

INDEPENDENT AUDITOR'S REPORT

To the Members of Pilani Investment and Industries Corporation Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Pilani Investment and Industries Corporation Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its associates, comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

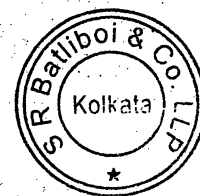
Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with 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 companies included in the Group 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; the 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 control 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 Holding Company, as aforesaid.

Auditor's Responsibility

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, issued by the Institute of Chartered Accountants of India, as 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 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 Holding

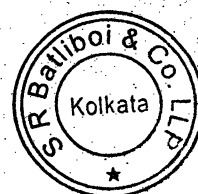


Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph Other Matters below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Basis for qualified opinion

- a) As indicated in Note 1(ii) (c) to the Consolidated Financial Statements, difference of Rs.15,38,764 thousands between the Company's investments and share of equity in Associate Company has been credited to revenue reserves since such differences on various dates of acquisitions were not available, the appropriateness or otherwise of which we are unable to comment on including compliance with GAAP.
- b) As indicated in Note 20 to the Consolidated Financial Statements, no provision has been made in respect of deposit of Rs. 6,928 thousands with the Debt Recovery Tribunal against claim made by a bank on the basis of guarantee given in earlier years since the matter is pending with the Hon'ble Bombay High Court. Consequently, we are unable to comment on the effect of the above on the consolidated financial statements.
- c) As indicated in Note 30 to the Consolidated Financial Statements, the investments of the Holding Company has exceeded the limits as per the concentration / investment norms as provide in paragraph 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 (as amended) for which the Holding Company has applied to the Reserve Bank of India seeking exemption from complying with the aforesaid norms up to March 31, 2017. Also the Holding Company has made application for its conversion from Non-Banking Financial Company to Core Investment Company. Pending such approval, we are unable to comment on the possible effects of the above on the consolidated financial statements.
- d) A balance of Rs. 21,900 thousands payable to M/s. Birla Group Holdings Private Limited has been carried in the Balance sheet of one of the Subsidiary Company under Long Term Borrowings. In the absence of underlying documents, the auditors of that subsidiary Company are unable to comment on the nature and balance of the same.

Our audit opinion on the consolidated financial statements for the previous year was also qualified in respect of the above matters.



Qualified opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, 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, of consolidated state of affairs of the Group as at March 31, 2016, of their consolidated profit and their consolidated cash flows for the year ended on that date

Emphasis of Matter

We draw attention to Note 32 to the consolidated financial statements regarding remuneration aggregating to Rs.17000 thousands paid to a whole time director by an Associate Company in excess of the limits prescribed under Section 197 read with Schedule V to the Act. The Associate Company is in the process of obtaining Central Government approval in this regard.

Our opinion is not qualified in respect of above matter.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, to the extent applicable, we report that:

- (a) We/ the other auditors whose reports we have relied upon, 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) Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as appears from our examination of those books and the reports of the other auditors;
- (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 books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) Except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, 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;
- (e) The matters described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;
- (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding



Company and the reports of the auditors who are appointed under Section 139 of the Act, of its subsidiary companies & associate Companies, none of the directors of the Group's companies and its associate Companies is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

- (g) The qualifications relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above;
- (h) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, associate companies, refer to our separate report in "Annexure 1" to this report;
- (i) 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 impact of pending litigations on its consolidated financial position of the Group – Refer Note 19 to the consolidated financial statements;
 - ii. The Holding Company and its subsidiaries did not have any in long-term contracts including derivative contracts for which there were any material foreseeable losses. The Associate Companies have made provision as at March 31, 2016, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and associates companies incorporated in India. In case of subsidiary companies, there were no amounts which were required to be transferred to the Investor Education and Protection Fund.

