

INDEPENDENT AUDITOR'S REPORT

**The Members of Bhagyanagar Chemicals Limited
Secunderabad.**

Report on the Financial Statements

We have audited the accompanying financial statements of Bhagyanagar Chemicals Limited. ("the Company"), which comprise of the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting 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 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. 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the 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, 2017, and its ~~loss~~ and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note -1 (A) (a) regarding the pendency of the statutory approvals of the proposed Amalgamation of the Bhagyanagar Chemicals Limited with its holding company Balaji Amines Limited. The financial statements are prepared on "Going Concern" basis and such assumption, in our opinion is subject to the approval of the amalgamation.



Report on Other Legal and Regulatory Requirements

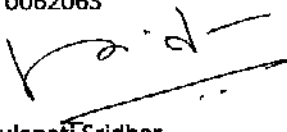
1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 'A' a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 143 (3) 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 purposes 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 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. In the course of the audit, we have not come across any financial transactions or matters that have any adverse effect on the functioning of the company
 - f. On the basis of the 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.
 - g. 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".
 - 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 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.
- iii. There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the company
- iv. The company neither held nor dealt with in Specified Bank Notes during any part of the year.

For V.Sridhar & Co.,
Chartered Accountants
FRN. 006206S




Vemulapati Sridhar
Proprietor
Membership No.202337

Secunderabad. May 11, 2017.

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF BHAGYANAGAR CHEMICALS LIMITED [Referred to in para 1 under the heading 'Report on Other Legal and Regulatory Requirements']

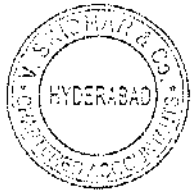
Year ended March 31, 2017

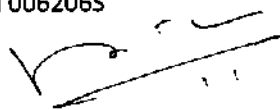
1.	a.	The company is maintaining proper records showing full particulars, including quantitative details and details about the situation of Fixed Assets.
	b.	These Fixed Assets have been verified by the Management at reasonable intervals. According to information and explanations given to us no material discrepancies have been noticed on such verification.
	c.	The title deeds of immovable properties belonging to the company are held in the name of the company.
2.		The company did not carry out any activity on its own during the year and undertaking of the company is on a long-term lease to its Holding Company. Accordingly, the company does not carry any inventory.
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 Companies Act, 2013.
4.		The company has not made any investments to which the provisions of section 186 apply. The company has not granted any loans or provided security or guarantees.
5.		The company has not accepted any Deposits.
6.		The Central Government has not specified maintenance of Cost Records under section 148(1) of the Companies Act, 2013.
7.	a.	There are no undisputed statutory dues that are outstanding for more than six months from the date they became payable.
	b.	The company did not incur any dues on account of any dispute in respect of Income Tax, Sales Tax, Service Tax, Customs and Excise Duty or Value Added Tax during the year under review.
8.		The company does not have any borrowings from Financial Institutions, Banks, Government or Debenture Holders.
9.		The company has not raised any monies by way of any Public Offer or Term Loans during the year under review.



10.	To the best of our information and according to explanations given to us no fraud by the company or on the company by its officers or employees has been noticed or reported during the year under review.
11.	During the year under review the company has not paid any managerial remuneration.
12.	The company is not a <i>Nidhi Company</i> .
13.	The transactions with related parties are in compliance with the provisions of section 188 of the Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable Accounting Standards. The provisions of section 177 are not applicable to the company as it is not a listed company.
14.	The company has not made any preferential allotment or private placement of shares or debentures during the year under review.
15.	The company has not entered into any non-cash transactions with its Directors or persons connected with them.
16.	The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For V.Sridhar & Co.,
Chartered Accountants
FRN 006206S




Vemulapati Sridhar
Proprietor
ICAI Membership No. 202337
Secunderabad May 11, 2017.

ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF BHAGYANAGAR CHEMICALS LIMITED

Year ended March 31, 2017

[Referred to in para.2 (g) under the heading 'Report on Other Legal and Regulatory Requirements']

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 Bhagyanagar Chemicals Limited ("the Company") as of March 31, 2017 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 Institute of Chartered Accountants of India 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.

