WWW.TAXSCAN.IN - Simplifying Tax Laws

आज़ादी का अमृत महोत्सव

G20 भारत 2023 INDIA

ANALYSIS
OF MODIFIED OPINIONS

AN INITIATIVE OF THE
CENTRE FOR AUDIT QUALITY DIRECTORATE

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions

Centre for Audit Quality Directorate
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

WWW.TAXSCAN.IN - Simplifying Tax Laws

© The Institute of Chartered Accountants of India

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise without prior permission, in writing, from the publisher.

DISCLAIMER:

The Institute of Chartered Accountants of India has compiled the data and has performed analysis on the best effort basis. While every effort has been made to keep the information error free, the Institute or any officer of the same does not take the responsibility for any typographical or clerical error which may have crept in while compiling the information provided in this booklet.

First Edition	:	June, 2023
Committee/Department	:	Centre for Audit Quality
E-mail	:	caq@icai.in
Website	:	www.icai.org

Foreword

SA 705, 'Modifications to the Opinion in the Independent Auditor's Report; was issued by the Institute of Chartered Accountants of India (ICAI) originally in 2010 and subsequently revised in 2016, prescribes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion. The importance of the modified report can be assessed from the requirement of the management to comment on the modifications expressed in the auditor's report.

By examining the circumstances that give rise to modified opinions, the auditors aim to promote transparency and accountability, enabling stakeholders to make informed decisions based on a deeper understanding of the financial health of an entity.

Further, the need to understand the type of modifications and the areas under which the auditor has expressed the modification (the relevant AS, law or pronouncement) and the management responses on the matters was felt to enable the users to understand the overall perspective.

I am happy to note that the Centre for Audit Quality Directorate have carried out an analysis of audit modifications reported in the auditors' reports of financial statements of the companies listed on the Bombay Stock Exchange for the year ended 31st March 2022.

The analyses would be available as an e-booklet for the ease of use of the members, providing a handy reference for the members having similar issues in the similar industry. The search facility enabled on the key words for the ease of tracing the concerned issue across industry type. The booklet would be helpful when the members as auditors are required to express a qualification/ EOM on similar issue(s) faced during the audit and need a reference to check the ways in which the other auditor(s) have dealt in a similar situation. However, Members and Firms should keep in mind the provisions of Standards on Auditing, Guidance Notes and related pronouncements and suitably modify it to suit the facts, circumstances, and nature of the entity under audit.

My heartiest congratulations to CA. Vishal Doshi, Convenor, CA. Sripriya Kumar, Deputy Convenor and other members of the Centre for Audit Quality Directorate, for conceptualizing and performing analysis for the reference and use of stakeholders.

I am confident that the members and other stakeholders would find this analysis useful.

New Delhi

June 30, 2023

CA. Aniket Sunil Talati

President, ICAI

Preface

The Centre for Audit Quality Directorate (CAQD) has been set up with the objective of enhancing the quality of Audit services provided by Practitioners and Practice Units. In this regard, the Centre undertakes projects to provide tool kits and ready to use templates and documents for the guidance of the Audit profession of the country. Additionally, the Centre also attempts to undertake original research work and publish documents and reports which will enable members to gain quick and meaningful insights on the present landscape of the audit profession.

Audit is the independent examination of the financial statements of an entity with a view to expressing an opinion thereon. Regarded as a key pillar of Corporate Governance, audit reports, in a larger perspective, also serve as a culmination of the financial accounting and reporting process and provide valuable insights to various stakeholders on the entities dealt by them. These Audit Reports may be issued as containing opinions which may be Unmodified or containing Emphasis of Matters, Qualifications, Adverse opinions, Disclaimer of opinion.

These audit reports acquire greater significance in the context of listed entities where substantial public interest is generally involved and the CAQD decided to embark on a project to review qualifications in audit reports of listed entities and present certain insights on the same.

The objective of this publication is twin fold in the sense that firstly, it aims to educate a user of this document on what matters are the subject matters of qualifications and secondly, how such qualified matters are generally presented in the audit reports issued by various practice units.

The CAQD, in the context of this publication has analysed Audit reports pertaining to financial statements for the period ended March 31, 2022 issued in respect of 344 Companies listed on the Bombay Stock Exchange (BSE). The audit reports issued in respect of Standalone Financial Statements as well as Consolidated Financial Statements of such entities have been considered for the purpose of this analysis and publication.

Of the total 344 audit reports stated above and containing modified opinions, 317 reports were Qualified, 9 reports had adverse opinion & 18 reports had Disclaimer of Opinion.

The analysis covered 93 types of industries as per the BSE classification and presented some interesting perspectives and insights including the following:

- Of the total modified reports, 126 annual reports have quantified the impact of the qualification on the P&L / Assets / Liabilities.
- 73% of the all the modifications centred around 6 core themes of Going Concern, Financial Instruments, External Confirmations, Consideration of Laws & Regulations, Recording of Provisions, Contingent Assets & Liabilities.

The analysis would serve as a handy reference whenever the auditor intends to express a modified opinion on a similar issue for engagement as the basis for qualification grouped as per industry classification have been reproduced. The management response to the Qualifications also forms part of the analysis document.

We express our sincere gratitude to all the members of the CAQD for continued support and guidance. We also wish to place on record CA. Ruchika Bachchani, Secretary CAQD and the other team members of CAQD for the timely completion of the voluminous task of compiling the data relevant for this publication.

We hope that you find this publication relevant and meaningful and look forward to your comments and feedback at caq@icai.in

CA. Vishal Doshi
Convenor
Centre for Audit Quality Directorate

CA. Sripriya K
Dy. Convenor
Centre for Audit Quality Directorate

New Delhi
June 30, 2023

Scope & Approach

- The purpose of the analysis is to serve as a ready reference for the members facing similar concerns during the audit.
- To understand the major reasons for modifications in the Audit Report of the listed entities.
- The Centre for Audit Quality Directorate analysed audit reports of 4261 companies listed on the Bombay Stock Exchange (BSE).
- The audit reports for the year ended 31st March 2022 were considered for the purpose of analysis.
- 344 of the reports had Modified Opinions.
- Modified opinion is classified as Qualified Opinion, Adverse Opinion & Disclaimer of Opinion.
- The Modifications as per BSE classification cover 93 industry types.
- Modifications have been bucketed into various heads for the purpose of the analysis.
- Analysis has been performed on modifications only, and not on Emphasis of Matter paragraph has been performed.
- Management responses on the modifications have been included as per the information available in the Annual Report.
- The CAQD has not considered the appropriateness of the Audit Modifications but has reproduced the modifications as is for the purpose of analysis.

Contents

List of Industry Types 1
Industry Wise List 5
Modifications Reference Across Industries 8
Executive Summary 10
Analysis of the Modifications 11
Industry Wise – Modifications reported in the Auditor's Report along with the Management Responses on the same 20
1. Advertising & Media Agencies 20
2. Airline 23
3. Aluminium 25
4. Aluminium, Copper & Zinc Products 28
5. Amusement Parks/ Other Recreation 29
6. Asset Management Company 30
7. Auto Components & Equipments 31
8. Breweries & Distilleries 34
9. Cement & Cement Products 38
10. Ceramics 39
11. Cigarettes & Tobacco Products 41
12. Civil Construction 42
13. Commodity Chemicals 83
14. Computers - Software & Consulting 85
15. Computers Hardware & Equipments 91
16. Construction Vehicles 93
17. Consulting Services 97
18. Consumer Electronics 98
19. Copper 102
20. Dairy Products 103
21. Diversified 107
22. Diversified Commercial Services 108
23. Diversified Retail 113
24. Dredging 115
25. Edible Oil 116
26. Education 120

27. Electronic Media 128
28. E-Retail/ E-Commerce 129
29. Ferro & Silica Manganese 130
30. Fertilizers 131
31. Film Production, Distribution & Exhibition 135
32. Financial Institution 144
33. Garments & Apparels 152
34. Gems, Jewellery and Watches 155
35. General Insurance 164
36. Healthcare Service Provider 166
37. Heavy Electrical Equipment 167
38. Hotels & Resorts 169
39. Industrial products 183
40. Integrated Power Utilities 196
41. Internet and Catalogue Retail 201
42. Investment Company 202
43. Iron & Steel 210
44. Iron & Steel Products 215
45. IT Enabled Services 231
46. Leisure Products 236
47. Logistics Solution Provider 238
48. Media and Entertainment 245
49. Non-Banking Financial Company (NBFC) 247
50. Oil Equipment & Services 264
51. Other Agricultural Products 266
52. Other Capital Market related Services 271
53. Other Consumer Services 272
54. Other Electrical Equipment 273
55. Other Financial Services 280
56. Other Food Products 284
57. Other Industrial Products 285
58. Other Telecom Services 288
59. Other Textile Products 289
60. Packaged Foods 305
61. Packaging 306
62. Paper & Paper Products 314

63. Petrochemicals 315
64. Pharmaceuticals 316
65. Pig Iron 327
66. Plastic Products - Industrial 332
67. Plywood Boards/ Laminates 333
68. Port & Port services 334
69. Power Generation 337
70. Print Media 345
71. Printing and Publication 347
72. Residential, Commercial Projects 349
73. Restaurants 381
74. Road Transport 384
75. Software Products 385
76. Speciality Chemicals 387
77. Speciality Retail 389
78. Sponge Iron 392
79. Stationary 394
80. Stockbroking & Allied 395
81. Sugar 396
82. Tea & Coffee 408
83. Telecom - Cellular & Fixed line Services 414
84. Telecom-Equipment and Accessories 426
85. Telecom - Infrastructure 433
86. Trading - Metals 434
87. Trading - Textile Products 436
88. Trading & Distributors 438
89. Transport Related Services 454
90. TV Broadcasting & Software Production 455
91. Tyres & Rubber Products 466
92. Waste Management 469
93. 2/3 Wheelers 471

List of Industry Types

S. No	Industry Type	No. of Listed Companies having Modified Opinion	Standalone(S) / Consolidated(C) Financial Statements
1	Advertising & Media Agencies	3	S
2	Airline	2	S&C
3	Aluminium	1	S
4	Aluminium, Copper & Zinc Products	1	C
5	Amusement Parks/ Other Recreation	1	S&C
6	Asset Management Company	1	S&C
7	Auto Components & Equipments	3	S
8	Breweries & Distilleries	3	S&C
9	Cement & Cement Products	1	S&C
10	Ceramics	2	S
11	Cigarettes & Tobacco Products	1	S&C
12	Civil Construction	26	S&C
13	Commodity Chemicals	3	S&C
14	Computers - Software & Consulting	4	S&C
15	Computers Hardware & Equipments	2	S&C
16	Construction Vehicles	1	S&C
17	Consulting Services	1	S&C
18	Consumer electronics	3	S&C
19	Copper	1	S
20	Dairy Products	5	S&C
21	Diversified	1	S&C
22	Diversified Commercial Services	7	S&C
23	Diversified Retail	1	S&C
24	Dredging	1	S
25	Edible Oil	2	S&C
26	Education	3	S&C
27	Electronic Media	1	S

S. No	Industry Type	No. of Listed Companies having Modified Opinion	Standalone(S) / Consolidated(C) Financial Statements
28	E-Retail/ E-Commerce	1	S
29	Ferro & Silica Manganese	1	S
30	Fertilizers	3	S&C
31	Film Production, Distribution & Exhibition	6	S&C
32	Financial Institution	2	S&C
33	Garments & Apparels	2	S
34	Gems, Jewellery and Watches	6	S&C
35	General Insurance	2	S&C
36	Healthcare Service Provider	1	S
37	Heavy Electrical Equipment	3	S&C
38	Hotels & Resorts	6	S&C
39	Industrial products	8	S&C
40	Integrated Power Utilities	3	S&C
41	Internet and Catalogue Retail	1	S
42	Investment Company	7	S&C
43	Iron & Steel	5	S&C
44	Iron & Steel Products	19	S&C
45	IT Enabled Services	4	S&C
46	Leisure Products	2	S&C
47	Logistics Solution Provider	8	S&C
48	Media and Entertainment	1	S
49	Non Banking Financial Company (NBFC)	13	S&C
50	Oil Equipment & Services	2	S&C
51	Other Agricultural Products	6	S&C
52	Other Capital Market related Services	1	S&C
53	Other Consumer Services	1	S
54	Other Electrical Equipment	3	S&C
55	Other Financial Services	7	S&C

Analysis of Modified Opinions

S. No	Industry Type	No. of Listed Companies having Modified Opinion	Standalone(S) / Consolidated(C) Financial Statements
56	Other Food Products	2	S
57	Other Industrial Products	2	S
58	Other Telecom Services	1	S
59	Other Textile Products	26	S&C
60	Packaged Foods	1	S
61	Packaging	9	S&C
62	Paper & Paper Products	1	S
63	Petrochemicals	1	S
64	Pharmaceuticals	7	S&C
65	Pig Iron	1	S
66	Plastic Products – Industrial	2	S&C
67	Plywood Boards/ Laminates	1	S
68	Port & Port services	1	S&C
69	Power Generation	5	S&C
70	Print Media	1	S&C
71	Printing and Publication	1	S
72	Residential, Commercial Projects	17	S&C
73	Restaurants	1	S
74	Road Transport	1	S
75	Software Products	2	S&C
76	Speciality Chemicals	4	S&C
77	Speciality Retail	3	S&C
78	Sponge Iron	1	S
79	Stationary	2	S
80	Stockbroking & Allied	1	S&C
81	Sugar	9	S&C
82	Tea & Coffee	2	S&C
83	Telecom - Cellular & Fixed line services	2	S&C

S. No	Industry Type	No. of Listed Companies having Modified Opinion	Standalone(S) / Consolidated(C) Financial Statements
84	Telecom-Equipment and Accessories	4	S&C
85	Telecom – Infrastructure	1	S
86	Trading – Metals	1	S&C
87	Trading - Textile Products	1	S
88	Trading & Distributors	12	S&C
89	Transport Related Services	1	S&C
90	TV Broadcasting & Software Production	7	S&C
91	Tyres & Rubber Products	2	S&C
92	Waste Management	2	S&C
93	2/3 Wheelers	1	S

Industry Wise List

Sr. No.	Type of Industry	Qualified Opinion	Adverse Opinion	Disclaimer of Opinion
1	Advertising & Media Agencies	3	0	0
2	Airline	2	0	0
3	Aluminium	1	0	0
4	Aluminium, Copper & Zinc Products	1	0	0
5	Amusement Parks/ Other Recreation	0	1	0
6	Asset Management Company	1	0	0
7	Auto Components & Equipments	3	0	0
8	Breweries & Distilleries	3	0	0
9	Cement & Cement Products	1	0	0
10	Ceramics	2	0	0
11	Cigarettes & Tobacco Products	1	0	0
12	Civil Construction	23	1	2
13	Commodity Chemicals	3	0	0
14	Computers - Software & Consulting	4	0	0
15	Computers Hardware & Equipments	2	0	0
16	Construction Vehicles	0	0	1
17	Consulting Services	1	0	0
18	Consumer electronics	3	0	0
19	Copper	1	0	0
20	Dairy Products	5	0	0
21	Diversified	1	0	0
22	Diversified Commercial Services	6	0	1
23	Diversified Retail	1	0	0
24	Dredging	1	0	0
25	Edible Oil	2	0	0
26	Education	3	0	0
27	Electronic Media	1	0	0
28	E-Retail/ E-Commerce	1	0	0
29	Ferro & Silica Manganese	1	0	0
30	Fertilizers	3	0	0

WWW.TAXSCAN.IN - Simplifying Tax Laws

Sr. No.	Type of Industry	Qualified Opinion	Adverse Opinion	Disclaimer of Opinion
31	Film Production, Distribution & Exhibition	5	0	1
32	Financial Institution	1	0	1
33	Garments & Apparels	1	0	1
34	Gems, Jewellery and Watches	5	0	1
35	General Insurance	2	0	0
36	Healthcare Service Provider	1	0	0
37	Heavy Electrical Equipment	3	0	0
38	Hotels & Resorts	6	0	0
39	Industrial products	8	0	0
40	Integrated Power Utilities	2	0	1
41	Internet and Catalogue Retail	1	0	0
42	Investment Company	7	0	0
43	Iron & Steel	5	0	0
44	Iron & Steel Products	19	0	0
45	IT Enabled Services	4	0	0
46	Leisure Products	2	0	0
47	Logistics Solution Provider	8	0	0
48	Media and Entertainment	1	0	0
49	Non Banking Financial Company (NBFC)	13	0	0
50	Oil Equipment & Services	2	0	0
51	Other Agricultural Products	5	0	1
52	Other Capital Market related Services	1	0	0
53	Other Consumer Services	0	0	1
54	Other Electrical Equipment	3	0	0
55	Other Financial Services	7	0	0
56	Other Food Products	2	0	0
57	Other Industrial Products	1	1	0
58	Other Telecom Services	1	0	0
59	Other Textile Products	26	0	0
60	Packaged Foods	1	0	0
61	Packaging	8	1	0
62	Paper & Paper Products	1	0	0
63	Petrochemicals	1	0	0

Analysis of Modified Opinions

Sr. No.	Type of Industry	Qualified Opinion	Adverse Opinion	Disclaimer of Opinion
64	Pharmaceuticals	7	0	0
65	Pig Iron	0	0	1
66	Plastic Products – Industrial	2	0	0
67	Plywood Boards/ Laminates	0	0	1
68	Port & Port services	1	0	0
69	Power Generation	4	1	0
70	Print Media	1	0	0
71	Printing and Publication	1	0	0
72	Residential, Commercial Projects	16	1	0
73	Restaurants	0	0	1
74	Road Transport	1	0	0
75	Software Products	2	0	0
76	Speciality Chemicals	3	0	1
77	Speciality Retail	3	0	0
78	Sponge Iron	1	0	0
79	Stationary	2	0	0
80	Stockbroking & Allied	1	0	0
81	Sugar	9	0	0
82	Tea & Coffee	1	1	0
83	Telecom - Cellular & Fixed line services	2	0	0
84	Telecom-Equipment and Accessories	3	1	0
85	Telecom – Infrastructure	1	0	0
86	Trading – Metals	0	0	1
87	Trading - Textile Products	0	0	1
88	Trading & Distributors	12	0	0
89	Transport Related Services	1	0	0
90	TV Broadcasting & Software Production	6	1	0
91	Tyres & Rubber Products	2	0	0
92	Waste Management	2	0	0
93	2/3 Wheelers	1	0	0

Modifications Reference Across Industries

S. No.	Broad Classification	Industry Classification Reference
1	Ind AS 36: Impairment of Assets	1.1, 3.1, 5.1, 8.3, 12.4, 12.6, 12.13, 18.2, 20.1, 26.2, 26.3, 30.3, 33.2, 38.1, 38.5, 39.1, 39.5, 39.6, 40.3, 44.5, 44.6, 44.16, 44.17, 45.4, 47.4, 48.1, 50.2, 51.2, 54.1, 59.8, 59.9, 64.1, 64.7, 68.1, 69.3, 69.5, 71.1, 72.2, 72.14, 72.15, 73.1, 75.1, 76.4, 81.9, 83.1, 85.1, 85.3, 88.12, 90.4, 90.5
2	SA 250: Consideration of Laws and Regulations in An Audit of Financial Statements	3.1, 7.1, 7.3, 10.1, 12.5, 12.6, 12.7, 12.10, 12.12, 12.25, 13.2, 14.3, 14.4, 17.1, 18.3, 20.2, 20.4, 20.5, 21.1, 22.2, 22.3, 22.5, 25.1, 25.2, 30.1, 30.2, 30.3, 31.2, 32.2, 33.1, 33.2, 34.2, 34.3, 34.5, 37.3, 38.1, 38.2, 38.5, 38.6, 39.2, 39.5, 41.1, 42.2, 42.3, 42.4, 42.6, 44.17, 44.19, 45.1, 45.4, 47.2, 49.3, 49.6, 49.9, 49.12, 51.2, 51.5, 54.1, 55.2, 55.7, 57.1, 59.2, 59.4, 59.6, 59.13, 60.1, 61.5, 61.6, 64.1, 64.6, 66.1, 66.2, 68.1, 72.5, 72.10, 72.11, 72.14, 72.15, 72.17, 75.1, 81.8, 83.1, 84.1, 85.2, 88.1, 88.2, 88.3, 88.8, 88.10
3	Ind AS 19: Employee Benefits	7.1, 8.1, 9.1, 10.1, 12.13, 13.2, 14.2, 18.1, 22.7, 25.1, 28.1, 31.6, 33.2, 34.5, 36.1, 38.2, 38.5, 39.3, 39.5, 39.7, 43.2, 44.3, 44.10, 44.16, 44.17, 49.1, 49.2, 49.8, 51.5, 55.1, 56.2, 59.5, 59.7, 59.13, 59.15, 59.25, 61.8, 62.1, 64.1, 64.2, 72.14, 75.1, 76.3, 81.2, 81.5, 81.8, 82.1, 83.1, 88.6, 88.9, 90.1, 93.1
4	Internal Financial Controls	2.2, 7.3, 12.6, 12.12, 12.18, 12.23, 12.25, 14.3, 20.4, 20.5, 26.1, 26.3, 30.1, 30.2, 30.3, 31.1, 35.1, 39.6, 40.3, 42.6, 43.3, 44.7, 47.1, 49.7, 49.9, 49.13, 50.2, 51.2, 55.2, 57.1, 59.19, 59.23, 72.14, 72.15, 76.3, 81.2, 82.1, 83.2, 90.3, 91.1
5	Ind AS 37: Provisions, Contingent Liabilities and Contingent Assets	1.3, 2.1, 2.2, 7.2, 10.1, 12.1, 12.4, 12.5, 12.6, 12.8, 12.10, 12.12, 12.13, 12.18, 12.19, 12.20, 12.22, 12.24, 13.1, 13.3, 14.4, 15.2, 17.1, 20.2, 20.5, 24.1, 25.1, 25.2, 26.1, 26.3, 30.1, 30.2, 30.3, 31.1, 31.2, 32.2, 33.2, 34.1, 35.2, 37.1, 38.2, 38.4, 38.6, 39.1, 39.5, 40.1, 42.2, 42.6, 43.1, 43.4, 44.5, 44.6, 44.9, 44.11, 44.12, 44.13, 44.17, 44.18, 45.1, 45.2, 47.1, 47.2, 47.6, 47.7, 49.6, 49.8, 49.9, 49.12, 49.13, 51.2, 51.4, 52.1, 54.1, 54.2, 54.3, 55.3, 57.1, 57.2, 59.8, 59.10, 59.12, 59.13, 59.14, 59.20, 59.22, 59.26, 61.9, 64.1, 64.5, 64.7, 68.1, 69.1, 69.2, 69.3, 69.4, 69.5, 72.1, 72.2, 72.5, 72.7, 72.9, 72.11, 72.12, 72.14, 72.17, 73.1, 75.1, 76.2, 76.4, 77.2, 77.3, 78.1, 80.1, 81.1, 81.2, 81.3, 81.7, 81.9, 82.1, 83.1, 83.2, 84.1, 88.2, 88.6, 88.8, 88.11, 88.12, 90.2, 90.4, 90.5, 90.7, 92.2, 93.1
6	Ind AS 109: Financial Instruments	1.1, 1.2, 4.1, 7.1, 8.2, 10.1, 11.1, 12.3, 12.4, 12.7, 12.8, 12.9, 12.10, 12.11, 12.12, 12.16, 12.20, 12.21, 12.22, 12.23, 12.24, 12.26, 14.1, 14.4, 15.1, 18.1, 18.2, 19.1, 20.2, 22.2, 25.1, 25.2, 26.1, 26.2, 26.3, 30.2, 31.2, 32.1, 32.2, 33.2, 34.1, 34.4, 35.2, 38.2, 38.3, 39.1, 39.8, 40.3, 42.6, 42.7, 43.1, 43.2, 44.1, 44.2, 44.6, 44.7, 44.12, 44.13, 44.15, 44.16, 44.17, 44.19, 45.2, 45.3, 45.4, 47.1, 47.5, 49.5, 49.7, 49.8, 49.9, 49.11, 49.12, 49.13, 51.2, 51.6, 54.1, 55.2, 55.3, 55.6, 57.2, 59.1, 59.3, 59.4, 59.6, 59.8, 59.12, 59.13, 59.18, 59.20, 59.23, 59.26, 61.2, 61.6, 61.9, 62.1, 64.1, 69.1, 69.2, 69.3, 69.4, 70.1, 72.1, 72.2, 72.4, 72.5, 72.7, 72.9, 72.11, 72.12, 72.13, 72.15, 74.1, 75.1, 76.2, 77.3, 81.4, 81.6, 81.7, 82.1, 82.2, 83.1, 83.2, 85.2, 85.3, 85.4, 88.7, 88.8, 88.9, 88.11, 89.1, 90.4, 90.5, 91.1, 91.2, 92.1, 93.1

Analysis of Modified Opinions

S. No.	Broad Classification	Industry Classification Reference
7	SA 505: External Confirmations	1.1, 2.1, 3.1, 4.1, 7.2, 12.5, 12.6, 12.7, 12.10, 12.13, 12.20, 12.21, 12.23, 14.4, 15.2, 28.1, 31.4, 32.1, 34.6, 35.1, 35.2, 38.1, 38.5, 38.6, 39.1, 39.2, 39.4, 39.5, 41.1, 42.2, 42.7, 44.4, 44.7, 44.9, 44.10, 44.16, 44.17, 44.19, 46.2, 47.1, 47.2, 47.5, 47.8, 49.13, 54.1, 55.2, 59.1, 59.10, 59.16, 59.20, 59.21, 59.23, 61.1, 61.3, 61.4, 61.5, 61.8, 62.1, 63.1, 64.1, 64.3, 68.1, 69.1, 69.2, 69.5, 72.4, 72.8, 72.12, 72.14, 72.16, 77.1, 79.1, 81.2, 81.8, 82.1, 82.2, 83.1, 83.2, 85.3, 88.5, 88.12, 90.4
8	SA 570: Going Concern	1.3, 2.2, 3.1, 4.1, 5.1, 6.1, 7.1, 7.3, 10.2, 12.4, 12.6, 12.9, 12.10, 12.12, 12.13, 12.16, 12.17, 12.20, 12.21, 12.22, 12.23, 13.2, 14.1, 14.2, 15.2, 17.1, 18.1, 18.2, 18.3, 19.1, 20.3, 20.4, 20.5, 25.2, 26.1, 26.3, 31.3, 31.5, 34.3, 34.4, 34.6, 35.2, 37.1, 37.2, 38.3, 38.5, 38.6, 39.2, 39.3, 39.5, 39.6, 39.8, 40.1, 40.2, 40.3, 42.1, 42.5, 42.7, 43.2, 44.2, 44.8, 44.10, 44.12, 44.15, 44.16, 44.18, 44.19, 45.4, 47.2, 47.8, 48.1, 49.3, 49.4, 49.7, 49.10, 49.13, 50.2, 51.2, 51.4, 51.5, 54.1, 54.3, 55.5, 56.2, 57.1, 59.3, 59.10, 59.11, 59.12, 59.17, 59.21, 59.25, 61.1, 61.2, 61.3, 61.4, 64.2, 64.5, 66.1, 68.1, 69.2, 69.4, 69.5, 70.1, 71.1, 72.4, 72.7, 72.12, 72.14, 72.15, 74.1, 75.1, 75.2, 76.1, 76.3, 77.1, 77.3, 79.2, 81.2, 81.7, 81.9, 83.1, 83.2, 85.1, 85.3, 85.4, 88.2, 88.7, 88.9, 88.10, 88.11, 91.1, 92.1

Executive Summary

The Centre for Audit Quality Directorate (CAQD) has reviewed the annual reports for the year ended 31st March 2022, of certain Companies listed on the Bombay Stock Exchange (BSE). Of the 4261 companies reviewed, 344 Independent Audit reports were found to contain Modified Opinions. These reports spanned 93 industry types and such modified opinions included Qualified Opinions numbering to 318, Adverse Opinions in 9 cases and Disclaimer of Opinions were found to be issued in 17 Company Audit reports.

Key Findings

The broad reasons for Modified Opinions expressed in Audit Reports are categorised under the following heads:

a) **SA 250-Consideration of Laws and Regulations in an Audit of Financial Statements:** In 88 audit reports, the auditors had expressed modifications owing to non-compliance of various provisions of Companies Act 2013, FEMA, Income-tax Act, GST, SEBI & RBI rules pertaining to NBFCs.

b) **SA 505-External Confirmations:** In the case of 126 audit reports, the auditors were unable to obtain confirmation from Third Parties to validate and confirm the balances as reflected in the financial statements.

c) **SA 570-Going Concern:** In the case of 154 audit reports, the auditors were of the opinion that material uncertainty existed in relation to the going concern status of the entity.

d) **Ind AS 19-Employee Benefits:** In 55 audit reports, the auditors had expressed modifications owing to non-compliance of the requirement under Ind AS 19 pertaining to employee benefits which include actuarial valuation, payments etc.

e) **Ind AS 36-Impairment of Assets:** In the case of 65 audit reports, either the impairment testing was not carried out by the management or the auditors were unable to comment on appropriateness of impairment assessments as undertaken.

