



Independent Auditor's Report on the Quarterly and Year to Date Audited Standalone Financial Results of the Company Pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, as amended.

To,

The Board of Directors
Nova Iron & Steel Limited

Report on the audit of the Standalone Financial Results

Qualified Opinion

We have audited the accompanying statement of quarterly and year to date standalone financial results of Nova Iron and Steel Limited ("the Company"), for the quarter ended March 31, 2023 ("Statement"), attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended (the "Listing Regulations")

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis of Qualified Opinion section of our report, these standalone financial results:

- (a) is presented in accordance with the requirements of the Listing Regulations in this regard; and
- (b) give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards and other accounting principles generally accepted in India, of the net loss, and other comprehensive loss and other financial information for the quarter and year ended March 31, 2023.

Basis of Qualified Opinion

- a) The Company has not been able to produce property, plant and equipment register with proper records like date of purchase, useful life. Further, the management, during the year, has not conducted physical verification of property, plant and equipment. In the absence of such physical verification exercise, we cannot comment on the reconciliation of assets register with books of account and its consequential effects on the carrying value of property, plant and equipment of the Company.
- b) The Company has not established any operating procedure to identify suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006). In the absence of sufficient information, we cannot comment on the disclosure made under Note No. 23 of the accompanying financial results regarding dues to suppliers registered under MSMED Act, 2006 and possible effects, if any, on financial results of the company on account of interest on delayed payments to such suppliers.
- c) The Company has not facilitated us with direct confirmations form outstanding trade receivables of Rs. 80.68 lakhs, trade payables of Rs. 8,630.32 lakhs, pending security deposits of Rs. 376.74 lakhs and advances to suppliers of Rs. 3,541.46 lakhs including capital advances of Rs. 294.61 lakhs. Accordingly, we cannot comment on the carrying value of such items in the financial results and consequently unable to form an opinion so far as these balances are concerned.



- d) The Company is required to recognise loss allowance for expected credit loss on financial assets based on Expected Credit Loss (ECL) approach of lifetime expected credit losses or 12-months expected credit losses depending on credit risk. The Company has not measured such expected credit losses on financial assets. Further, so far as trade receivables are concerned, the company has not prepared any provision matrix to determine loss allowances on such trade receivables. Hence, we cannot comment on the impact of non-measurement loss allowances, if any, on the accompanying financial results.
- e) We draw your attention to Note No. 17 of the accompanying financial results with regard to borrowings. The company's outstanding borrowings as at 31 March 2023 are Rs. 33,070.88 lakhs in respect of which confirmations from the respective lenders have not been facilitated. Further, due to non-availability of loan agreements and other audit evidence, we cannot comment on the adjustments, if any, that may be required to carrying value of the aforesaid balances in the financial results along with impact on finance costs, classification into current and non-current borrowings, secured and unsecured borrowings and related disclosures as required under Schedule - III to the Companies Act, 2013 and applicable Ind AS.
- f) We draw your attention to Note No 8 of the accompanying financial results regarding loan given to Shivalikview Steel Trading Pvt. Ltd. We have not been facilitated with loan agreement (which provides for terms and conditions, purpose, interest rate, repayment schedule) and confirmation of carrying amount of such loan. In the absence of sufficient audit evidence, we cannot comment on the carrying value of such loan, interest income and disclosure u/s 186(4) of the CA, 2013.
- g) We draw your attention to Note No. 17 of the accompanying financial results of the company with respect to secured borrowings of Rs. 9,577.18 lakhs outstanding as at 31-March-2023. The lenders approached "sole arbitrator" in the event of default in repayment of loan by the company. The sole arbitrator made an award on 19-May-2022 directing the company to repay Rs. 80.00 lakhs per month and Rs. 70.00 lakhs per month to Flawless Holdings and Industries Limited and Evergrowing Iron and Finvest Limited respectively, to pay penal interest @ 3% per annum over and above original interest rate of 8.50% per annum. However, the company has not complied with such award as it has not repaid the sums as directed under award so made.
- h) The company's borrowings from related party M/s Bhushan Power and Steel Limited, are carried at Rs. 15,158.79 lakh. The management is contesting the borrowings and disputing the payment of the same. The management could not arrange sufficient document / information in support of the borrowing. Further, we have not been facilitated with direct external confirmation. In the absence of sufficient and appropriate audit evidence, we are unable to comment on the possible effects that borrowings may have upon finance cost on account of non-recognition of interest expense on such borrowings and contingent liability on account of the dispute.
- i) We draw your attention to Note No. 48.05 of the accompanying financial results with regard to the impairment of non-financial assets. The Company has not produced the basis for how it has made assessment of impairment testing at the end of the reporting period. Therefore, we cannot comment on the possible effect of provision for impairment, if any, on the financial results of the company.
- j) The Company has not established any operating procedure to identify transaction with companies which have been strike off under CA, 2013. Therefore, in the absence of sufficient information, we cannot comment on the appropriateness of disclosure made under Note No 45(b) of the accompanying financial results.



