

MARKON HOMES PVT LTD.

AUDIT REPORT

FINANCIAL YEAR 2019-20

*M. PANIGRAHI & CO.
(CHARTERED ACCOUNTANT)
MANORANJAN PANIGRAHI FCA
MEMBERSHIP NO. - 060115
FIRM REGISTRATION NO. -
324889E
BANGALORE-560037*

INDEPENDENT AUDITOR'S REPORT

To the Members of **MARKON HOMES PRIVATE LIMITED.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MARKON HOMES PRIVATE LIMITED.** ("the Company"), which comprise the balance sheet as at 31st March 2020, and the statement of profit and loss, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013 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, 2020, and its profit for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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, (changes in equity) 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. 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However,

future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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
- (d) The Balance Sheet, the Statement of Profit and Loss, dealt with by this Report are in agreement with the books of account.
- (e) 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.
- (f) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is

M Panigrahi & Co.



disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

(g) Since the Company's turnover as per last audited financial statements is less than Rs.50 Crores and its borrowings from banks and financial institutions at any time during the year is less than Rs.25 Crores, the Company is exempted from getting an audit opinion with respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls vide notification dated June 13, 2017;

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 A".

(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 has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note C(II), D(IV), and Q(7)(a) to the financial statements;
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note XX to the financial statements
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

For M.Panigrahi & Co

Chartered Accountants

Firm's registration number: 324889E



CA Manoranjan Panigrahi, FCA

(Partner)

Membership number: 060115

Place- Bangalore

Date- 05-12-2020

Notes to the financial statements for the year ended March 31st, 2020.

1. Company Overview

The company carries on business activity of construction of residential Buildings.

Notes on Accounts

Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Rule 7 of the Companies (Accounts) Rules, 2013, the provision of Section 133 of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention.

Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any change in such estimates is recognized prospectively.

1. Tangible and Intangible fixed assets

The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets during the year.

2. Revenue recognition

As per AS-9, revenue recognized for services rendered in accordance with contractual terms, and based on Percentage of work completion which have been billed to the customer at the balance sheet date.

3. Depreciation/Amortization

The Company Depreciation is charged on the basis of WDV method during the year.

4. Investments

The criteria to classify the investment into current and long term investment shall be spelt out by the Board of the Organization in the investment policy. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. During the Financial Year there is no investment made by the company.

5. Retirement and other employee benefits

Short term employee benefits: All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, short term compensated absences etc. and estimated variable remuneration are recognized in the period in which the employee renders the related service. During the Financial Year None of the above obligation are eligible on the company because there is no employee hired by the company.

Provisions, contingent liabilities and contingent assets

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent assets are not recognized.

6. Sundry Creditors & Debtors-

Sundry Creditors & Provisions

Sl. No.	Particulars	Balance as on 31/03/2020	Balance as on 31/03/2019
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1	Audit Fee Payable	20,000.00	0.00
2	Tax Payable	20,186.00	0.00
	Total	40,186.00	0.00

There are no Sundry debtors during the financial year.

7. Cash and cash equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents.

Particulars	Balance as on 31/03/2020	Balance as on 31/03/2019
Cash in Hand	20,000.00	0.00
Bank Balance	23,500.00	0.00
Total	43,500.00	0.00

8. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

Particulars		2019-20 (Rs.)	2018-19 (Rs.)
Numerator:			
Net profit after tax as disclosed in Profit & Loss Account		67,581.00	0
Net Profit attributable to the Equity shareholders		67,581.00	0
Denominator:			
Weighted Average No. of Equity Shares	No's	10,000	
Basic & Diluted Earnings per share (Face value of Rs. 10/- each)	Rs.	6.76	0

9. Impairment of Assets

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's net selling price or its value in use.

10. Commitments

Commitments are future liabilities for contracted expenditure. Commitments are classified and disclosed as follows:-

- a. Estimated amount of contracts remaining to be executed on capital account are not provided for.
- b. Other non cancellable commitments if any to the extent they are considered material and relevant in the opinion of the management.

11. Extraordinary and exceptional items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such. On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to the financial statements. During the financial year incorporation cost is written off from the profit & loss of the company.

12. Segment Reporting : Accounting Standard

The Company operates mainly in the business segment of Rent receiving activity but during current period company involve into new activity which is in the rental service. Further, all activities are carried out within India. As such, there are no

separate reportable segments as per the provisions of Accounting Standard (AS) 17 on 'Segment Reporting'.

13. Related Party Disclosures: Accounting Standard

Key Management Personnel Entities holding Significant Influence

I. MARAM RAJASEKHAR REDDY(Director) 4,900 shares of Rs.10/- each.

II. SUMALATHA KONDAMURI (Director) 5,100 shares of Rs.10/- each.

Loan taken from related Parties

SL. No.	Parties Name	Balance As on 31/03/2020	Balance As on 31/03/2019
1	Sumalatha Kothapalli	71,53,408.00	0.00
2	Rajasekhar Reddy	68,05,088.00	0.00
3	Markon Homes	1,00,000.00	0.00
	Total	1,40,58,496.00	0.00

14. Auditors Remuneration

Audit Fees Consultancy Services Rs 20,000/- per year(excluded GST)

15. Expenditure in foreign currency:

There are no foreign currency transactions during the financial year.

16. Borrowing Costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

17-Re-grouping/ Re-arrangement:

Previous year figures have been re-grouped / re-arranged where ever necessary to confirm the classification and presentation of the current year.

18. work in Progress

Annexure-I: work in Progress.

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19. Written Representation

We have Received form **Written representation** form the **Management** wherever required.

For M.Panigrahi & Co

Chartered Accountants

Firm's registration number: 324889E



CA Manoranjan Panigrahi, FCA

(Partner)

Membership number: 060115

Place- Bangalore

Date- 05-12-2020