



Date: 15th November, 2019

To,
The National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.

To
Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai - 400 001.

Scrip Code No. VADILALIND-EQ

Scrip Code : 519156

Subject: Intimation under regulation 30 of SEBI (Listing Obligation and Disclosure Requirement), 2015 regarding resignation of Statutory Auditors of the Company

Dear Sir,

Pursuant to Regulation 30 (2) of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015; we wish to inform you that M/s. Deloitte Haskins & Sells LLP (Firm Registration no: 117366W/W-100018) vide its letter dated 15th November, 2019 have resigned as the Statutory Auditors of the Company w.e.f. 15th November, 2019 for the reasons stated in the Annexure A as required vide SEBI Circular CIR/CFD/CMD1/114/2019.

Audit Committee will be considering the matters raised by the Statutory Auditor in its ensuing meeting.

The Company is in discussion with reputed audit firms for appointment as statutory auditors subject to necessary approval of Audit Committee of Board/Board of Directors and Shareholders.

Kindly take the same on your records.

For VADILAL INDUSTRIES LIMITED

Ms. Rashmi Bhatt
Company Secretary & Compliance Officer

VADILAL INDUSTRIES LIMITED

Reg. Office : Vadilal House, 53, Shrimali Society, Nr. Navrangpura Railway Crossing, Navrangpura, Ahmedabad - 380009.

Ph. No.: 079-26564019-24. Email id : info@vadilalgroup.com

Website : www.vadilalicecreams.com / www.vadilalgroup.com CIN No. : L91110GJ1982PLC005169

15th November, 2019

To,
Mr. Vijay Shah
Chairman
Audit Committee
Vadilal Industries Limited

Subject: Resignation as Statutory Auditors of Vadilal Industries Limited ("the Company")

We refer to our communication to you dated 13th November, 2019.

In view of the matters stated in the Disclaimer of Opinion on the standalone and consolidated financial statements of Vadilal Industries Limited ("Company") for the year ended 31 March 2019, for the quarter ended 30th June, 2019 and half year ended 30th September, 2019, issued by us and the current status of investigating the same by the Company, some of the factors required to be evaluated by us, as per our Firm's policy for continuance of our engagement with the Company as the statutory auditors are not met.

Therefore, we hereby tender our resignation as statutory auditors of the Company with immediate effect.

Please find attached in Annexure A the information to be obtained by the Company from the auditors for the resignation as required by SEBI circular CIR/CFD/CMD1/114/2019 dated 18 October 2019.

Yours faithfully,

For **Deloitte Haskins & Sells LLP**,
Chartered Accountants

Deloitte Haskins & Sells LLP



Encl.: As above.

Annexure A

Format of information to be obtained from the Statutory Auditor upon resignation.

1.	Name of the listed entity / material subsidiary	Vadilal Industries Limited (" the Company ")
2.	Details of the statutory auditor:	
	Name:	Deloitte Haskins & Sells LLP
	Address:	19 th Floor, Shapath V, S.G. Highway, Ahmedabad - 380015
	Phone number:	079-6682 7300
	Email:	kraval@deloitte.com
3.	Details of association with the listed entity/ material subsidiary:	
	(a) Date on which the statutory auditor was appointed:	September 29, 2017
	(b) Date on which the term of the statutory auditor was scheduled to expire:	Conclusion of the Company's 38 th Annual General Meeting to held in the year 2022
	(c) Prior to resignation, the latest audit report/limited review report submitted by the auditor and date of its submission	Limited Review Report for the quarter ended 30 th September, 2019 that is issued on 15 th November, 2019
4.	Detailed reasons for resignation.	<p>Our audit reports for the year ended 31st March 2019 and our limited review reports for the quarter and half year ended 30th June, 2019 and 30th September, 2019 respectively issued to the Company included a "Disclaimer of Opinion" for the reasons stated therein. A copy of the said reports are attached herewith for reference. Our Limited Review Reports for the quarter and six months ended 30th September, 2018 and quarter and nine months ended 31st December, 2018 issued to the Company included a Qualified Conclusion for the reasons stated therein. A copy of the said reports are attached herewith for reference.</p> <p>As mentioned in our audit report on the standalone financial statements of the Company for the year ended March 31, 2019, following are the matters based on which we have issued disclaimer of Opinion:</p> <p>1. Note 50 (A) to the standalone financial statements describes disputes on various</p>



financial, operational and governance matters between the Promoter Directors of the Company and there are numerous allegations made against each other from August 2018 till July 2019 vide their respective communications to the Board of Directors of the Company. Furthermore, two erstwhile Independent Directors have, in their resignation letters dated June 19, 2019, addressed to the Company, have raised concerns in respect of the aforesaid disputes between the promoter directors and hostile environment in the meetings of the Board of Directors and its committees. We provided to the Audit Committee and Board of Directors our suggestions to have these allegations investigated by an independent external agency to determine whether any irregularities / non-compliances / illegalities have occurred in relation to the allegations. The Promoters have communicated to Audit Committee and Board of Directors their withdrawal of all the above allegations on July 22, 2019, except for the matters referred in Paragraphs 2 and 3 below.