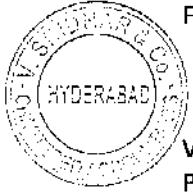
Inherent Limitations of Internal Financial Controls Over Financial Reporting

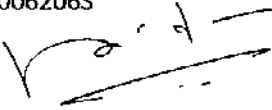
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal 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 my / 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, 2017, 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.

For V.Sridhar & Co.,
Chartered Accountants
FRN 006206S




Vemulapati Sridhar
Proprietor
ICAI Membership No. 202337
Secunderabad May 11, 2017.

BHAGYANAGAR CHEMICALS LIMITED

Balance Sheet as at March 31, 2017

Rupees

S.No.	Particulars	Note No.	As at March 31, 2017	As at March 31, 2016
I.	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	2	13000000	13000000
	(b) Reserves and surplus	3	-19083868	-18019552
	(c) Money received against share warrants			
2	Share application money pending allotment			
3	Non-current liabilities			
	(a) Long-term borrowings	4	7200201	7277011
	(b) Deferred tax liabilities (Net)			
	(c) Other Long term liabilities			
	(d) Long-term provisions			
4	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables			
	(c) Other current liabilities			
	(d) Short-term provisions	5	34425	17175
	TOTAL		1150758	2274634
II.	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	6	878377	2002253
	(ii) Intangible assets			
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investments		100000	100000
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
2	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and cash equivalents	7	16390	11930
	(e) Short-term loans and advances	8	155991	160451
	(f) Other current assets			
	TOTAL		1150758	2274634
	Significant Accounting Policies and Other Information	1		

Notes forming part of Financial Statements

1-10

As per our report of even date

For and on behalf of the Board of Directors

For V.Sridhar & Co.,

Chartered Accountants

FRN 006206S

Vemulapati Sridhar

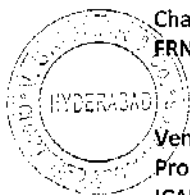
Proprietor

ICAI Membership No: 202337

Secunderabad May 11, 2017

A.Prathap Reddy
Chairman

G. Hemanth Reddy
Director



BHAGYANAGAR CHEMICALS LIMITED
Statement of Profit and Loss for the year ended March 31, 2017

			Rupees	
S.No	Particulars	Note	For the year ended March 31 2017	For the year ended March 31 2016
I	Revenue from operations			
II	Other income	9	120000	120000
	Misc. Income			7310
III	Total Revenue(I+II)		120000	127310
IV	Expenses:			
	Raw Material Consumed			
	Changes in Inventories of Finished Goods			
	Work in Process			
	Other Manufacturing Exp			
	Employee Benefits Expense			
	Finance Costs			
	Depreciation	6	144523	82571
	Other Expenses	10	53550	28975
	Total Expenses		198073	111546
V	Profit before exceptional and extraordinary items and tax(III-IV)		(78073)	15764
VI	Exceptional items - Income Tax of earlier year		6,890	-
VII	Profit before extraordinary items and tax(V-VI)		(84963)	15764
VIII	Extraordinary Items			
IX	Profit before tax (VII-VIII)		(84963)	15764
X	Tax expenses:			
	(1) Current tax			-
	(2) Deferred tax			-
XI	Profit/(Loss) for the period from continuing operations		(84963)	15764
XII	Profit/(Loss) from discontinuing operations		-	-
XIII	Tax expense of discontinuing operations		-	-
XIV	Profit/(Loss) from discontinuing operations(after tax) (XII-XIII)		-	-
XV	Profit/(Loss) for the period (XI + XIV)		(84963)	15764
XVI	Earnings per equity share:			
	(1) Basic		(0.07)	0.01
	(2) Diluted		(0.07)	0.01
	Significant Accounting Policies and Other Information	1		

Notes forming part of Financial Statements

1-10

As per our report of even date
For V.Sridhar & Co.,
Chartered Accountants
ERN 006206S

Vemulapati Sridhar
Proprietor
ICAI Membership No: 202337
Secunderabad May 11, 2017

