

Annexure 1 –Format of Independent Auditors’ Certificate

Independent Auditors’ Certificate

(Sales & Investment)

To

IFCI Ltd.

(Project Management Agency)

IFCI Tower, 61, Nehru Place

New Delhi – 110019

1. We do hereby confirm that we are Independent Auditors of M/s _____ Limited (hereinafter referred to as “the company”) for FY _____ Appointed under section 139 of the Companies Act, 2013.
2. This certificate is being issued in connection with determination of sales of eligible products and investments for the company, under Production Linked Incentive Scheme (PLI) for promoting domestic manufacturing of critical Key Starting Material/Drug Intermediates/ Active Pharmaceutical Ingredients in India as notified vide notification No. _____ dated _____ read with guidelines for the operation of PLI for Bulk Drugs manufacturing entities dated 21st July 2020, as amended from time to time (hereinafter referred as ‘the PLI Scheme’).
3. It is confirmed that we have followed the relevant code of conduct issued by ICAI w.r.t. independence of Auditors and provisions of Companies Act, 2013. Further, _____ (name of statutory auditor’s firm) or any of our associates or affiliate concerns/ entities are not engaged in providing any services to or business with, the applicant which may pose any potential ‘conflict of interest’ in submission of this certificate or could potentially result in non-compliance with the code of ethics issued by ICAI or provisions of Companies Act, 2013.
4. The company statements appended at Annexure I to Annexure VI (collectively referred to as ‘the Statements’) have been prepared by the Company for the target segment goods _____ and eligible products _____ as defined under the PLI Scheme.

Management's Responsibility

5. The accompanying Statements, including the creation and maintenance of all accounting and other records supporting its contents, is solely the responsibility of the Company's Management. The Company's Management is responsible for designing, implementing, and maintaining internal control relevant to the preparation and presentation of the Statement, applying an appropriate basis of preparation, and making estimates that are reasonable in the circumstances.
6. The Company's Management is also responsible for ensuring that the Company complies with the requirements of the PLI Scheme and for providing all relevant information to the Project Management Agency appointed under the PLI Scheme.

Auditor's Responsibility

7. Pursuant to the requirements of the PLI Scheme, it is our responsibility to provide a certificate based on our examination of the information contained in the Statements with reference to the audited/ unaudited books of accounts and other records of the Company, on the matters listed under the head "Independent Auditor's Opinion".
8. We have verified the fixed assets register, sales register, GST returns and all other relevant financial, secretarial, and statutory records of the company for the period from _____ to _____ for the purpose of arriving at the information contained in Annexure I to VI of this certificate.
9. (a) The financial statements of the Company for the period ended _____ were audited by us on which we had issued an unmodified audit opinion vide our report dated _____. Our audit of these financial statements was conducted in accordance with the Standards on Auditing specified under section 143(10) of the Companies Act, 2013 and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. *(if not audited, please mention)*

b) The audit of internal financial controls with reference to financial statements of the Company as of _____ in conjunction with our audit

of the financial statements of the Company for the year ended on that date was performed by us 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, on which we had issued an unmodified opinion vide our report dated . *(if not audited, please mention)*

10. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
11. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
12. Our engagement for this certificate includes performing procedures to obtain sufficient appropriate audit evidence on the applicable criteria mentioned in paragraph 10 above. The procedures selected depend on the auditor's judgement.

13. Independent Auditor's Opinion

Based on our examination as stated above and based on the information and explanations given to us by the Company's management, we report that:

I. General

- a) The Company has considered the audited/unaudited financial statements for the period ended _____ prepared under Companies Act, 2013 for arriving at the information given in the accompanying Statements.
- b) The accounting policies, methods and assumptions of management's estimates used by the Company has been applied consistently in the preparation of the financial statements and there has been no change in the said accounting policies, methods and assumptions during the period ended _____. Further, the accounting policies, methods and assumptions of management's

estimates used for preparation of financial statements have been applied for the preparation of information given in the Statements.

- c) The Greenfield project of _____ (company name) for the eligible product _____ has been commissioned as per clause 2.18 of the scheme guidelines and the company has maintained separate records / books of accounts as required under the scheme guidelines for the greenfield project.

II. Sales of Eligible Products manufactured by _____ (Company/LLP).

- a) the information relating to (i) net sales of eligible products _____ for the period ended on _____ and Annexure I and VI are in agreement with the books of accounts of the Company and Scheme Guidelines.
- b) The net sales have been arrived after giving effect of sale returns, taxes, discounts, rebates, credit notes, claims if any. Further, there are no unsettled claims other than those which have already been provided for in the books of accounts and adjusted in the sales and there are no disputed claims against the sales of manufactured goods covered under eligible product.
- c) The sales amount of eligible products _____ as per GST returns reconciles with sales of eligible products _____ as per books of account, as provided in Annexure – II.
- d) The ageing of outstanding debtors as on _____ in connection with eligible product as provided in Annexure- III to the Statement is in agreement with the books of accounts and appropriation policy followed by the Company on a regular basis.
- e) The relevant compliances under Companies Act 2013, Indian Accounting Standard 24 and Income Tax Act 1961, have been made with respect to transaction with Related Parties
- f) The sales amount of eligible products _____ contains only sales of eligible product manufactured by the company in the Greenfield Project approved and setup under the Scheme Guidelines.
- g) For the purpose of claiming incentive, the lower of actual sales price and Quoted Sales Price/Cost of Production in case of in-house consumption has

been considered at invoice level. Accordingly, the sales of eligible product is Rs. _____ and sales Eligible for incentive is Rs _____.