As per a resolution passed by the Board of Directors on 30th March, 2019, the promoter directors ceased to be Managing Directors of the Company and it was resolved in the same meeting to appoint Professional Management as Director / Manager / CEO for the Company and that in the interim period, the Promoter Directors would continue to manage the business affairs of the Company without remuneration.

2. As more fully explained in note 50 (B) to the standalone financial statements, based on allegation made by Promoter Director 1 and Chief Financial Officer on August 11, 2018, the Board of Directors of the Company at their meeting held on March 30, 2019 has initiated an independent investigation by an external consultant along with an external legal firm, the scope of which, inter-alia covers, ascertainment of irregularities, if any, with respect to potential personal expenses, amounting to Rs.25.33 lakhs as official business expenses by Promoter Director 2 of the Company. As per the information and explanations given to us,



the external consultant is currently conducting their investigations and they may make a determination on whether the payments were inappropriate / illegal and its consequential impact, if any, including on compliance of relevant laws / regulations.

3. Note 50 (B) to the standalone financial statements which refers to suspicion raised by Promoter Director 2 on July 22, 2019 with respect to personal travel expenses of approximately Rs.23 lakhs suspected to have been claimed as business expense by Promoter Director 1.
4. Note 41 to the standalone financial statements which refers to the status of on-going litigations filed against the Company under Section 241 and 242 of the Companies Act, 2013 pertaining to prevention of oppression and mismanagement of the Company.
5. Due to the possible effects of the matters described in paragraphs 1 to 4 above, we are unable to state whether the remuneration of Rs. 355.96 lacs paid by the company to its promoter directors during the year is in accordance with the provisions of section 197 of the Act and and other consequential effect thereof on these standalone financial statements.

Similar matters were also reported in the audit report on the consolidated financial statements of the Company for the year ended March 31, 2019 and in the limited review reports for the above mentioned periods.

The Audit Committee and the Board of Director in their meeting held on August 23, 2019 resolved to initiate independent inquiries into the matters referred in paragraph 1 and 3 above.

Status as on 15th November, 2019

As per the information and explanations given to us, with respect to item stated in point 2 of our audit report where an agency was appointed to carry out the investigation, and the same is not yet completed. As regards to paragraph 1 and 3, where it was resolved to appoint independent external agencies and have the matters inquired / investigated, no



		<p>agencies have yet been appointed to conduct the necessary investigation / inquiries nor the scope of the investigation is agreed upon. Consequently, our report for the quarter and six months ended 30th September, 2019 continue to have a disclaimer of opinion.</p> <p>Considering that the matters that pending to be investigated relate to Promoter Directors of the Company, who are responsible for the day-to-day operations of the Company and necessary action has not been taken by those charged with governance for a long period of time (nearly one year) from when the matters were first reported, some of the factors that are required to be evaluated by us as per our Firms' policy for continuance of our engagement with the Company as the statutory auditors are not met, owing to which, we are unable to continue as auditors of the Company.</p>
5.	In case of any concerns, efforts made by the auditor prior to resignation (including approaching the Audit Committee/Board of Directors along with the date of communication made to the Audit Committee/Board of Directors)	We have approached the Audit Committee / Board of Directors on various dates (including our presentation to the Audit Committee in the meeting held on 23 rd August, 2019) expressing our concern on the inaction to have the allegations made as reported in our audit report for the year ended March 31, 2019 and repeated in our limited review reports for the quarter ended June 30, 2019 and September 30, 2019. A copy of the last of our written communication dated 8 th July, 2019 to the Audit Committee is attached herewith.
6.	In case the information requested by the auditor was not provided, then following shall be disclosed	
	(a) Whether the inability to obtain sufficient appropriate audit evidence was due to a management - imposed limitation or circumstances beyond the control of the management.	Yes, because of management not completing / initiating inquiries / investigations into various matters, we were unable to obtain sufficient appropriate audit evidence.
	(b) Whether the lack of information would have significant impact on the financial statements/results.	Yes - the outcome of the inquiries / investigations may have a significant impact on the operations of the Company and on its financial statements / results.
	(c) Whether the auditor has performed alternative procedures to obtain appropriate evidence for the	NA