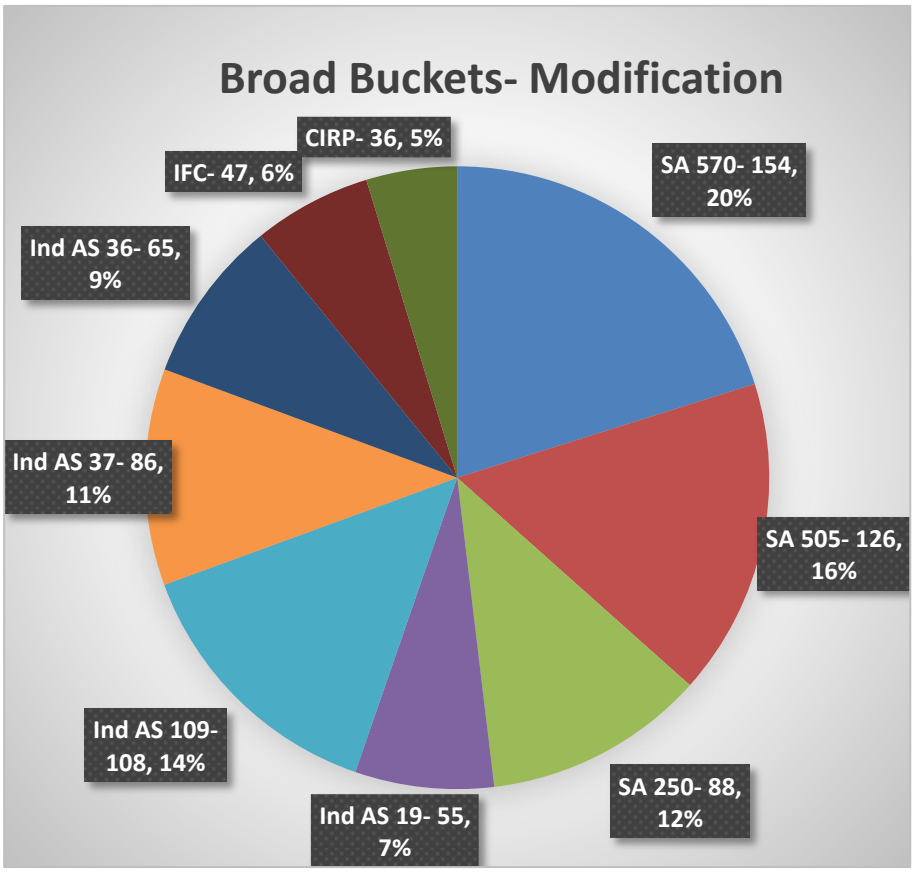
f) **Ind AS 37-Provisions, Contingent Liabilities and Contingent Assets:** In 86 audit reports, the auditors had expressed modification owing to non-creation of provision under Ind AS 37, further in few cases matter was sub-judice and / or disputed.

g) **Ind AS 109-Financial Instruments:** In the case of 108 audit reports, either there was non-recognition/ provision of interest amount or non-reconciliation/ confirmation of balances or non-provisioning in the context of Expected Credit Losses.

h) **Corporate Insolvency Resolution Process (CIRP) Under IBC:** In the case of 36 audit reports, the companies were under the process of CIRP or were in the process of initiating insolvency proceedings.

i) **Internal control over financial reporting (ICoFR):** In the case of 47 audit reports, the auditors were of the opinion that either the internal controls were not operating effectively, or the companies had inadequate internal control.

Analysis of the Modifications



About 73% of the modifications reported in the auditor's report belong to the following 5 heads:

SA 570 – Going Concern

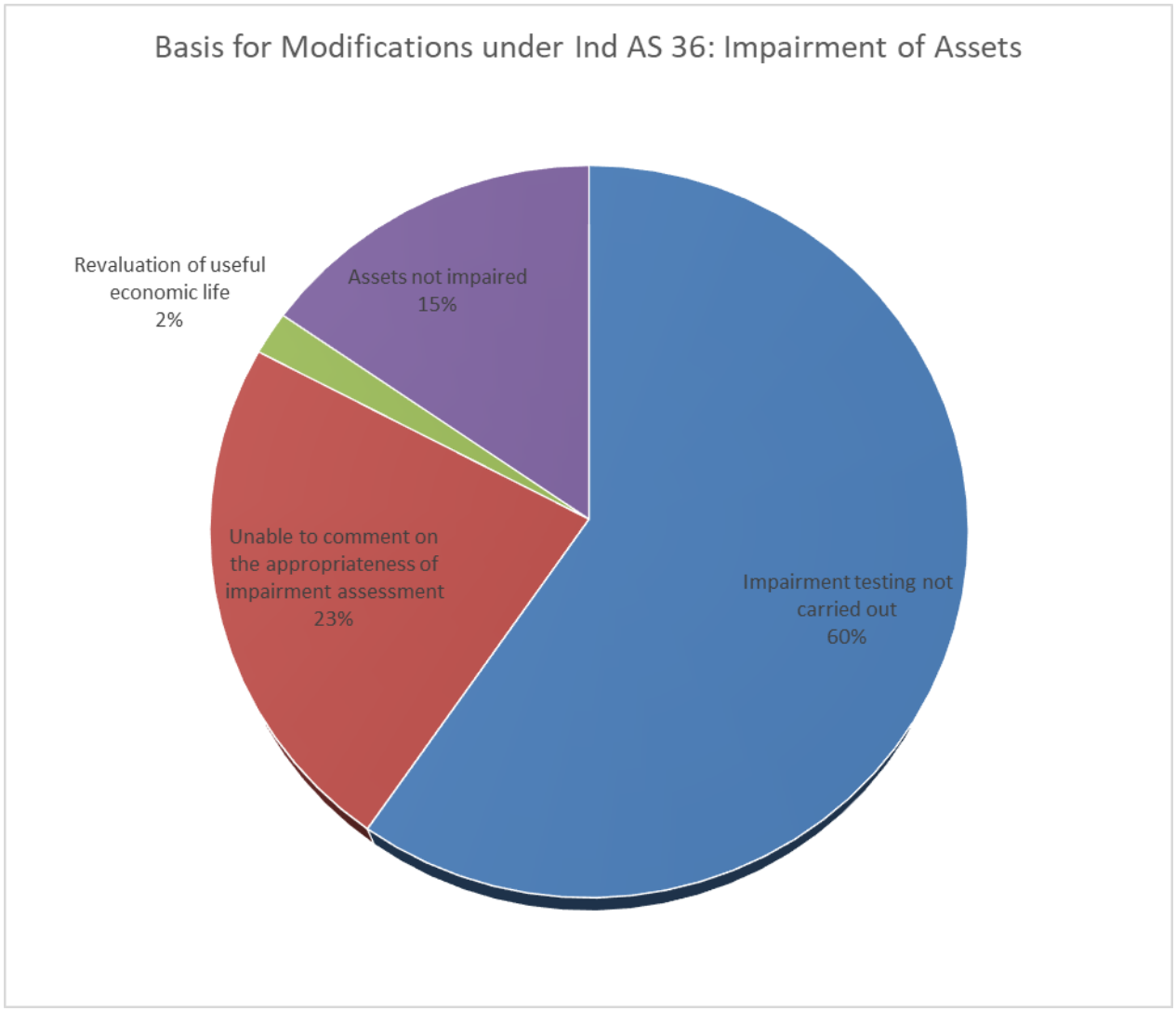
SA 505- External Confirmations

IND AS 109- Financial Instruments

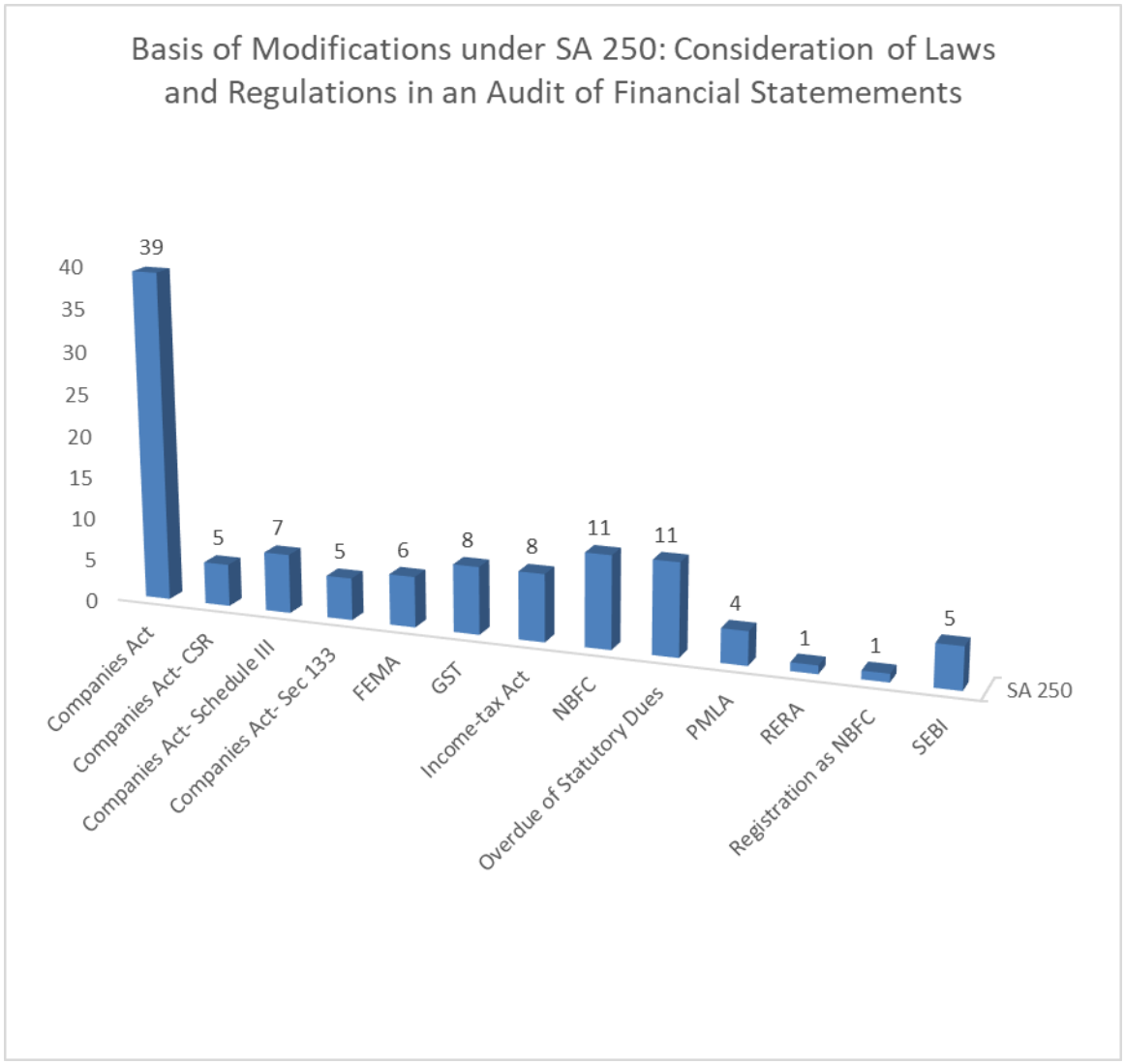
SA 250-Consideration of Laws and Regulation in an Audit of Financial Statements

IND AS 37- Provisions, Contingent Liabilities and Contingent Assets

WWW.TAXSCAN.IN - Simplifying Tax Laws



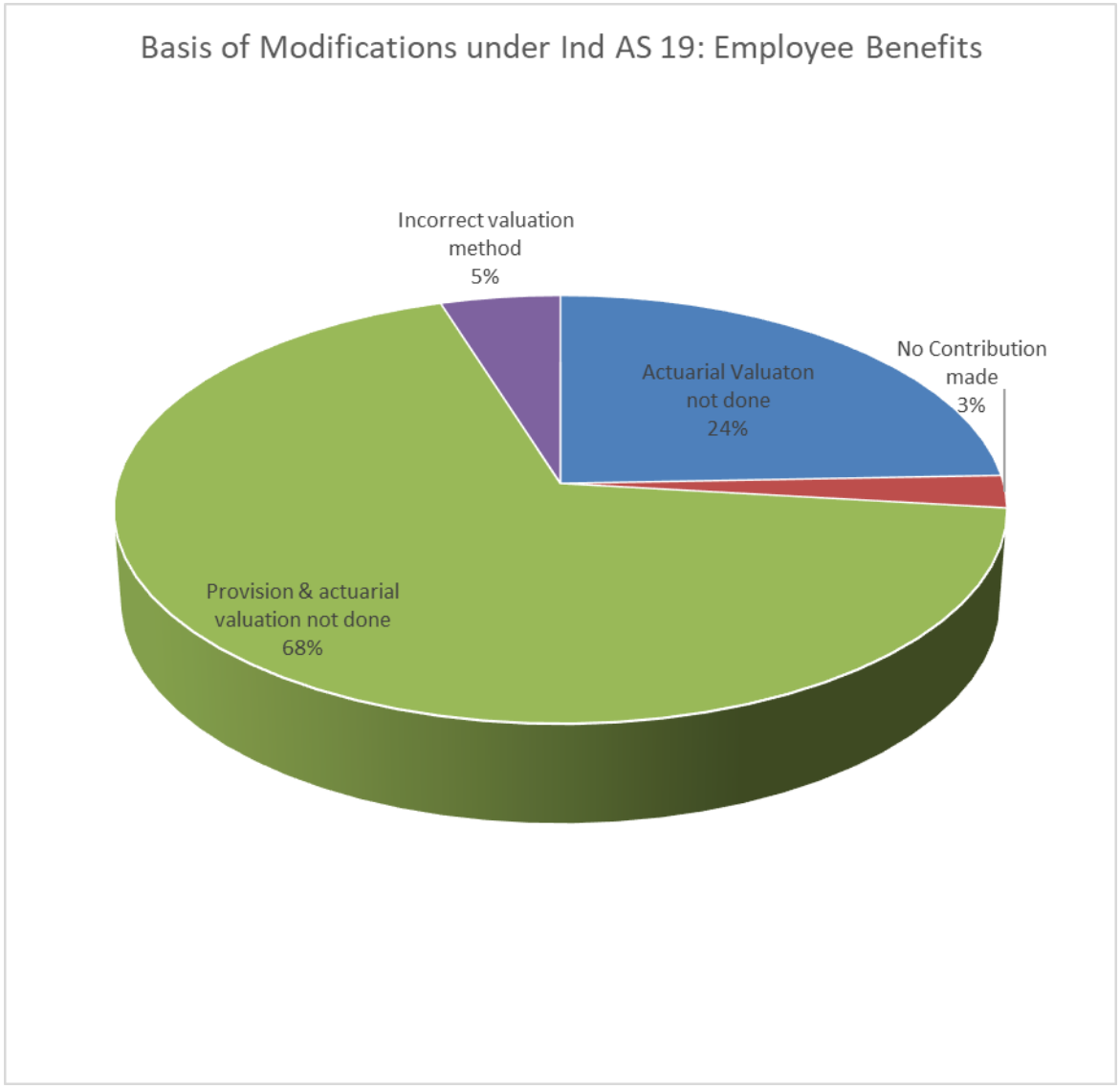
Analysis of Modified Opinions



The major modifications under Consideration of Laws and Regulations in an Audit of Financial Statements (SA 250) can be categorised under the following:

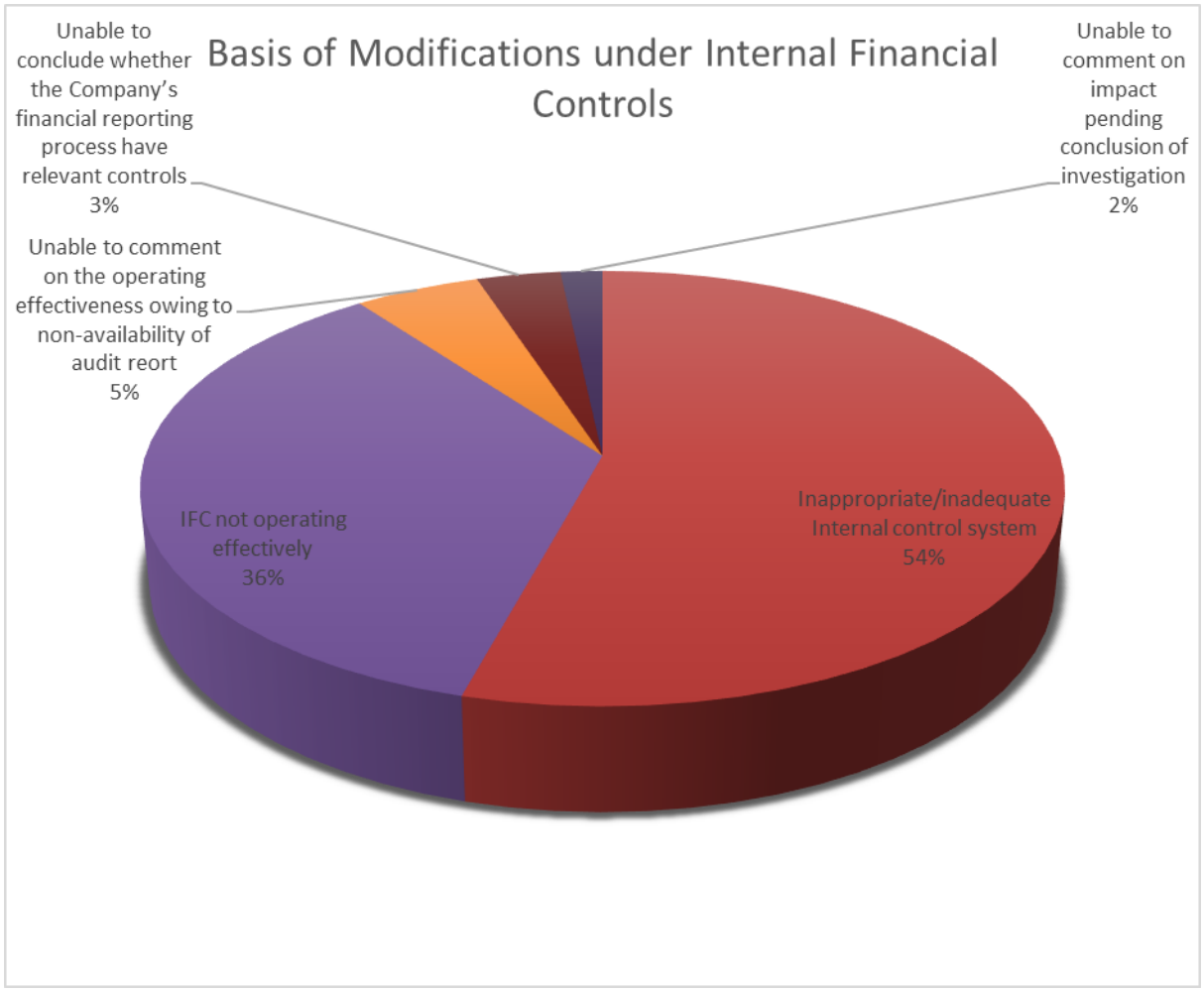
1. Provisions of the Companies Act
2. Provisions of Section 45 IA of RBI Act (NBFC)
3. Overdue of statutory dues
4. Provisions of the Income-tax Act & Goods and Services Tax Act

WWW.TAXSCAN.IN - Simplifying Tax Laws



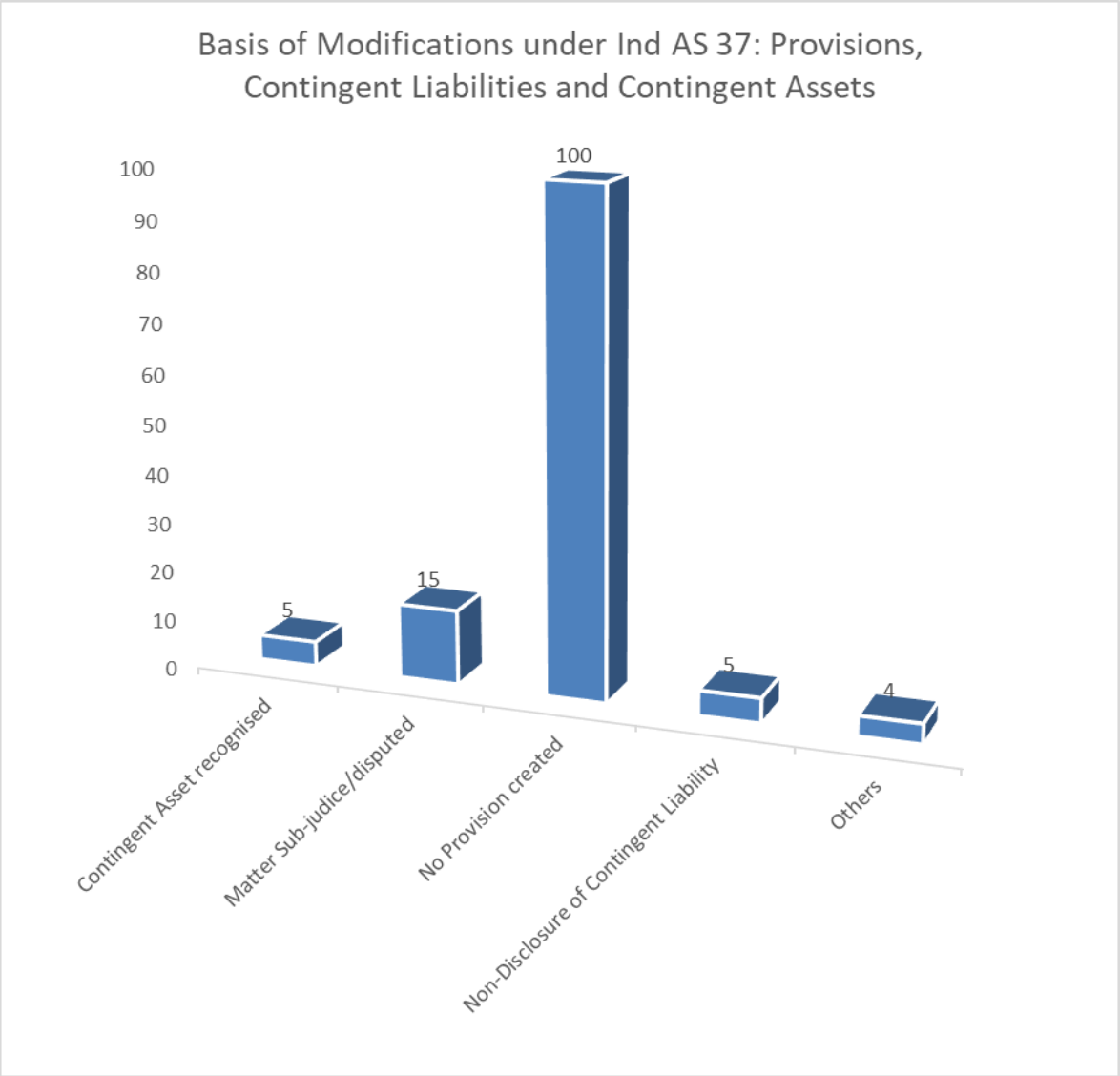
The pie chart depicts that approximately 68% of the total modifications under Ind AS 19 "Employee Benefits" are related to no provision or actuarial valuation performed by the company in the financial statements.

Analysis of Modified Opinions



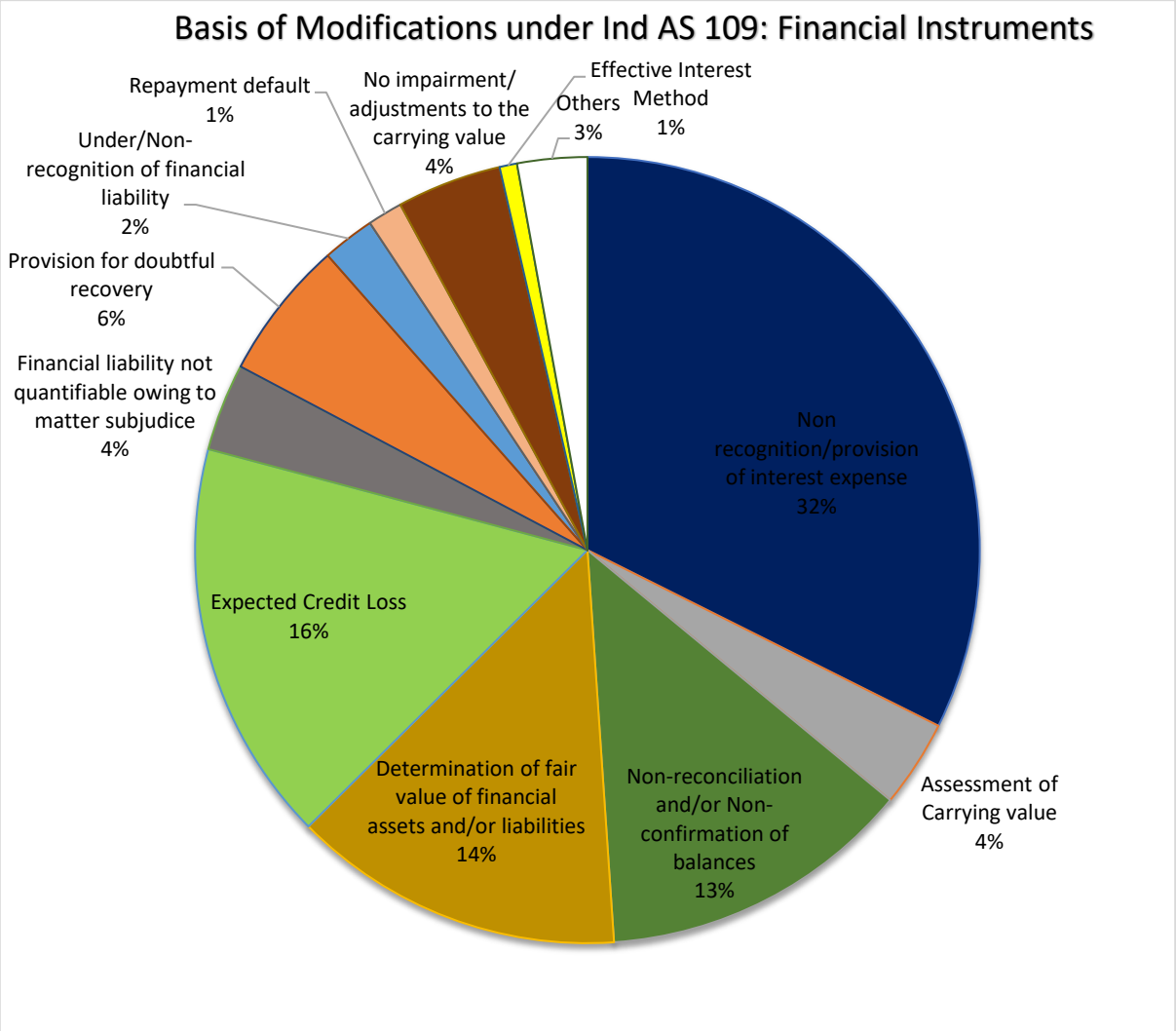
Around 54% of modifications under Internal Financial Controls pertain to inadequate/inappropriate internal control system and approximately 36% pertain to ineffective internal controls or material weaknesses.

WWW.TAXSCAN.IN - Simplifying Tax Laws



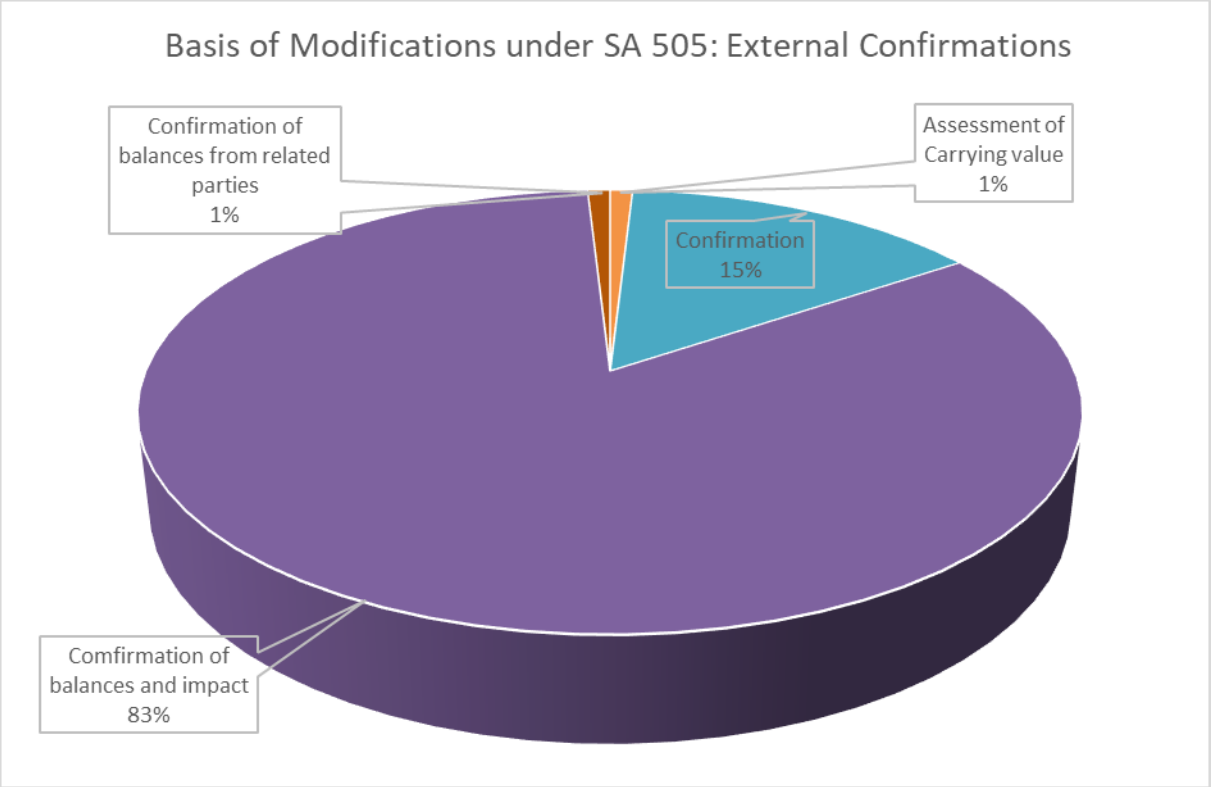
The major modifications under Ind AS 37 “Provisions, Contingent Liabilities and Contingent Assets” pertains to non-creation of provisions by the entities.