- k) We draw your attention to Note No 48.04 of the accompanying financial results with respect to vacant office of Chief Financial Officer (CFO). The Company has not appointed CFO which is mandatory required to be appointed u/s 203 of CA, 2013. Further, the company shall attract penalties / fine u/s 203(5) of CA, 2013 for contravention of aforesaid legal compliance, the quantum of which cannot be ascertained as the contravention is continuous in nature.
- l) We draw your attention to Note No 10 of the accompanying financial results with respect to security deposits of Rs. 389.74 lakhs provided by the company and Note No 19 of the accompanying financial results with respect to security deposits of Rs. 100.99 lakhs received by the company. The Company, in the absence of sufficient information, were not able to comply with the requirements of Ind AS 109 in measuring such deposits at amortised cost. Accordingly, we cannot comment on the carrying amount of these balances and their consequential impact on financial position of the company.
- m) We draw your attention to Note No 34 of the accompanying financial results with respect to pending litigations and contingent liabilities of the Company. The Company has not provided us with the communication with its external legal counsel for pending litigations. Accordingly, in the absence of sufficient information, we cannot comment on the possible effects of pending litigations against the company including necessity of provisions required to be made.

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 Results 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.

Emphasis of Matter

- a) We draw your attention to Note No. 41(e) of the accompanying financial results wherein valuation technique used to determine fair value has been disclosed. The Company has not conducted any specific valuation exercise to determine fair value in accordance with Ind AS 113 rather used valuations conducted as per Rule 11UA of the Income Tax Rules, 1962.
- b) We draw your attention to Note No 13(a) of the accompanying financial results which describes that one of the bank accounts of the Co. is dormant. Accordingly, we have not been provided bank statement and balance confirmation of the same. In the absence of such information, we cannot comment on the adjustments, if any that may be required to carrying value of such bank balance.
- c) We draw your attention to Note No 5(e) of the accompanying financial results with respect to capitalisation of certain items of stores and spares by the Company. The Company has not provided us with the details of such items and the basis on which capitalisation has been made in current year.

Our opinion is not modified in respect of these matters.



Material uncertainty relating to going concern

We draw attention to Note No 47 in the financial results with regard to the assessment of going concern of the company. The Company's accumulated losses are Rs. 8,882.03 lakhs as at 31 March, 2023 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 7,753.38 lakhs giving rise to apprehension of the company's ability to maintain going concern. Nevertheless, the financial statements of the company have been prepared on going concern assumption for the reasons stated in the note supra. Our opinion is not modified in this respect.

Management's Responsibilities for the Standalone Financial Results

The Statement has been prepared on the basis of the standalone annual financial statements and has been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the preparation and presentation of the Statement that gives a true and fair view of the net profit/loss and other comprehensive income and other financial information of the Company in accordance with the Ind AS specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, and in compliance with Regulation 33 of the Listing Regulations. 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 Statement that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Statement, 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 is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Results

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.

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Other Matter

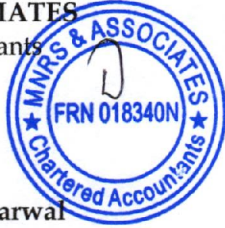
The Statement includes the financial results for the quarter ended 31 March 2023, being the balancing figures between the audited figures in respect of the full financial year and the published unaudited year-to-date figures up to the third quarter of the current financial year, which were subject to limited review by us.

For and on behalf of

MNRS & ASSOCIATES

Chartered Accountants

FRN: 018340N



Neeraj
Neeraj Kumar Agarwal

Partner

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UDIN: 20503441BGXYQR7932

Place: New Delhi, India

Date: 30-June-2023