**Deloitte
Haskins & Sells LLP**

	purposes of audit/limited review as laid down in SA 705 (Revised)	
	(d) Whether the lack of information was prevalent in the previous reported financial statements/results. If yes, on what basis the previous audit/limited review reports were issued	Yes. Since the inquires / investigations were pending to be initiated or completed, we issued a "Disclaimer of Opinion", on the standalone and consolidated financial statements for the year ended 31 st March, 2019 and the standalone and consolidated financial results for the quarter ended 30 th June, 2019 and September 30, 2019.
7.	Any other facts relevant to the resignation:	None.

Declaration

1. We hereby confirm that the information given in this letter and its attachments is correct and complete.
2. We hereby confirm that there is no other material reason other than those provided above for resignation of my firm.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No.117366W/W-100018)

Kartikeya Raval

Kartikeya Raval
(Partner)



Encl:

1. Audit Report for the year ended March 31, 2019
2. Limited review reports for the quarter and period ended September 30, 2018, December 31, 2018, June 30, 2019 and September 30, 2019.
3. Communication to the Audit Committee to initiate investigation into the matters reported.

From: Raval, Kartikeya
Sent: 08 July 2019 15:25
To: Chetan Tamboli; ampl1952@yahoo.com
Cc: Rajesh Gandhi; Devanshu Gandhi; Deval Gandhi; rashmibhatt@vadilalgroup.com; Sutaria, Hardik; Anandjiwala, Keyur; Raval, Kartikeya
Subject: FW: Vadilal Industries Limited - Annual FS for year ended March 31, 2019

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Vijay Shah,

Further to the below email which was sent to you, for which we are still awaiting response, we would appreciate if you can respond to below points:

- Subsequent to resignation of 2 independent directors, Mr. Malay Mahadeviya and Mr. Jignesh Shah. Also confirm whether the constitution of the Audit committee and Board is in accordance with provisions of Companies Act, 2013, LODR requirements and articles of association of the Company.
- Whilst we await scope of Forensic audit as proposed by Devanshu Gandhi, we would like to know BOD's view on his allegation regarding appropriateness of salary being paid to Mamta Gandhi. Also travelling expenses related to Rajesh Gandhi and his family.
- Subsequent to below email, we were provided with legal opinion given by Honourable (Retired) Justice J M Panchal dated May 27, 2019, regarding the transfer pricing issue related to sale of products by VIL to VEL. We would like to know conclusion drawn by BOD regarding this matter.
- Board of Directors' conclusion regarding Rajesh Gandhi's allegation of appointments and payments made to M/s Mukesh M Shah, Chartered Accountants to conduct audit.

We would appreciate if we are provided with comprehensive response to each of the items mentioned in our emails dated May 24 and today's email and also hold Audit Committee and BOD meeting at the earliest so as to approve the financial for the year ended March 31, 2019 so that we can issue our audit opinion on the same.

Regards,
Kartikeya Raval
Partner | Deloitte Haskins & Sells
19th Floor, "Shapath V", S. G. Highway, Ahmedabad – 380 015, Gujarat, India.

INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM STANDALONE FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF VADILAL INDUSTRIES LIMITED

1. We were engaged to review the accompanying Statement of Standalone Unaudited Financial Results of **VADILAL INDUSTRIES LIMITED** ("the Company"), for the quarter and six months ended September 30, 2019 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors and, which they represent, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting' ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

2. Our responsibility is to conduct review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India (ICAI). However, because of the significance of the matters described in Paragraph 3 below, we were not able to obtain sufficient appropriate evidence relating to the matters referred to therein, as a basis for expressing a conclusion on the Statement.

Attention is drawn to Note 9 of the Statement which states that the Statement of Cash Flows for the corresponding six months ended September 30, 2018, as reported in the accompanying Statement have been approved by the Company's Board of Directors, but have not been subjected to review.

