

Nimish Nagpal & Company

CHARTERED ACCOUNTANTS

Independent Auditor's Report

To The Members of
Khanna Paper Mills Limited
(CIN: U74110HR1985PLC054735)

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Khanna Paper Mills Limited (hereinafter referred to as the "Holding Company") (CIN: U74110HR1985PLC054735) and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") for the financial year ended March 31, 2025. These financial statements were to comprise the consolidated balance sheet as at March 31, 2025, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "Consolidated Financial Statements").

However, the consolidated financial statements have not been prepared by the Management because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on the consolidated financial statements of the Group.

Basis for Disclaimer of Opinion

The Holding Company holds direct control over four subsidiaries, namely Khanna Paper Inc., Grownd Crew Private Limited, Grownd Realty Private Limited and Khanna Fiber Private Limited (hereinafter referred to as "subsidiaries"). As of the date of this report, the audited standalone financial statements and the respective auditors' reports of these subsidiaries for the financial year ended 31st March 2025 have not been made available to the management of the Company. The absence of these critical documents persists despite repeated reminders, follow-ups, and documented communications by the management of the Company to the respective managements of the subsidiaries.

The preparation of the consolidated financial statements of the Group requires the availability of the audited financial information of all subsidiaries, as mandated under Section 129(3) of the Companies Act, 2013, and in accordance with the applicable accounting standards. However, the non-receipt of the audited standalone financial statements and auditors' reports of the subsidiaries has significantly impaired our ability to perform the necessary audit procedures to obtain sufficient and appropriate audit evidence regarding the financial position, financial performance, and cash flows of the subsidiaries forming part of the consolidated financial statements of the group.

In the absence of the audited standalone financial statements of these subsidiaries, we were unable to verify their financial data, assess their impact on the Group's financial position and performance, or evaluate any potential adjustments that may have been required. This limitation in scope affects several elements of the

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consolidated financial statements, including, but not limited to, the carrying amounts of assets and liabilities, the reported revenues and expenses, and the accompanying notes to the financial statements.

As a result of this pervasive limitation in scope, we are unable to conclude whether the consolidated financial statements, had they been prepared, would have presented a true and fair view of the financial position of the Group as at 31st March, 2025, its financial performance (including other comprehensive income), and its cash flows for the year then ended in accordance with the applicable financial reporting framework. Consequently, we are unable to express an opinion on the consolidated financial statements of the Group.

Other Matter

We draw attention to the fact that the standalone financial statements of the Holding Company, Khanna Paper Mills Limited, for the financial year ended March 31, 2025, have been duly approved by its Board of Directors and audited by us vide our audit report dated September 27, 2025.

The management of the subsidiary companies has not informed either the Holding Company or us, as the auditors of the Holding Company, about the identity of the statutory auditors of these subsidiaries. This lack of information prevented us from establishing any correspondence with the auditors of the subsidiaries, as required under Standard on Auditing (SA) 600, *“Using the Work of Another Auditor.”* The inability to correspond with the subsidiary auditors further limited the scope of our audit work and precluded us from obtaining sufficient and appropriate audit evidence to assess the financial impact of the subsidiaries on the Group.

We do not express an opinion on the consolidated financial statements of the Group in respect of these matters.

Information other than the Consolidated financial statements and auditors’ report thereon

