

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GODREJ AGROVET LIMITED.

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying Consolidated Ind AS Financial Statements of **GODREJ AGROVET LIMITED** ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiary together referred to as "the Group"), its associates and jointly controlled entities, which comprises the Consolidated Balance Sheet as at March 31, 2017, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Ind AS Financial Statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated state of affairs (financial position), profit (financial performance including other comprehensive income), consolidated cash flows of the Group including its associates and jointly controlled entities and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

The respective Board of Directors of the Companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Group, and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 Consolidated Ind AS 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 Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Ind AS 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 consolidated audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Consolidated Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Ind 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 Consolidated Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS 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 Ind AS 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 Holding Company's Directors, as well as evaluating the overall presentation of the Consolidated 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 Consolidated Ind AS Financial Statements.

Basis for Qualified Opinion

The Holding Company has paid remuneration to its Managing Director during the year, which is in excess of limit given under section 198 read with Schedule V of the Companies Act, 2013 by ₹ 8,661.12 Lakh.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effect of matters described in Basis for Qualified Opinion paragraph*, the aforesaid Consolidated 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 including the Ind AS, of the state of affairs (financial position) of the Group, its associates and jointly controlled entities as at March 31, 2017, and its consolidated profit (financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters in the Notes to the consolidated financial statements:

a) Note 58 to the Consolidated Financial Statements where in Honorable High Court of Judicature at Bombay has approved a Scheme of Arrangement whereby the assets and liabilities of Seeds business of the transferor company (Godrej Seeds & Genetics Limited) have been taken over and record at their book values as on April 01, 2015.

i. In accordance with the Scheme of Arrangement an amount of ₹ 1,694.46 lakh on account of Goodwill on Merger had been charged to the Surplus in Statement of Profit & Loss of the Holding Company in the previous year. Had the scheme not prescribed this treatment, the Surplus in the Statement of Profit & Loss would have been higher by ₹ 1,694.46 lakh.

b) Note 59 to the Consolidated Financial Statements wherein the Honorable High Court of Judicature at Bombay had approved a Scheme of Arrangement whereby the assets and liabilities of the transferor company (Goldmuhor Agrochem & Feeds Limited) have been taken over and recorded at their book values as on October 01, 2013.

i. In accordance with the Scheme of Arrangement an amount of ₹ 71.11 lakh on account of Goodwill on Merger has been charged to the General Reserve Account.

ii. The cost and expenses arising out of or incurred in carrying out and implementing the scheme amounting to ₹ 40.73 lakh have been directly charged against the balance in the General Reserve Account of the Company.

iii. An amount of ₹ 2,000 lakh has been transferred from the General Reserve Account and used to increase the Reserve for Employee Compensation Expenses.

Had the scheme not prescribed this treatment the balance in the General Reserve Account would have been higher by ₹ 2,111.84 lakh.

c) Note 60 to the Consolidated Financial Statements wherein the Honorable High Court of Judicature at Bombay had approved a Scheme of Arrangement whereby the assets and liabilities of the transferor company (Golden Feed Products Limited) have been taken over and recorded at their book values as on March 31, 2014.

In accordance with the Scheme of Arrangement an amount of ₹ 97.06 lakh on account of Goodwill on Merger has been charged against the balance in the Surplus in Statement of Profit and Loss. Had the scheme not prescribed this treatment, the balance in the Surplus in Statement of Profit and Loss would have been higher by ₹ 97.06 lakh.

d) Note 61 to the Consolidated Financial Statements wherein the Honorable High Court of the Judicature at Bombay had approved a Scheme of Arrangement whereby the assets and liabilities of the transferor companies (Godrej Oil Palm Limited, Godrej Gokarna Oil Palm Limited and Cauvery Palm Oil Limited) have been taken over and recorded at their book values as on April 1, 2011.

i. Amortisation amounting to Rs 425.12 lakh on Intangible Assets taken over as per the Scheme is charged against the balance in the General Reserve Account of the Company in the current year and ₹ 425.12 lakh in the previous years. Had this amount been charged to the Statement of Profit and Loss, the profit for the year would have been lower by ₹ 425.12 lakh, the Surplus in statement of Profit and Loss would have been lower by ₹ 425.12 lakh and the balance in the general reserve would have been higher by ₹ 850.24 lakh.

ii. In accordance with the Scheme of Arrangement, an amount of ₹ 6,055.32 lakh on account of Goodwill on merger has been charged to Securities Premium Account. Had the scheme not prescribed this treatment, the opening balance in the Surplus in statement of Profit and Loss would have been lower by ₹ 6,055.32 lakh and the Securities Premium Account would have been higher by ₹ 6,055.32 lakh.