3. We refer to the following:
 - a. Note 2 to the Statement describes disputes on various financial, operational and governance matters between the Promoter Directors of the Company and there are numerous allegations made against each other from August 2018 till July 2019 vide their respective communications to the Board of Directors of the Company. Furthermore, two erstwhile Independent Directors have, in their resignation letters dated June 19, 2019, addressed to the Company, have raised concerns in respect of the aforesaid disputes between the promoter directors of the company and hostile environment in the meetings of the Board of Directors and its committees. We provided to the Audit Committee and Board of Directors our suggestions to have these allegations investigated by an independent external agency to determine whether any irregularities / non-compliances / illegalities have occurred in relation to the allegations. The Promoters have communicated to Audit Committee and Board of Directors their withdrawal of all the above allegations on July 22, 2019, except for the matters referred in Paragraphs 3(b) and 3(c) below.



As per a resolution passed by the Board of Directors on March 30, 2019, the promoter directors ceased to be Managing Directors of the Company and it was resolved in the same meeting to appoint Professional Management as Director / Manager / CEO for the Company and that in the interim period, the Promoter Directors would continue to manage the business affairs of the Company without remuneration.

- b. As more fully explained in note 3(A) to the Statement, based on allegation made by Promoter Director 1 and Chief Financial Officer on August 11, 2018, the Board of Directors of the Company at their meeting held on March 30, 2019 has initiated an independent investigation by an external consultant along with an external legal firm, the scope of which, inter-alia covers, ascertainment of irregularities, if any, with respect to potential personal expenses, amounting to Rs.25.33 lacs as official business expenses by Promoter Director 2 of the Company. As per the information and explanations given to us, the external consultant is currently conducting their investigations and they may make a determination on whether the payments were inappropriate / illegal and its consequential impact, if any, including on compliance of relevant laws / regulations.
- c. Note 3(B) to the Statement which refers to suspicion raised by Promoter Director 2 on July 22, 2019 with respect to personal travel expenses of approximately Rs.23 lacs suspected to have been claimed as business expense by Promoter Director 1.
- d. Note 6 to the Statement which refers to the status of on-going litigations filed against the Company and some of its promoters under Section 241 and 242 of the Companies Act, 2013 pertaining to prevention of oppression and mismanagement of the Company.
- e. Due to the possible effects of the matters described in paragraphs 3(a) to 3(d) above, we are unable to state whether the remuneration of Rs. 355.96 lacs paid by the Company to its promoter directors during the financial year 2018-19 is in accordance with the provisions of section 197 of the Act and any consequential effect thereof on this Statement.

The Audit Committee and the Board of Directors in their meeting held on August 23, 2019 resolved to initiate independent inquiries into the matters referred in paragraph 3(a) and 3(c) above.

Pending completion of the aforesaid inquiries/investigations and resolution of the above matters, we are unable to determine if any adjustments are necessary to the Statement on account of the aforesaid matters, any restatement of prior years' including any consequential effect thereof.

4. Because of the significance of the matters described in paragraph 3 above, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the Statement and hence we do not express a conclusion on the Statement.



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5. We draw attention to Note 5 to the Statement, which describe the key terms of a contract entered into by the Company with Vadilal Enterprises Limited, a related party, for sale of its goods.



For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Kartikeya Raval

Kartikeya Raval
Partner
(Membership No. 106189)

UDIN- **19106189AAAAQU3806**

Place: Ahmedabad
Date : 15/11/2019

INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM STANDALONE FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF VADILAL INDUSTRIES LIMITED

1. We were engaged to review the accompanying Statement of Standalone Unaudited Financial Results of **VADILAL INDUSTRIES LIMITED** ("the Company"), for the quarter ended June 30, 2019 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors and, which they represent, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

2. Our responsibility is to conduct review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India (ICAI). However, because of the significance of the matter described in Paragraph 3 below, we were not able to obtain sufficient appropriate evidence relating to the matters referred to therein, as a basis for expressing a conclusion on the Statement.
3. We refer to the following :
 - a. Note 2 to the Statement describes disputes on various financial, operational and governance matters between the Promoter Directors of the Company and there are numerous allegations made against each other from August 2018 till July 2019 vide their respective communications to the Board of Directors of the Company. Furthermore, two erstwhile Independent Directors have, in their resignation letters dated June 19, 2019, addressed to the Company, have raised concerns in respect of the aforesaid disputes between the promoter directors and hostile environment in the meetings of the Board of Directors and its committees. We provided to the Audit Committee and Board of Directors our suggestions to have these allegations investigated by an independent external agency to determine whether any irregularities / non-compliances / illegalities have occurred in relation to the allegations. The Promoters have communicated to Audit Committee and Board of Directors their withdrawal of all the above allegations on July 22, 2019, except for the matters referred in Paragraphs 3(b) and 3(c) below.