The Holding Company’s Board of Directors is responsible for the other information. The other information obtained at the date of this auditor’s report comprises the information included in the Holding Company’s annual report but does not include the Consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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The Holding 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 Consolidated financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated financial statements, the Board of Directors companies included in the Group is responsible for assessing the Group'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 companies included in the Group either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the Consolidated 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 Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to Consolidated financial statements 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.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of Consolidated financial statements 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 Consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated financial statements, including the disclosures, and whether the Consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and evaluating the results of our work; and (ii) evaluating the effect of any identified misstatements in the Consolidated 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, 2020 (the "Order" or "CARO") issued by the Central Government in terms of Section 143(11) of the Act, with respect to the matters specified in clause (xxi) of the Companies (Auditor's Report) Order, 2020, we report that:
 - a. CARO is not applicable on Khanna Paper Inc. being the foreign subsidiary of the Khanna Paper Mills Limited (hereinafter referred to as the "Holding Company") as Khanna Paper Inc. is not a company incorporated under Companies Act, 2013 or under any other previous law. Therefore, comment under Para 3(xxi) of the Companies (Auditor's Report) Order, 2020 is not applicable.
 - b. In case of 3 subsidiaries (i.e. Grownd Crew Private Limited, Grownd Realty Private Limited and Khanna Fiber Private Limited), In the absence of the audited standalone financial statements of these subsidiaries as described in the Basis of Disclaimer of Opinion para of our report, we are not able to report about any qualifications or adverse remarks by the respective auditors in the CARO reports of the said companies to be included in the consolidated financial statements, due to non-receipt of the said Audited Financial Statements.
2. As required by Section 143(3) of the Act, based on our audit we report that:

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- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except for the information mentioned in the Basis of Disclaimer of Opinion para of our report.
- b. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on proper books of account as required by law have been kept by the Companies included in the Group so far as it appears from our examination of those books.
- c. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on whether the Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement had they been prepared by the management dealt with by this Report are in agreement with the books of account.
- d. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on whether the aforesaid Consolidated financial statements had they been prepared by the management comply with the Accounting Standards specified under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 (as amended).
- e. On the basis of the written representations received from the directors as on March 31, 2025 taken on record by the Board of Directors of the Holding Company, none of the directors of the Group is disqualified as on March 31, 2024 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 the Consolidated financial statements of the Company, in place, and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”.
- g. 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on whether the Group had they prepared the consolidated financial statements would have disclosed the impact of pending litigations as at 31st March 2025 on its financial position in its Consolidated financial statements.

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- ii. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on whether the Companies in the Group have any long-term contracts or not including derivative contracts for which there were any material foreseeable losses.
- iii. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report and due to which we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. Accordingly, we do not express an opinion on whether there are no/any amounts which are required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. (a) The Management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to accounts, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company to or in any other person or entity, including foreign entity (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(b) The Management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to accounts, no funds (which are material either individually or in the aggregate) have been received by the Holding Company from any person or entity, including foreign entity (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Holding Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to the notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
- v. The Holding company has not declared/paid any dividend during the year.
- vi. Based on our examination, which included test checks, the Holding Company except for the Subsidiary Company has used accounting software for maintaining its books of account for the financial year ended March 31, 2025 which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year

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for all relevant transactions recorded in the respective software:

- a. In respect of the Holding Company, the feature of recording audit trail (edit log) facility was not enabled at the database level to log any direct data changes for the accounting software.
- b. In respect of the Holding Company, in the absence of coverage of audit trail (edit log) with respect to database level in the independent auditor's report in relation to controls at the service organization for accounting software used for preparation of financial statements, which is operated by third party software service provider, we are unable to comment whether the audit trail feature of the database level of the said software was enabled and operated throughout the year for all relevant transactions recorded in the software.
- c. In respect of the Holding Company, its payroll records and stock records the feature of audit trail (edit log) was not enabled.

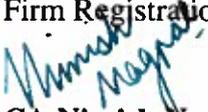
Further, where audit trail (edit log) facility was enabled and operated, we did not come across any instance of the audit trail feature being tampered with. Additionally, except where the audit trail (edit log) facility was not enabled in the previous year, the audit trail has been preserved by the Holding Company as per the statutory requirements for record retention, except for the accounting software used for preparation of financial statements where the audit trail has not been preserved.