e) Note 62 to the Consolidated Financial Statements wherein the Honorable High Court of the Judicature at Bombay had approved a Scheme of Arrangement whereby the assets and liabilities of the transferor company (Godrej Gold Coin Aquafeed Limited) have been taken over and recorded at their book values as on April 1, 2010. In accordance with the Scheme of Arrangement, an amount of ₹ 1,669.14 lakhs on account of book values of Intangible Assets and an amount of ₹ 2,505.71 lakhs on account of Goodwill on merger, aggregating to ₹ 4,174.85 lakh has been charged to Securities Premium Account instead of amortising the same in the Statement of Profit & Loss, in case of Intangibles over a period of balance useful life of seven years. Had the scheme not prescribed these treatment the balance in securities premium account would have been higher by ₹ 4,174.85 lakh, the Surplus in Statement of Profit and Loss would have been lower by ₹ 4,174.85 lakh.

Our report is not qualified in respect of these matters.

Other Matters

a) We did not audit the financial statements of two subsidiaries, whose Ind AS Financial Statements reflect total assets of ₹ 74,224.52 Lakh as at March 31, 2017, total revenues of ₹ 132,537.89 Lakh and net cash flows amounting to ₹ 461.95 Lakh for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. These Ind AS Financial Statements have been audited by another auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included

in respect of these subsidiaries and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report of the other auditors.

- (b) The Consolidated Ind AS Financial Statements also include the Group's share of net profit ₹ 1,128.06 Lakhs for the year ended March 31, 2017, as considered in the Consolidated Ind AS Financial Statements, in respect of a Jointly Controlled Entity, whose financial statements have not been audited by us. These financial statements have been audited by another auditor whose report has been furnished to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of this jointly controlled entity and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid jointly controlled entity is based solely on the report of the other auditor.
- (c) The Consolidated Ind AS Financial Statements also include the Group's share of net loss ₹ 351.56 Lakhs for the year ended March 31, 2017, as considered in the Consolidated Ind AS Financial Statements, in respect of an associate and a jointly controlled entity, whose financial statements have not been audited by us. These financial statements are unaudited and have been provided to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of an associate and a jointly controlled entity, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid associate and a jointly controlled entity, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the group.
- (d) The Consolidated Ind AS Financial Statements also include the Group's share of net profit ₹ 61.98 Lakhs for the year ended March 31, 2017, as considered in the Consolidated Ind AS Financial Statements, in respect of an associate (during the year the Company has sold its investments in this associate), whose financial statements have not been audited by us. These financial statements are unaudited and have been provided to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statement. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the group.

Our opinion on the Consolidated Ind AS Financial Statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors and the financial statements/financial information certified by the management.

Report on Other Legal and Regulatory Requirements

1. The Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, the said order specifically provides that it shall not apply to the auditor's report on the Consolidated Ind AS Financial Statements.
2. As required by Section 143 (3) of the Act, 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 purposes of our audit.

- b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements.
- d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors of the Holding Company, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A".
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 50 to the Consolidated Ind AS Financial Statements.
 - ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. These Consolidated Ind AS Financial Statements have made requisite disclosure as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016 by the Holding Company, and its subsidiary companies covered under the Act. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with book of account maintained by the Company and as produced to us by the Management – Refer Note 68.

**For KALYANIWALLA & MISTRY LLP
CHARTERED ACCOUNTANTS
Firm Reg. No. 104607W / W100166**

**Ermin K. Irani
Partner
Membership No.: 35646**

Place: Mumbai
Dated: May 12, 2017

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ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Para 2 (f) 'Report on Other Legal and Regulatory Requirements' in our Independent Auditor's Report to the members of the Holding Company on the Consolidated Ind AS Financial Statements for the year ended March 31, 2017.

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 Ind AS Financial Statements of the Group as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of **GODREJ AGROVET LIMITED** (hereinafter referred to as the Holding Company") as of that date.

Management's Responsibility for Internal Financial Controls

The Holding 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 (the "Guidance Note") 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 Holding 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 Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 ICAI. 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 Consolidated Ind AS 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 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 Consolidated Ind AS 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 Consolidated Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Consolidated Ind AS 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 Holding 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 **KALYANIWALLA & MISTRY LLP**
CHARTERED ACCOUNTANTS
Firm Reg. No. 104607W / W100166

Ermin K. Irani
Partner
Membership No.: 35646

Place: Mumbai
Dated: May 12, 2017

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