As per a resolution passed by the Board of Directors on 30th March, 2019, the promoter directors ceased to be Managing Directors of the Company and it was resolved in the same meeting to appoint Professional Management as Director / Manager / CEO for the Company and that in the interim period, the Promoter Directors would continue to manage the business affairs of the Company without remuneration.

- b. As more fully explained in note 3(A) to the Statement, based on allegation made by Promoter Director 1 and Chief Financial Officer on August 11, 2018, the Board of Directors of the Company at their meeting held on March 30, 2019 has initiated an independent investigation by an external consultant along with an external legal firm, the scope of which, inter-alia covers, ascertainment of irregularities, if any, with respect to potential personal expenses, amounting to Rs.25.33 lakhs as official business expenses by Promoter Director 2 of the Company. As per the information and explanations given to us, the external consultant is currently conducting their investigations and they may make a determination on whether the payments were inappropriate / illegal and its consequential impact, if any, including on compliance of relevant laws / regulations.
- c. Note 3(B) to the Statement which refers to suspicion raised by Promoter Director 2 on July 22, 2019 with respect to personal travel expenses of approximately Rs.23 lakhs suspected to have been claimed as business expense by Promoter Director 1.
- d. Note 5 to the Statement which refers to the status of on-going litigations filed against the Parent under Section 241 and 242 of the Companies Act, 2013 pertaining to prevention of oppression and mismanagement of the Company.
- e. Due to the possible effects of the matters described in paragraphs 3(a) to 3(d) above, we are unable to state whether the remuneration of Rs.355.96 lakhs paid by the Company to its promoter directors during the financial year 2018-19 is in accordance with the provisions of section 197 of the Act and any consequential effect thereof on these financial statements.

The Audit Committee and the Board of Directors in their meeting held on August 23, 2019 resolved to initiate independent inquiries into the matters referred in paragraph 3(a) and 3(c) above.

Pending completion of the aforesaid inquiries / investigations and resolution of the above matters, we are unable to determine if any adjustments are necessary to the Statement on account of the aforesaid matters, any restatement of prior years' including any consequential effect thereof.

4. Because of the significance of the matter described in paragraph 3 above, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the Statement and hence we do not express a conclusion on the Statement.



**Deloitte
Haskins & Sells LLP**

5. We draw attention to Note 6 to the Statement, which describe the key terms of a contract entered into by the Company with Vadilal Enterprises Limited, a related party, for sale of its goods.



Place: Ahmedabad

Date: August 23, 2019.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Kartikeya Raval

Kartikeya Raval
Partner
(Membership No. 106189)

UDIN: 19106189 AAAAMD3939

INDEPENDENT AUDITOR'S REPORT

To The Members of Vadilal Industries Limited Report on the Audit of the Standalone Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying standalone financial statements of Vadilal Industries Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying standalone financial statements of the Company. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these standalone financial statements.

Basis for Disclaimer of Opinion

We refer to the following.

1. Note 50(A) to the standalone financial statements describes disputes on various financial, operational and governance matters between the promoter directors of the Company and the numerous allegations made against each other from August 2018 till July 2019 vide their respective communications to the Board of Directors of the Company. Furthermore, two erstwhile Independent Directors have, in their resignation letters dated June 19, 2019, addressed to the Company, have raised concerns in respect of the aforesaid disputes between the promoter directors and hostile environment in the meetings of the Board of Directors and its committees. We provided to the Audit Committee and Board of Directors our suggestions to have these allegations investigated by an independent external agency to determine whether any irregularities / non-compliances / illegalities have occurred in relation to the allegations. The promoter directors have communicated to Audit Committee and Board of Directors their withdrawal of all the above allegations on July 22, 2019, except for the matters referred in Paragraphs 2 and 3 below.

As per a resolution passed by the Board of Directors on 30th March, 2019, the promoter directors ceased to be Managing Directors of the Company and it was resolved in the same meeting to appoint Professional Management as Director / Manager / CEO for the Company and that in the interim period, the Promoter Directors would continue to manage the business affairs of the Company without remuneration.

2. Note 50(B) to the standalone financial statements, pertaining to the allegation made by Promoter Director 1 and, the Chief Financial Officer on August 11, 2018 with respect to potential personal expenses, amounting to Rs.25.33 lakhs as official business expenses by Promoter Director 2. The Board of Directors of the Company at their meeting held on March 30, 2019 has initiated an independent investigation by an external consultant along with an external legal firm, the scope of which, inter-alia covers, ascertainment of irregularities, if any, with respect to these potential personal expenses. As per the information and explanations given to us, the external consultant is currently conducting their investigations



and they may make a determination on whether the payments were inappropriate / illegal and its consequential impact, if any, including on compliance of relevant laws / regulations.

