

Independent Auditor's Report

To the Members of BLS IT Services Private Limited

Report on the Audit of the Ind AS Financial Statements

Qualified Opinion

We have audited the accompanying Ind AS financial statements of **BLS IT Services Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Ind AS financial statements").

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 below*, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

We draw attention to note 24 to the financial statements, wherein other income includes profit on sale of fixed assets amounting to Rs. 12,91,06,625/-.

The Punjab State E-Governance Society ("Punjab Government or the authority or PSeGS") has terminated master service agreement with the company vide its letter dated in January 30, 2018. As per the terms of contract, the Company has to transfer the fixed assets (hardware infrastructure) at the net block (Procurement price less depreciation as per provision of the Company's Act 2013) of the assets. The Company has accordingly handed over major part of the hardware infrastructure to the authority and transferred these at the net block based on their understanding of the master service agreement by taking the life of fixed assets of 5 years and has accounted profit on such transfer. The company has communicated the basis of arriving at the net block to the authority which is pending final acceptance by them.

Pending final acceptance by the authority, we are unable to comment on recognition and accounting of profit on sale of fixed assets.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Ind AS 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 (ICAI) together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our **qualified opinion** on the Ind AS financial statements.



Emphasis of Matter

Without qualifying our opinion

- a. We draw attention to note no 8 and 11 to the financial statement wherein, the trade receivable from Punjab State E-Governance Society, ('PSeGS' or 'Punjab Government') amounting to Rs. 43,38,58,176 (Including reimbursement of diesel and electricity expense and sale of fixed assets) as on March 31, 2019 for which recovery is slow. Further, the Company is in the process of account/balance reconciliations with the Punjab Government. However, management is confident that there is no impairment in the value of the amount to be recovered and we have relied upon the management's contention.
- b. We draw the attention to note 39 to the financial statements, wherein the Punjab Government has terminated master service agreement entered with the company vide its letter dated January 30, 2018, which was only the source of the revenue of the Company. However, the management is making effort to secure further contracts/business and is of the view that going concern assumption is not affected. We have relied upon the management's contention.

Our opinion is not qualified in respect of above matters.

Information Other than the Ind AS Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report and Shareholder's Information, but does not include the Ind AS financial statements and our auditor's report thereon. The above information is expected to be made available to us after the date of auditor's report.

Our opinion on the Ind AS financial statements does not cover the other information and we will not express any form of assurance or conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read the other information identified above If, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management Responsibilities for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with Ind AS and other accounting principles generally accepted in India.



This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, the management 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 Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 Ind AS 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 Ind AS 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 financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

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 section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, based on our audit, we report that:
 - a) *We have sought, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph above, 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, except for the effect of the matter described in the Basis for Qualified Opinion paragraph above, 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) *except for the effect of the matter described in the Basis for Qualified Opinion paragraph above, the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.*
 - d) *In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, the aforesaid Ind AS financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.*
 - e) *On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2019 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) *The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.*
- h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the provision of the Section 197 is not applicable to the Company.

- 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, as amended 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 litigation which would impact it's Ind AS financial position;
 - ii. The Company did not have any long - term contracts including derivative contracts for which there were any material forceable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S S Kothari Mehta & Company
Chartered Accountants
Firm's Registration Number: 000756N



Harish Gupta
Harish Gupta
Partner

Membership Number: 098336

Place: New Delhi
Date: May, 18 2019

ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of BLS IT Services Private Limited of even date)

- i. In respect of the Company's fixed assets:
 - (a) The Company has maintained proper records of property, plant and equipment. Necessary updation with respect to situation thereof is under progress.
 - (b) All fixed assets have been physically verified by the management according to the programme of periodical verification in phased manner, which, in our opinion, is reasonable having regard to the size of the company and the nature of its fixed assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The Company does not have any immovable property.
- ii. The company is a service company. Accordingly, it does not hold any physical inventories. Accordingly paragraph 3(ii) of the order is not applicable to the company
- iii. 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 Act. Accordingly, the provisions of paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information, explanations and representations given to us the Company has not granted any loans or provided any guarantee or securities to the parties covered under Sections 185 and 186 of the Act during the year.
- v. The Company has not accepted deposits during the year and therefore, the provisions of the paragraph 3(v) of the order are not applicable to the Company.
- vi. The nature of the company's service is such that maintenance of cost records under section 148(1) of the act is not applicable to the company.
- vii. (a) According to the information and explanations given to us and on the basis of examination of the records, the Company is not regular in depositing undisputed statutory dues including income tax, goods and service tax, and any other material statutory dues with the appropriate authorities to the extent applicable and there have been significant delays in large number of cases.

Further, there were no undisputed statutory dues payable for a period of more than six months from the date they become payable as at March 31, 2019 except advance tax of Rs. 2,54,27,785 /- which is due from more than six months.

Provident fund, employees' state insurance, duty of custom and duty of excise are not applicable on this company.

b) According to the information and explanations given to us, there are no dues in respect of income tax, goods and service tax and service tax which have not been deposited with the appropriate authorities on account of any dispute.



- viii. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of loan or borrowing to a bank as at the balance sheet Date. As per information and explanation given to us the company had not taken any loan or borrowings from the government. Further, the company had not issued any debentures.
- ix. According to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer (including debt instruments) during the year. The company has not taken any term loan during the financial year.
- x. Based on the audit procedures performed and on the basis of information and explanations provided by the management, no instance of fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- xi. The provisions of the section 197 read with Schedule V of the Act is not applicable to the company. Accordingly, provision of the paragraph 3(xi) of the Order in so far as it relates to section 197 of the act is not applicable to the company.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the record of the Company, transactions with the related parties are in compliance with section 188 of the Act where applicable and details of such transactions have been disclosed in the Ind-AS financial statements as required by the applicable Accounting standards. The provisions of the section 177 of the Act is not applicable to the company. Accordingly, provision of the paragraph 3(xiii) of the Order in so far as it relates to section 177 of the act is not applicable to the company.
- xiv. According to the information and explanations given to us and based on our examination of the records, the Company has not made the preferential allotment or private placement of shares during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 as the provisions of the section is not applicable to the Company.

For S S Kothari Mehta & Company
Chartered Accountants
Firm's Registration Number: 000756N



Harish Gupta
Partner

Membership Number: 098336

Place: New Delhi
Date: May 18, 2019

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of BLS IT Services Private Limited of even date)

Report on the Internal Financial Controls with Reference to Financials Statements Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of **BLS IT Services Private Limited** ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements 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 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 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 internal financial controls system with reference to financial statements of the Company.



Meaning of Internal Financial Controls with reference to financial statements

A Company's internal financial control with reference to financial statements 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 with reference to financial statements 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 with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to financial statements 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 SS Kothari Mehta & Company
Chartered Accountants
Firm's Registration Number: 000756N




Harish Gupta
Partner
Membership Number: 098336

Place: New Delhi
Date: May, 18 2019