Other Matter

The accompanying consolidated financial statements include total assets of Rs. 80011 thousands as at March 31, 2016, and total revenues and net cash outflows of Rs. 6905 thousands and Rs. 685 thousands for the year ended on that date, in respect of its subsidiaries, which have been audited by other auditors, whose audited financial statements, other financial information and auditor's reports have been furnished to us by the management. The consolidated financial statements also include the Company's share of net loss of Rs.109,800 thousands for the year ended March 31, 2016, as considered in the consolidated financial statements, in respect of its associates, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associates, is based solely on the report(s) of such other auditors.



S.R. BATLIBOI & Co. LLP

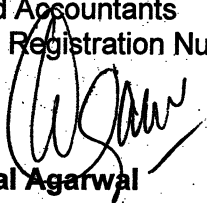
Chartered Accountants

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005


per **Kamal Agarwal**

Partner

Membership Number: 58652

Place: Kolkata

Date: May 30, 2016



ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

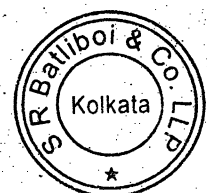
In conjunction with our audit of the consolidated financial statements of Pilani Investment and Industries Corporation Limited as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Pilani Investment and Industries Corporation Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, its associate companies which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies, and its associate companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based [on, "the internal financial 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

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, specified 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.



S.R. BATLIBOI & Co. LLP

Chartered Accountants

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.

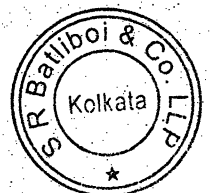
We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls 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.



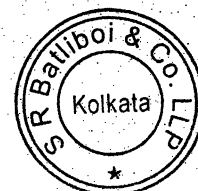
Qualified Opinion

According to the information and explanations given to us and based on the report issued by other auditors on internal financial controls system over financial reporting in case of its subsidiary companies and its associate companies, which are companies incorporated in India, the following material weakness(es) have been identified as at March 31, 2016:

- a) The Holding Company's internal financial controls system over provision in respect of certain cases, were not operating effectively which could potentially result in material misstatement whereby the Company does not recognise provision against the probable liability.
- b) The Holding Company's internal controls system over review of investments of the Company which has exceeded the limits as per the concentration / investment norms as provided in paragraph 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 (as amended) and compliance with the same were not operating effectively whereby the approval for investment exceeding concentration / investment norms is pending with Reserve Bank of India.
- c) The Subsidiary Company's internal control system over classification of a balance payable to a party which has been carried in the Balance sheet of the Subsidiary Company under Long Term Borrowings, were not operating effectively whereby the classification may not be appropriate.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the holding company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In our opinion, the Holding Company, its subsidiary companies and its associate companies which are companies incorporated in India, have, in all material respects, maintained adequate internal financial controls over financial reporting as at March 31, 2016, based on the internal control over financial reporting criteria established by the Holding 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, and except for the /possible effects of the material weakness/es described above on the achievement of the objectives of the control criteria, the internal financial controls over financial reporting were operating effectively in the Holding Company, its subsidiary companies and its associate companies which are companies incorporated in India as of March 31, 2016.



S.R. BATLIBOI & Co. LLP

Chartered Accountants

Other Matters

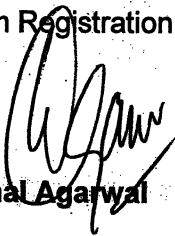
Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiary companies and two associate companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, the consolidated financial statements of the Holding Company, which comprise the Consolidated Balance Sheet as at March 31, 2016 and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 30, 2016 expressed qualified audit opinion.

For S.R. Batliboi & Co. LLP

Chartered Accountants

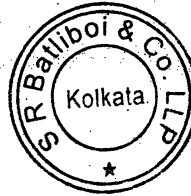
ICAI Firm Registration Number: 301003E/E300005


per Kamal Agarwal
Partner

Membership Number: 58652

Place: Kolkata

Date: May 30, 2016



PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED

Statement on Impact of Audit Qualifications in respect of Consolidated Financial Statement for the Financial Year ended March 31, 2016.