- h) Domestic Value Addition is complied as per scheme guidelines and SoP for the period from _____ to _____ is _____ %, which is more than stipulated under the Scheme Guidelines.
- i) The project set up by the company is greenfield project as per clause 2.18 of the scheme guidelines and date of commercial operation is _____. As per clause 2.8 of the scheme guidelines.
- j) The incentive has been calculated at lower of actual selling price & quoted selling price in case of domestic invoices. In case of export invoices, incentive has been calculated at lower of FOB value & quoted selling price wherein FOB values are arrived by using exchange rate notified by Central Board of Indirect Taxes and Customs (CBIC).

III. Investment

- a) The company has committed investment of ₹ _____ for the period from _____ to _____ and the committed investment criteria has been complied with for the financial year under consideration.
- b) Committed Investment of ₹ _____ applicable has been achieved before commercial production. The date of achievement of commercial production is _____.
- c) There is a total amount of ₹ _____ crore capitalised in the book of accounts during the period from _____ To _____, out of which capex of ₹ _____ has been considered as eligible under PLI Scheme. Detail of head wise assets is attached as **Annexure IV** and individual assets register is attached at **Annexure VI**.
- d) Entire capex of ₹ _____ claimed under the Scheme are eligible for capitalisation as per relevant provision of Companies Act, 2013 and relevant Accounting Standards followed by the Company. Therefore, considered as eligible for capitalisation in the books of accounts.
- e) The assets capitalised but having invoice date prior to 1st April 2020 have not been considered while calculating the investment under PLI Scheme.

- f) The investments which are yet to be capitalised (CWIP) as of date of claim period have not been considered while calculating the investment for the year of claim.
- g) No second hand / used/ refurbished plant, machinery, equipment, utilities or research and development equipment used to manufacture the eligible product .
- h) Expenditure on consumables and raw material used for manufacturing has not been considered as Investment.
- i) The capex claimed as eligible under the Scheme is not subject to any other Govt. Incentive Scheme except . The amount of eligible incentive on the capex is crore, for which claim has been filed / not filed. The accounting policy of the Company for in this regard is adjustment from cost / recognition as revenue (also method to be followed for recognition).
- j) No expenses have been allocated to the capex claim under the Scheme Guidelines except purchase price, non-creditable duties & taxes, packaging, insurance, freight, and expenses on ‘erection & commissioning’ of machinery/ equipment purchased during the period from to .
- k) With reference to clause 6.4.1 of the Scheme Guidelines, the amount of Associated Utilities claimed under eligible capex is .

With reference to clause 2.21.4 of the Scheme Guidelines expenditure on construction of building where new plant and machinery are installed is ₹ and expenditure on associated infrastructure including internal roads and compound wall is ₹ . The expenditure on the associated infrastructure is limited to 20% of the investment in new plant & machinery. Further, expenditure on guest house building, recreational facilities, office building, residential colonies and similar structures has not been considered for determining the threshold investment.

- l) Heads of Investment, based on which eligibility is being determined, are capitalized in the books of accounts of the . Head wise eligible investment as per the Scheme Guidelines are given below:

S.No.	Heads of Investment	Amount Capitalised (₹)
1	Plant, Machinery and Equipment	
2	Associated Utilities	
3	Building	
4	Building – Associated Infrastructure	
5	Research & Development (R&D)	
	Total	

- m) Expenditure incurred on new Plant, Machinery & Equipment as defined in Para 2.21.1 of the Scheme Guidelines are considered as Investment for determining eligibility under the Scheme.
- n) There is no expenditure on Transfer of Technology or Research & Development claimed under eligible capex under the Scheme Guidelines OR give the detail of expenditure.
- o) The relevant compliances under Companies Act 2013, Indian Accounting Standard 24 (*may change the reference to relevant accounting standard if company is following I GAAP*) and Income Tax Act 1961, have been made with respect to transaction with Related Parties.
- p) All assets against committed investment in greenfield projects, under the scheme, are in existence within the company. There are no deletion / sales of Assets that have been claimed as eligible investments from to .

IV. Internal Controls

- a) The Company has adequate internal controls with reference to financial statements and such internal financial controls were operating effectively as on 31st March 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.

- k) The internal control procedures on classification of trading & manufacturing revenue, identification of manufactured eligible product in the books of accounts, revenue recognition, allocation of sales consideration, pricing policy, settlement of discounts & rebates, capitalisation of property, plant and equipment and other areas relevant to determination of sales and investment of manufactured eligible product is operating effectively.

Restriction on Use

14. The certificate is being submitted to IFCI Limited (Project Management Agency) and at the request of Board of Directors of the Company solely for the purpose of Production Linked Incentive Scheme and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.