Analysis of Modified Opinions



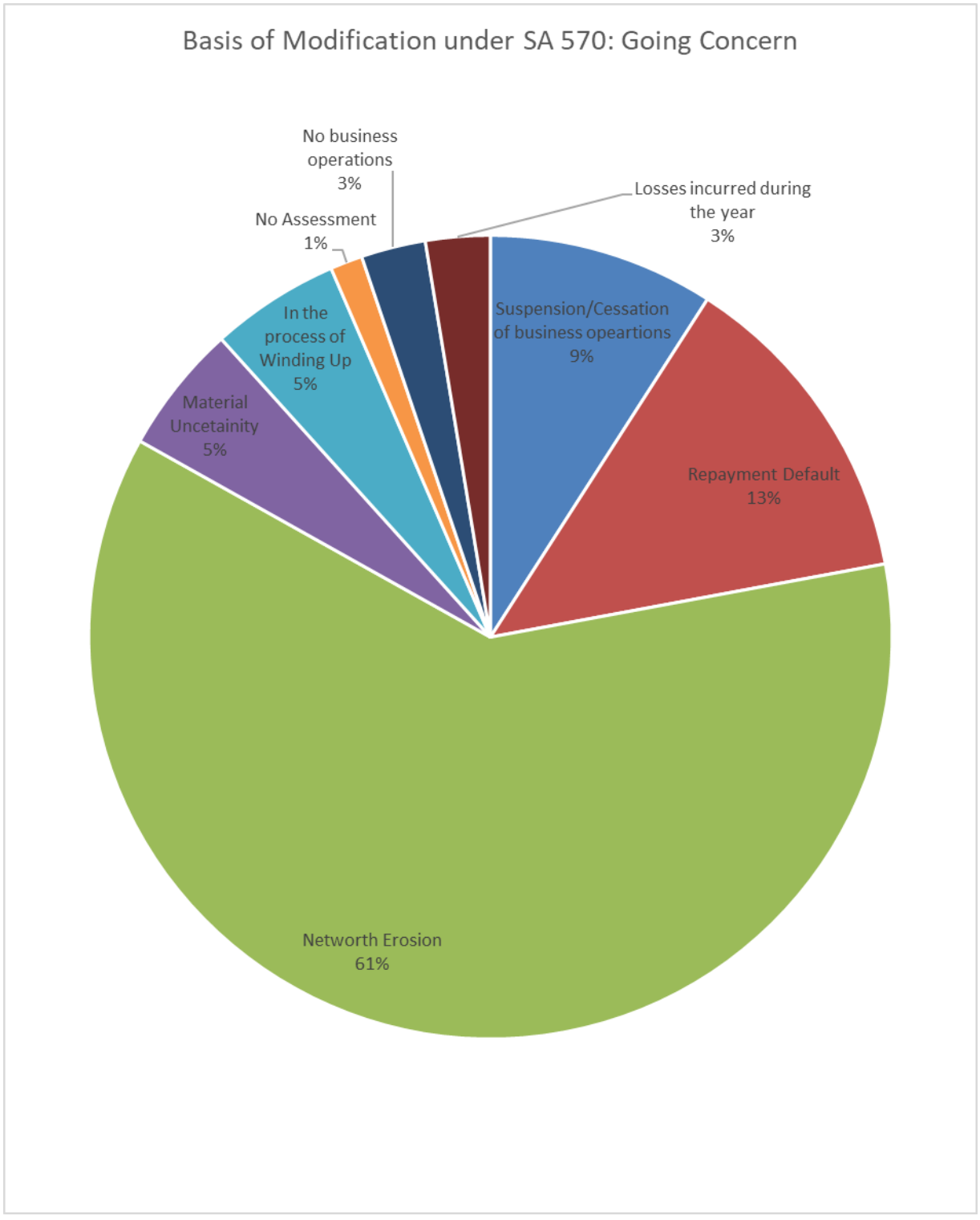
In around 32% of the cases, the Companies have not recognised or provided for Interest Expense and 16% account for the Expected Credit Loss.

WWW.TAXSCAN.IN - Simplifying Tax Laws



An analysis has been drawn showing that around 81% of the confirmations were not received from the third party and the impact on the financial statements of not receiving such external confirmation were modified by the auditor for the sample selected for studies.

Analysis of Modified Opinions



Industry Wise – Modifications reported in the Auditor's Report along with the Management Responses on the same

1. Advertising & Media Agencies

Company 1.1	
Basis for Qualified Opinion	1. No provision has been made in the accounts for non-moving trade receivables amounting to ₹ 662.14 Lakhs which are outstanding for a period exceeding six months. The ageing of trade receivables disclosed in the notes to financial statements could not be verified by us as the management could not satisfactorily provide ageing information of trade receivables. The Company has not mentioned the facts in its notes to accounts. Due to this the provisioning amount could not be ascertained. Due to this the profit and trade receivables are overstated. 2. The balances of trade receivables, other current assets, Bank Balances, Trade payables and other current liabilities have not been confirmed. Consequential impact/ confirmation/ reconciliation/ adjustment of such balances is not ascertainable. 3. Identification of Sundry Creditors registered under MSME Act 2006, is not performed by the Company, therefore, it could not be verified due to non-availability of related information. Refer note no. 15. 4. As described in note 4.5 in the financial statements, the company is unable to provide sufficient information and explanations to assess whether any impairment in value should be recognised regarding intangible assets under development / work in progress which valued at ₹ 19,90,12,820/- as of March 31, 2022 on which we are unable to adopt any other satisfactory procedures to determine whether any impairment in the value should be made in the financial statements in respect of them. 5. ₹ 7,60,41,257/- has been due as advances to parties / suppliers given many years back. No confirmation of parties is available, and parties are also said to be untraceable which is also doubtful for recover. 6. The Company has neither maintained fixed assets register nor carried any physical verification of fixed assets. Impact on profitability could not be ascertained. 7. The balances of suppliers whether debit or in credit are subject to confirmation, reconciliation and adjustment, if any, in the books of accounts. Impact on Profit, if any could not be ascertained. 8. The management of the Company could not provide satisfactory explanation of transferring of ₹ 16,00,000/- from suspense account to a supplier account as payment. 9. The Company has made purchases of ₹ 25,14,713/- from a supplier XYZ Agencies during the first quarter of the year for which invoices could not be produced. Due to this the purchases are overstated by this amount.

Analysis of Modified Opinions — Advertising & Media Agencies

	10. There are balances of ₹ 17.10 Lakhs and ₹ 52,429/- in the books of the Company as suspense, which could not be reconciled and explained satisfactorily to us. 11. There is an amount of ₹ 1,10,00,000/- as Trade Receivables under Trade Receivables for which the management could not reconcile such balance. 12. The Company has made purchases of ₹ 18,71,140/- from a supplier XYZ during April 2021 for which invoices could not be produced. Due to this the purchases are overstated by this amount. 13. An amount of ₹ 8,78,34,938/- of credit balance is included in Trade Payables in books of accounts as CACL name carried forward from previous years without any payments or adjustment. The details of the liabilities / parties are not available, and amounts are subject to confirmation, reconciliation, and adjustment. Consequential impact on Profit and liabilities of the Company due to adjustment is unascertainable. 14. Included in current liabilities an amount of ₹ 6,15,640/- as TDS payable being carried forward without payment. As informed that the amount is in process of reconciliation. 15. An amount of ₹ 14.95 Lakhs is provided as depreciation in books of accounts. This amount is understated by ₹ 44.71 Lakhs due to which profit and fixed assets are overstated.
Management Response	Not available

Company 1.2	
Basis for Qualified Opinion	The Company's management has not provided for permanent diminution in value of investment made in listed entities aggregating to ₹ 1,36,87,968. Based on the information available on the MCA portal, the said companies are either in the process of liquidation or insolvency. Updated financials and status of liquidation / insolvency process is not available for verification. Due to lack of appropriate information, management is unable to determine the exact amount of provision required. The management is required to de-recognize the investment amount in its books of accounts but financial impact due to diminution in value of above investments on financial statements is presently indeterminate and the assets and surplus of the company are overstated to that extent, therefore in auditor's view it constitutes a departure from Indian Accounting Standard (Ind AS) 109 Financial Instruments prescribed under section 133 of the Companies Act, 2013. The Company's management has not charged interest on loans and advances made to individuals and has also not taken EPF and ESI registration.
Management Response	The company has made long term investment in listed entities in earlier years aggregating to ₹ 1,36,87,968 Recently, it has come to the notice of the company that those companies are either under liquidation or Insolvency

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Resolution process. Updated financials and present status of liquidation / insolvency process is not available for perusal. Therefore, at present, exact amount of permanent diminution in value of investment is not ascertainable. Hence, due to lack of appropriate information, no provision has been provided for as on the balance sheet date on estimate basis. The management is taking adequate steps to determine the exact status and amount realizable. And also due to Covid pandemic hit in the beginning of the Financial Year and also in the past. So, the company could not concentrate on the internal audit function during the year. However, the board of directors will make sure that necessary action will be taken in the current Financial Year. Company has also appointed Internal Auditor in this regard for the Financial Year 2022-23.

Company 1.3	
Basis for Qualified Opinion	The Company has not complied with various sections of the Act during the year. The Company has neither estimated / computed nor made provision in the books of account with respect to penalties arising, if any, on account of such non-compliances in the Financial Statements. In view of the above, we are unable to comment on the impact of such non-compliances, if any, on the financial statements for the year ended March 31, 2022.
Management Response	The amount of penalties that may or may not be levied by the various regulatory bodies can only be determined on the relevant non-compliance being taken up for adjudication. Given that the management of the Company is aggressively seeking to take corrective action to rectify the said non-compliances it is possible that the noncompliance may also be condoned and/or the amount of the relevant penalties may not materially impact the financial statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

2. Airline

Company 2.1	
Basis for Qualified Opinion	As detailed in Note no. 39 to the Ind AS Financial Statements, a customer has disputed service tax / GST levied by the Company on reimbursement of expenses aggregating to ₹ 333.10 Lakhs (service tax liability ₹ 238.52 Lakhs up to June 30, 2017 and GST liability ₹ 94.58 Lakhs from July 2017 onwards). No provision has been made by the Company in respect of such outstanding as required by the accounting policies of the Company. Subsequent to the year end, the Company has obtained an amendment to the contract whereby the customer has agreed to reimburse the GST on receipt of tax invoice with applicable GST duly supported with original vouchers. However, Management believes that the Company has a strong case to collect the outstanding amounts. In the absence of a balance confirmation or other evidence, we are unable to comment on the recoverability of these amounts. Had the Company made the provision, the loss for the year would have been higher by ₹ 333.10 Lakhs and Trade Receivables as at that date would have been lower by ₹ 333.10 Lakhs.
Management Response	Not available

Company 2.2	
Basis for Qualified Opinion	1. As stated in Note 49 to the accompanying standalone financial statement, the management of the Company had recognized recoverable of ₹15,549.03 million over the period up to September 30, 2021 for recovery of rent, maintenance and other expenses incurred on Boeing 737 Max aircrafts, which have been grounded since March 2019. As further explained in the said note, the Company has settled the aforesaid claims with Boeing and 737 Max aircraft lessors during the quarter ended December 31, 2021 and has recognised further amounts as 'other income'. In our assessment, there was no virtual certainty to recognise any recoverable until September 30, 2021 periods ended under Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and accordingly, upon settlement of the said claims, the Company should have restated the comparative periods to reverse the recoverable along with consequent reversal of 'other income' and related 'foreign exchange gain/(loss)' impact recorded in such earlier periods, and should have recorded the entire settlement amount in the year ended March 31, 2022 in accordance with Ind AS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had the Company recognised the entire settlement gain during the year ended March 31, 2022 with restatement of earlier periods, the reported loss for the year ended March 31, 2022 would have been lower by ₹ 12,419.18 million. Our opinion for the year ended March 31, 2022 was also qualified in respect of this matter. 2. According to the information and explanations given to us and based on

WWW.TAXSCAN.IN - Simplifying Tax Laws

	our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls with reference to financial statements as at Company's internal financial controls with reference to financial statements as at March 31, 2022: The Company's internal financial control system over recognition of other income as required by Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets" and restatement of the comparative periods in accordance with Ind AS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', were not operating effectively, which has resulted in material misstatements in other income, other receivables, related foreign exchange gain/loss on restatement and its consequential impact on earnings, equity and related disclosures, as explained in Note 49 to the accompanying standalone financial statements.
Management Response	The Company had thirteen ABC aircraft in its fleet prior to the worldwide grounding of these aircraft during March 2019 due to technical reasons. Despite its inability to undertake revenue operations, the Company continued to incur various costs with respect to these aircraft. As a result, and to reflect the true operational parameters of its operating fleet, the management of the Company recognised claim recoverable for such expenses which accumulated to ₹ 15,549.03 million till September 30, 2021 under the head 'other income' in respective quarters as the management was confident about the recoverability of its claims since the grounding of these aircraft. While the ABC aircraft were approved by the Federal Aviation Administration in November 2020, the same was only approved by the Director General of Civil Aviation (DGCA) in August 2021 subject to accomplishment of certain compliances and modifications. The aircraft type was finally recertified by DGCA in November 2021. During the current year, the Company concluded its settlement agreement with the aircraft manufacturer and ABC aircraft lessors whereby the Company is entitled for certain cash and non-cash accommodations over a period of time including waiver of past due lease rentals on these ABC aircraft, resulting in re-induction of twelve of these aircraft into its fleet. Accordingly, basis the various terms of settlement agreed with the aircraft manufacturer and the aircraft lessors, the Company has recognised these amounts under the head 'other income'. Upon execution of the settlement agreement and various accommodations extended, the assessment of the management about the recoverability of its claims for these aircraft stands substantiated. In auditors' assessment, the Company should have recognised such accommodations in its entirety during the current year on completion of settlement and hence, the auditors have qualified their audit report to that extent.

WWW.TAXSCAN.IN - Simplifying Tax Laws

3. Aluminium

Company 3.1	
Basis for Qualified Opinion	1. In respect of the financial statements of the company on the going concern basis. During the Year, the company incurred a net loss of ₹ 1.27 crores Resulting into accumulated losses of ₹ 6.22 crores and erosion of Net Worth as at March 31st, 2022. The company has obligations towards fund-based borrowings aggregating to ₹ 54.98 crores and operation creditors and statutory dues, subject to reconciliation / verification that have been demanded / recalled by the financial /operational creditors pursuant to ongoing corporate insolvency resolution Process (CIRP). Further, COC has passed the resolution to liquidate the company in its 10th meeting and on the recommendation of the same the IRP had filled the application with the NCLT for the liquidation of the company on 20/09/2021. After that COC in their 11th COC meeting passed the resolution for withdrawal of liquidation application on 29th April, 2022 and on the recommendation of the same IRP had filed before Hon'ble National Company Law (NCLT) on 16th June, 2022. These conditions indicate existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying consolidated financial statements. 2. In the view of the significant losses, which have been incurred by the company during the previous financial years, the carrying amount of fixed assets needs to be tested for impairment. The management has not done impairment testing and in absence of any information we are unable to comment as to whether any provision for impairment is required or not. 3. Note 14 to the Standalone Financial Statements, the trade receivables amounting to ₹ 70.9 Crore which comprise the carried forward amount from the earlier year. Considering the age of receivable and present status of Company affairs and operations creates an uncertainty on the realization on these debtors and in addition to that there is no balance confirmation of these debtors so this effects the true and fair view of the Financial Statements. 4. Note 16 to the Standalone Financial Statements, in connection with the existence of material uncertainties over the reliability of the advances to supplier and advance for expenses amounting to ₹ 22.9 lacs included in financial Statement which are subject to confirmation and reconciliation. The Management is yet to assess the risk of default and resultant expected credit loss allowance on such asset.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	5. Note 5 to 7 to the standalone financial statements, in respect of various claims, submitted by the financial creditors (including claims fund based and non-fund based exposure and claims on behalf), operational creditors, workmen or employees of the company to the Interim Resolution Professional pursuant to the insolvency and bankruptcy board of India (Insolvency resolution process for corporate persons) Regulation, 2016 that are currently under consideration/ reconciliation. Pending reconciliation/ admission such of claims by the IRP, we are unable to comment on consequential impact, if any on the accompanying statements. 6. Note 5 to the Standalone Financial Statements, in respect of loans taken were understated by the interest and penalty amounting, which has a material effect on the financial statement. 7. During the course of the Audit, it has been noticed the company has not paid TDS till now relating to the Financial Year 2021-2022. 8. The accompanying statements are not in compliance with the Indian accounting standards ('Ind AS') specified under section 133 of the Companies Act, 2013, read with relevant Rules issued these under.
Management Response	1. As discussed in the report above, the members of Committee of Creditors (CoC), one of which is also applicant of CIRP application admitted vide the orders of Hon'ble NCLT as per the provisions of Code have agreed to consider the One -time Settlement offer made by the promoter(s) of the Company. Pursuant to the above process, the CoC has further resolved during the current year to withdraw the application of Liquidation filed against the Company and on the basis of the same, requisite the application has been filed by IRP before Hon'ble NCLT, decision on which is still awaited. Based on the decision of Hon'ble NCLT on the above and final outcome of CIR Process, recast of liabilities and assets of the Company may take place. Actual position will be known on completion of OTS process, decision on withdrawal of CIRP application and its approval by NCLT. 2. Fixed assets of the company bear normal wear and tear and are charged with depreciation at the rates as per the applicable provisions. 3. Certain assets of the company like trade receivables / debtors, which form major part of total assets of the Company are pending for realization for more than 4-5 years. Actual impact of impairment of these assets and the extent of its realizability will be known on conclusion of CIR Process. 4. As Above 5. As per the provisions of Insolvency and Bankruptcy Code- 2016 (Code), certain claims from various creditors against the Company are admitted under ongoing CIRP. Some other claims were not considered for admission due to lack of required records / information or delayed submission of claims on part of those claimants. Actual settlement of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	above claims will be dealt with by the company under the on-going CIRP as per the provisions of Code. 6. Certain claims submitted by Financial Creditors admitted under the ongoing CIRP against the Company as per the underlined agreements entered by Company with the counterparties and as per the provisions of code. The company had not accounted for these additional contractual liabilities in its books in the past years. 7. Due to lack of liquidity, the Company has not met certain tax liability for the Year on time. 8. The company has not changed its accounting policy during the CIRP period and has followed the same accounting standards as used by the Company prior to initiation of CIRP.

WWW.TAXSCAN.IN - Simplifying Tax Laws

4. Aluminium, Copper & Zinc Products

Company 4.1	
Basis for Qualified Opinion	1. Parents company borrowing were declared as non-performing assets during the previous year. Due to this we have not been provided with ant document confirming balance as at 31 March 2021 for certain loans granted by Financial Institution. XX Innovation liability towards bank bill discounting liability towards bank, certain current account and fixed deposit held by parent company. In absence of such balance confirmation, we can't comment on the accuracy and completeness of these balances. The amount of these borrowings, current account balances and fixed deposits as per financial statement as at March 31, 2021 is ₹ 121 Crores, ₹22.85 Lacs and ₹ 73.65 Lacs respectively. 2. The Parent Company has not recognized interest expenses in its financial statement on its outstanding borrowings. The total amount of such interest expenses is ₹ 26.08 Cr approx. for the current year and ₹36.54 Cr approx. for the period April 2019 to March 2021. (This is an approximate amount without considering the penal interest provision and the amount can't be confirmed with bank levy of interest as many banks have stopped charging interest in their statement and for certain borrowings confirmation of interest amount is not available). Accordingly, loss after tax and total comprehensive loss for the year ended March 31, 2021, is lower by ₹ 26.08 Cr and retained earnings as at March 31,2021 are lower by ₹ 36.54 Cr. 3. Parent Company faces a material uncertainty related to going concern because of heavy losses incurred during the current and previous year. Further the net worth of company has been fully eroded. These conditions indicate the existence of a material uncertainty that mat cast significant doubt on the company's ability to continue as a going concern. The Financial Statements should therefore be drawn on liquidation basis. However, the management is confident of reviving the company and is in discussion with bank for restructuring of loans.
Management Response	Board Comment on Qualified opinion, during the previous year, our company were declared as nonperforming assets (NPA) due to non-payment. However, the management is confident of reviving the Company and is in discussion with Bank for restructuring of loan. Company having Government orders and in strong prediction to get new Government orders. Still your company is going concern and confident about the smooth functioning of the business of the Company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

5. Amusement Parks/ Other Recreation

Company 5.1	
Basis for Adverse Opinion	We draw attention to Note 32 of the standalone financial statements which states that: a) The Company has incurred a net loss of ₹ 25,212.14 Lakhs during the year ended March 31, 2022, and as of that date, the net worth of the Company has been fully eroded. b) The Resolution Plan as envisaged in the said Note is subject to the successful winning of the Swiss Challenge by the bidder, approval of the shareholders in the Extraordinary General Meeting to be held on 10th June 2022 and subject to fulfilment of the terms and conditions of "Investment Agreement" and "Debt Restructuring cum Settlement Agreement. "In the absence of sufficient appropriate audit evidence in support of the management assessment and pending final outcome of the Resolution Plan, there is indication that a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. We draw attention to Note 33 of the standalone financial statements. In the absence of impairment testing during the current year, we are unable to comment whether the carrying values of the Property, Plant and Equipment, intangible asset and investments as at 31st March, 2022 are recoverable and whether any further provision would be required for the same.
Management Response	1. In the absence of sufficient appropriate audit evidence in support of the management assessment and pending final outcome of the Resolution Plan, there is indication that a material uncertainty exists that may cast a significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The standalone financial statements do not adequately disclose the matter. 2. During the year, the Company has written back impairment of investment aggregating ₹ 2280.54 Lakhs based upon potential development agreements of the subsidiary for realization of some land parcels. The Management is closely monitoring the future developments and circumstances and it is possible that a future assessment may be different from that made as above.

WWW.TAXSCAN.IN - Simplifying Tax Laws

6. Asset Management Company

Company 6.1	
Basis for Qualified Opinion	Attention is invited to Note no 31 to the Standalone Ind AS Financial Statements which describes the situation faced by the Company in view of the ongoing investigation by Serious Fraud Investigation Office of Ministry of Company Affairs ("SFIO") against XYZ (XYZ or 'the Ultimate Holding Company'), and its subsidiaries (including the Company). Further, the National Company Law Tribunal (NCLT) has ordered re-opening of books of accounts of IL&FS and its two subsidiaries (other than the Company) for the past financial years referred in the note. In view of the aforesaid ongoing investigations of the entire XYZ Group (including the Company) by the SFIO and re-opening of books of accounts of the Ultimate Holding Company and two of its subsidiaries by the NCLT, we are unable to comment on the consequential impact(s) upon conclusion of the said investigation and re-opening of the books of account on the Standalone Ind AS Financial Statements.
Management Response	The Company, based on its current understanding, believes that the above would not have a material impact on the financial results, the implications, if any, arising from the aforesaid developments would be known only after the aforesaid matters are concluded and hence are not determinable at this stage.

WWW.TAXSCAN.IN - Simplifying Tax Laws

7. Auto Components & Equipments

Company 7.1	
Basis for Qualified Opinion	We draw attention to Sl No. 09(b) of Note 3.01 to the financial Statements, the company has not obtained actuarial valuation for providing contribution towards employees' gratuity as required by the Indian Accounting Standards, Ind AS 19 and consequently the actual liability provided in the financial statements is not verifiable for its accuracy.
Management Response	The company maintains its gratuity fund with LIC of India under the Group Gratuity Scheme. The gratuity liability has been funded based on the actuarial valuation figures provided by LIC based on the employee details provided by the company. Hence a separate actuarial valuation was not done by the company.

Company 7.2	
Basis for Qualified Opinion	1. As per "Ind AS 36 Impairment of Assets", the Company should assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. As per "Ind AS 109 Financial Instruments" the Company should recognize a loss allowance for expected credit losses on a financial asset. Since the Company is still under the CIRP process and RP and COC are in the process of finalization of successful resolution, the Company and the management has not determined value of these assets in use. Accordingly, we are unable to ascertain the possible effect of the same on the Statements. 2. As required under "Ind AS 36- Impairment of Assets", the company has not done impairment testing on Property, plant and equipment having net block value of ₹ 1,49,880.62 lakhs and Capital Work in Progress having closing value of ₹ 13,947.34 Lakhs. We are informed by the management that since the company is under CIRP process, it is not possible for them to determine value in use and hence impairment testing has not been carried out. Accordingly, we are unable to ascertain the possible effects of the same on the Standalone Financial statements. 3. The company has not maintained Fixed Asset register. Accordingly, we cannot comment on accuracy of gross block of Property, Plant and Equipment, current & accumulated depreciation, and its possible impact on the Standalone Financial statements. 4. Company has shown "Refund receivable under MVAT Act" under non-current assets to an extent of ₹ 707.73 lakhs for FY 2014-15, FY 2015-16, and FY 2016-17. Assessments for these years have been completed by VAT department and as per the assessment orders, there is total demand of ₹ 516.39 Lakhs. The company has filed application for rectification of the orders and requested not to adjust such refunds

WWW.TAXSCAN.IN - Simplifying Tax Laws

	against dues for previous years. In absence of rectification order from VAT department, the non-current assets are overstated, and expenses & accumulated losses are understated to the extent of ₹ 707.73 Lakhs. 5. Out of ₹ 475.20 lakhs, balances of certain current accounts having aggregate balance of ₹ 25.46 Lakhs are not confirmed due to non-availability of confirmation from respective Banks. Out of ₹ 921.87 lakhs, balances of other bank accounts having aggregate balances of ₹ 50.66 lakhs are not confirmed due to non-availability of confirmation from respective Banks. In absence of these details, we are unable to ascertain the possible effect on financial statements. 6. Balance of Trade receivables, loans and advances and Trade payables are subject to confirmations and consequent adjustments, if required. In absence of balance confirmations, financial impact on financial results is not ascertainable.
Management Response	The auditors' report contains the qualifications/observation which is self-explanatory in nature and forms part of this Annual Report. Further the Statement of Impact of Audit Qualification pursuant to SEBI Regulations forms part of this Annual Report.

Company 7.3	
Basis for Qualified Opinion	1. We draw your attention to the fact that the Net Worth of the company has been completely eroded as at the year ended 31st March, 2022. Further, the company has incurred a loss of ₹ 85 Lakhs (before exceptional items & other comprehensive income) for the year ended 31st March, 2022. Further the liabilities of the Company far exceed the realizable value of assets owned by the company. In addition, the company has significant litigations under various taxation & other laws the outcome & impact of which is unascertainable. These conditions state that a material uncertainty exists, that may cast significant doubt on the entity's ability to continue as a going concern. Despite these circumstances, for the reasons mentioned in Note No. 34 to the standalone financial statements, the accounts have been prepared on a going concern basis. 2. We draw your attention to the fact that the company has total unclaimed matured fixed deposits of ₹3.95 lacs as at the year ended 31st March, 2022. However, against the total amount of unclaimed matured deposits a sum of ₹2.30 lacs has been maintained in liquid funds. Therefore, the company has not funded the said amount in compliance with the provisions for Section 74 of the Companies Act, 2013. Further, the amount due for transfer to Investor Education and Protection Fund in respect of unclaimed matured deposit amounting to ₹ 2.05 Lac & interest on unclaimed matured deposits amounting to ₹ 0.06 Lac as at 31st March, 2022 as required under section 125 of the Companies Act, 2013.

Analysis of Modified Opinions — Auto Components & Equipments

	3. We have not audited the internal financial controls over financial reporting with reference to the standalone financial statements of PP Limited ("the Company") as of 31st March, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date. According to the information and explanation given to us, the Company has not established its internal financial controls over financial reporting on criteria based on or 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. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for my / our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at 31st March, 2022.
Management Response	1. The Company has undergone financial stress due to adverse market conditions since the last few years. However, the company is in the process of identifying options for the way forward including clearing the bank dues and releasing / monetizing any assets it can and to reduce its liabilities. 2. A few legal cases against the company are pending and by definition the outcome is unascertainable. As and when these judgments are announced the Company books will reflect the same.

WWW.TAXSCAN.IN - Simplifying Tax Laws

8. Breweries & Distilleries

Company 8.1	
Basis for Qualified Opinion	The Company has not provided for defined benefit obligation in the nature of gratuity based on the requirement of Ind AS 19 i.e., "Employee Benefits", which requires defined benefit obligation to be recognised based on actuarial valuation basis. In absence of valuation, we are unable to quantify the impact of above on the net profit for the year and liabilities as on reporting date.
Management Response	For payment of gratuity, it is accounted for on payment basis. Further, the Statutory Auditor of the Company has not reported any fraud as specified under Section 143(12) of the Act. Further, the Statutory Auditors was present at the last AGM.

Company 8.2	
Basis for Qualified Opinion	1. Your attention is invited to Note No. 5.1 'Amounts recoverable under dispute' of ₹ 2,900.25 Lakhs; which have been classified as 'Other Non-Current Assets'; the company has filed various cases against the parties and initiated action for recovery. Further, 'Securities and Exchange Board of India' (SEBI) vide its Order dated 12-03-2019 directed the above parties to repay the amounts back to Company. We are unable to comment on reliability/ recoverability of these debts and amount given and no provision for Expected Credit Loss as per Indian Accounting Standards (Ind AS) for doubtful recovery of such amount is considered necessary by the company. 2. Your attention is invited to Note No. 3 Regarding 'Investment in XX' and 'Advance received from YYY' (Refer Note No. 18) which is considered as disputed and no adjustment for sale thereof have been incorporated in the financial statements by the Company. The sale agreement entered into with 'YYY' for sale of entire undertaking has been challenged and company petition has been filed in NCLT and Civil court. The Company has also filed SLP in Supreme Court of India apart from registering various complaints with Police, SEBI, and Enforcement Directorate. Management does not anticipate any liability on this account and accordingly the company has not provided for diminution in value of Investments and not made provision for Expected Credit Loss in respect of Loan to 'XX Limited' during the Financial Year 2021-22. As the matter is sub-judice we are unable to comment whether any adjustments are needed for the recoverability of investments thereof. Accordingly, impact on loss for the year and investments thereof if any, is unascertainable. 3. Your attention is invited to Note No. 7 – In the absence of relevant information regarding fair value of investments in respect of investment in shares of 'XYZ' of ₹ 247.79 Lacs as on 31st March 2022; we are unable to comment on whether any provision for diminution in value of

Analysis of Modified Opinions — Breweries & Distilleries

	investments thereof is necessary.
Management Response	1. The company has taken legal action and has also filed complaints against the parties and the Merchant Banker Mr. ABC. Further, 'Securities and Exchange Board of India' (SEBI) vide its Order dated 12-03-2019 directed Mr. ABC and others to Pay ₹ 33.83 Cr. Back to the Company with Interest @12% pa w.e.f. 01.04. 2011.Mr. ABC and others have filed appeal before SAT. However, the management expects to get back the amounts in due course. Hence, no provision has been made for 'Expected Credit Losses' on these amounts. 2. The matter is self-explanatory. The company has also filed Company Petition in NCLT, Civil Suit (under restoration) and complaints with Police Authorities. The Supreme Court has directed the Investigating Agencies to take all actions according to law and CBCID, Hyderabad has framed charge sheet against Mr. ABC and others. The Legal proceedings are under-way. Company is confident of succeeding in the matter. Therefore, no provision has been made for 'Expected Credit Losses' on these amounts. 3. The finalization of Books of accounts of M/s XYZ Private Limited is in progress and the company shall submit the details and Books of Accounts at the earliest.