For and on behalf of the Board of Directors

A.Prathap Reddy
Chairman

G. Hemanth Reddy
Director

BHAGYANAGAR CHEMICALS LIMITED

CASH FLOW STATEMENT FOR THE YEAR 2016-17

Rupees

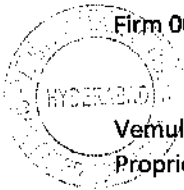
Particulars	Current Year 2016-17	Current Year 2015-16
A. Cash flows from operating activities		
Net profit/ (-)loss before tax	-84963	15764
Less: Interest income considered		-7310
Add: Depreciation	144523	82571
Add: Increase/-Decrease in Current Liabilities	17250	321
Add: (Increase)/Decrease in Current assets	4460	-7310
Cash flow from Operating Activities	81270	84036
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	0	0
Interest Income received	0	7310
Cash Flow from Investing Activities	0	7310
C. Cash flow from financing activities		
Repayment of unsecured loans	-76810	-91346
Cash flow from financing activities	-76810	-91346
Net increase/(decrease) in cash and cash equivalents (A+B+C)	4460	0
Cash and cash equivalents (beginning of the year)	11930	11930
Cash and cash equivalents (end of the year)	16390	11930
Increase in cash and cash equivalents (Closing minus Opening balances)	4460	0

As per our report of even date

For V.Sridhar & Co.

Chartered Accountants

Firm 006206S



Vemulapati Sridhar

Proprietor

ICAI Memb No: 202337

Secunderabad May 11, 2017

For and on behalf of the Board of Directors

A.Prathap Reddy
Chairman

G. Hemanth Reddy
Director

BHAGYANAGAR CHEMICALS LIMITED

Year ended March 31,2017.

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Significant Accounting Policies and Other Information

A. SIGNIFICANT ACCOUNTING POLICIES

a) GENERAL

The financial statements are prepared under Historical Cost basis with income and expenses accounted on accrual basis.

The process of amalgamation of the company with its Holding Company, Balaji Amines Limited has been initiated with an application being made to the National Stock Exchange, for clearance of the same. Subject to the clearance of the said application, the accounts of the company are presented as a going concern.

b) FIXED ASSETS AND DEPRECIATION

Fixed Assets are stated at Cost, less Depreciation to date. Depreciation on assets is charged in accordance with Schedule II of the Companies Act, 2013. During the year the company had assessed the useful life of the factory building in accordance with the provisions of Schedule II to the Companies Act 2013 and the resultant difference in the carrying costs is adjusted to the opening balance of balance in statement of profit and loss under the head Reserves & Surplus. This adjustment being done in the current year is in the nature of prior period adjustment. However, as it relates to the carrying costs of the fixed assets arrived at on the basis of useful life, the same is adjusted to Reserves & Surplus.

c) INVESTMENTS

Investments are stated at cost.

d) DEFERRED TAXATION

The Undertaking of the company is on long term lease to its Holding Company, Balaji Amines Limited. The only source of income for the company as of now is the lease rentals. Therefore, in view of the inadequacy of taxable profits in the coming years from the present scale of



operations of the company no effect is given in respect of deferred taxation as per AS 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

e) **IMPAIRMENT OF ASSETS**

The Company's undertaking consisting of Land, building and plant & machinery, is on long term lease to its Holding company, Balaji Amines Limited (lessee). As per the terms of the agreement the safety as well as the maintenance of these assets is the responsibility of the lessee. The lessee has carried out the verification of the assets (along with the assets belonging to them) with a view to determine impairment loss if any.

During an earlier year the company had carried out the exercise of estimating the remaining useful life of the plant and machinery in accordance with the first time implementation of Schedule II of the Companies Act, 2013. In the process the company has determined impairment losses of the machinery which are very old and outside the maximum life span provided in Schedule II and accordingly adjusted the entire remaining book value to the opening reserves. During the current year, the exercise has been carried out in respect of the factory buildings and the difference is adjusted to the opening reserves.

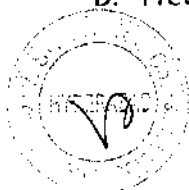
In view of the above no impairment loss is considered in the current year.