[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I.

Sl No	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. in Lacs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs. in Lacs)
1	Turnover / Total income	2,848.16	2,848.16
2	Total Expenditure including Tax Expenses	774.36	774.36
3	Net Profit/(Loss)	975.80	975.80
4	Earnings Per Share (Rs.)	12.34	12.34
5	Total Assets	1,21,062.53	1,21,062.53
6	Total Liabilities	3,092.21	3,092.21
7	Net Worth	1,17,970.32	1,17,970.32
8	Any other financial item(s) (as felt appropriate by the management)	-	-

II. Audit Qualification (each audit qualification separately):

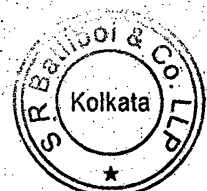
a. Details of Audit Qualification:

1) As indicated in Note 1(ii) (c) to the Consolidated financial Statements, difference of Rs.15,38,764 thousands between the Company's investments and share of equity in Associate Company has been credited to revenue reserves since such differences on various dates of acquisitions were not available, the appropriateness or otherwise of which we are unable to comment on including compliance with GAAP

2) As indicated in Note 20 to the Consolidated financial statements, no provision has been made in respect of deposit of Rs. 6,928 thousands with the Debt Recovery Tribunal against claim made by a bank on the basis of guarantee given in earlier years since the matter is pending with the Hon'ble Bombay High Court. Consequently, we are unable to comment on the effect of the above on the Consolidated financial statements.

3) As indicated in Note 30 to the Consolidated financial Statements, the investments of the Holding Company has exceeded the limits as per the concentration /investment norms as provided in paragraph 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended) for which the Holding Company has applied to the Reserve Bank of India seeking exemption from complying with the aforesaid norms up to 31st March, 2017. Also the Holding Company has made application for its conversion from Non- Banking Financial Company to Core Investment Company. Pending such approval, we are unable to comment on the possible effects of the above on the Consolidated financial statements.

4) A balance of Rs. 21,900 thousands payable to M/s. Birla Group Holdings Private Limited has been carried



in the Balance sheet of one of the Subsidiary Company under Long Term Borrowings. In the absence of underlying documents, the auditors of that subsidiary Company are unable to comment on the nature and balance of the same.

b. Type of Audit Qualification: Qualified Opinion

c. Frequency of qualification: Repetitive

d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: -N.A

e. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management's estimation on the impact of audit qualification: -N.A

(ii) If management is unable to estimate the impact, reasons for the same:

Matter No.1 - Difference of Rs.15,38,764 thousands between the Company's investments and share of equity in Associate Company has been credited to revenue reserves since such differences on various dates of acquisitions were not available.

Matter No.2- is presently lying with the Hon'ble High Court of Bombay and it is not possible to estimate the outcome of the legal proceedings and the judgement that the Hon'ble High Court would make in the matter.

Matter No.3- is presently lying with RBI and it is not possible to estimate the direction that the RBI will take in the matter.

Matter No.4- In the absence of underlying documents, balance of Rs. 21,900 thousands payable to M/s. Birla Group Holdings Private Limited has been carried in the Balance sheet of one of the Subsidiary Company under Long Term Borrowings

(iii) Auditors' Comments on (i) or (ii) above:-As Stated in the details of qualification

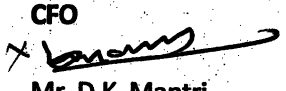
III. Signatories:


Mr. RA Makharia

Executive Director


Mr. N. K Baheti

CFO


Mr. D.K. Mantri

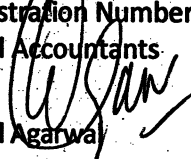
Audit Committee Chairman

Statutory Auditor

For S. R. Batliboi & Co. LLP

Firm Registration Number: 301003E/E300005

Chartered Accountants


Mr. Kamal Agarwal

Partner

Membership no. 058652

Place: Kolkata

Date: 30th May, 2016