Company 8.3	
Basis for Qualified Opinion	1. The Company has not carried out impairment assessment of one of the ENA plants as required by Indian Accounting Standard (Ind AS 36) 'Impairment of Assets' though there is an indication of impairment. Reference is invited to note no. 41 of the standalone financial statements. 2. The National Company Law Tribunal ("NCLT") has ordered for liquidation of XYZ wholly owned subsidiary of the Company, vide its order No. MA 309/2018 in CP1067/ 2017 dated July 26, 2018. However, the Company has not made impairment provision for equity investment of ₹ 1,543.35 lacs in XYZ as required by Indian Accounting Standard (Ind AS 36) 'Impairment of assets'. Reference is invited to note no. 44 of the standalone financial statements. 3. ABC a wholly owned subsidiary of the Company has incurred net loss during the year and due to accumulated losses, the net-worth is negative. Despite adverse financial condition the Management has not recognised provision for impairment in equity investment of ₹ 2,680.40 lacs and loans/ advances given of ₹ 3,611.76 lacs to ABC as required by Indian Accounting Standard (Ind AS 36) Impairment of Assets. Reference is invited to note no. 43 of the standalone financial statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	4. The following paragraph in respect of Basis for Qualified Opinion was included in the audit report dated May 28, 2022 issued on the Financial Statements of XYZ a subsidiary company of the Holding Company issued by an Independent Firm of Chartered Accountants, is reproduced as under: • We draw attention to note no. 34 of the Financial Statements which states that the Company has incurred capital expenditure of ₹ 10,021.69 lacs as at March 31, 2022 on expansion project ('the Project') grouped under the head capital work in progress. Work on the said project has been suspended and has not been completed since many years. Further the Building, Plant and Equipment aggregating ₹ 804.75 lacs has remained idle due to shut down of the Plant. The Company has not tested the said project, Building, Plant and Equipment ('Tangible assets') for impairment loss as per Ind AS 36 – Impairment of Assets. In absence of sufficient audit evidence, we were unable to determine the amount of impairment in the value of project and Tangible assets. • We draw attention to note no. 35 of the financial statements which states that there are unsecured overdue trade receivables of ₹ 586.55 lacs from LMN and unsecured advances given to suppliers of ₹ 210.99 which are long overdue and doubtful of recovery. The management has not considered any provision for allowance on doubtful trade receivables (expected credit loss) and advances though it is long overdue. In absence of sufficient appropriate audit evidence and balance confirmations, we are unable to verify the recoverability amount of the trade receivables and advances. Note no. 34 and 35 of XYZ as described above is reproduced as note no. 45 and 46 to the consolidated audited financial statements respectively.
Management Response	1. The Company expects to restart the grain distillery plant during the financial year 2022-23 and has also received the permission for operating the fermentation section till March 31, 2024. It is expected that permission for operating the distillation section also will be received soon. In view of this, the management believes that there is no impairment in value of its ENA Plant and hence the recoverable amount of the ENA Plant is not required to be estimated. 2. The National Company Law Tribunal ("NCLT") had ordered for liquidation of XYZ wholly owned subsidiary of the Company, as a going concern in 2018-2019. A liquidator had been appointed to manage the affairs of XYZ. The outstanding dues of Standard Chartered Bank and DCB Bank have been settled and no dues certificates have also been received. Following NCLT's approval, XYZ has entered into a lease agreement with the Company and the operations are expected to restart soon after completion of the necessary statutory formalities. The impairment, if any, of the equity investment in XYZ will be considered on outcome of the liquidation process as the case may be. 3. The net worth of ABC Limited, a subsidiary of TI, has been eroded and has incurred net loss during the current year. However, the parent

WWW.TAXSCAN.IN - Simplifying Tax Laws

	company is actively exploring the possibility of entering into northern markets where ABC will be one of the major sources of supply. It is also in talks with other brand owners to enter into bottling arrangements for the said brand owners. This would significantly improve the capacity utilisation and have favourable impact on the profitability of ABC. Moreover, ABC. Is also in the process of rationalization of its administrative overheads. In order to repose faith in ABC, during the current year, TI has subscribed to rights issue of 1,60,00,000 shares of ₹ 10 each of ABC thereby further improving the net worth of the company. The Board of Directors have assessed the above conditions and indicators and have come to the conclusion that no material uncertainty exists that may cast significant doubt on the ABC's ability to continue as a going concern taking into account the plans management has put in place and the other mitigating factors described above. Hence, the management believes that no provision for impairment in equity investment and loans & advances given is required. 4. The National Company Law Tribunal ("NCLT") had ordered for XYZ, wholly owned subsidiary of the Company, as a going concern in 2018-2019. A liquidator had been appointed to manage the affairs of XYZ. The outstanding dues of Standard Chartered Bank and DCB Bank has been settled and no dues certificates have also been received. Hence, the accounts of XYZ have been prepared on a going concern basis. The impairment, if any, of the capex project undertaken by XYZ in earlier years of ₹ 10,021.69 lacs and of the existing Building, Plant and Equipment of XYZ will be considered on outcome of the liquidation process as the case may be, as the recoverable value is not currently ascertainable. Following NCLT's approval, XYZ has entered into a lease agreement with the Holding Company and the operations are expected to restart soon after completion of the necessary statutory formalities. 5. Trade Receivables of XYZ, wholly owned subsidiary of the Company (XYZ), include ₹ 586.55 lacs (P.Y. ₹ 586.55 lacs) receivable from Andhra Pradesh Beverage Corporation Ltd. Towards sale of XX made by XYZ in FY 2018-2019 and FY 2019-2020. XYZ, through the Liquidator has obtained approval from National Company Law Tribunal to initiate legal action against Andhra Pradesh Beverage Corporation Ltd. For recovery of the same. The Management believes that no provision for doubtful debts is required to be made against this receivable as the amount is expected to be received. The Earnest Money Deposit of ₹ 182.05 lacs (P.Y.₹ 182.05 lacs) and the advances to suppliers of ₹ 210.99 lacs (P.Y. ₹ 210.99 lacs) are mainly given for the expansion of XYZ capacity and the same would be capitalised as soon as the entire licence fees are paid and the plant become operational at expanded capacity.

WWW.TAXSCAN.IN - Simplifying Tax Laws

9. Cement & Cement Products

Company 9.1	
Basis for Qualified Opinion	The company has not provided for Post-Employment Benefits and other long term employee benefits under Defined Benefit Plans on accrual basis but provides the same as and when they become due for payment. This method of accounting of Post-Employment Benefits and other long term employee benefits under Defined Benefit Plans is in deviation with Ind AS – 19 on Employee Benefits. As there is no actuarial report or basis of calculation available with the management of such Post-Employment Benefits and other long term employee benefits, the quantum of deviation cannot be ascertained. If the company had followed the method accounting as per Ind AS – 19, then employee benefit expense would have increased and correspondingly Profit for the period would have reduced
Management Response	"The Board is of the opinion that the Provision for the Long-term Employees are determined on the basis of actuarial Valuation Method & technique prescribed in the Accounting Standard. The Consulting fees by actuaries for determining the Provision for long term benefit Plan is even higher than the Annual Liability of the company for Long term benefits. The company has decided to pay the long-term benefits as and when it becomes due as the amount is negligible and it is not going to make any impact on the financial Position of the company. Considering the size of the company and negligible liability, the company has not made provisions for Long term employee benefits & Defined benefits plan."

WWW.TAXSCAN.IN - Simplifying Tax Laws

10. Ceramics

Company 10.1	
Basis for Qualified Opinion	1. Manufacturing operations of the company were stopped due to riots, strike and malicious damage at factory since 27.01.2012. The company declared lock out of the plant on 31.01.2012 and the condition of the fixed assets & its realizable value could not be estimated. The machinery and building were not insured during the year and disclosed at book value after providing depreciation on account of efflux of time. 2. During the year, the company has not provided the provisional liability towards salary, wages and other benefits to its factory employees. Further, the company has not provided for its liability towards Gratuity and leave encashment in accordance to Ind AS-19 "Employee Benefits". Since the company could not compute the liability in the absence of complete records, we are unable to comment upon the impact of non-provision of additional loss of the company for the year and on the current liabilities as at 31.03.2022. 3. Confirmation of balances was not obtained from Debtors, Creditors, loans and advances and other current assets. 4. The lenders of the company earlier initiated action under section 13(4) of the SARFAESI Act and also filed an application under section 19 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 in the Debts Recovery Tribunal, Hyderabad for recovery of their dues. Subsequently, all the five lenders sanctioned OTS and then a revised OTS package for settlement of their dues and the company paid entire amount under OTS. Thereafter, all lenders except South STU Bank and BCD Bank filed Satisfaction of Memo in the DRT and all lenders have filed Satisfaction of Charge with ROC. 5. The company did not provide the interest on Unsecured loans received from Directors and Body Corporates. Also, interest has not been provided in respect of overdue amount payable to Micro, Small and Medium Enterprises suppliers for a period exceeding 45 days. 6. The company has not provided the liability towards interest and penalties payable on account of statutory dues. The Company is of opinion that the statutory authorities shall waive the same in view of the unprecedented incident.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 10.2	
Basis for Qualified Opinion	The Company has generated negative operating cash flows, incurred substantial operating losses and significant deterioration in value of assets used to generate cash flows all of which indicate existence of material uncertainty in the Company's ability to continue as a going concern for a reasonable period of time. The attached financial statements do not include any adjustments that might result had the above uncertainties been known.
Management Response	The company is in the process of merger with another group company. Post merger company will be able to achieve profitability.

WWW.TAXSCAN.IN - Simplifying Tax Laws

11. Cigarettes & Tobacco Products

Company 11.1	
Basis for Qualified Opinion	As per Ind AS 109 "Financial Instruments" the investment in equity shares (other than subsidiary, associates and joint ventures) are recognized at fair value through Profit and Loss Account or Fair Value through Other Comprehensive Income, However, the company has recognized the Non-current Investments in equity shares (other than subsidiary, associates and joint ventures) at Cost amounting ₹ 0.45 only as appearing in the Standalone Ind AS Balance Sheet as at March 31, 2022, and March 31, 2021 which constitutes a departure from the AS-109 "Financial Instruments". Therefore, financial impact on account of the difference between the fair value and the cost of Non-Current investment in the "Non-Current Investment", "Other Equity" and "Other Comprehensive Income" and "Deferred Tax" are not ascertainable. This matter was also reported in the previous year.
Management Response	Management's estimation on the Impact of audit qualification: As per Management estimate, present cost of Financial Instruments represents the value close to fair market value. However, Company is in the process to get fair market valuation done in due course, being a very tedious and lengthy work due to delayed availability of input material/ Information/financial resources.

WWW.TAXSCAN.IN - Simplifying Tax Laws

12. Civil Construction

Company 12.1	
Basis for Disclaimer of Opinion	1. As stated in Note 31 to the accompanying standalone financial statements, the Company has incurred a net loss after tax of ₹ 17,223.73 lakhs during the year ended 31 March 2022, and as of that date, the Company's accumulated losses amount to ₹ 97,940.73 lakhs, which have resulted in partial erosion of its net worth, and the current liabilities exceed current assets by ₹ 22,861.18 lakhs. Also, certain lenders have filed applications with the National Company Law Tribunal (NCLT), Debt Recovery Tribunal (DRT) and other courts for recovery of their dues as detailed in Note 22.2 and 31. The Company has also delayed in repayment of borrowings, including delays with respect to dues payable under one-time settlement agreements, as further detailed in Note 22.1 and 22.2. As confirmed by the management, the Company has been in discussions with the lenders regarding restructuring of these borrowings, the resolution for which is yet to be finalised. Further, the expected realisation of the amounts outstanding from certain customers, within the next 12 months, with whom the Company is in discussions is uncertain in the absence of any confirmations from such customers and potential impact of COVID-19. Such events and conditions, together with the uncertainty arising on account of COVID-19 pandemic and its possible impact on management's assumptions, as further described in Note 48, and other matters as set forth in the note 31, cast significant doubt on the Company's ability to continue as a going concern. In the absence of sufficient appropriate audit evidence to support the management's assessment with respect to restructuring of borrowings and availability of funds, we are unable to comment on the ability of the Company to continue as a going concern. Further, the component auditor of the Company's Tanzania Branch as detailed in Note 47 has also reported a material uncertainty related to going concern section in their auditor's report on the financial statements of the branch for the year ended 31 March 2022. Audit report of the predecessor auditor on the standalone financial statements for the year ended 31 March 2021 also included a disclaimer of opinion in respect of this matter. 2. As stated in Note 22.1 and 22.2 to the accompanying standalone financial statement, the Company has borrowings from certain banks which have been classified as non-performing assets ('NPA borrowings') and those from certain other banks/ asset reconstruction company (together referred to as 'the Lenders'). The Company had entered into settlement agreements ("Settlement Agreements") with some of these Lenders for the aforesaid loans. As described in the said note, the Company has delayed payments in respect of the instalments due to these Lenders pursuant to the relevant loan agreements and Settlement Agreements. In respect of the aforementioned NPA borrowings and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	delayed payments under the Settlement Agreements, the Company has not recognised interest for the year ended 31 March 2022 aggregating to ₹ 3,598.81 lakhs (accumulated interest as at 31 March 2022 being ₹ 4,330.18 lakhs) payable under the terms of the said agreements, as estimated by the management on the basis of expected re-negotiation with the Lenders. Pending confirmations/ reconciliations from the Lenders and in the absence of sufficient appropriate evidence to substantiate management's assessment, we are unable to comment on the adjustments, if any, that may be required to the carrying values of the aforesaid borrowings and dues (including interest) payable to the Lenders in accordance with the terms of loan agreements and Settlement Agreement, and the consequential impact of such adjustments on the accompanying standalone financials statement. Audit report of the predecessor auditor on the standalone financial statements for the year ended 31 March 2021 also included a disclaimer of opinion in respect of this matter. 3. As stated in Note 5.2 to the accompanying standalone financial statement, the Company's non-current investment (net of impairment) in its associate Company namely XYZ limited and its other current financial assets (net of impairment) and its current financial assets-loan which include amounts dues from such associate company as on 31 March 2022, aggregate to ₹ 17,050.84 lakhs, ₹ 2.878.37 lakhs and ₹ 84.67 lakhs, respectively. The consolidated net worth of the aforesaid associate company as on that date has been fully eroded on account of losses incurred. Further, the associate company is facing liquidity constraints due to which it may not be able to meet the projections as per the approved business plans. Based upon the valuation report of an independent valuer, arbitration awarded in favor of XYZ and other factors described in the aforementioned note, management has considered such balances as fully recoverable. However, in the absence of sufficient and appropriate audit evidence to support the management's assessment as above, we are unable to comment upon adjustments, if any, that may be required to the carrying value of these balances, and the consequential impact on the accompanying standalone financial statement. Audit report of the predecessor auditor on the standalone financial statements for the year ended 31 March 2021 also included a disclaimer of opinion in respect of this matter.
Management Response	1. Based upon management analysis and assumptions, the management is evaluating various options and has entered into one-time settlement agreements with various lenders (as described in note 22.2 of the financial statements), including interest and other related terms and conditions apart from further negotiating the terms with the remaining lenders for settlement of its existing debt obligations. Further the management is in discussions with certain customers for an immediate recovery of the amount due from them and believes that the substantial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	portion of such trade receivables shall be realized within the upcoming year. Management believes that the Company will be able to settle its remaining debts in the due course and in view of the proposed settlement of debt obligations together with the expected increased realisation from the trade receivables, no adjustments are required in the standalone financial statements and accordingly, these have been prepared on a going concern basis. Refer Note 31 of standalone financial statements and Note 52 of consolidated financial statements for details. 2. Based upon management analysis and assumptions, management is confident that no additional liability on account of borrowing settlement shall devolve on the Company in addition to the carrying value of such liability as at March 31, 2022. The Company is in the process of negotiations/ reconciliations of its outstanding obligations carried in these financial statements. Hence, directors believe that there is no material financial impact on the said disclaimer of opinion. Refer Note 22.1 & 22.2 of standalone financial statements and Note 50 & 51 of consolidated financial statements for details. 3. Based upon management analysis and assumptions, the recoverable amount from the underlying investments/assets is higher than the net worth of XYZ. There are assumptions and estimates used in such future projections such as discount rate, long term growth rate, arbitration claims etc. which management believes are fair and appropriate. Therefore, the management believes that the realisable amount from the aforementioned associate company and its subsidiaries is higher than the carrying value of the non-current investments, other current financial assets and current financial assets-loans due to which these are considered as good and recoverable. Hence, directors believe that there is no material financial impact on the said disclaimer of opinion. Refer Note 5.2 of standalone financial statements and Note 6.2 of consolidated financial statements for details.

Company 12.2	
Basis for Qualified Opinion	1. In absence of relevant records, Contract-wise surplus/loss has neither been ascertained nor recognized in compliance with Ind AS-115 'Revenue from contracts with customers'. 2. The company has overdue accumulated secured debts Banks have classified the accounts as NPA. No interest has been charged on these secured debts to the Profit & Loss account resulting in understatement of loss to that extent and understatement of liability. Secured lenders have served notices on various dates under section 13(2) of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 for recovery of their dues, Various Secured Lenders have moved to National Company Law Tribunal towards their recovery of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	dues under Insolvency & Bankruptcy Code, and their application has been accepted and RP has been appointed as set out in Para 2 above. 3. Bank statements of Various Accounts have not been provided to us due to same has been classified as Non-Performing Assets by Respective Banks. So, we are unable to ascertain balances and transaction with these banks. 4. In the absence of audited books of accounts of XYZ JV, ABC JV and LMN JV, financial data from this entity have not been included in consolidation of financial statement. 5. In case of ABC Pvt. Ltd; wherein, status of rights and title on the Capital work-in-progress valued at ₹ 66.95 Crores has neither been ascertained nor the effect of the same has been accounted for in the financial statements. 6. In case of XYZ Pvt. Ltd; wherein, in absence of details of physical verification of Capital Work in Progress, discrepancies, if any, between book and physical balance could not be ascertained including effect of the same in the financial statements.
Management Response	1. During the work execution period there is escalation claim, revision of contact value, extension of completion period, etc due to which unpredictable variation in reliable estimation of revenue and cost. Also, the allocation of combine Operating overhead, Head office overhead and Financial Cost is not possible due to combine use or high swapping of resources, size of the Contracts. Hence financial implication of the qualification is not quantifiable. 2. Since the account became NPA bank statements are not provided by the banks. XYZ Bank has moved to NCLT and the case has been admitted. 3. The Company has not provided interest on NPA accounts. Since the outstanding amount is not quantifiable. XYZ Bank has moved to NCLT and the case has been admitted. 4. The accounts of the JVs are under the control of respective JV Partners i.e., XYZ, BMS Projects and M/s. ABC. The accounts of these JVs are yet to be finalized from their end. Hence financial implication for the JV is not quantifiable. However, the accounting effect of the discrepancies, if any after the finalization of its accounts will be given at current date. 5. We have filed Arbitration claim before XYZ for rights on the title, the matter is subjudice. 6. The work has been terminated since long and matter is subjudice and therefore it is difficult to do physical verification.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 12.3	
Basis for Qualified Opinion	We refer note – 16(ii) of the standalone financial statements, where the Company has not recognized interest on ₹ 7,000 lakhs from July 01, 2019 onwards which is not in compliance of Ind AS 1 Presentation of Financial Statements read with Ind AS 109 Financial Instruments. Due to this, loss before tax of the Company for the year ended March 31, 2022 has been understated by ₹ 892.50 lakhs and the current liabilities as at March 31, 2022 has been understated by ₹ 2,457.43 lakhs.
Management Response	The Boards Comment on the modified opinion given by the Statutory Auditors of the Company on the Standalone and Consolidated Financial Statements of the Company for the Financial Year ended on 31st March, 2022 has been suitably covered under notes to Accounts forming part of the Annual Report viz. note no. 16(ii) of the Standalone Financial Statements.

Company 12.4	
Basis for Qualified Opinion	During the year the company has not made the provisions towards interest payable to banks and financial institutions which were not paid for the year under audit. This constitutes a departure from the Indian Accounting Standards-37 "Provisions, Contingent Liabilities and Contingent Assets" referred to in section 133 of the Companies Act, 2013. Sum of ₹ 19.89 crore has not recognized the interest expenses resulting in understatement of expenses and over statement of Net profit before Tax. Balances in "Other Equity" in the Balance sheet is overstated by the said amount. We are not able to verify the actual interest booked by the company as expenses as the loan statements of the lenders was not provided to us.
Management Response	The Auditors report and notes to the financial statement are self-explanatory and do not call for any further comments.

Company 12.5	
Basis for Qualified Opinion	(a) Regarding non confirmation of term Borrowing ₹ 146.62/- Lacs, Trade Creditors ₹ 264.03/- Lacs, Advance to Supplier ₹ 140.92/- Lacs, Long term loans & advances of ₹ 244.35/- Lacs and Current Liabilities of ₹ 341.75/- Lacs and any consequential adjustment thereof in books of accounts and their monetary impact on the respective Assets, Liabilities and Profit/ Loss for the year, which is presently unascertainable. (b) Regarding non-provision of towards doubtful Trade Receivables aggregating to ₹ 448.86/-Lacs. However, the company is hopeful of their complete recovery and hence no provision is necessary. Due to the above non- provision, Profit for the year has been overstand by ₹ 448.86/- Lacs with an overstatement in Trade Receivables to the same extent.

Analysis of Modified Opinions — Civil Construction

	(c) Interest on secured loan to Bankers/ Institutions has not been provided in the financial statements. This is in contravention to the provisions to the Accounting Standard (AS) 29 regarding the "Provisions, Contingent Liabilities and Contingent Assets". The Company has earned a net profit after tax of ₹ 51.44/- lacs during the period ended 31st March 2022 without providing for interest of ₹ 94.15/- Lacs for the period ended 31st March 2022. The accumulated interest of ₹ 94.15/- Lacs till 31st March 2022. Hence, liabilities has been understated and profit has been overstated by ₹ 94.15/- lacs. (d) The provisions contained in section 135 of the Act as applicable which is related to CSR activities has not been compiled by the company Unspent accumulated CSR amount is ₹ 17.83 Lacs till 31st March 2022.
Management Response	a) The same are confirmed by the accounts maintained by the company. However, the Auditor did not seek the confirmations. b) Since these accounts are related to the government department, hence provisions are not contemplated as such. c) Since these said accounts are NPA (Non-Performing Assets), hence interest are not charged. Explanation: The provisions of CSR are not applicable on the Company for the Financial Year 2021-2022 taking into account the financials of immediate preceding Financial Year i.e., 2020-2021. The Company does not fall in any of the limits as prescribed under Section 135 of Companies Act,2013 since Financial Year 2018-19. And for the unspent amount, Company is in the identification of Suitable projects for spending the same. The management will comply with the provisions at the earliest.

Company 12.6	
Basis for Qualified Opinion	We draw your attention to: a) As discussed more fully in Note 50 to the Standalone financial Statements regarding GGG. Limited, (an associate) in which the company has investments and has receivables aggregating to ₹ 78,634 Lakhs and to whom the company has provided guarantees and commitments for loans aggregating to ₹ 858,478 lakhs taken by the aforesaid associate Company and has undertaken to provide financial assistance of USD 3.11 million (₹ 2,358 lakhs) as at March 31, 2022 with respect to which there are multiple significant uncertainties including outlook on the sector including those arising from COVID, achieving of financial closure and clearances for the project, concluding an appropriate solution with various stakeholders including lenders, and necessary environmental and regulatory clearances etc. The entity's current liabilities exceeded current assets by USD 2,459 million (₹ 1,864,024 lakhs) as at June 30, 2021 and has incurred net losses of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	USD 48 million (₹ 35,616 lakhs) for the year ended June 30, 2021. In this regard, while the company has made a provision for impairment in respect of the aforesaid investment and receivables aggregating to ₹ 78,634 Lakh during year ended March 31, 2021, we are unable to comment on the viability of the project and of the provision that may be required in relation to the aforementioned guarantees and commitments (in respect of which collateral security by way of pledge of 37% shares of ABC Holdings Limited a step down wholly owned subsidiary of the Company, is also given in favour of the lenders) and the Resultant impact of the same on these Standalone Financial Statements. (b) Note no.51 to the Standalone financial Statements regarding ZZZ (a subsidiary company) and its subsidiaries and jointly controlled entity in which the company has investments and loans aggregating to ₹ 85,434 Lakh and financial guarantees issued by the company to the subsidiary company amounting to ₹ 3100 Lakh. With respect to ZZZ Limited, there are multiple significant uncertainties in the step-down subsidiaries and joint venture entity like (a) various receivables aggregating to ₹ 10,996 Lakh from AA Transco which are refuted / subject to approvals (b) non-availability of fuel (coal / gas), (c) conclusion on outstanding application for increase in tariff and (d) compensation in relation to deallocated coal mine etc. There are also various uncertainties relating to subsidiaries and Jointly Controlled Entity of ZZZ as referred in Note 51. The Company has made total provision of ₹ 34,400 Lakhs towards its investments in ZZZ till 31st March 2022 based on the valuation reports obtained. In this regard, considering the uncertainties, we are unable to ascertain whether any adjustments are required to the standalone financial Statements with respect to the balance amount of investments and loans aggregating to ₹ 85,434 Lakh and financial guarantees issued by the company to the subsidiary company amounting to ₹ 3100 Lakh. (c) Note 54 to the Standalone Financial Statements regarding investigation by various Government agencies on various alleged irregularities relating to conflict of interest, misuse of funds, money laundering and other matters, pending completion of which and non-provision of certain related information sought from the holding company including complete copy of the Enforcement Directorate complaint, we are unable to comment on the effect thereof on the Standalone Financial Statements including prior year comparatives considering allegations over GGG Group. (d) Note 55 to the Standalone Financial Statements regarding the requirements of Section 96(1) of the Companies Act, 2013, the Company was required to hold its Annual General Meeting (AGM) at which the Board of Directors were to lay its financial statements for the year ended March 31, 2020 by December 31, 2020 and for the year ended March 31, 2021 by November 30, 2021. The financial statements for the year ended March 31, 2020 and March 31, 2021 respectively were approved

WWW.TAXSCAN.IN - Simplifying Tax Laws

	at the AGM held on October 29, 2021, and February 25, 2022. The company has applied for condonation to the relevant authority (ies) for compounding of these non-compliance under the relevant sections of the Companies Act, 2013 and the Rules made thereunder for which approval is awaited. We are unable to comment on the impact of these non-compliances on the standalone financial statements. According to the information and explanations given to us and based on our audit and subject to the Basis for Qualified Opinion paragraphs in our main report, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls with reference to standalone financial statements as at March 31, 2022: a) The Company's internal financial controls for determining whether adjustments are required to the carrying value of investments, receivables and whether any liability to be recognised for the financial assistance, corporate guarantees and commitments given to an associate and joint venture of the Company were not operating effectively, which could potentially result in non-recognition of provision with regard to the aforesaid financial statement line items (Refer paragraphs 3(a) and (b) of our main audit report). b) The Company's internal financial controls in respect of compliance with laws and regulations, including holding Annual General Meetings in stipulated time, submission of quarterly an annual result to Exchanges within the time limits as specified under Regulation 33 of SEBI (Listing Obligations & Disclosure Requirement) Regulation 2015. This could potentially result in non-compliance with laws and regulations. (Refer paragraph 3(d) of our main audit report) c) Pending conclusion of the investigation (Refer paragraph 3(c) of our main audit report), we are unable to comment on the impact that may arise on conclusion of such investigation on the internal financial controls system of the company and its operating effectiveness. b. The following qualifications included in the audit opinion on the consolidated financial statements of ZZZ a subsidiary of the Holding Company for the year ended March 31, 2022 issued by an independent firm of Chartered Accountants (Independent auditor) vide its report dated May 23, 2022 is reproduced by us as under: i. The Hon'ble Supreme court of India has deallocated coal mine allocated to AAA, subsidiary company. As directed by Hon'ble High Court of Delhi, the aforesaid subsidiary has submitted its claim for an amount ₹ 19,882 lakhs with the adjudicating authority constituted under the Coal Mines (Special Provisions) Act, 2015. The Company has given corporate guarantee for the loan taken by the subsidiary. The nominated authority under the Ministry of Coal vide his order dated 16th March 2022 has released compensation of ₹ 13,867 lakhs, out of this the nominated authority has deposited an amount of ₹ 8,883 lakhs in interest bearing account with Register General of the Court as per the directions of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	high court of Delhi dated 11th April 2022 as the lenders have challenged the compensation determined by the Nominated Authority. Further, an amount of ₹ 4,984 lakhs being the balance dues payable as per the claims made by the lenders as on the date of vesting orders less the amount already paid by the lenders, the Nominated authority has advised in the above order to approach Coal Tribunal in respect of disputes including the compensation disallowed with regard to R&R costs. Pending filing of the claim before the Coal Tribunal and adjudication of the same, we are unable to comment on the recoverability of assets with carrying value of ₹ 6,015 lakhs together with consequential impact, if any, arising out of the same in these accompanying consolidated Ind AS financial statements. Refer Note *to the consolidated financial statements." Further, no provision for Corporate Guarantee given by ZZZ for loan taken by BBB Private Limited has also not been considered. Refer Note 50(a) to the consolidated financial statements. ii. The auditors of XYZ Limited, subsidiary of the Holding Company vide their audit report dated May 5, 2022, have qualified the audit report which is reproduced as below: "We draw attention to Note to the financial statements, regarding revision in tariff. The matters relating to Power Purchase Agreement pending with PPP Limited on account of uncertainty in revision in tariff, considering enhanced project cost and differential coal procurement cost and other components mentioned in aforesaid note. In view of the factors detailed in the said note and pending confirmation of dues from PPPL as on reporting date and outcome of such matters we are unable to comment on provision, if any, is required against the said matters." The said notes in the financial statements of the subsidiary are included as Note no *to the accompanying consolidated financial statements. "Consequentially, we are unable to comment upon the recoverability of assets with carrying value amounting to ₹ 381,412 lakhs together with consequential impact, if any, arising out of the same in the accompanying consolidated financial statements." Note * is included as Note 50(b) to the consolidated financial statements. iii. The auditors of LMN Limited, Jointly controlled entity vide their audit reports dated May 10,2022 have qualified the audit reports which are reproduced as below: "We draw attention to note to the Ind AS financial statements, regarding uncertainty of availability of natural gas faced by the Company. However, based on the initiatives taken by Government of India through import of liquefied natural gas at an affordable price by withdrawing custom duty and requesting oil companies to reduce the conversion charges of liquid gas to natural gas and requesting ABD Limited to reduce the transportation charges and waiving Goods and Service Tax on transportation of natural gas) and the order of Central Electricity