- h. With respect to the 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 according to the information and explanations given to us, the remuneration paid by the Holding Company to its directors during the year is not in accordance with the provisions of section 197 of the Act. The remuneration paid to one of the directors is in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

For Nimish Nagpal & Company

Chartered Accountants

Firm Registration No. 023104N


CA Nimish Nagpal

Partner

Membership No. 515749

UDIN:

Place: Amritsar

Date: December 5th, 2025

UDIN : 25515749BMSCLI5874

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C H A R T E R E D A C C O U N T A N T S

Annexure “A” to the Independent Auditor’s Report on the Consolidated financial statements of Khanna Paper Mills Limited for the year ended 31st March 2024

(Referred to in paragraph 2(A)(f) under ‘Report on other legal and regulatory requirements’ section of our report of even date)

Report on the internal financial controls under clause (i) of sub - section 3 of section 143 of the Companies Act, 2013 (“the Act”)

Disclaimer Opinion

We were engaged to audit the internal financial controls with reference to Consolidated financial statements of Khanna Paper Mills Limited (“the Holding Company”) as at March 31, 2025, in conjunction with our audit of the Consolidated financial statements of **Khanna Paper Mills Limited** (‘the Holding Company’) (CIN: U74110HR1985PLC054735) and its 3 subsidiaries (i.e. Grown Crew Private Limited, Grown Realty Private Limited and Khanna Fiber Private Limited) which are companies incorporated in India (Holding Company and its subsidiaries together referred to as “the Group”) as at and for the year ended on that date.

The Holding Company has not received the standalone financial statements of its 3 subsidiaries (i.e. Grown Crew Private Limited, Grown Realty Private Limited and Khanna Fiber Private Limited), which are companies incorporated in India. Consequently, the management was unable to prepare consolidated financial statements as required under the Companies Act, 2013, and we were unable to obtain sufficient and appropriate audit evidence regarding the adequacy and operating effectiveness of internal financial controls over financial reporting of the Group. Accordingly, we do not express an opinion on the internal financial controls over financial reporting of the Group.

Basis for Disclaimer of Opinion

As described in Basis of Disclaimer of Opinion section of our report on the consolidated financial statements, the management has not received the standalone financial statements of its subsidiaries and their corresponding auditor’s reports. Due to this, the consolidated financial statements for the year ended March 31, 2025 could not be prepared, and we were unable to carry out necessary audit procedures to obtain sufficient and appropriate audit evidence about the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Group.

As a result of this pervasive limitation in scope, we are unable to conclude whether the internal financial controls with reference to consolidated financial statements, are adequate and were operating effectively as at March 31, 2025. Consequently, we are unable to express an opinion on the internal financial controls with reference to consolidated financial statements of the Group.

Other Matters

The management of the subsidiary companies has not informed either the Holding Company or us, as the auditors of the Holding Company, about the identity of the statutory auditors of these subsidiaries. This lack of information prevented us from establishing any correspondence with the auditors of the subsidiaries, as required under Standard on Auditing (SA) 600, “*Using the Work of Another Auditor.*” The inability to

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correspond with the subsidiary auditors further limited the scope of our audit work and precluded us from obtaining sufficient and appropriate audit evidence to assess the adequacy and operational efficiency of the internal financial controls in subsidiaries of the Group.

We do not express an opinion on the consolidated financial statements of the Group in respect of these matters.

Management's responsibility for internal financial controls

The board of directors of the holding company and its 3 subsidiaries, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to the Consolidated 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 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.(hereinafter referred to as "the Act")

Auditors' responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to the Consolidated 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 issued by the Institute of Chartered Accountants of India (hereinafter referred to as "Guidance Note") 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 with reference to the Consolidated financial statements. 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 the Consolidated financial statements were established and maintained and whether 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 the Consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the Consolidated financial statements included obtaining an understanding of such internal financial controls, 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 in the Consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary companies, which are incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial control system with reference to the Consolidated financial statements.

Meaning of internal financial controls with reference to Consolidated financial statements

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A company's internal financial control with reference to the Consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to the Consolidated financial statements includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Consolidated 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 (iii) 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 Consolidated financial statements.

Inherent Limitations of Internal Financial Controls with reference to Consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to Consolidated financial statements, including the possibility of collusion or improper management of 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 Consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to Consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For Nimish Nagpal & Company

Chartered Accountants

Firm Registration No. 023104N

Nimish Nagpal

CA Nimish Nagpal

Partner

Membership No. 515749

UDIN :



Place: Amritsar

Date: December 5th, 2025

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