"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, 2021 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 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 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.

SWAMY & CHHABRA
Navi Mumbai
Chartered Accountants

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 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 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 internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating as at March 31, 2021, 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

SWAMY & CHHABRA
Navi Mumbai
Chartered Accountants

Pavan Chhabra
Partner
Membership No.085553

Place: Mumbai
Date: 31-01-2022
UDIN:22085553AGCBCN8910