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Regulatory Commission ("CERC") with regard to capacity charges payable by States Power Distribution Companies ("DISCOMs"). However, due to following initiatives taken by Government of India (i) Import of liquified natural gas at an affordable price and withdrawing customs duty on such imports, (ii) requesting oil companies to reduce commission charges of liquid gas to natural gas, (iii) requesting ABD Limited to reduce transportation charges and waiving Goods and Services Tax on transportation of natural gas and (iv) requesting Central Electricity Regulatory Commission ("CERC") to grant reasonable capacity charges by State Power Distribution Companies (DISCOMs), the management is of the opinion of achieving the position to settle the loans through recovery of capacity charges. In view of the above, provision for impairment of Property, plant and equipment is not considered. The said note in the financial statements of the subsidiary is included as Note no to the accompanying consolidated financial statements Pending resolution of the uncertainties/ approvals towards supplies/ availability of gas, recovery of capacity charges and approval of one time settlement proposal with lenders, we are unable to comment upon the recoverability of assets with carrying value amounting to ₹ 82,799 lakhs and the provision, if any, required for the corporate guarantee given to the jointly controlled entity, together with consequential impact, if any, arising out of the same on these accompanying consolidated financial statements. It is included as Note 50(c) to the consolidated financial statements. iv. RRR Limited, regarding outstanding minimum alternate tax amounts claims for reimbursement under the provisions of Income-tax Act, 1961 for the period commencing from the financial year 2009-10 to 2010-11, aggregating to ₹ 1,500 Lakhs (March 31,2021: ₹ 1,500 Lakhs) which has been disputed by AP Transco/are subject to approvals. we are unable to comment upon the recoverability of these receivables together with consequential impact, if any, arising out of the same in these accompanying consolidated financial statements. Refer Note to the consolidated financial statements. “Refer note 50 (c) to the consolidated financial Statements As referred in Note 50(e) to the consolidated financial Statements, in the light of the note 50 (a) to Note 50 (c) above, we are unable to comment on the extent of the provisions, if any, required for the corporate guarantee given by Holding Company to ZZZ amounting to ₹ 3,100 Lakhs. The impact of this matter on the Consolidated Financial results is presently not ascertainable. (c) The following matters are included in the audit opinion on the financial statements of SSS Private Limited, a step-down subsidiary of the holding company issued by an independent firm of Chartered Accountants (Independent auditor) vide its report dated May 10, 2022, is reproduced by us as under: i. “The project of the company was terminated by SSS by referring the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	defaults of the Concessionaire. Consequent to the termination of the project, Company has accounted, cost incurred on the project ₹ 589,04,20,918/- as amount receivable from the SSS as management has represented that the project of the company was terminated due to the reasons attributable to the SSS. Company has disputed the termination notice and invoked Arbitration in terms of provisions of concession agreement." The matter is sub-judice before hon'ble Arbitral Tribunal. We are unable to comment upon its recoverability in the absence of availability of related convincing audit evidence as to its recoverability. ii. Balances of borrowings (including interest accrued thereon) from lender amounting to ₹ 818,53,80,999/- as at 31st March 2022 as per books of accounts are unconfirmed. In absence of such confirmations, we are unable to comment on the appropriateness of carrying amount of borrowing (along with interest accrued thereon) as presented in Balance sheet, Considering the above matters reported by the Component Auditor and other details as given in Note 51 (a) to the consolidated financial statements, we are unable to comment towards the recoverability of total assets aggregating to ₹ 58,919 Lakh and the impact on the liabilities as appearing in the Consolidated Financial statements related to this step-down subsidiary.
Management Response	1. The company has already made a provision of the entire investment and receivables. It is also engaged in a settlement negotiation with the lenders, and it is hopeful of an amicable settlement. Any further provision cannot be estimated due to significant uncertainties including fluctuating coal prices, timely achieving financial closure for the project, and concluding an appropriate solution with various stakeholders by ZZZ Coal and of settlement with lenders which is typical to such negotiations. 2. Management is in the process of negotiating the terms with lenders for restructuring of loan accounts, one-time settlements, and is also negotiating with the regulatory authorities for approval of additional capital costs. Management is confident that it will be able to settle the matters amicably and will be able to achieve final tariff approvals with retrospective effect and will be ultimately able to achieve profitable operations. Pending resolution of the above uncertainties currently the impact of the same is unascertainable. 3. Investigations by various agencies are under process and the ultimate outcome is subject to Judicial scrutiny and hence the impact of the same is not ascertainable. 4. Non holding of the Annual General Meeting (AGM) Company has already taken appropriate steps to comply with all statutory compliances and it is in a process of completing within a short span of time. 5. The Hon'ble Supreme Court of India had deallocated coal mine allocated to ZZZ Private Limited, subsidiary company. As directed by Hon'ble High Court of Delhi ZZZ Private Limited has submitted its claim for an amount

WWW.TAXSCAN.IN - Simplifying Tax Laws

	₹ 19,882 lakhs with the adjudicating authority constituted under the Coal Mines (Special Provisions) Act, 2015. The nominated authority under the Ministry of Coal vide its order dated 16th March 2022 has further approved and released compensation of ₹ 13,867 lakhs. Out of this an amount of ₹ 8,883 lakhs have been deposited by nominated authority in interest bearing account with Registrar General of the Court as per the directions of the high court of Delhi dated 11th April 2022 and an amount of ₹ 4,984 lakhs have been paid to lenders by nominated authority towards the balance dues payable as per the claims made by the lenders as on the date of vesting orders less the amount already paid to the lenders. Nominated authority has advised in the above order to approach Coal Tribunal in respect of disputes including the compensation disallowed with regard to R&R costs. 6. The Coal Based Power project (step down subsidiary) has challenged the Tariff passed by the Punjab State Electricity Regulatory Commission (PSERC) before the Appellate Tribunal. It has also submitted resolution plan to the lenders. Pending adjudication of Tariff order by the Tribunal and acceptance of the Resolution plan, it is difficult to estimate the impact. 7. The subsidiary, ZZZ is confident that the Government of India will take necessary steps/initiatives to improve the situation of natural gas. In the interim, these group company are working with the lenders for a one-time settlement proposal wherein the loans would be settled at the value of the plant to be realised on its sale to APDISCOM. Hence, the impact of the same is unascertainable. 8. The project of the Company was terminated by SSS by referring the defaults of the Concessionaire. Consequent to the termination of the project, Company has accounted, cost incurred on the project ₹ 58,904 lakhs as amount receivable from the SSS as management has represented that the project of the Company was terminated due to the reasons attributable to the SSS. Company has disputed the termination notice and invoked arbitration in terms of the provisions of concession agreement. The matter is sub-judice before Hon'ble Arbitral Tribunal. Hence, the impact of the same is unascertainable. 9. The company has followed an accrual basis of accounting and has made provision for interest as per the terms of the loan agreement. The management is of the opinion non confirmation from the banks may not impact the financials.

Company 12.7	
Basis for Qualified Opinion	As stated in: a) Note 34 to the standalone financial statements, the Company's investments in subsidiaries as at 31 March 2022 includes non-current investment and current investments in) XYZ, its wholly owned subsidiary, amounting to ₹ 1,214.65 crore and ₹ 350 crores,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	respectively, stated at cost and considered fully recoverable by the management on the basis of factors stated in the aforesaid note including a valuation performed by an independent valuer. The subsidiary's consolidated net worth as at 31 March 2022 is substantially eroded and during the current year, there has been significant decline in the actual results of certain key underlying assumptions considered for valuation purposes in earlier periods. The management believes that such decline is temporary in nature which does not have any material adverse impact on the fair valuation of such investment determined as above as at 31 March 2022. However, in the absence of sufficient appropriate evidence to support management's estimates of such future assumptions, we are unable to comment upon the adjustments, if any, that are required to the carrying value of the aforesaid investment and consequential impact, if any, on the accompanying standalone financial statements. b) Note 27.1 to the standalone financial statements, the Company has accounted for managerial remuneration paid/ payable to Whole Time Directors (including Chairman and Managing Director) of the Company aggregating ₹ 41.07 crore for the financial years ended 31 March 2020, 31 March 2021 and 31 March 2022, in excess of the limits prescribed under Section 197 of the Act, in respect of which approvals from the shareholders have been obtained as prescribed, however prior approval from the lenders of the Company in accordance with Section 197 has not been obtained by the Company. Our audit report dated 23 June 2021 on the standalone financial statements for the year ended 31 March 2021 was also qualified in respect of this matter. c) Note 17.4 to the standalone financial statements, the Company's current borrowings, other current financial liabilities and liabilities of disposal group held for sale as at 31 March 2022 include balances amounting to ₹ 49.67 crore, ₹ 320.55 crore and ₹ 2.85 crore, respectively, in respect of which confirmations from the respective banks/ lenders have not been received. Further, confirmations from banks have not been received for balances with banks (included under cash and cash equivalents) and earmarked balances/ deposits with banks (included under bank balances other than cash and cash equivalents) as at 31 March 2022 amounting to ₹ 2.18 crore and ₹ 0.95 crore, respectively. In the absence of such confirmations from the banks/ lenders or sufficient and appropriate alternate audit evidence, we are unable to comment on the adjustments, if any, that may be required to the carrying value of the aforementioned balances in the accompanying standalone financial statements. Our audit report dated 23 June 2021 on the standalone financial statements for the year ended 31 March 2021 was also qualified in respect of this matter. d) Note 9.1 to the standalone financial statements, the Company has recognised net deferred tax assets amounting to ₹ 741.74 crore as at 31

Analysis of Modified Opinions — Civil Construction

	March 2022, mainly on account of carried forward unused tax losses, unused tax credits and other taxable temporary differences on the basis of expected availability of future taxable profits for utilization of such deferred tax assets. However, in view of the continued losses incurred by the Company and pending the implementation of the resolution plan as referred to in Note 2(v) of the accompanying standalone financial statements, we are unable to obtain sufficient appropriate audit evidence with respect to the current projections prepared by the management and therefore, are unable to comment on any adjustments that may be required to the carrying value of aforesaid net deferred tax assets as at 31 March 2022. Our audit report dated 23 June 2021 on the standalone financial statements for the year ended 31 March 2021 was also qualified in respect of this matter.
Management Response	The explanations on the qualifications/observations/matter of emphasis given by the Statutory Auditors in their Audit Reports have been provided in the respective Notes to the Standalone and Consolidated Financial Statements.

Company 12.8	
Basis for Qualified Opinion	1. We draw attention to Note 52 relating to non-recognition of interest expense for the year amounting to ₹ 422.13 Crores (excluding penal interest, etc) on borrowings availed by the Company in terms of the resolution framework process approved by NCLAT considering the process initiated for resolution. a. Consequently, interest expense and loss for the year are understated by ₹ 422.13 Crores (approximately); and b. Retained earnings (accumulated loss) and interest payable as at March 31, 2022 are understated by ₹ 1,284.80 Crores (approximately). 2. The consolidated financial statements do not include the financial statements and other financial information of an overseas entity "XYZ" for the reasons stated in Note 3(a)(vii). We are unable to comment on impact on the financial results for the year, carrying values of assets/ liabilities and retained earnings of the Group, had the subsidiary's financial results and other financial information been consolidated.
Management Response	Your Board has duly noted the qualifications as the continued ones, reported by the Statutory Auditors in Financial Year 2021-22. The management views that the Company's borrowing will not be subjected to any interest, default interest etc. as per the resolution framework post cut-off date, i.e.,15th October 2018. This the same is in line with the ongoing resolution process vide orders issued by Hon'ble NCLAT.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 12.9	
Basis for Qualified Opinion	Note No. 44 to the Standalone Financial Statements which provides the status of insolvency proceedings of XYZ. XYZ has been undergoing Corporate Insolvency Resolution Process ("CIRP") since 09.08.2017 in terms of the provisions of the Insolvency & Bankruptcy Code, 2016 ("IBC") vide orders dated 09.08.2017 and 14.08.2018 passed by the Hon'ble National Company Law Tribunal ("NCLT") Allahabad and orders dated 06.08.2020 and 24.03.2021 passed by Hon'ble Supreme Court of India. In compliances with the said order dated 24.03.2021, bids were invited and resolution plan submitted by ABC Limited along with XX and LMN Limited was approved by Committee of Creditors ("CoC") and submitted to Hon'ble NCLT Principal Bench Delhi. The matter is currently pending for adjudication. The company has not made provision of ₹ 849.26 Crores as diminution in value of the Investment in equity of XYZ. Had this provision was made, the Loss would have been increased to that extent and Value of investment would have been decreased to that extent. Matters stated above has also been qualified in our report in preceding year ended 31st March 2021.
Management Response	ZZZ Bank Limited had filed a petition with Hon'ble National Company Law Tribunal [NCLT], Allahabad Bench [The Bench] under Section 7 of Insolvency and Bankruptcy Code, 2016 [IBC] in respect of XYZ which was admitted vide Order dated 9th August 2017 and Interim Resolution Professional [IRP] was appointed. Some of the Homebuyers took the matter to Hon'ble Supreme Court, which was finally disposed off on 9th August 2018 directing recommencement of Corporate Insolvency Resolution Process (CIRP) proceedings against XYZ. During the said proceedings, on the interim directions of Hon'ble Supreme Court, a sum of ₹ 750 Crores was deposited in the Supreme Court by XYZ. On conclusion of the second round of CIRP as undertaken under the directions of Hon'ble Supreme Court, the Principal Bench, NCLT, New Delhi had approved the Resolution Plan of NBCC (India) Limited [NBCC] with certain modifications on 03.03.2020. NBCC, the successful Resolution Applicant, had filed an appeal against the said order of NCLT approving the Resolution Plan with modifications, before Hon'ble NCLAT. The Company had also filed an appeal before Hon'ble NCLAT against the said NCLT Order dated 03.03.2020 holding the amount of ₹ 750 Crores deposited by XYZ to form part of the Resolution Plan and also directing the payment of other amounts to JIL. The IRP, ZZZ Bank Limited and groups of homebuyers etc had also filed appeals against the said Order of NCLT. Similarly, a group of Shareholders of XYZ had also filed an appeal against the said Order of NCLT claiming value for the shareholders based on the Net worth of JIL. Hon'ble NCLAT vide its interim order dated 22.04.2020 had issued notices to all the Respondents and also constituted an Interim Monitoring Committee (IMC) to remain in place till the disposal of the said appeal. On being approached by a Group of Home buyers, Hon'ble Supreme Court

WWW.TAXSCAN.IN - Simplifying Tax Laws

	vide its Order dated 06.08.2020 stayed the operation of the NCLAT Order dated22.04.2020, transferred to itself all appeals pending before the NCLAT and also directed Resolution Professional to continue to manage the affairs of XYZ Limited. Hon'ble Supreme Court vide its Order date 24.03.2021inter-alia held that the amount of ₹ 750 Crores and interest accrued thereupon, is the property of ABC and any amount is receivable by XYZ and/ or its homebuyers from ABC shall be determined by NCLT after reconciliation of accounts of XYZ & ABC in terms of the directions in the judgement. Further the Court exercising its powers under Article 142 of the Constitution of India directed IRP to complete the CIRP in accordance with the Code and allowed IRP to invite modified/ fresh resolution plans from Suraksha Realty and NBCC respectively, giving them time to submit the same within 2 weeks from the date of this judgement. Post approval of Plan by Committee of Creditors of XYZ, the IRP has since filed the Resolution Plan of M/s ZZZ along with LMN and Finance Private Limited with Principal Bench Hon'ble NCLT, New Delhi. Dissenting Financial Creditors, Project anchoring authority (YEIDA) & Company have filed their objections to the Plan. The Plan is pending for adjudication as on date. Keeping in view Order by Hon'ble Supreme Court dated 24.03.2021, affairs of XYZ being managed by IRP and further proceedings in the matter, since the matter is sub-judice and on attaining its finality, necessary effect of the outcome thereof shall be given in the Financial Statements in respect of the Investments in XYZ aggregating ₹ 849.26 Crores (84.70 Crores equity shares of ₹ 10/- each) on attaining its finality.

Company 12.10	
Basis for Qualified Opinion	1. We refer to the carrying value of investments held in and unsecured loans and advances given by the company to its subsidiaries, which have been incurring losses and in case of some of these companies, net worth was fully or substantially eroded. In the absence of fair valuation of these investments, we are unable to comment upon the carrying value of investments and we are unable to comment whether any provision for impairment in the value of investments, loans and advances is required. 2. We refer to the "XYZ" a subsidiary of the company incorporated for developing shopping mall cum multiplex on leased land taken from Andhra Pradesh housing Board at Kukatpally in Hyderabad, pending approval from government to start the project, the carrying values of Investments in and Loans Sanctioned to XYZ amounting to ₹ 3,500.00 lakhs and ₹ 135.33 Lakhs respectively are shown as realizable at the Values Stated in the Books of Accounts. 3. There are outstanding Loans and advances of ₹ 3075.11 Lakhs and ₹ 362.87 Lakhs granted to "ABC" and "LMN" respectively, in which the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Company's Directors have Interest. These Companies have been incurring Losses and accumulated losses exceeded the Net Worth. The management is yet to assess the risk of default and resultant expected credit loss allowance on such loans and advances. 4. The company is yet to transfer unpaid dividend of an amount aggregating to ₹ 6.62 Lakhs relating to Financial Years 2008-09 to 2010-11 from unpaid dividend account to Investor Education and Protection Fund (IEPF). 5. "The Company" has defaulted in repayment of dues to Banks and financial institutions amounting to ₹ 67,087.79 Lakhs and ₹ 4,508.69 Lakhs respectively as per books of account, All the loans outstanding were classified as NPA by the Banks and Financial Institutions. Interest on these loans have not been provided for the financial years 2018-19 to 2021-22. 6. In the absence of confirmations of Trade Payables and _ various advances/loans, we are unable to comment on the extent to which such balances are payable/ recoverable. 7 (a) The Company is yet to file final GST Returns for the FY 2021-22 in case of a few states. (b) The turnover and input credits are subject to reconciliation. 8. In view of losses incurred by "the company" and in the absence of prior approval from the lender banks and financial Institutions, managerial remuneration of ₹ 93.93 Lakhs paid by the company during the year is in excess of the limits specified under section 197 read with schedule V of Companies Act,2013. 9. In case of "ZZZ" a step-down subsidiary of the company, CBI has filed FIR against ZZZ, its Promoters and Directors on 12-03-2019 under Prevention of Corruption Act and Indian Penal Code, Subsequently, the Enforcement Directorate has raided the premises of "the company" on 11-06-2021 and the investigation is under progress. 10. The Company has not produced Title Deeds in respect of certain immovable properties (lands) held. 11. Internal Audit has not been conducted for the period 1st October 2021 to 31st March 2022. 12. There are some delays in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Value Added Tax (VAT), and other statutory dues, Undisputed amounts payable in respect thereof, which were outstanding for more than six months from the date they became payable (refer Annexure A, point VII). 13. XYZ has a term loan from IMN Bank whose principal outstanding was ₹ 14.82 crores as per OTS agreement against which the bank had approved one-time settlement (OTS). The settlement amount for all the

Analysis of Modified Opinions — Civil Construction

	dues outstanding was ₹ 3.41 crores to be paid within 30 days from the date of acceptance, which was accepted and fulfilled by the company as per the terms and the balance outstanding liability (after OTS), was offered under other income. 14. The AAA Ltd had approved one-time settlement (OTS) of its outstanding dues of ₹ 190.96 Crores vide its letters dated February 24, 2020. In terms of settlement, amount of ₹ 70 Crores was to be paid by the company in three instalments. However, the company made total payment of ₹ 13.5 crores up to 31 March, 2022. 15. XYZ, has made a provision of ₹ 58.66 Crores towards impairment at 5% on investments in equity and other investments made in its subsidiaries. In the absence of fair valuation of the same, we are unable to comment on the adequacy of the provision made.
Management Response	Not available

Company 12.11	
Basis for Adverse Opinion	The Holding Company has not recognised interest expense on Bank borrowings and Inter-Corporate Borrowings amounting. to ₹ 96,472.63 up to the year ended 31st March 2022 as referred in Note 49 to the Consolidated Financial Statements. However, Holding Company's Lenders/ Financial creditors have submitted the claims to the IRP amounting to ₹ 5,75,095.90 lakhs (including interest) out of which claims lodged by lenders banks amounting to ₹ 3,61,281.37 lakhs (including interest) have been provisionally admitted by IRP. As a result, finance Costs, liability on account of interest and total comprehensive loss for the financial year ended 31st March, 2022 are understated to that extent. One out of its four subsidiaries, XYZ Limited has not recognized interest expense on Bank borrowings and Inter-Corporate Borrowings for the financial year ended 31st March, 2021 as referred in Note 49 to the Consolidated Financial Statements. XYZ has not recognized interest expense on Bank borrowings amounting to ₹ 6747 Lakhs and ₹ 1260 Lakhs on Inter-Corporate Borrowings up to the financial year ended 31st March, 2021. The CIRP has since been initiated against XYZ on and from 11th February, 2021 pursuant to the order passed by the Hon'ble NCLT Court, Kolkata Bench in the matter of the application filed by one of the lender banks and in the process based on the claims submitted by the lender banks, the claims admitted by the Resolution Professional, uploaded on XYZ's website are ₹ 22,019 lakhs in aggregate (excluding admitted claims of the financial creditors relating to the Bank Borrowings of Holding Company, ABC Company Limited against which XYZ had issued a corporate guarantee and created exclusive first charge on the fixed assets of XX Unit-1) and ₹ 63 lakhs against Inter-Corporate Borrowing claims. As a result, finance Costs, liability on account of interest are under stated and total comprehensive income for the financial year ended

WWW.TAXSCAN.IN - Simplifying Tax Laws

	31st March, 2021 are overstated to that extent. 2. We draw attention to Note 50 to the Standalone Financial Statements regarding Trade Receivables, Other Financial Assets and Other Current Assets being subject to confirmation and reconciliation from respective parties and consequential reconciliation, outcomes of pending arbitration /settlements of claims and adjustments arising therefrom, if any. Adjustments/ Impacts with respect to these are currently not ascertainable and as such cannot be commented upon by us.
Management Response	Recoverability of Trade Receivables, Other Financial Assets and Other Current Assets depends upon the outcome of Arbitration Orders and confirmation / reconciliation with parties as stated in Note No. 12. Therefore, adjustments / impacts with respect to these are currently not ascertainable

Company 12.12	
Basis for Qualified Opinion	1. As stated in Note 57(b) to the standalone financial statements, The Company's non-current investments as at 31 March 2022 include investments aggregating ₹ 488.45 Lacs in a subsidiary namely XYZ; being considered good and recoverable by the management. However, this Subsidiary has accumulated losses and its net worth is fully eroded. Further, this subsidiary is facing liquidity constraints due to which it may not be able to attain projections made as per business plans, thus we are unable to comment upon the carrying value of this non-current investment and recoverability of the aforesaid dues and the consequential impact, if any, on the accompanying standalone financial results. Further we have not received audited Financial Statements of Subsidiary for the year ended on 31.03.2022. The recoverability of the said investment is in doubtful in our opinion. Such matter is pending and reported since 31.03.2019. 2. As stated in Note 57(a) to the standalone financial statements, The Company's non-current investments as at 31 March 2022 include investments aggregating ₹ 5089.70 Lacs and advances of ₹ 10324.31 Lacs (P.y. ₹ 10245.07 Lacs) in the name of XX Limited; being considered good and recoverable by the management. Joint venture has filed termination to their respective authority and claimed the amount invested and termination payments as per concession agreement of ₹ 61200.00 Lacs. So far as this matter indicates material uncertainty about the going concern of joint venture. In our view, recoverability of the amount invested and advance provided not certain but no provisioning has been made against such diminishing of investment and loans. No Interest has been provided by the company on advances granted to joint venture for four years. Management is of the view that Since Interim

WWW.TAXSCAN.IN - Simplifying Tax Laws

	award has been received and Final arbitration claims have merits and will be in favor of SPV and amount invested and advance provided will be recovered. The interim award of arbitrator has been upheld and as per clarification decision of Honourable High Court pronounced on 20th Dec, 2021 –the receipt of funds in escrow account from PWD ₹ 191.79 Crores has been adjusted in loan account of banks. The final award for claim is in hearing process with arbitrator. Our opinion is modified in respect of the same. Such Matter is pending and reported since 31.03.2019. 3. As stated in Note 57(c) & 57(d) to the standalone financial statements, The Company's non-current investments as at 31 March 2022 include investments aggregating ₹ 97.50 Lacs and advances of ₹ 747.66 Lacs (P.y. ₹ 747.61 Lacs) in the name of AAA Company Limited and BBB Limited; being considered good and recoverable by the management. AAA has filed termination to their respective authority and claimed the amount invested and termination payments as per concession agreement of ₹ 3940.72 Lacs and such matter is pending Appellate authority. So far as this matter indicates material uncertainty about the going concern of joint venture and associate. In our view, recoverability of the amount invested and advance provided not certain but no provisioning has been made against such probable non recovery of complete investment and loans. No Interest has been provided by the company on advances granted to joint venture for four years. Management is of the view that such claim of AAA have merits and will be in favor of SPV and amount invested, and advance provided will be recovered. Our opinion is modified in respect of the same. Such Matter is pending and reported since 31.03.2019. 4. Financial Statements includes financial statements of one joint ventures, whose financial statements reflect total assets ₹ 1515.19 Lacs as at 31 March 2022, and total revenues of ₹ 0.00 and Net loss of joint venture of ₹ 44.29 Lacs for the year ended on that date, as considered in these standalone financial statements. The Company had prepared separate set of statutory financial statements joint ventures for the years ended 31 March 2022 in accordance with accounting principles generally accepted in India. Audited financial statements of such entities are not made available to us. Our opinion in respect of these joint ventures and branch is qualified in respect of this matter. 5. As stated in Note 76 to the standalone financial statements, Financial statements include profit of ₹ 98.85 lac as profit from Joint venture namely ZZZ but such financial statements are not provided to us. Our opinion is modified in respect of the same. In our opinion, according to information and explanations given to us and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	based on our Audit Procedure performed, the following material weakness has been identified in the operating effectiveness of the Company's IFCoFR as at 31.03.2022. The Company's Internal Financial Control in respect of Supervisory and review controls over process of determining of (a) Carrying Value of the Company's Non-Current Investment in its Subsidiaries and Joint Venture (b) recoverability of Non-Current Loans, other Non-Current Financial Assets and Other Current Financial Assets due from such subsidiaries were not operating effectively. Absence of aforesaid assessment in accordance with the accounting principal generally accepted in India could potentially result in a material misstatement in the carrying value of investments in such Subsidiaries and the aforesaid dues from such subsidiaries and consequently, could also impact the Profit (Financial Performance including other Comprehensive Income) after tax. A material weakness is a deficiency, or a combination of deficiencies, in IFCoFR, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statement will not be prevented or detected on a timely basis.
Management Response	1. XYZ, A subsidiary, which is holding 94.46% share in the Company has incurred losses during the past years but the Board of directors are in view that the said subsidiary Company may receive projects in future based on its experience which will generate Revenue in future and such losses will be recovered. Therefore, based on certain estimate, Future business plans, growth prospects and other factors, the Directors believes that the realizable amount of subsidiary is fully recoverable, due to these are considered good. 2. Interim Award amount has been received and final award is awaited and this amount will be recovered once the claim filed by joint venture gets paid. 3. Arbitration award is awaited and this amount will be recovered once the claim filed by joint venture get paid. 4. Profit and Loss is being immaterial, hence Balance sheet not audited. 5. The lead partner is ZZZ. and it has not furnished the balance sheet of JV.

Company 12.13	
Basis for Qualified Opinion	1. The Company has not performed impairment testing with respect to the investments in various Joint Ventures and Associates as required by Indian Accounting Standard (Ind AS 36) 'Impairment of assets'; hence the impact on the carrying amount of investment is not ascertainable. (Ref. Note: A-2 of Financial Statements).

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. Company follows accounting practice of recognizing revenue on the basis percentage completion method. Company being an XYZ contractor raises claims/arbitration money with its principals/ Customers for the delay on obtaining approvals, cost escalation, etc. As per Company policy, though the claims are raised for the actual loss incurred by the Company (SOC), the same is recognized in the books at realizable value determined by the internal team of the Company. Though, these claims are not acknowledged by the principles/customer, the same being intangible/uncertified in nature is being classified as work in progress. The said claims though classified under WIP (Current Asset) are subject to uncertainty as to recoverability. Out of Company follows accounting practice of recognizing revenue on the basis percentage completion method. Company being an XYZ contractor raises claims/arbitration money with its principals/ Customers for the delay on obtaining approvals, cost escalation, etc. As per Company policy, though the claims are raised for the actual loss incurred by the Company (SOC), the same is recognized in the books at realizable value determined by the internal team of the Company. Though, these claims are not acknowledged by the principles/customer, the same being intangible/uncertified in nature is being classified as work in progress. The said claims though classified under WIP (Current Asset) are subject to uncertainty as to recoverability. 3. Fixed Asset register is still under compilation to have proper records showing full particulars, including quantitative details and situation of property, plant and equipment. Company to have a regular program of physical verification of its fixed assets, periodically. (Ref. Note: A-1 of Financial Statements.) 4. Other non-current Assets includes ₹ 35.63 Crore towards Retention and ₹ 2.37 Crore towards deposits deducted under various project executed by the company but there is no collaborative evidence to justify the claim by the company. (Ref. Note: A-4 of Financial Statements). 5. There are arbitration proceedings/legal cases against by/the Company which may result in Compensation/ interest/penalties. (Ref. Note: A-25 of Financial Statements). 6. The balance of ₹ 14.04 Crore under 'Project Mobilization Advance' pertains to the cost of technical consultancy expenses incurred before commencement of work on project for 4 laning of road from Solapur to Maharashtra/ Karnataka border on NH 9 from Km 309+000 to Km 348+ 800. The project is already under process but the cost is not yet apportioned to the project which has resulted is understatement of revenue expenses. (Ref. Note: A-4 of Financial Statements). 7. Balances of trade receivables, trade payables, loans and advances, Deposits given/ taken are subject to confirmations, reconciliations and consequent adjustments.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	1. There is Dispute between XX and XYZ, XX Terminated the contract in 2014 and XYZ has filed for claim from XX in 2014. Same matter was pending with the Court since 2014. 2. Management of the Company hereby says that claims known with Parties including the WIP of ₹ 143.78 Crore are fully recoverable position and therefore same should be considered. 3. Management of the Company hereby confirm that Fixed Asset register is under compilation and Company has a regular program of physical verification of its fixed assets. 4. Management of the Company hereby confirm that these deposits and Retention Money are recoverable after the defect Liability period of 5 years from the date of Completion which are placed before the Auditor. 5. The Project Mobilization advance of ₹ 14.04 Crore will be apportioned during the Course of the Completion of the Project. 6. The Balance of trade receivable are in normal course of Business and regular follow up with Debtors is being done by the Company officials are in process to obtained the confirmation or pending confirmation.

Company 12.14	
Basis for Qualified Opinion	The company's inventories are carried in the balance sheet at ₹10.21 crores which is increased by ₹ 3.32 crores from the previous year inventory of ₹ 6.89 crores. Management has stated in the financial statements that the inventory is valued as per first in first out method but they are not been able to produce the proper records of inventory to ensure the closing stock figures are correct as per method used by them. In addition to that we are not able to access that the basis of valuation of inventory due to non-production of proper records by the management.
Management Response	We have followed first in first out method for Inventories which was ascertained the total value of the inventory. Company will take necessary efforts in future to provide the necessary records.