B. RELATED PARTY TRANSACTIONS

Name of the Company	Nature of Transaction	Amount (Rs. In Lacs)
Balaji Amines Limited (100% Holding Company)	Lease Rent	1.20
Balaji Amines Limited (100% Holding Company)	Loan Taken	(72.00) Max Bal. (72.77) Amounts written off/Written back: Nil

C. The company has not carried out any transactions in cash at any time during the year. Hence there is no reporting to be made with respect to Specified Denomination Notes as required by Notification GSR No. 308(E) dated 31.03.2017 issued by the Ministry of Corporate Affairs

D. Previous Year's figures are re-grouped wherever considered necessary.



BHAGYANAGAR CHEMICALS LIMITED

Notes forming part of Financial Statements

Rupees

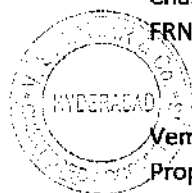
Note No.	Particulars	March 31, 2017	March 31, 2016
2 Share Capital	a. Authorised		
	15,00,000 equity shares of Rs.10/- each	15000000	15000000
		15000000	15000000
	b. Issued, subscribed & paid up		
	13,00,000 equity shares of Rs.10/- each fully paid up	13000000	13000000
		13000000	13000000
	c. Par value of shares	Rs.10/-	Rs.10/-
	d. Number of Shares outstanding at beginning the year	1300000	1300000
	Changes during the year	-	-
	Number of Shares outstanding at end of the year	1300000	1300000
e. Details of Shareholder holding more than 5% Shares			
Sl. No .	Name of the Share Holder	No of Shares	%
		No of Shares	%
a.	Balaji Amines limited	1300000	100%
	The Company has only one class of Shares i.e. Equity Shares		
3 Reserves & Surplus			
	Profit & Loss Account		
	Debit Balance in Statement of Profit and Loss brought forward from previous year	-18019552	-18035316
	Less : Adjustments on account of building life / depreciation	-979353	
	Add: Profit / (-) Loss for the year	-84963	15764
		-19083868	-18019552
4 Long Term Borrowings			
	Unsecured		
	Balaji Amines limited - 100% Holding Company	7200201	7277011
	Total	7200201	7277011
5 Short Term Provisions			
	Audit Fees	34425	17175
	Total	34425	17175



Note No.	Particulars	Rupees	
		March 31, 2017	March 31, 2016
7	Cash and cash equivalents		
	- Cash on Hand		
	- Cash with Scheduled Banks		
	- In Current Accounts	16390	11930
	Total	16390	11930
8	Short Term Loans and Advances		
	Loans & Advances	146138	146138
	TDS	9853	14313
	Total	155991	160451
9	Other Income		
	Lease Rent	120000	120000
	Total	120000	120000
10	Other Expenses		
	Professional Charges	11500	10000
	Registration / filing fee etc.,	24800	1800
	Auditor's Remuneration-As Auditors	17250	17175
	Total	53550	28975

Signatories to Notes' 1'-'10'

As per our report of even date
For V.Sridhar & Co.,
Chartered Accountants
FRN 0062065



Vemulapati Sridhar
Proprietor
ICAI Membership No: 202337

Secunderabad May 11, 2017

For and on behalf of the Board of Directors

A. Prathap Reddy
Chairman

G. Hemanth Reddy
Director

BHAGYANAGAR CHEMICALS LIMITED

Notes forming part of Financial Statements as at March 31, 2017

Note 6. Tangible Assets

SI.No.	PARTICULARS	GROSS BLOCK		DEPRECIATION			NET BLOCK		
		As at 31.03.2016	As at 31.03.2017	Up to 31.03.2016	For the Period	Adjustments	Up to 31.03.2017	As at 31.03.2016	As at 31.03.2017
1	Land	433397	433397					433397	433397
2	Buildings	4563895	4563895	2995039	144523	-979353	4118915	1568856	444980
	Total	4997292	4997292	2995039	144523	-979353	4118915	2002253	878377

Rupees