3. Note 50(B) to the standalone financial statements which refers to suspicion raised by Promoter Director 2 on July 22, 2019 with respect to personal travel expenses of approximately Rs.23 lakhs suspected to have been claimed as business expense by Promoter Director 1.
4. Note 41 to the standalone financial statements which refers to the status of on-going litigations filed against the Company under Section 241 and 242 of the Companies Act, 2013 pertaining to prevention of oppression and mismanagement of the Company.
5. Due to the possible effects of the matters described in paragraphs 1 to 4 above, we are unable to state whether the remuneration of Rs.355.96 lakhs paid by the Company to its promoter directors during the year is in accordance with the provisions of section 197 of the Act and any consequential effect thereof on these standalone financial statements.

The Audit Committee and the Board of Directors, in their meeting held on August 23, 2019 resolved to initiate independent inquiries into the matters referred in paragraph 1 and 3 above.

Pending completion of the aforesaid inquiries / investigations and resolution of the above matters, we are unable to determine if any adjustments are necessary to the aforesaid financial statements on account of the aforesaid matters, any restatement of prior years' including any consequential effect thereof.

Emphasis of Matter

We draw attention to footnote 5 of Note 46 to the standalone financial statements which describe the key terms of a contract entered into by the Company with Vadilal Enterprises Limited, a related party, for sale of its goods.

Management's Responsibility for the Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance 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. 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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

Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our responsibility is to conduct an audit of the entity's financial statements in accordance with the Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis of Disclaimer of Opinion section above, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these standalone financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(1)(e), we report that in respect of the expenses stated in paragraphs 2 and 3 of the Basis for Disclaimer of Opinion section above, we are unable to comment on whether personal expenses have been charged to revenue account.
2. As required by Section 143(3) of the Act, based on our audit we report, to the extent applicable that:
 - a) As described in the Basis for Disclaimer of Opinion section above, we have sought but were unable to obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) Due to the possible effects of the matter described in the Basis for Disclaimer of Opinion section above, we are unable to state whether proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - d) Due to the possible effects of the matters described in the Basis for Disclaimer of Opinion section above, we are unable to state whether the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
 - e) The matter described in the Basis for Disclaimer of Opinion section above, in our opinion, may have an adverse effect on the functioning of the Company.
 - f) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
 - g) The reservation relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Disclaimer of Opinion paragraph above.



- h) 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". Our report expresses an adverse opinion on the Company's internal financial controls over financial reporting for the reasons stated therein.
- i) 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, due to the possible effects of the matter described in paragraph 1 to 4 in the Basis for Disclaimer of Opinion section above, we are unable to state whether the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
- j) 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. Due to the possible effects of the matters described in the Basis for Disclaimer of Opinion section above, we are unable to state whether the Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.
 - ii. The Company has made provision, required under the applicable law or accounting standards for material foreseeable losses, if any, 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 Company except Rs.0.15 lakh which is held in abeyance pending resolution of a legal dispute.
3. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order which is subject to the possible effects of the matters described in the Basis for Disclaimer of Opinion section above and the material weakness described in the Basis for Adverse Opinion in our separate Report on the Internal Controls over Financial Reporting.



For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No.117366W/W-100018)

Kartikaya Raval

Kartikaya Raval (Partner)
(Membership No. 106189)
UDIN: 19106189AAAAMZ2877

Ahmedabad

Date: *August 23, 2019*

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT
(Referred to in paragraph 2(h) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)**

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Vadilal Industries Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 internal financial controls over financial reporting 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 Companies Act, 2013, 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Adverse Opinion

According to the information and explanations given to us and based on our audit, a material weakness has been identified as at March 31, 2019 relating to inadequate entity level controls with regards to assessment and closure of the various financial, operational and governance related matters emanating out of the numerous allegations made by promoter directors and two erstwhile independent directors against each other and their consequential impact, if any, on the standalone financial statements of the Company.

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 company's annual or interim financial statements will not be prevented or detected on a timely basis.

Adverse Opinion

In our opinion, to the best of our information and according to the explanations given to us, because of the possible effects of the material weakness described in Basis for Adverse Opinion paragraph above on the achievement of the objectives of the control criteria, the Company has not maintained adequate and effective internal financial controls over financial reporting as of March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in Guidance Note on