Company 12.15	
Basis for Qualified Opinion	Goods & Service Tax (GST) accounts in the financial books are subject to reconciliation with the GST portal. Pending reconciliation and in the absence of the requisite supporting documentation, we are unable to comment on the resultant impact of the same on the accompanying standalone financial statements.
Management Response	Not Available

Analysis of Modified Opinions — Civil Construction

Company 12.16	
Basis for Qualified Opinion	1. We draw attention to Note 49 and Note 50 to the accompanying Standalone Financial Statements with respect to termination of concession agreement by Rohtak Panipat TTT Limited and RRR Private Limited, step-down subsidiaries of the Company. Both step-down subsidiaries have issued notice of termination of concession agreement to National Highway Authority of India (NHAI) on account of Force Majeure Event as per concession agreement. As explained in the said note, the company has carried out impairment assessment of outstanding balances of these step-down subsidiaries duly considering the expected payment arising out of aforesaid termination and other claims filed with NHAI and based on the above assessment, management has concluded that no impairment/ adjustments to the carrying value of the loan, trade and other receivable balances are necessary as at March 31, 2022. However, we have not been able to corroborate the management's contention of realizing the carrying value of loan, trade and other receivables aggregating to ₹ 22,612.43 Lakhs as on the reporting date, related to both the step-down subsidiaries. Accordingly, we are unable to comment on appropriateness of the carrying value of such loan, trade and other receivables and their consequential impact on the financial results and financial position of the Company as at reporting date and year ended on March 31, 2022. 2. We draw attention to Note 52 of the accompanying Standalone Financial Results with respect to SSS Private Limited, step-down subsidiary of the Company, where lender of SSS have notified in the month of January, 2022, to NHAI about exercise of their right of substitution of concessionaire. As explained in the said note, management has carried out impairment assessment of loan, trade and other receivable from this step-down subsidiary duly considering the expected payment arising out of aforesaid substitution and based on the above assessment, management has concluded that no impairment/ adjustment to the carrying value of loan, trade and other receivables is necessary as at March 31, 2022. However, we have not been able to corroborate the management's contention of realizing the carrying value of loan, trade and other receivable balance amounting to ₹ 6,946.49 Lakhs as on reporting date related to SSS.
Management Response	1. The Company has outstanding loan, trade and other receivable aggregating to ₹ 19,839.58 lakhs from RRR Private Limited (RRR), a step-down subsidiary company which is engaged in construction, operation and maintenance of road projects under concession agreement with National Highways Authorities of India (NHAI). The net worth of RRR has fully eroded. Further the toll collection by RRR was forcefully suspended due to agitation and protest held by farmers and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	other unions against agri-marketing laws from December 25, 2020. Accordingly, RRR could not collect toll user fees from December 25, 2020. RRR had sent various communications to NHAI for such forceful suspension of toll. RRR has issued notice for termination of concession agreement on July 27, 2021 considering the above event as Force Majeure Event in terms of concession agreement. RRR has filed claim amounting to ₹ 3,95,784.40 lakhs relating to termination payments, O&M cost due to force majeure, Covid claim & demonetization etc. with NHAI in terms of concession agreement. In respect of such claims, NHAI has approached to the RRR for settlement of all these claims by way of conciliation proceedings, which has been consented by it. Considering the management assessment of probability and tenability of receiving above claims from NHAI as per the terms of concession agreement, which is backed by legal opinion and communications from NHAI for conciliation, the management has assessed that there is no impairment in the value of outstanding amount in RRR and consequently no provision/ adjustment to the carrying value of loan, trade and other receivable as at March 31, 2022, is considered necessary. 2. SSS Limited, one of the step-down subsidiary company which is engaged in construction, operation and maintenance of road project under concession agreement with NHAI, the lenders of the SSS have notified to NHAI about exercise of their right of substitution of concessionaire i.e., SSS in the month of January 2022, in response to the notice of intention to terminate the Concession Agreement by NHAI. The lenders have also requested to NHAI to allow 180 days time for the substitution of the concessionaire. As on the date of approval of these financial statements, the period of 180 days is not over. In terms of concession agreement, in case of substitution of the concessionaire, the project of the SSS shall be transferred to nominated company selected by the lender. The management of SSS has carried out impairment assessment of investments of the SSS as at balance sheet date. Considering the pending procedure for substitution and based on the impairment assessment, no adjustment to the carrying value of assets of SSS have been made in the financial statements.

Company 12.17	
Basis for Qualified Opinion	1. We draw attention to Note 46 and Note 47 to the accompanying Standalone Financial Statements with respect to investment in and loan & advances to RRR and TTT subsidiaries of the company. Both the subsidiaries have issued notice of termination of concession agreement to National Highway Authority of India {NHAI) on account of Force Majeure Event as per concession agreement. As explained in the said note, the company has carried out impairment assessment of investment

WWW.TAXSCAN.IN - Simplifying Tax Laws

	in these subsidiaries considering the expected payment arising out of aforesaid termination and other claims filed with NHAI and based on the above assessment, management has concluded that no impairment/adjustment to the carrying value of the investment is necessary as at March 31, 2022. We have not been able to corroborate the management's contention of realising the carrying value of investments and loans and advances related to both subsidiaries aggregating to ₹ 7,947.52 million as on the reporting date. Accordingly, we are unable to comment on appropriateness of the carrying value of such investment and loans and advances and their consequential impact on the financial statements and financial position of the company as at and for the year ended on March 31, 2022. 2. We draw attention to Note 49 of the accompanying standalone financial statements with respect to investment in and loan & advances SSS, subsidiary of the company where lenders of SSS have notified to NHAI about exercise of their right of substitution of concessionaire in the month of January, 2022. As explained in the said note substitution proceedings are not over as on the date of balance sheet and also the management has carried out impairment assessment of investment in this subsidiary duly considering the expected payment arising out of aforesaid substitution. Based on these aspects, the management has concluded that no adjustment to the carrying values of the investments in and loan5 and advances to SSS is necessary as at March We have not been able to corroborate the management's contention of realising the carrying value of investment and loans and advances (including interest accrued) related to SSS aggregating to ₹ 1,724.65 million as the reporting date. Accordingly, we are unable to comment on appropriateness of the carrying value of such investment and loans and advances and their consequential impact on the financial statements and financial position of the company as at and for the year ended on March 31, 2022. 3. As detailed in Note 12 of the accompanying consolidated Financial Statements with respect to SSS subsidiary of the group where lenders of SSS have notified to NHAI about exercise of their right of substitution of concessionaire in the month of January, 2022. As mentioned in the said note, no adjustment to the carrying value of assets and liabilities have been made in the financial statements of SSS and the financial statements of SSS is prepared on going concern basis. Owing to the uncertainty of outcome of substitution proceedings and lack of other alternate audit evidence, we are unable to comment about adjustment that may be required to the carrying value of Assets and liabilities and their consequential impact on the financial position of the Group as on March 31, 2022.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	The auditors of SSS have also expressed qualified opinion on the financial statements of SSS for the year ended 31 March 2022 vide their report dated May 26, 2022.
Management Response	1. The Company has investments of ₹ 217.74 million and subordinate debts of ₹ 4688.73 million in TTT a subsidiary company which is engaged in construction, operation and maintenance of infrastructure projects under concession agreement with National Highways Authorities of India (NHAI). The net worth of this subsidiary company has fully eroded. Further the toll collection was forcefully suspended due to agitation and protest held by farmers and other unions against Agri marketing laws from December 25, 2020. Accordingly, the subsidiary company could not collect toll user fees from December 25, 2020. The subsidiary company had sent various communications to NHAI for such forceful suspension of toll. The said subsidiary company has issued notice for termination of concession agreement on July 27, 2021 considering the above event as Force Majeure Event in terms of concession agreement. The said subsidiary has filed claim of ₹ 12,519.05 million towards termination payment and claims of ₹ 26,896.94 millions towards compensation due to loss of revenue on account of COVID-19 pandemic and Farmers' strike with NHAI in terms of concession agreement. In respect of such claims, NHAI has approached to the company for settlement of all these claims by way of conciliation proceedings, which has been consented by the company Further the toll collection was forcefully suspended due to agitation and protest held by farmers and other unions against Agri marketing. laws from December 25, 2020. Accordingly, the subsidiary company could not collect toll user fees from December 25, 2020. The subsidiary company had sent various communications to NHAI for such forceful suspension of toll. The said subsidiary company has issued notice for termination of concession agreement on July 27, 2021 considering the above event as Force Majeure Event in terms of concession agreement. The said subsidiary has filed claim of ₹ 12,519.05 million towards termination payment and claims of ₹ 26,896.94 millions towards compensation due to loss of revenue on account of COVID-19 pandemic and Farmers' strike with NHAI in terms of concession agreement. In respect of such claims, NHAI has approached to the company for settlement of all these claims by way of conciliation proceedings, which has been consented by the company. 2. The Company has investments of ₹ 107.68 million and subordinate debts of ₹ 2893.42 million in its one subsidiary namely RRR a subsidiary company which is engaged in construction, operation and maintenance of infrastructure projects under concession agreement with National Highways Authorities of India. The net worth of this subsidiary company has fully eroded. Further the toll collection was forcefully suspended due to agitation and protest held by farmers and other unions against Agri marketing laws

Analysis of Modified Opinions — Civil Construction

	from December 25, 2020. Accordingly, the subsidiary company could not collect toll user fees from December 25, 2020. The subsidiary company had sent various communications to NHAI for such forceful suspension of toll. The said subsidiary company has issued notice for termination of concession agreement on August 27, 2021 considering the above event as Force Majeure Event in terms of concession agreement. The said subsidiary has filed claim of ₹ 12,331.72 millions towards termination payment and claims of ₹ 3,793.61 millions towards compensation due to loss of revenue on account of COVID-19 pandemic and Farmers' strike with NHAI in terms of concession agreement. Considering the management assessment of probability and tenability of receiving above claims from NHAI as per the terms of concession agreement and communications from NHAI for conciliation, the management has assessed that there is no impairment in the value of investments made by the company in the subsidiary and consequently no provision/ adjustment to the carrying value of Investments and subordinate debts and loans and advances as at March 31, 2022 is considered necessary. 3. SSS, one of the subsidiary companies which is engaged in construction, operation and maintenance of road project under concession agreement with NHAI, the lenders of the subsidiary have notified to NHAI about exercise of their right of substitution of concessionaire i.e., SSS in the month of January 2022, in response to the notice of intention to terminate the Concession Agreement by NHAI. The lenders have also requested to NHAI to allow 180 day's time for the substitution of the concessionaire. As on the date of approval of these financial statements, the period of 180 days is not over. In terms of concession agreement, in case of substitution of the concessionaire, the project of the company shall be transferred to nominated company selected by the lender. The management of SSS has carried out impairment. assessment of investments of the company as at balance sheet date. Considering the pending procedure for substitution and based on the impairment assessment, no adjustment to the carrying value of investments/assets of SSS have been made in the financial statements

Company 12.18	
Basis for Qualified Opinion	1. The carrying value of Deferred Tax Asset (DTA) include an amount of ₹ 39,645.00 Lakhs (March 31, 2021: ₹ 43,889.00 Lakhs) which is recognized on unabsorbed business losses. Due to unavailability of sufficient appropriate audit evidence to corroborate management's assessment on reasonable certainty of future taxable profits, as required by Ind AS 12- Income Taxes and considering the current pandemic situation, we are unable to ascertain the extent to which the deferred tax asset can be utilized. (Refer Note 44 of the standalone financial statements) This matter was also qualified in our report on the standalone financial statements for the year ended March 31, 2021.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. Contract Asset (Non-Current) include ₹ 3,956.02 Lakhs (Net of provisions amounting to ₹ 926.98 Lakhs) relating to project dues which is not progressing on account of Statutory delays faced by the Customer. In the absence of positive development in this matter till date, there is uncertainty on the amount that would be recoverable by the Company. Further, sufficient appropriate audit evidence to corroborate management's assessment of recoverability of the above said amounts are not available. Accordingly, we are unable to comment on the carrying value of above-mentioned Contract Asset (Non-Current) and the impact if any, on account of non-provisioning of the said balance on the standalone financial statements. (Refer to Note 08 of the Standalone Financial Statements). According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls with reference to standalone financial statements as at March 31, 2022: (a) Provisioning of contract assets which is outstanding for a substantial period of time, which could potentially result in the Company not recognizing a provision for the said assets. (b) Assessment of future taxable profits which could result in recognition of excess deferred tax asset which the Company may not be able to utilize.
Management Response	1. Against the carried forward loss of ₹ 2,11,013 lakhs, the company has recognised Deferred Tax Asset (DTA) on a carry forward loss of ₹ 1,28,547 lakhs which results in DTA of ₹ 39,645 lakhs (March 31, 2021 -₹ 43,889.00 Lakhs). Considering potential order book as on date, future business prospects in the light of implementation of resolution plan, projects in pipeline etc., the management is confident of adjusting these carry forward losses and reversal of DTA before the expiry of the period for which this benefit is available. 2. The Company entered into a contract to construct Ammonia plant for BBB The project is stalled due to delays in statutory approvals. The total exposure in this project recorded under Unbilled Revenue is ₹ 3,956.02 Lakhs (March 31, 2021 – ₹ 3,956.02 Lakhs) Considering that BBB is under liquidation and do not have any financial creditor, management is of the view that BBB will be in a position to settle company's dues in full.

Company 12.19	
Basis for Qualified Opinion	1. No Provision against development right cost amounting to ₹ 556.30 lakhs (refer to note no 34. (j) which appears unrecoverable. 2. Liability of Lease rent against land taken from local municipality for a period of 99 years has not been provided for in terms of Ind AS 116 - (refer to note 35(i). 3. No Provision for obsolete stores Note No.34 (o).

Analysis of Modified Opinions — Civil Construction

	4. Management's liability to determine fair value of non - current investment in equity instruments book valuing ₹ 94.76 lakhs with consequent impact on OCI.
Management Response	1. The Company has not provided any amortization cost for development rights of ₹ 556.30 Lakhs. The amount due for amortization up to date not yet ascertained by the Management. 2. Liability of lease rent had not yet been paid or provided in books of accounts in respect of XYZ. Moreover, the quantum of lease amount based on lease deeds had not yet been ascertained in absence of the current market price of the said properties. However, the matter will be dealt with in future with the relevant authorities. 3. No Provision for Obsolete stock valued for ₹ 79.37 Lakhs made in the accounts. 4. Various credit facilities availed from XYZ Bank, PQR Bank, DEF Bank, RST Bank and MNO Bank have been assigned by the respective banks and Asset Reconstruction Companies under various assignment agreements between the respective banks and Asset Reconstruction Companies.

Company 12.20	
Basis for Qualified Opinion	1. Note 41(a) to the accompanying Ind AS Standalone Financial Statements regarding old pending certifications of unbilled revenues pertaining to earlier years aggregating ₹ 3,318 lacs (PY ₹ 2,858 lacs) year as per the management, they are in regular discussion with the concerned customers for completion of necessary certification which often takes significant period of time and varies from project to project and also believes that above unbilled revenue will be billed and realized in due course. In the absence of any convincing evidence to support the management's estimates of such future assumptions, we are unable to comment whether the aforesaid balances are recoverable at this stage. 2. Note 38 to the accompanying Ind AS Standalone Financial Statements 1. Regarding certain old balances of trade receivables of ₹ 8,216 lacs (PY ₹ 9,598 lacs) due from customer against various projects are outstanding for a considerable period of time but management is of view these are good at this stage and recoverable. In the absence of confirmation or any other convincing evidence to support the management's estimates of such future assumptions, we are unable to comment whether the aforesaid balances are recoverable at this stage 3. Regarding old inventories aggregating ₹ 770 lacs (PY ₹ 1,862 lacs) pertaining to certain completed projects are good and readily useable in the view of management. In the absence of any convincing evidence to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	support the management's estimates of such future assumptions, we are unable to comment whether the aforesaid inventories are good and readily usable at this stage. 4. Regarding retention monies amounting of ₹ 2,890 lacs (PY ₹ 3,320 lacs) which are receivable only after contracts are completed and clearance of final bill by customer and after expiry of defect liability period was pending for settlement in certain completed contracts. As informed by the management regularly reviewed the old outstanding receivables and in the opinion of the management, the retention amount is good and recoverable. In the absence of confirmation or any other convincing evidence to support the management's estimates of such future assumptions, we are unable to comment whether the aforesaid balances are recoverable at this stage. 5. Note 39 to the accompanying Ind AS Standalone Financial Statements regarding loans and advances pertaining to earlier years amounting to ₹ 33,478 lacs (PY ₹ 8,022 lacs), as informed to us, the company is in active pursuit and confident of recovery/ settlement of these advances. In the absence of confirmation or any other convincing evidence to support the management's estimates of such future assumptions, we are unable to comment whether the aforesaid balances are recoverable at this stage. 6. Note 36 to the accompanying Ind AS Standalone Financial Statement regarding company's default in payment of principal and interest of ₹ 2,75,193 lacs (PY ₹ 1,81,528 lacs) due on revolving facilities like cash credit, WCDL obtained from banks and also defaulted in repayment of interest and principal aggregating ₹ 82,938 lacs (PY ₹ 43,701 lacs) due and payable to Debenture holders on the non-convertible debentures and term loan. 7. The Company has recognized net deferred tax assets amounting to ₹ 61,947 lacs as at March 31, 2022 mainly on account of carried forward unabsorbed tax losses, unused tax credit and other taxable temporary differences on the basis of expected availability of future taxable profit for utilization of such deferred tax assets which depends on successful implementation of the resolution plan as referred to in Note 13 of the accompanying Statement.
Management Response	1. The Management is of the view that recognition of unbilled revenue is based on Cost to Complete (CTC) estimates as per Percentage of Completion Method (POCM) under Ind AS 115 'Revenue from Contracts with Customers'. This CTC is regularly reviewed, and necessary changes are effected by the Management. Certification of unbilled revenue by customers and acceptance of final bills by customers often takes significant period of time and varies from project to project. At this stage, based on discussions with concerned customers, the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Management believes that unbilled revenue of ₹ 3,318 lacs of Auditors Qualified opinion on the Financial Statements as at31st March, 2022 (PY ₹ 2,858 lacs) included in ₹ 37,460 lacs (PY ₹ 31,661 lacs) as mentioned in note no. 41(a) of Financial Statements as at 31st March, 2022 will be billed and realised in due course. The matter has been explained in note 41(a) forming part of the standalone financial statements. 2. The Management is of the view that Trade receivables aggregating ₹ 8,216 lacs of Auditors Qualified opinion on the Financial Statements as at 31st March, 2022 (PY ₹ 9,598 lacs) included in ₹11,867 lacs (PY ₹12,926 lacs) as mentioned in note no. 38 of Financial Statements as at 31st March, 2022 from customers in respect of various project sites are outstanding for a long period of time. At this stage, based on discussions and correspondences with customers, the management believes the above balances are good and recoverable. Inventories aggregating ₹ 770 lacs (PY ₹ 1,862 lacs) as on 31st March, 2022 pertaining to certain completed project sites are readily usable. Retention monies due from customers are receivable only after clearance of final bill by customers and after expiry of defect liability period after execution of contracts. In the opinion of the management, such retention amounts aggregating ₹ 2,890 lacs of Auditors Qualified opinion on the Financial Statements as at 31st March, 2022 (PY ₹ 3,320 lacs) included in ₹ 3,151 lacs (PY ₹ 3,704 lacs) as mentioned in note no. 38 of Financial Statements as at 31st March, 2022 of certain completed contracts as on 31st March, 2022 are good and recoverable. The matter has been explained in Note 38 forming part of the standalone financial statements. 3. The Management is of the view that Loans and Advances amounting to ₹ 33,478 Lakhs (PY ₹ 8,022 lacs) as on 31st March,2022, for which the Company is in active pursuit and confident of recovery/ settlement of such advances within a reasonable period of time. The matter has been explained in Note 39 forming part of the standalone financial Statements. 4. The Management is of the view that the Company has incurred net loss of ₹ 52,631 Lakhs for the year ended 31st March 2022, as also there was default in payment of financial debts, to its bankers and others amounting to ₹ 3,58,131 Lakhs as on 31st March, 2022. The Company is in the process of finalizing a resolution plan with its lenders having underlying strength of the Company's healthy order book position and future growth outlook. The Company is confident of improving the credit profile including time bound realization of its assets, arbitration claims etc. which would result in meeting its obligation in due course of time. Accordingly, the Management considers it appropriate to prepare these financial results on going concern basis. The matter has been explained in Note 36 forming part of the standalone financial statements. The Management is of the view that Deferred Tax Asset will be adjusted against future projected current tax liability. The Management is

WWW.TAXSCAN.IN - Simplifying Tax Laws

	confident. That the Resolution Plan which is under process of finalization will be approved by the Lenders and the said projected profit and current tax liability will be adjusted against the Deferred Tax Asset. The matter has been explained in Note 41(c) forming part of the standalone financial statements. The Board is of the opinion that the matter being elucidated in detail above and also at Note no.36, 38, 39, 41(a) and 41(c) of the standalone financial statements are self-explanatory and do not call for further explanation.

Company 12.21	
Basis for Qualified Opinion	1. Attention is drawn towards the Note No. 17.2.(vii) of the standalone financial statements in case of RRR Ltd., which company has disputed and based on that, the Company, during the year ended 31st March, 2021 has not accounted interest (excluding penal interest) of ₹ 1665.45 lakhs on the loan taken from RRR Ltd. Had this been accounted, the Loss and the Liabilities would have increased to the extent of the amount specified above. 2. Attention is drawn towards the Note No. 17.2.(iv) & 17.2.(ix) of the standalone financial statements in case of disputed borrowings with certain lenders including IL&FS, and based on that, the Company, during the year ended March 31, 2022 has not accounted interest (excluding penal interest) of ₹ 5298.50 lakhs respectively. Had this been accounted, the Loss and the Liabilities would have increased to the extent of the amount specified above. 3. The impact of the penal interest on the borrowings mentioned in point (a) & (b) above is not ascertainable by the company due to lack of confirmation from lenders and cannot be commented upon. 4. The outstanding balances of borrowing of the following lenders are subject to confirmation: (Amt. in lakhs) Sr. No. — Name of Lender — Principal — Interest 1 — MNO Bank — 3,337.00 — 3,857.35 2 — RST Bank — 564.14 — 432.56 3 — ASB Bank — 37,058.95 — 8,998.76
Management Response	1. An amount of ₹ 9,802 lakhs shown as received from RRR Limited, a part of AA Group Company, promoted, owned and controlled by Shri XYZ, are not payable till such time a sum of ₹ 50,653.15 lakhs shown as receivable / recoverable under the head “Other Advances”, from AA Group Companies, promoted, owned and controlled by Shri XYZ are received and the obligations in accordance with the Purchase Agreement dated 4th March, 2015 signed between the Company, SS

Analysis of Modified Opinions — Civil Construction

	Holdings Pvt. Ltd. & others with the AA Group Companies, promoted, owned and controlled by Shri XYZ, viz, RRR Limited and DDD Pvt. Ltd. are fulfilled by AA Group Companies. It's a part of composite transaction emanating from and in connection with the sale of Pipavav Defence project to AA Group in accordance with the said Purchase Agreement and also based on the facts, circumstances and documents available on record. In view of above, the Company do not acknowledge or accept the liability of RRR. 2. On account of on-going disputes with Lenders including PQR, considering the facts, circumstances, documents and particular nature of transactions, the Company and has not booked any interest on amount of ₹ 25,148.43 Lakhs shown as received from Lenders. 3. The impact of the penal interest on the borrowings mentioned in point (a) & (b) above is not ascertainable by the company due to lack of confirmation from lenders and cannot be commented upon. 4. As the Company has not received confirmations from the Banks, the Management is not able to quantify the impact on the same.

Company 12.22	
Basis for Qualified Opinion	1. Note no. 42 to the standalone financial statements, interest on YTM basis amounting to ₹ 6,027.24 lakhs (31st March, 2021: ₹ 5,560.59 lakhs) was not provided on Optionally Convertible Debentures ('OCDs') issued to lenders under S4A scheme, which is not in accordance with the requirements of Ind AS 23: Borrowing Costs read with Ind AS 109: Financial Instruments. Had such interest expense been recognized, the finance costs, profit before tax, profit after tax and total comprehensive income would have been impacted to the extent of the aforesaid amount for the year ended 31st March, 2022. Further, since the issue of OCDs, the total liability not provided for in respect of such interest on YTM basis is ₹ 23,314.53 lakhs as at 31st March, 2022 (31st March, 2021: ₹ 17,287.29 lakhs). The Auditor's Report for the year ended 31st March, 2021 was also qualified in respect of this matter. 2. Note no. 16.8 to the standalone financial statements, interest expense of ₹ 19,795.66 lakhs on the Company's borrowings from certain financial creditors (banks & financial institutions) has not been recognized for the year ended 31st March, 2022 (31st March, 2021: ₹ 18,685.60 lakhs). This is not in accordance with the requirements of Ind AS 23: Borrowing Costs read with Ind AS 109: Financial Instruments. Had the aforesaid interest expense been recognized, the finance costs, profit before tax, profit after tax and total comprehensive income would have been impacted to the extent of the aforesaid amount for the year ended 31st March, 2022. The Auditor's Report for the year ended 31st March, 2021 was also qualified in respect of this matter. Further, ₹ 463.74 lakhs representing liability upto 31st March 2021, towards interest expense on

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the Company's borrowings from financial creditors (other than banks and financial institutions), had been written back during the year ended 31st March, 2022 and interest expense of ₹ 714.06 lakhs on such borrowings has not been recognized for the year ended 31st March, 2022. This is not in accordance with the requirements of Ind AS 23: Borrowing Costs read with Ind AS 109: Financial Instruments. Had the aforesaid liability towards interest expense not been written back and the aforesaid interest expense been recognised, the finance costs, profit before tax, profit after tax and total comprehensive income would have been impacted to the extent of the aforesaid amounts for the year ended 31st March, 2022. 3. Note no. 43 to the standalone financial statements, the Company's trade receivables (net of ECL) and inventories as at 31st March, 2022 include ₹ 8,066.17 lakhs and ₹ 1,042.44 lakhs respectively (31st March, 2021: ₹ 8,017.29 lacs and ₹ 1,120.38 Lacs respectively) relating to certain projects where the claims are presently under arbitration/ litigation proceedings. Pending the ultimate outcome of these matters (fate of which is presently unascertainable), we are unable to comment on the recoverability thereof. The Auditor's Report for the year ended 31st March, 2021 was also qualified in respect of this matter.
Management Response	The Auditors' Report(s) to the Members of the Company in respect of the Standalone Financial Statements and the Consolidated Financial Statements for the Financial Year ended March 31, 2022 are self-explanatory and the qualification or observations of the Auditors have been suitably addressed in Note No. 16.8 and 42 to 43 of the notes forming part of the standalone financials and Note No 17.11 and 42 to 43 of the notes forming part of the consolidated financials and therefore do not call for any further comments.

Company 12.23	
Basis for Qualified Opinion	1. As stated in Note 11.3 to the accompanying standalone financial statements, the Company's current financial assets as at March 31 2021 include trade receivables aggregating ₹ 45,680.90 lakhs in respect of projects which were closed/ substantially closed and where the receivables have been outstanding for a substantial period. Management has assessed that no adjustments are required to the carrying value of the aforesaid balances, which is not in accordance with the requirements of Ind AS 109, 'Financial Instruments'. Consequently, in the absence of sufficient appropriate evidence to support the management's contention of recoverability of these amounts and balance confirmations, we are unable to comment upon the adjustments, if any, that are required to the carrying value of trade receivable, and consequential impact, if any, on the accompanying standalone financial statement. The Opinion on the statement for the year ended 31 March 2020 was also modified in respect of this matter.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. As stated in Note 4.4 to the accompanying standalone financial statements, the Company's non-current investments as at March 31, 2021 include non-current investments in one of its subsidiary aggregating ₹ 142,556.84 lakhs. The subsidiary has significant accumulated losses, and its consolidated net-worth is fully eroded. Further, the subsidiary is facing liquidity constraints due to which it may not be able to realise projections as per the approved business plans. Based on the valuation report of an independent valuer as at March 31, 2019 and other factors described in the aforementioned note, Management has considered such balance as fully recoverable Management has assessed that no adjustments are required to the carrying value of the aforesaid balances, which is not in accordance with the requirements of Ind AS 109, 'Financial Instruments'. In the absence of sufficient appropriate evidence to support the management's assessment as above, continued losses in this subsidiary for FY 2020-21, and other relevant alternate evidence, we are unable to comment upon adjustments, if any, that may be required to the carrying values of these non-current investments and aforementioned dues and the consequential impact on the accompanying standalone financial statements. Previous opinion on the standalone financial statement for the year ended March 31, 2020 was also modified in respect of this matter. 3. Note 16.1 to the accompanying statements, the Company's other current financial liabilities as at March 31, 2021 include balance amounting to ₹ 57,909.52 Lakhs, in respect of which confirmations /statements from the respective banks/lenders have not been provided to us by the management of the Company. Further, in respect of certain loans while principal balance has been confirmed from the confirmations issued by the banks/ lenders, the interest accrued amounting ₹ 184,427.50 Lakhs have not been confirmed by banks/ lenders. In the absence of such confirmation from banks/ lenders or sufficient and appropriate alternate audit evidence, we are unable to comment on the adjustments and changes in classification of balances in accordance with the principle of Ind AS 1, presentation of financial statements, if any, that may be required to carrying value of the aforementioned balances in the accompanying statement. 4. As stated in Note 6.4 to the accompanying consolidated financial statements, relating to the Group's carrying value of net liability aggregating ₹ 82,255.06 lakhs and non-controlling interest amounting to ₹ (11,916.76) lakhs as at March 31, 2021 relating to ABC Private Limited, is a subsidiary of the Holding Company. This subsidiary is facing liquidity constraints due to which it may not be able to realize projections made as per its approved business plans. Based on the valuation report of an independent valuer as at March 31, 2019 and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	other factors described in the aforesaid note, Management has considered such balance as fully recoverable. In the absence of sufficient appropriate evidence to support the Management's assessment as above and other relevant alternate evidence, we are unable to comment upon adjustments, if any, that may be required to the carrying values of these balances and the consequential impact on the accompanying consolidated financial statements. 5. The accompanying consolidated financial statements include the unaudited financial statements of one subsidiary, whose financial statements (before eliminating inter-company balances/transactions) reflect total assets of ₹ 2,39,203.24 lakhs as at March 31,2021, total revenue of ₹ 12,499.79, total net loss after tax of ₹ 1,752.42 lakhs and total comprehensive income of ₹ (1,752.42) lakhs for the year ended on that date, as considered in the statement. These unaudited financial statements of the subsidiary company have been furnished to us by the Board of Directors and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on such unaudited financial statements. Since the revenue from this subsidiary comprise of more than 47% in group's revenue for the financial year ended March 31, 2021, in our opinion, these financial statements are material to the Group. Consequently, in the absence of audited financial statements of this subsidiary, we are unable to comment upon the adjustments, if any, that may be required to the carrying value of various assets and liabilities, and consequential impact, if any, on the accompanying consolidated financial statements. 6. Value of these balances on account of changes, if any, to the terms and conditions of the transactions, and consequential impact, on the accompanying consolidated financial statements. i. As stated in Note 20.4 to the accompanying consolidated financial statements, which indicate that KKK Private Limited, a subsidiary company, as stated in Note 4(b) of the financial statements, the Company's current maturities of non-current borrowings from financial institutions as at March 31, 2021 having balance of ₹ 3,103.92 lakhs and its interest of ₹ 3,990.22 lakhs in respect of which direct confirmations from the lender have not been received. These borrowings have been classified into current, as the loan has been classified as NPA. Further, whilst we have been able to perform alternate procedures with respect to certain balances, in the absence of confirmations from the lenders, we are unable to comment on the adjustments, if any, that may be required to the carrying value of these balances on account of changes, if any, to the terms and conditions of the transactions, and consequential impact, on the accompanying consolidated financial statements. We, further draw

WWW.TAXSCAN.IN - Simplifying Tax Laws

	attention to the following emphasis of matters on the consolidated financial statements of SSS subsidiary of the Holding Company issued by an independent firm of Chartered Accountants vide its report dated 18 September 2021 reproduced by us as under: We draw attention to Note 5.1 to the accompanying consolidated financial statements with respect to TTT, a subsidiary of SSS, intangible assets under development as at March 31, 2021 aggregating ₹ 14,525.10 lakhs, which is being substantially carry forward from earlier years in respect of cost incurred for construction of Funicular Ropeway under the BOT scheme. Based on the valuation report obtained, legal opinion and other matters as set forth in the aforesaid note, the management believes that no adjustment is required to the carrying value of the aforesaid balance. Our opinion is not modified in respect of this matter. According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at 31 March 2021: a. The Company's internal financial control in respect of supervisory and review controls over process of determining impairment allowance for trade receivables which are doubtful of recovery were not operating effectively. Absence of detailed assessment conducted by the management for determining the recoverability of trade receivables that remain long outstanding, in our opinion, could result in a potential material misstatement to the carrying value of trade receivables, and consequently, could also impact the loss (financial performance including comprehensive income) after tax. b. The Company's internal financial control in respect of supervisory and review controls over process of determining the carrying value of non-current investments were not operating effectively. Absence of detailed assessment conducted by the management for determining the carrying value of non-current investments, in our opinion, could result in a potential material misstatement to the carrying value of noncurrent investment, and consequently, could also impact the loss (financial performance including comprehensive income) after tax. c. Adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary which is companies incorporated in India, whose financial statements is unaudited and have been furnished to us by the management. Since the revenue from this subsidiary comprise of more than 47% in group's revenue for the financial year ended March 31, 2021, in our opinion, these financial statements are material to the Group. Consequently, in the absence of audited

WWW.TAXSCAN.IN - Simplifying Tax Laws

	financial statements of this subsidiary, we are unable to comment upon adequacy in the internal financial controls over financial reporting on the accompanying consolidated financial statements.
Management Response	1. Trade receivables as at 31 March 2021 include ₹ 45,680.90 Lakh (31 March 2020: ₹ 45,680.90 Lakh), in respect of projects which were closed/substantially closed and which are overdue for a substantial period of time. Based on the contract terms and the ongoing recovery/ arbitration procedures (which are at various stages), Management is reasonably confident of recovering these amounts in full. Accordingly, these amounts have been considered as good and recoverable. 2. ZZZ a subsidiary of SSS, lenders have referred SMBIPL to NCLT under RBI circular dated February 12, 2018, the said petition filed by the bank has been dismissed by Hon'ble NCLT in lieu of the directions given by Hon'ble Supreme Court of India in case of ABC Sugars and Ors. v/s Union of India and Ors. Further, commercial operation date (COD) in respect of few subsidiaries of SSS has been delayed due to various reasons attributable to the clients primarily due to non-availability of right of way, environmental clearances etc. and in respect of few subsidiaries, the toll receipts is lower as compared to the projected receipts on account of delay in receiving compensation from government for exempted vehicles. Further, there have been delays in repayment of principal and interest in respect of the borrowings and the respective entity is in discussion with their lenders for the restructuring of the loans. Management is in discussion with the respective lenders, clients for the availability of right of way and other required clearances and is confident of resolving the matter without any loss to the respective SPVs. Therefore, based on certain estimates like future business plans, growth prospects, ongoing discussions with the clients and consortium lenders, the valuation report of the independent valuer and other factors, Management believes that the net- worth of SSS does not represent its true market value and the realizable amount of SSS is higher than the carrying value of the non-current investments as at March 31, 2021 and due to which these are considered as good and recoverable. 3. Other current financial liabilities as at March 31, 2021 include balance amounting to ₹ 57,909.52 Lakhs, in respect of which confirmations/ statements" from the respective banks/ lenders have not been received. Further, in respect of certain loans while principal balance has been confirmed from the confirmations issued by the banks/lenders, the interest accrued amounting ₹ 184,427.50 Lakhs have not been confirmed by banks/lenders. In the absence of confirmations/ statements from the lenders, the Company has provided for interest and other penal charges on these borrowings based on the latest communication available from the respective fenders at the interest rate specified in the agreement. The Company's management believes that amount payable on settlement will not exceed the liability provided in books in respect of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	these borrowings. Accordingly, classification of these borrowings into current and Non-Current as at 31st March 2021 is based on the original maturity terms stated in the agreements with the lenders.

Company 12.24	
Basis for Disclaimer of Opinion	1. Due to anomalies with respect to listing of 99,19,032 equity shares of promoters on NSE and BSE the resolution plan approved by Hon'ble NCLT is yet to be implemented. Further, keeping in view the delay in the implementation of the Resolution Plan, the Monitoring Committee has approached the Hon'ble NCLT to set aside the order dated 24th day of February, 2020. The SRA is contesting the same and the Hon'ble NCLT is seized of the matter. We have been informed by the management that the impact of the application filed can be given only on adjudication by the Hon'ble NCLT. Accordingly, pending such adjudication and unavailability of sufficient and appropriate evidence, we are unable to express our conclusion on the same. 2. Amount receivables and payables including certain balances under cash & cash equivalents (Fixed Deposit), trade receivables/payables, loans, other financial assets, other assets/ liabilities are subject to balance confirmations and reconciliations thereof, if any required. 3. Non-ascertainment and provision for slow/non/obsolete inventory and as such consequent impact thereof on the financial statement of the company, if any, cannot be commented upon by us.
Management Response	As regards to qualified opinion and emphasis of matters expressed by the Auditors in their Report with regards to the Standalone Financial Statement, attention is hereby drawn to the notes of Standalone Financial Statement which are self-explanatory and, therefore, do not call for any further comments.

Company 12.25	
Basis for Qualified Opinion	We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143 (10) of the Companies Act, 2013 (the Act). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Results section of our report. We are independent of the Group 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 results 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 obtained by us, referred to in "Other Matters" paragraph below is

WWW.TAXSCAN.IN - Simplifying Tax Laws

	sufficient and appropriate to provide a basis for our opinion. 1. The consolidated financial statements include financial statements of joint ventures which are not available or not audited wherever available. 2. Internal audit report is not made available for the purpose of our audit and reporting.
Management Response	There is no audit qualification, reservation or adverse remark for the year under review.

Company 12.26	
Basis for Qualified Opinion	We draw attention to note 48, 49 & 50 to the standalone financial statements with regard to multiple significant uncertainties faced by the Company such as (a) Non availability of funds from banks and also declaration of loans as NPA (b) Poor recovery from debtors (c) Invocation of performance guarantees /bank guarantees (d) Litigation with debtors (e) Balance of Trade Receivables being subject to confirmation. The impact of the above matters, if any, on the standalone financial statements is presently not ascertainable.
Management Response	In view of the management, in F.Y. 2019, the Company was unable to secure growth capital from its lenders which directly led to delay in supply of materials to site and was unable to send site funds to its project sites directly impacting requisite project progress which led to termination of several Contracts and invocation of Bank Guarantees which led the accounts turning NPA. Since then, the Company has been operating as a “Going Concern” through a “Holding on Operations” facility extended by its Lenders

WWW.TAXSCAN.IN - Simplifying Tax Laws

13. Commodity Chemicals

Company 13.1	
Basis for Qualified Opinion	The company had entered into derivative contract for sale of foreign currency with JKL Bank Ltd. in financial year 2008-2009 which has resulted into loss to the tune of ₹ 197.52 lacs against which the sum of ₹ 55.07 lacs has already been paid to JKL Bank Ltd. and charged to Statement of Profit and Loss in the aforesaid financial year. Consequent upon adjustment of fixed deposits amounting to ₹ 23.64 lacs against the balance loss of ₹ 142.46 lacs, the liability on account of aforesaid loss, as per bank statement provided up to 31st January, 2013 stands to ₹ 147.07 including interest, which has not been provided for by the company. Such non provision of liability has resulted into noncompliance of Ind AS 37 issued by Institute of Chartered Accountants of India and also resulted into understatement of current liabilities. Since the interest/charges, if any, for the period from 1st February, 2013 to 31st March, 2022 has not been intimated to company, the impact thereof on profit for the year under review could not be ascertained the company, however, considered aforesaid liability as contingent in nature and disclosed a sum of ₹ 11.00 Lacs as contingent liability as against ₹ 147.07 Lacs which was hitherto disclosed as contingent liability in earlier financial year as referred to note 42 of financial statements. Had the observations made by us in Para above been considered, there would have been profit for the year amounting to ₹ 676.09 lacs as against reported profit of ₹ 823.156 Lacs, current liabilities would have been ₹ 3907.54 lacs as against reported current liabilities of ₹ 3760.47 lacs.
Management Response	The Statutory Auditors' Report on the financial statements of the Company for the financial year ended on 31st March,2022 is self-explanatory, except for the effects of the matter described in the basis for Qualified Opinion, other than that, do not call for further explanations or comments. With regard to the observation of auditors relating to Non provision of the option loss including interest, the management has given proposal to JKL Bank for amicable settlement for amount of rupees of Eleven lakhs as full and final amount.

Company 13.2	
Basis for Qualified Opinion	1. The Company continues to prepare its accounts as going concern basis, despite facts that. a) There is an erosion in the Net Worth of the Company b) Company is incurring losses since last many years 2. The Company has not complied with the TDS provisions of the Income-tax Act. 3. The Company has not complied with provision of Ind AS 19 for Employee benefits.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	The Company is making Losses and with the infusion of funds from the Promoter Group is able manage and sustain. However, the Company is working towards its development. The Management is hopeful and confident that in future the Company will prosper with diversification of Business Activities. Looking to the fair accounting Policy, the Company will comply with the applicable provisions in the due course.

Company 13.3	
Basis for Qualified Opinion	Refer to standalone financial statements, all the value with regards to financial assets and financial liabilities in the financial statements has been stated at historical cost only irrespective of the fair value of the same which is departure from requirement of Ind AS 113 (Fair Value Measurement) and Ind AS 109 (Financial Instruments).
Management Response	There is no Qualification remark of the Statutory Auditor of the Company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

14. Computers - Software & Consulting

Company 14.1	
Basis for Qualified Opinion	The Holding Company has an old Outstanding debarred balance of Debtors of ₹ 230.58 Lakhs which is taken over by ZZZ during the year. As per the agreement, ZZZ has agreed to take over the above debarred balance of Debtors which is approximately 3,17,057 USD (considering rate of ₹ 72.73) for 3,00,000/- USD and the payment shall be made to the Company in 3 years commencing from the current year. During the year ZZZ has paid 45,000 USD (₹ 33.26 Lakhs) to the company in connection to the above book debts takeover. The Company has charged ₹ 4.24 Lakhs as "Loss on debt takeover" during the year to Profit and Loss statement on proportionate basis as provided in the agreement. However, in our opinion the loss on debt takeover should be wholly booked in current year itself and not on proportionate basis in three years. Therefore, total loss of ₹ 12.86 Lakhs should be charged to profit and loss statement instead of ₹ 4.24 Lakhs (₹ 4.24 lakh already charged in year 20-21). Thus, Debtors are overstated by ₹ 4.38 lakhs (₹ 8.62 Lakhs – ₹ 4.24 Lakhs) and profit before tax reported in financial results is overstated by ₹ 4.38 Lakhs.
Management Response	The observation made by the Auditors in their report has been duly clarified/ explained in the relevant notes forming part of the Annual Accounts which are self-explanatory.

Company 14.2	
Basis for Qualified Opinion	Gratuity Provision is required in respect of employees as required under Payment of Gratuity Act, 1972 by following independent actuarial valuations as at the balance sheet date by using the project unit cost method as mandated by Ind AS 19, "Employee Benefits" prescribed under Companies (Indian Accounting Standards) Rules, 2015. The Company has not made any provision for Gratuity and the same is in contravention of Ind AS 19, Employee Benefits. We are unable to ascertain the financial implication of the same. The net profit for the year and cumulative net profits are overstated and the provisions are understated to that extent.
Management Response	All observations made in the Audit Report on Financial Statements are self-explanatory and do not call for any further comments under section 134 of the Companies Act, 2013. The qualifications reported by auditor were properly explained by directors in statement of impact submitted to stock exchange.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 14.3	
Basis for Qualified Opinion	1. As stated in note 39 of the financial statements, The Company have an overdue statutory dues as on 31st March 2022 in respect of Sales Tax / Service Tax / Goods and Service Tax of ₹ 265.33 lacs (including interest of ₹ 127.84 lacs), Provident Fund / ESIC / Professional Tax of ₹ 199.38 lacs (including interest of ₹ 89.83 lacs) and Tax Deducted at Source or ₹ 684.16 lacs (including interest of ₹ 310.95 lacs). Though the Company has provided for interest up to 31st March 2022 in respect of these liabilities, any other consequential impacts as per the respective laws are not ascertained at present. Accordingly, We are unable to comment upon the resultant effect of same on the Assets, Liability and Loss of the company. 2. As stated in note 40 of the financial statements, the Company has not provided rent for the year ended 31st March, 2022 amounting to ₹ 113.84 lacs in respect of office premises owned by a promoter of the Company jointly with his partner in other business. since the Company is having stress in working capital finance and major funds are utilized in intangible assets under development and current pandemic situation. Had these expenses have been recognized by the Company, Rent expense, loss for the year would have been higher by ₹ 113.85 lacs and liabilities and debit balance of other equity would have been higher by ₹ 341.52 lacs as at 31st March, 2022. 3. Attention is invited to Note no. 41 in respect of deferred tax assets amounting to ₹ 104.23 lacs, in the absence of appropriate audit evidence for reasonable certainty of its realisation, had the said deferred tax assets have not been recognised, loss for year end, debit balance of other equity would have been higher by and assets would have been lower by ₹ 104.23 lacs. 4. Attention is invited to Note no. 42 in respect of Intangible Assets under Development amounting to ₹ 2431.02 lacs which is not completed since long time. In the absence of appropriate audit evidence, we are unable to comment whether it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and impairment loss if any in respect of the same. Accordingly, we are unable to comment upon the resultant effect of same on the Assets, Liability and Loss of the company. 5. According to the information and explanation given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at 31st March, 2022: The documentation in respect of specific policies and procedures and the IT Controls pertaining to internal financial controls over financial reporting are not adequate and needs to be further strengthened.

Analysis of Modified Opinions — Computers - Software & Consulting

Management Response	1. The company has paid a sum of ₹ 25.52 Lakhs for FY 21-22 and will be servicing all the statutory dues in the next financial year. 2. There is no rental agreement between the Company and Landlord currently. Rental provision will be made as per the new rental agreement, if any. 3. The company has recognized deferred tax assets as management believes that the Company will generate sufficient profits in near future to realise the same. 4. The Company is developing software related to Business Intelligence & Analytics; Data Analytics Solutions. The expected future benefit from the assets under development will flow to the company. 5. The Company is in the process of strengthening the internal controls and reporting.

Company 14.4	
Basis for Qualified Opinion	1. The Company has investment of ₹ 20,000 Lakhs (face value) in secured non-convertible debentures issued by XYZ Networks Ltd (XYZNL) (subsidiary of ABC Ltd – ABC). XYZNL has defaulted in repayment of interest and various rating agencies revised their credit ratings to the lowest category 'D' i.e., default. Resolution process has been initiated for XYZNL, in addition to various investigations and legal proceedings. The Company's management has also taken various measures including filing legal cases against specified parties. (Refer note 45). In addition, the Company has investment of ₹ 30,000 Lakhs (face value) in Perpetual Additional Tier I bonds ("AT I bonds") issued by ASB Bank Limited ("ASB Bank"). On March 14, 2020, ASB Bank through its administrator informed the stock exchanges that these AT I bonds need to be fully written down permanently and stand extinguished with immediate effect. Trustee and the Company have taken legal recourse to this action of the ASB bank. (Refer note 47). The Company's management and those charged with Governance have represented to us that since these matters are pending at various stages of adjudication and considering the uncertainties, management is unable to quantify the impact on these investments. 2. As stated by the Management of the Company in Note 52 to the Standalone Financial Statements, Civil Suits have been filed against the Company in relation to event occurred on National Spot Exchange Limited trading platform. These matters are pending at various stages of adjudication. As stated in the said note, the management of the Company does not foresee that the parties who have filed Civil Suits would be able to sustain any claim against the Company. In addition, as stated by the management in note 52, 53 and 54 to the Standalone

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Financial Statements, there are First Information Reports ("FIR") / complaints/ charge-sheets /orders / notices registered / received against various parties including the Company from/ with the Economic Offences Wing of the Mumbai Police (EOW), Central Bureau of Investigation (CBI), Home Department - Government of Maharashtra under MPID Act, the Directorate of Enforcement and the Serious Fraud Investigation Office (SFIO). Above matters are pending at various stages of adjudication/investigation. (Refer Note 52, 53 and 54). In this regard, the Management and those charged with Governance have represented to us that other than as stated in the said notes to the Standalone Financial Statements, there are no claims, litigations, potential settlements involving the Company directly or indirectly which require adjustments to / disclosures in the Standalone Financial Statements and that the ability of the Company to continue as a going concern entity and to carry out its day-to-day operations / activities is not seriously affected due to any such FIR / complaints / charge-sheets / orders / notices / reports as aforesaid. 3. We reproduce hereunder the 'Basis for Qualified Opinion' issued by the independent auditor(s) of a subsidiary viz. LMN Limited vide their audit report on the consolidated Ind AS financial statement of LMN, to the extent the same are found significant as per the Guidance issued by the Institute of Chartered Accountants of India, from time to time and which also forms the basis for qualified opinion in our audit report on the accompanying consolidated Ind AS financial Statements of the Group: As stated in note nos. 39,40,41,42,43 and 44 to the Consolidated Financial Statement, the Company has been served with notices/ letters/ summons from various statutory authorities/ regulators/ Government departments and some purported aggrieved parties. The Company is party to many proceedings filed by / or against the Company which are pending before different forum pertaining to the period prior to suspension of the exchange related operations from 31st July 2013. The management of the Company does not foresee that the parties who have filed Civil Suits against the Company will be able to sustain any claim against the Company. There are some written petitions, public interest litigations, civil suits including in representative capacity filed by and against the Company. Such matters against the Company are sub-judice before different forums. The Company may be exposed to civil/criminal liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations as referred above enquires or suits which may arise at a later date. In the light of the above, the outcome of which is not presently known and is uncertain at this stage, hence we are notable to comment on the current or consequential impact if any, in respect of the same on these

Analysis of Modified Opinions — Computers - Software & Consulting

	Consolidated Financial Statements. Also, the matters stated above could also have a consequential impact on the measurement and disclosure of information provided, but not limited to, Balance Sheet, Statement of profit/(loss) account, cash flow statement, statement of change in equity (SOCIE) and earnings per share (EPS) for the year ended and as at 31 March 2022 in these Consolidated Financial Statements. 4. The trade receivables, other receivables, loans and advances and deposits are subject to confirmation and reconciliation. The management, however, does not expect any material changes on account of such reconciliation/ confirmation from parties. In many cases legal notices have been sent to the parties in earlier years; however, we are unable to form an opinion on the recoverability of the outstanding balances of such parties.
Management Response	1. The Company has investments of ₹ 20,000 lakhs (face value) in Secured Non-Convertible Debentures issued by XYZ Networks Ltd (XYZNL) (subsidiary of ABC Ltd – ABC) which were rated "A" by the rating agencies and secured by way of charge on certain assets of XYZNL. In earlier years, XYZNL has defaulted in payment of interest and rating agencies have revised the credit ratings to the lowest category 'D' i.e., default. National Company Law Tribunal, Mumbai (NCLT) has superseded the board of ABC and appointed Govt. nominees. Resolution process has been initiated under Companies Act under the supervision of National Company Law Appellate Tribunal (NCLAT), in addition to various investigations and legal proceedings. The Company has filed its claim and also taken various measures including filing legal cases against specified parties at appropriate forum. The outcomes of legal matters are pending. Since these matters are pending at various stage of adjudication and considering the uncertainties, the Company is unable to quantify the impact of these investments. The Company has impaired the investment for the expected credit loss by ₹ 7,500 lakhs till March 31, 2021. The Company has filed civil suit before Hon'ble Bombay High Court against the Promoter, directors, KMP of XYZNL & others for compensation. 2. The Company has investments in 9% ASB Bank Perpetual Additional Tier I (AT-1) Bonds amounting to ₹ 30,000 Lakhs (face value) which was rated AA by the rating agencies. On 06.03.2020, the Central Government announced draft scheme of reconstruction of ASB Bank Ltd. (ABL), which inter alia included proposal for complete written down of AT-1 Bonds permanently. On March 13, 2020, the government notified the final scheme as ASB Bank Reconstruction Scheme 2020. ("Final Reconstruction Scheme"). The Final Reconstruction Scheme had excluded the writing off AT-1 bonds and it carried clause that all

WWW.TAXSCAN.IN - Simplifying Tax Laws

	contracts, deeds, bonds, etc., shall be effective to the extent and in the same manner, as was applicable before such commencement. However, on March 14, 2020, ASB Bank through Administrator informed the stock exchanges that the Perpetual Subordinated Basel III Compliant Additional Tier I Bonds issued by the ASB Bank for an amount of ₹ 8,415 crores need to be fully written down permanently and stand extinguished with immediate effect. Trustees of the issue and the Company have taken legal recourse to this action of the ASB bank. In the opinion of the Company, action of the Administrator of the ASB bank in writing down the bond is illegal and hopeful that the amount will be recovered fully once the matter is legally decided in appropriate courts. 3. LMN is taking all steps to defend its position, however since all matters are sub-judice, the Company is unable to quantify the impact, if any, of such legal proceedings on the financial statements of the Company. The management of the Company does not foresee that the parties who have filed Civil Suits against the Company will be able to sustain any claim against the Company. There are no claims /litigations / potential settlements involving the Company directly or indirectly, which may require adjustments in the Consolidated Ind AS Financial Statement. 4. With respect to qualification 2B in Auditors Report, explanation of LMN's Management is as under: - Majority in value of the trade and other receivables, loans and advances etc. are under litigation / subject to court orders. Where amount is doubtful for recovery, Company has either made provision or disclosed the reason for non-provisioning. Company is making full efforts for recovery of the amount.

WWW.TAXSCAN.IN - Simplifying Tax Laws

15. Computers Hardware & Equipments

Company 15.1	
Basis for Qualified Opinion	1. The company has reported ₹ 22.88 Crore as inventory held by the company as on 31.03.2022 which includes ₹ 14.97 Crore being materials related to E Waste Division, for which we have not been provided with item wise details, movement of inventory during the year and basis for valuation. And, Due to the nature of inventory, we could not verify the quantity of the inventory and in the absence of sufficient audit evidence we are unable to ascertain the correctness of the quantity and value of inventory held by the E waste division as on 31.03.2022. In view of the above we are unable ascertain the correctness of the valuation of Inventory and ascertain its consequent impact, if any on the standalone Ind AS financial statements. 2. Loans (under Noncurrent assets) reported by the company includes ₹ 5.94 Crore receivable from its subsidiary company and which is outstanding for more than 2 years. Also, the subsidiary company's auditors expressed concerns over the subsidiary company's ability to continue as going concern as the net worth of the company has been completely eroded. The company has not made any provision for expected loss of said advance and its investment in equity shares (book value of ₹ 0.035 Crore) of the said subsidiary company. And hence, profit and Reserves reported in standalone Ind AS financial statements are overstated to the extent of ₹ 5.97 Crore.
Management Response	1. With respect to the qualification mentioned the management is of the opinion that the Company has maintained stock records. However, nature of inventory measurement of EPR materials can be done only on estimated basis. However, the Company has initiated the development of software to address the requirement. 2. With respect to the qualification mentioned the management is proposing to merge the subsidiary company with the company or it will look out for outright sale for recovery of advance.

Company 15.2	
Basis for Qualified Opinion	1. Pursuant to default by the company in payment of dues in line with the settlement agreement entered into in earlier year with a party, there can be incremental impact on the liability as provided by the company on the basis of erstwhile terms and conditions. However, the company is under negotiation with the party for revised settlement. In view of uncertainty, the company has not made provision of incremental impact in the liability. Had the differential liability and interest been provided, profit for

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the year would have been lower by ₹ 27.65 Lacs (Previous year ₹ 27.65 lacs, Cumulative ₹ 219.02 lacs) with a corresponding increase in financial liabilities. (Refer Note -38). 2. Balances shown in the financial statement as receivable and payable under different heads are subject to confirmation/ reconciliation. We are unable to comment upon the impact, if any, which may result on such reconciliation/settlement with the party. (Note-39)
Management Response	There has been no qualification, reservation or adverse remark or disclaimer in their Report.

WWW.TAXSCAN.IN - Simplifying Tax Laws

16. Construction Vehicles

Company 16.1	
Basis for Disclaimer of Opinion	1. Loans amounting to ₹ 3,276 lakhs & ₹ 1,200 lakhs were received from the promoters/ promoter's group of companies and other lenders respectively in earlier years which were wrongly credited to Inventories account instead of respective loans account. The same has been rectified by the management by reinstating the respective loan accounts and inventory. The amount of inventory as reinstated has been written off and shown as exceptional item. We were unable to obtain sufficient appropriate audit evidence with respect to above adjustment for accounting mistakes/misstatements occurred in earlier years. 2. Based on the findings of the Management audit report, a difference of ₹ 1,109 lakhs have been identified by the Management between the Inventory as shown in the books of accounts and the inventory appearing in Material module in the ERP system as on 31st March 2022. Such difference comprises of ₹ 4,476 lakhs as mentioned in point no.(a) above and further difference of ₹ 6,633 lakhs owing to certain wrong accounting carried out. The above differences have been written off during the quarter/year end to reflect the correct position of Inventory as on the Balance Sheet date. We were unable to obtain sufficient appropriate audit evidence with respect to the reasons for above differences as on Balance Sheet date. During the year, the management had engaged an external party to physically verify its inventory and also to make a value assessment of inventory lying physically. Based on the findings of the surveyor's report (covering 59% of Inventory lying as on 28th February 2022 for the verification & value assessment), a sum of ₹ 3,299 lakhs (including ₹ 282 lakhs based on internal assessment of the management) has been written off/ provided for and shown as exceptional item. However, the above physical verification was not observed by us and we have relied solely on the surveyor's report. Further, the management do not expect any further shortages or obsolescence in the balance 41% inventory not covered in the surveyor's report and hence, in the opinion of the management, no further provision is considered necessary. However, as no physical verification of inventory and its value assessment was done by the management to the extent as mentioned above, we are unable to determine whether any further adjustment is required in this regard. 4. Trade receivables amounting to ₹ 14,394 lakhs against invoices raised in earlier years as identified by the management auditors were without adequate supporting and further ₹ 2,980 lakhs as identified by the management have been considered as irrecoverable. Further, based on

WWW.TAXSCAN.IN - Simplifying Tax Laws

	management's internal assessment on the recoverability of other trade receivables, additional balances amounting to ₹ 2,923 lakhs have also been identified as irrecoverable. Hence a sum of ₹ 8,348 lakhs (net of ₹ 5,830 lakhs of further provision during the year and utilisation of ₹ 6,119 lakhs out of provisions made in earlier years) have been written off and shown as exceptional item. The above adjustments have been made by the management solely on the basis of Management Audit Report and management internal estimates and we have not been provided sufficient appropriate audit evidence. During the first quarter ended 30th June 2021, certain bills of exchange were accepted by certain employees of the Company without receipt of supplies and the banks later recovered the money from the Company which has been debited to supplier's accounts and shown as advances. Consequently, such advances to the tune of ₹ 3,232 lakhs could not be recovered and hence a sum of ₹ 1,400 lakhs have been written off and balance amount of ₹ 1,832 lakhs have been provided and shown as exceptional item. The reasons for bifurcation between the amount of write-off and provisions as stated above, is solely based on management estimates. The company has sent several notices for the recovery of such payments and is in the process of initiating legal course of action. Further, an enquiry by "Directorate of Revenue Intelligence & Enforcement" (DRI) has also been ongoing since June 2021 in respect to sales/purchase transactions entered into by the company with these vendors and the matter is pending with DRI. In the opinion of the management, the company does not foresee any additional liability in this regard. Pending outcome of the above enquiry, we are unable to determine potential impact of any unforeseen liabilities towards above and its consequential impact on the Standalone Financial Statement. 4. We draw attention to note 33 of the Standalone Financial Statements, which states that the Company has not restated the Standalone Financial Statements of the previous years in which the accounting mistakes / misstatements occurred, as per the requirements of Indian Accounting Standard-8, "Accounting Policies, Changes in Accounting Estimates and Errors" and made accounting adjustments for accounting mistakes/misstatements as mentioned in the paragraph 1 above in the current financial year ended 31st March 2022. Further, as explained to us, the Company has not approached "National Company Law Appellate Tribunal" (NCLT) as per the provisions of section 130 & 131 of the Companies Act 2013, which requires prior approval of NCLT for recasting of earlier period financial statements. Further, as stated in note 1 above, the adjustments to rectify the accounting mistakes/ misstatements have been made by the management solely based on the management audit report. As these accounting mistakes/ misstatements are pertaining to earlier years as

WWW.TAXSCAN.IN - Simplifying Tax Laws

	mentioned in the management audit report, we have been unable to carry out any additional procedures to ensure the completeness of the same and are unable to comment on the opening balances brought forward in the current financial year in the books of account. 5. As mentioned in note no. 36 of Standalone Financial Statement, Trade receivables, Advances to Suppliers, Trade Payable and Advances from customers amounting to ₹ 2,610 lakhs, ₹ 1,008 lakhs, ₹ 9,284 lakhs and ₹ 3,873 lakhs respectively were outstanding as on the Balance Sheet date. The Company could not get necessary confirmations from the respective parties and due to no material subsequent movement in such balances, alternate procedure to verify those balances could also not be performed. Further, the Company could not get confirmations for Bank Guarantees and Letter of credit issued by Banks to extent of ₹ 2,197 lakhs and ₹ 154 lakhs respectively and also confirmations for Loans from bodies corporate to extent of ₹ 265 lakhs. Hence, we are unable to comment on the correctness of above figures and adjustments, if any, are required to the said balances as on 31st March 2022 and related disclosures in these Standalone Financial Statements. 6. We draw attention to note 10.1 of the Standalone Financial Statements regarding carry forward of MAT Credit of ₹ 3,026 lakhs as on 31st March 2022 (a component of deferred tax asset in the financial statement) which has been accounted for in earlier years and in the opinion of the management, sufficient future taxable profit will be available against which these unused tax credit can be utilised within the stipulated period. However, we are unable to comment for utilisation of said Mat credit in absence of basis for reasonable certainty supported by convincing evidence. 7. We draw attention to note no. 35 of the Standalone Financial Statements where the Company has not carried out fair valuation of interest free loans from the promoters/ promoter's group of companies and other lenders aggregating to ₹ 15,829 lakhs as required under Ind AS-109 and its impact on financial statements has not been ascertained by the management. In absence of fair valuation of above interest free loans, we are unable to determine its impact on the standalone financial statements. 8. We draw attention to note 12.5 of the Standalone Financial Statements regarding materials valuing ₹ 3,787 lakhs lying in Bonded Warehouse/ port as on 31st March 2022 which includes ₹ 2,433 lakhs imported in earlier years and disclosed as Stock in transit in the Financial Statements which were not released from customs authorities due to non-payment of custom duty, other charges etc. The Company has obtained confirmation from its logistics partner regarding the existence of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the inventory as at the balance sheet date and the management does not expect any material loss on account of any obsolescence in these said stocks due to passage of time and no provision is considered necessary. However, as these materials are lying for a considerable period of time and due to non-availability of its technical assessment, we are unable to determine whether any provision for obsolescence are required in this regard.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

17. Consulting Services

Company 17.1	
Basis for Qualified Opinion	1. We draw attention to note 30 to Standalone Financial Statement regarding the investment amounting ₹ 121.59 Lakhs in the subsidiaries, which has suffered recurring losses and has a net capital deficiency. The financial statements of that subsidiary have been prepared assuming that the Company will continue as a going concern. These conditions raise substantial doubt about its ability to continue as a going concern. The standalone financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts that might result that the subsidiary be unable to continue as a going concern. Had the provision been made in the books of account, the profit before tax for the year would have been converted into loss amounting to ₹ 92.19 Lakhs. 2. We draw attention to note 35 to consolidated financial statement regarding the investment made amounting to ₹ 121.59 Lakhs in a subsidiary, who has suffered recurring losses and has a net capital deficiency. The financial statements of that subsidiary have been prepared assuming that the Company will continue as a going concern. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements of holding company do not include any adjustments relating to the recoverability and classification of asset carrying amounts that might result that the subsidiary be unable to continue as a going concern.
Management Response	Though there is an accumulated loss in the subsidiary companies, the said companies has not bagged new projects or work orders due to recession scenario. However, lot of bids are still open for participation and the said company will bag some orders in the near future and hence your directors are of the opinion that no adjustment is required at this stage and the same will be done at the appropriate time. The other observations of the Auditor are self-explanatory and need no reply from the Board of Directors.

WWW.TAXSCAN.IN - Simplifying Tax Laws

18. Consumer Electronics

Company 18.1	
Basis for Qualified Opinion	1. Due to paucity of funds, the company is yet to redeem preference shares amounting to ₹ 16958.68 lacs, which was due for redemption in August 2019. 2. Due to paucity of funds, the company is yet to contribute a sum of ₹ 250.94 Lacs (previous year ₹ 224.78 lacs) towards Group gratuity policy maintained with LIC as required under Payment or Gratuity Act. 3. The financial statements of a subsidiary XYZ Pvt Ltd, which is consolidated with the Company are prepared based on going concern assumption, considering various factors.
Management Response	1. Preference Shares have become due as per the terms on which they were issued and have not yet been redeemed. Pursuant to the provisions of Section 55 of the Companies Act, 2013, Preference Shares can be redeemed only out of profits that are otherwise available for dividend. Though the Company has earned profit, it is inadequate for the said redemption. The Company is exploring possible methods for redemption of Preference Shares at an early date. 2. Due to paucity of funds, the Company was unable to make contribution towards Gratuity Fund. The company is making necessary arrangements to fund the same in instalments, over a period. 3. XYZ Private Limited is one of the subsidiaries of the company. The company has underlying assets which are available to the company. XYZ is yet to commence the commercial operations. Hence, the management is of the opinion that company is a going concern.

Company 18.2	
Basis for Qualified Opinion	1. Reference is invited to Note No – 48 to the financial results regarding the non-operation of sugar mill of the company for more than 36 months and management decision not to discontinue the operation of the said sugar mill. Pending conclusion of remedial measures that management is planning, the same has been considered as part of continuing business operations which is in departure with the generally accepted accounting principles. Had the Sugar Mill business of the company being considered a discontinued operation, the reported balances of losses from continuing operations would have undergone change. 2. With reference to Note No- 49, Fixed Assets of the Sugar Mill division especially the plant and machinery has not been used for active service for more than 3 years due to non-operation of the sugar mill. Considering the age of the assets and non-usage of machineries for a considerable time, the technical evaluation of the assets needs to be done for ascertainment of impairment provision. Since the technical evaluation is pending, the possible effect of the value of impairment of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the assets on the financial results is not currently ascertained. Had this technical evaluation complete and possible effect of impairment of assets been determined, it may have resulted into variation in the carrying value of fixed assets pertaining to sugar mill business and consequent change in the reported amount of accumulated losses and depreciation. 3. Reference is invited to Note no – 12.3, wherein in terms of the requirements of Ind AS 109, Financial Instruments, the company has not opted for Expected Credit Loss (ECL) model for estimating the provisions against Trade Receivables. Had the said model of estimation of receivable delinquencies been applied the balances of provisioning against trade receivables might undergone a change. The possible effect of the non-application of the ECL model on the financial statements could not be ascertained. 4. Had the said model of estimation of receivable delinquencies been applied the balances of provisioning against trade receivables might undergone a change. The possible effect of the non-application of the ECL model on the financial statements could not be ascertained.
Management Response	1. The financial results regarding the non-operation of sugar mill of the company for more than 36 months and management decision not to discontinue the operation of the said sugar mill. Pending conclusion of remedial measures that management is planning, the same has been considered as part of continuing business operation. 2. Fixed Assets of the Sugar Mill division especially the plant and machinery has not been used for active service for more than 3 years due to non-operation of the sugar mill. Considering the age of the assets and non-usage of machineries for a considerable time, the technical evaluation of the assets needs to be done for ascertainment of impairment provision. Since the technical evaluation is pending, the possible effect of the value of impairment of the assets on the financial results is not currently ascertainable. Had this technical evaluation complete, it may result into variation in the value of assets and consequent change in the amount of accumulated losses. 3. In terms of the requirements of Ind AS 109, Financial Instruments, the company has not opted for Expected Credit Loss (ECL) model for estimating the provisions against Trade Receivables. Had the said model of estimation of receivable delinquencies been applied the balances of provisioning against trade receivables might undergone a change. The possible effect of the non-application of the ECL model on the financial statements could not be ascertained. 4. Provision for impairment in value of the unquoted investment has not been made. Since in the opinion of the management it is not permanent in nature. Had the impairments against such investment been determined, it could have resulted into variation in the reported balances of investments, reserves and surplus and losses for the year would undergo change.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 18.3	
Basis for Qualified Opinion	We draw your attention to Note 33 to the financial statements regarding the preparation of financial statements using the going concern assumption. The Company has ceased business operations during the financial year ended March 31, 2016 and has incurred losses during the year aggregating to ₹ 1,470.82 Lakhs. The accumulated losses of the Company aggregate to ₹ 11,369.14 Lakhs as of March 31, 2022. While the holding company has provided a support letter to the Company, the plans for the revival of business operations and the consequent impact on the going concern assumption are not ascertainable at this stage.
Management Response	During the period ended March 31, 2022, Company incurred a loss of ₹ 1,470.82 Lakhs and the accumulated loss as at March 31, 2022 is ₹ 11,369.14 Lakhs. There was no production of LED TVs from April, 2015 (except in August 2015) and of Air Conditioners since June, 2015 in the absence of any orders. The Company continues to receive financial and operational support from XX, Japan, the majority shareholder and holding company. The support letter has been received as at 31st March 2022, from XX, Japan for financial and operational support until 31st March 2023. XX, Japan is a group company of ZZZ, one of the world's largest contract electronics manufacturers. Based on this continued support from the holding company, and the fact that the Company has entered into (i) Basic Services Agreement with XX dated 3rd June 2021; (ii) Service Agreement with XX (India) Private Limited dated 1st June 2021; and (iii) the Individual Contract for Services No. 1 with XX Private Limited dated 1st June 2021 for the revival of business operations, the management is of the opinion that the Company will be able to continue as a going concern. Further, the management based on prima facie assessment, is of the opinion that the values of the assets (except freehold land) and liabilities disclosed in the financial statements are close to their fair value and no material impact would possibly be there on financial statements if actual exercise of fair valuation is undertaken. In accordance with the BASIC SERVICE AGREEMENT executed between XX and the Company on 3rd June 2021, XX intend to expand the business scope of Smart Appliances & Solutions Business Unit in India and expect the Company to provide and the Company is willing to provide activities and services relating to the following activities: (1) to support to conduct a factory audit for any applicable products (2) to conduct a survey of local dealers, service providers and users in India (3) to analyze the competitive products and the cost thereof and report such result

WWW.TAXSCAN.IN - Simplifying Tax Laws

	(4) to manufacture and provide the preproduction prototype of the new products (5) to support the mass-production of the new products (6) other activities and services to cooperate business development of Smart Appliances & Solutions Business Unit of XX separately agreed upon by the Parties The work on Individual Contract for Services No. 1 between ABC & XYZ dated 1st June 2021 has generated certain revenue during the financial year ended March 31, 2022. Further during the period, the XX, promoter and holding Company has attempted to acquire public shareholding and consequently voluntarily delist from stock exchange. The resolution put up for shareholder approval through postal ballot resolution was not carried out with requisite majority as declared in its voting result 28th October 2021. However, taking into consideration the current economic scenario in India and Japan, the revival of the operations of the Company may take longer than anticipated earlier.

WWW.TAXSCAN.IN - Simplifying Tax Laws

19. Copper

Company 19.1	
Basis for Qualified Opinion	The restructuring of the company's business is under consideration by the lenders. Consequent to the filing of restructuring proposal with lenders, feasible TEV (techno economic viability) study/reports of the operations of the Company was conducted by outside agency where in certain reliefs/ concessions have been envisaged to make the project viable. Included in there is relief in interest rates effective from 01.11.2018. The company has provided interest at the rates mentioned in TEV. This along with other unprovided interest amounts to ₹ 2517.39 lakhs (net of tax) for the current financial year.
Management Response	The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments

WWW.TAXSCAN.IN - Simplifying Tax Laws

20. Dairy Products

Company 20.1	
Basis for Qualified Opinion	Attention is drawn to Note no.3(v) & 3(vi) regarding re-evaluation of useful economic life and impairment of certain plant and machinery resulting in net credit on account of excess depreciation of ₹ 272 lakhs in the financial statements for the year ending 31st March 2022 and overstatement of total comprehensive income, other equity and non-current assets as on 31st March 2022 as per Ind AS- 8.
Management Response	The company has taken a view on the basis of advice given by the manufacturer and technical experts that the plants in the dairy industry use non-corrosive raw materials and as such, the expected life of plant and machinery should be 35 years against which the company was earlier providing depreciation on the basis of 20 years of life.

Company 20.2	
Basis for Qualified Opinion	Director's remuneration is not admissible as prescribed in Sec-197 of companies Act, 2013 except in accordance with the provision of Schedule V and if it is not able to comply with such provisions, the prior approval of lenders is required. The Company is not eligible to pay director remuneration for non-compliance of conditions prescribed in schedule V of the companies Act, 2013. During the year, the company has given the director remuneration to Mr. AA (Executive Director) amounting to ₹ 35,81,520 (for current quarter ₹ 8,95,380). Apart from the managerial remuneration for the year ended 31st March, 2022, as mentioned above the company has paid director remuneration of ₹ 2,14,20,442/- till date without complying the provisions of Schedule V of the companies Act, 2013.
Management Response	The company has paid Managerial Remuneration amounting to ₹ 35,81,520/- to director for which the company is yet to receive approval from the competent authority/agency. Management undertakes that in case the approval is not received from the competent authority/agency, they shall refund the remuneration paid to them by the company. Profitability of the company shall affect to the same extent.

Company 20.3	
Basis for Qualified Opinion	As stated in the Note no.31 of the Standalone Financial Statement regarding valuation of deteriorated stock which was not fit for human consumption as per FSSAI norms and resulted loss of ₹ 3381.31 Lacs, the assessment of quantity and valuation of stock is done by the management. We are unable to comment on such impairment and resultant loss on such valuation of stock as it involves significant judgement and estimates by management and external third parties. Our opinion is qualified in respect of the above matter

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	1. Company has been victim of series of extraneous circumstances due to COVID –19 such as low demand on account of elongated lockdowns in 2020 and 2021, piling of inventory resulting into expiry of shelf life of the products as per FSSAI norms. Physical verification was done and on the basis of such verification and quality assessment by the Company management and external third party. The loss on deterioration of stock is estimated at ₹ 3381.31 lacs and have been adjusted in accounts by reduction of cost of inventory at the end of the year. 2. The management has assessed the deteriorated stock and valued it on realisable value and then the difference has been written off.

Company 20.4	
Basis for Qualified Opinion	1. We are unable to comment upon the possible effects of the following matters, on the financial statements of the Company for the year ended March 31, 2022. The matter more fully discussed in the Note No. 44 to the financial statements pertaining to the pending receipt of conclusive reports/findings for the items described therein: (i) Matter relating to the cross allegations between the Promoter Directors, during the period 2013-14 to 2017-18 and 2013-14 to 2018-19 respectively, for the appropriateness of the expenses amounting to ₹ 45.90 lakh and ₹ 53.39 lakh respectively; and (ii) Matter involving allegations of operations and management issue wherein marketing expenses of advertisements, amounting to ₹ 38 crore during the period 2015-16 to 2018-19, were alleged by one Promoter Director paid by the Company on approval by another Promoter Director, without following the process of the Company. Pending receipt of the reports/findings, as referred above, we are unable to conclude the possible effects on the financial statements, as a whole, of any undetected misstatements, if any, and whether it could be material. 2. According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the Company's internal financial controls over financial reporting as at March 31, 2022: We draw attention to Note No. 45 of the financial statements relating to the cross allegations between the Promoter Directors, during the period 2013-14 to 2017-18 and 2013-14 to 2018-19 respectively, for the appropriateness of the expenses amounting to ₹ 45.90 lakh and ₹ 53.39 lakh respectively and matter involving allegations of operations and management issue wherein marketing expenses of advertisements, amounting to ₹ 38 crore during the period 2015-16 to 2018-19, were alleged by one Promoter Director to be paid by the Company on approval by another Promoter Director, without following the process of

Analysis of Modified Opinions — Dairy Products

	the Company. Pending receipt of the reports/ findings, as referred above, we are unable to conclude whether the Company's financial reporting process did have controls to identify the nature of the expenses and the procedures to be followed for the payments made for certain advertisement expenses. 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.
Management Response	1. The Management does not expect any material impact on the financial statements of the Company considering the fact that the amount has already been expensed in the relevant financial years. Voluntary inquiries by external agencies initiated by the management are in process to substantiate its conclusion. 2. The Statutory Auditors have given the qualified opinion on the financial reporting in their Report with regards to assessment and closure of the various financial, operational and governance related matters emanating out of the allegations made by promoter directors against each other and their consequential impact, if any, on the standalone financial statements of the Company The Management does not expect any material impact on the financial statements of the Company considering the fact that the matters pertain to earlier financial years and amount as already been expensed in the relevant financial years. Voluntary inquiries by external agencies initiated by the management are in process to substantiate its conclusion.

Company 20.5	
Basis for Qualified Opinion	We are unable to comment upon the possible effects of the following matters, on the standalone financial statements of the Company for the year ended March 31, 2022. The matter more fully discussed in Note No. 54 of the standalone financial statements pertaining to the pending receipt of conclusive reports/findings for the item described therein: (i) Matter involving counter allegations levelled by two Promoter Directors against each other in respect of potential personal expenses claimed as social business expenditure amounting to ₹ 25.33 lakh (for financial year 2017-18 and financial year 2018- 19), and ₹ 25.00 lakh (for financial year 2014-15 to financial year 2018-19) respectively, by the Promoter Directors. Pending receipt of the reports/findings, as referred above, we are unable to conclude the possible effects on the standalone financial statements, as a whole, of any undetected misstatements, if any, and whether it could be material. According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the Company's internal financial controls over financial reporting as at March 31, 2022: We draw attention to Note No. 54 of the standalone financial statements relating

WWW.TAXSCAN.IN - Simplifying Tax Laws

	to the counter allegations levelled by two Promoter Directors against each other in respect of potential personal expenses claimed as official business expenditure amounting to ₹ 25.33 lakh (for financial year 2017-18 and - financial year 2018-19), and ₹ 25.00 lakh (for financial year 2014-15 to - financial year 2018-19) respectively, by the Promoter Directors. without following the process of the Company. Pending receipt of the reports/endings, as referred above, we are unable to conclude whether the Company's - financial reporting process did have controls to identify the nature of the expenses and the procedures to be followed for the payments made for certain travelling expenses.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

21. Diversified

Company 21.1	
Basis for Qualified Opinion	As explained in "Basis for Qualified Opinion" section of our Main Audit Report on the consolidated financial statements for the year ended 31 March 2022, the Company's 'income from financial assets' constituted more than 50 percent of the gross income for the financial year ended 31 March 2021. Further, the 'financial assets' of the Company were also more than 50 percent of its total assets as at that date. The Company has obtained independent legal advice and basis that in its view, the situation prevailing on 31 March 2021 is transitory; the financial income does not represent income from ordinary activities of the Company and the Company does not intend to carry on the business as a NBFC. However, there can be a view that, the Company meets the "Principal business test" as per the press release by Reserve Bank of India (RBI) vide No. 1998-99/1269 dated April 8, 1999 for being classified as a Non-Banking Financial Company (NBFC) from April 1, 2021 and is required to obtain a certificate of registration as a NBFC.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

22. Diversified Commercial Services

Company 22.1	
Basis for Qualified Opinion	a) Note No. 40 of the consolidated financial statements, the group has outstanding loans receivable amounting ₹ 526.79 lakhs, which in our opinion has become Non-Performing Assets as the group is not able to recover the principal and its interest. The group has made the provision on the same considering the same as "Standards Asset" instead of substandard assets. As per prudential norms issued by Reserve Bank of India, the group has not made the adequate provision considering the correct classifications of Non-performing assets amounting ₹ 52.68 lakhs. Accordingly, profit is overstated by ₹ 52.68 lakhs and simultaneously provisions are understated by ₹ 52.68 lakhs. b) Note No. 41 of the consolidated financial statements, the group has recognized the total interest income amounting ₹ 57.31 Lakhs, out of which interest income amounting ₹ 54.33 Lakhs are related to accounts which are Non-performing Assets (as describe in Note (a) of Basis of Qualified Opinion above). As per Income recognition norms issued by Reserve Bank of India, the interest income is not allowed to recognize from Non-performing assets. Accordingly, profit is overstated by ₹ 54.33 lakhs and simultaneously loans are overstated by ₹ 54.33 lakhs.
Management Response	a) These loans are pending from long time. Management is in discussion with the borrower to restructure the loans and principal so that they can pay the interest with principal in normal course of business. Hence, on the basis of progress of discussion going on, management is of the view that all these loans are fully recoverable and there is no requirement to provide the provisions on the same. b) As stated in the response to first qualification, management is in discussion with the borrower to restructure the loan so that they can pay the interest and principal in normal course of business. Hence this interest is fully recoverable in nature and not required to derecognize it.

Company 22.2	
Basis for Qualified Opinion	1. As stated on note no 16 bought and sold commodities through broker ABC Commodities Limited, who is registered with NSEL. Due to NSEL scam all stock as on the date was not delivered and business had stopped. As informed to us by the management, in August 2013 the committee of NSEL has decided to Pay money to investor in small amount. Hence the company has decided to convert the stock into recoverable under other current assets. Since long nothing is recovered against this advance, management as per their resolution dated 12-02-2018 decided to w/off 7.50% of the advances as Bad Debts every year till it becomes nil subject to availability of profit. The management has

WWW.TAXSCAN.IN - Simplifying Tax Laws

	decided to make provision on yearly instead of quarterly basis but management did not make provision of the same and ₹ 67,06,657 appearing as receivable from Mr. ABC in the financial statement as on 31st March 2022, the company need to following provisioning requirement in line of master circular no RBI/2014-15/299 DNBR (PD) CC No 002/03 10 001/2014-15 further in absence security and development of case it is highly doubtful and we are unable to comment on recoverability of carrying amount as on 31st March 2022. Further the Company has not considered the same amount for "expected credit loss" as per Ind AS "109 Financial Instruments" as per Ind 109 it is the "lifetime ECL" and will come under stage three accordingly 100% provision is required. 2. RBI has cancelled the license of NBFC due to non-compliance of notification given below: NBFCs are required to obtain a certificate of registration (COR) to commence/carry on business of NBFI in terms of section 45-IA of the RBI act 1934. the said section also prescribes the minimum Net Owned Fund (NOF) requirement. In terms of notification no. DNBS.132CGM (VSNM)-99 dated April 21, 1999 the minimum NOF requirement for new companies applying for grant of COR to commence a business of NBFC is stipulated at ₹ 200 lakh. the minimum NOF for companies that were already in existence before April 21, 1999 was retained at ₹ 25 Lakh. given the need for strengthening the financial sector and technology adoption and in view of increasing the complexities of services offered by NBFCs it shall be mandatory for all the NBFCs to attain a minimum NOF of ₹ 200 Lakh by the end of March 2017, as per the milestone given below ₹ 100 Lakh by the end of March 2016 ₹ 200 Lakh by the end of March 2017 However, management has filed an appeal against the same with ministry of finance Delhi on 26/10/2018 which was heard on 05/09/2019 and an order dated 27/04/2022 received from Ministry of Finance stating that RBI may review its order cancelling COR of the company. As informed to us by the management they are awaiting RBI action for the same.
Management Response	The Notes of Financial Statements referred to in the Auditor's Report are self-explanatory and do not call for any further comments. (a) In our opinion the company was registered under section 45-IA of the Reserve Bank of India Act 1934 and accordingly, but RBI has cancelled the license of NBFC due to non- compliance of notification No. DNBS. 132/CGM(VSNM)-99 Please refer note no 2 of Basis for Qualified Opinion para. (b) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 22.3	
Basis for Qualified Opinion	The Company has not obtained Certificate of Registration from Reserve Bank of India or its consent, in accordance with the provisions of Section 45 IA of the Reserve Bank of India Act, 1934, for carrying on the business of dealing in investment in shares and other securities.
Management Response	Notes to Accounts are self-explanatory and do not call for any further comments.

Company 22.4	
Basis for Qualified Opinion	We draw attention to the matters to valuation of inventory, the effect of misstatement and possible effect of undetected misstatement on the financial statement due to inability to obtain sufficient and appropriate audit evidence which are material but not pervasive in nature either individually or in aggregate. The company's inventories are carried in Balance Sheet at ₹ 1249.27 Lakhs has not stated by the management at the lower of cost or net realizable value but has stated them solely at cost which constitutes departure from the Accounting standard prescribed under section 133 of the Companies Act, 2013. However, in the absence of sufficient audit evidence and Physical Verification the impact of the above qualification on the standalone financial statement, if any, is not ascertainable hence we are unable to comment on the effect of the same on financial statement of the company.
Management Response	The qualification, reservation, adverse remark or disclaimer marked in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report and Financial Statements (Standalone and Consolidated) are enclosed

Company 22.5	
Basis for Qualified Opinion	1. The Company being a listed Company, as per Section 138 of Companies Act, 2013 read with Rule 13 of Companies (Accounts) Rules, 2014, Company is required to appoint Internal Auditor. However, the Company has not complied with the same. 2. The Company has not established its Internal Financial Controls over financial reporting on criteria based on or 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. 3. The Company has not Made Provision for Professional Tax during the current financial year amounting to ₹ 2500. TDS Payable is Amounting to ₹ 42,591 is outstanding for payment for more than 1 year accordingly interest liability may arrive on the same.

Analysis of Modified Opinions — Diversified Commercial Services

	4. Trade Payable Outstanding as on 31st March 2022, are not registered under MSME, the Management has not received any confirmation from the same. 5. Loans & Advances –During the year it has been observed that, the company has provided loans to several third parties amounting to ₹ 617 lakhs in aggregate on which no any interest has been charged, which is prejudicial to the interest of the company (i.e., Amount of interest on the above given loan arises to approx. ₹ 43 lakhs (Considering the interest rate of 7% Per annum) 6. Intangible Assets "IPR" amounting to ₹ 457.51 lakhs is tested for impairment during the current year; however, no such document is made available with respect to Impairment Testing. 7. Material uncertainty arising with respect to Going Concern out of consequential impact on financials of the Company.
Management Response	1. Your Company shall make an appointment of Internal Auditor in current year. 2. Your Company shall engage a Chartered Accountant for issuance of appropriate report on Internal Financial Controls and basis that, the qualification will be addressed. 3. Your Company has paid the TDS for previous years which are available for credit and set off for the TDS liability accrued. 4. Certain balances have been carried forwarded since the Company was acquired by Rahul Shah through Open Offer. Basis principle of prudence, the Board of Directors may write off such amounts from the Books of Accounts. 5. The Auditors had qualified their earlier reports on the ground that, the Company has not impaired the IPRs Therefore, in order to comply with the qualification of previous year, the Board decided impair the IPR fully. Therefore, the impair testing is in compliance with the provisions of Ind AS. 6. It is a matter of record that, the Company has not been generating any sales over the last 6 financial years. The running expenses of the Company are met by Mr. AA and some recovery of funds from XX Limited. The Independent Director Mr. CC has recommended to the Board and to Promoter to initiate some business activities in the Company, so the expenses of the Company can be met out of internal accruals and not by loans funds from Mr. XY and recovery of loans from ABC Limited.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 22.6	
Basis for Disclaimer of Opinion	We did not audit the financial statement of its foreign subsidiary whose financial statements reflect total assets of ₹ 3,75,751.87 Lakh and net assets of ₹ 1,22,258.11 Lakh as at 31 March 2022, total comprehensive loss of ₹ 5,601.75 Lakh for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the management, our opinion on the consolidated financial statements in so far it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) and (11) of section 143 of the Companies Act 2013, in so far as it relates to the aforesaid subsidiary, is based solely on such unaudited financial statement. Forming, disclaimer of opinion is based on the fact that this financial statements/financial information are material to the group and any adjustment upon audit by the respective auditor to the unaudited financial statements/Financial information could have consequential effects on the consolidated financial statements.
Management Response	The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

Company 22.7	
Basis for Qualified Opinion	The Company is not accounting for liability for Gratuity as required under Indian Accounting Standard 19 (Ind AS-19) relating to Employees Benefits as referred to in relevant disclosure to financial statements. We are unable to comment upon the resultant effect on assets, liabilities, profit / (loss), other comprehensive income / (loss) and Total comprehensive income / (loss) for the year as the amount of such benefit is presently not ascertainable.
Management Response	The report of the auditors along with notes to the schedule's forms part of this Annual Report. The observations made by the auditor in their Auditor's Report are self-explanatory and therefore do not call for any further comments.

WWW.TAXSCAN.IN - Simplifying Tax Laws

23. Diversified Retail

Company 23.1	
Basis for Qualified Opinion	1. As described in Note 51 to the financial statements, due to nonavailability of financial information's and ongoing dispute with the JV partner, the Company is unable to determine the fair value of Company's investments in ABC Private Limited (joint venture) and ABC Private Limited (step down joint venture) as of March 31, 2022. In absence of sufficient and appropriate evidence, we are unable to comment on the carrying value of above investments. (Including investments, loans and other assets) amounting to ₹ 9,311.50 Lakhs and the consequent impact thereof. 2. As described in Note 51(b) to the consolidated financial statements, we did not audit the financial statement of 2 Joint Ventures, included in the consolidated financial statements, whose share of loss of ₹ 1,959.96 lakhs, for the year ended March 31, 2022 as considered in the consolidated financial statements and the Group's investment/ (liabilities) in the aforesaid joint venture as at March 31, 2022 is ₹ (658.63 lakhs). These financial statements have not been audited and have been presented solely based on the information complied by the management. Accordingly, we are unable to comment on the financial impact, if any, on the consolidated financial statement if the same had been audited. 3. As described in Note 51(a) to the consolidated financial statements as regards non-availability of financial information and ongoing dispute with Joint Venture partner of 2 Joint Venture companies, which are not considered for consolidation in the attached consolidated financial statements, which is a non-compliance of Ind AS 27. Consequently, we are unable to determine the impact of such non-compliance on the loss, earnings per share for the year ended March 31, 2022, and investment in joint venture, reserves and surplus as of March 31, 2022.
Management Response	1. The Audit Committee and Board of Directors at their respective meetings while approving the said Financial Statements reviewed such qualification made by the Statutory Auditors. In accordance to the provisions of Section 134(3)(f) of the Companies Act, 2013 and Regulation 34(2) of SEBI Listing Regulations, 2015, a statement containing the details of qualification, explanation by the Board and impact of the qualifications is provided under Note No. 51 to Standalone and Consolidated Financial Statements of the Company respectively, forming part of this Annual Report. Note 51: The Company has investments in ABC Private Limited (joint venture) and ABC Private Limited (step down joint venture) (together referred to as 'JV') of ₹ 9,311.50 Lakhs (including investments, loans and other

WWW.TAXSCAN.IN - Simplifying Tax Laws

	assets). There is a dispute between the Company and said JV partners and due to non-availability of financial results for the year ended March 31, 2022 pursuant to non-cooperation of the said JV partners in direct contravention of court rulings, the Company is unable to determine the fair value of Company's investments in JV as at March 31, 2022 and consequent impact thereof on the financial statements. However, the Management believe that it will not have a material impact on the financial statements for the year ended March 31, 2022. Note 51: a) The Group has investments in Joint Ventures ABC Private Limited and XYZ India Private Limited (together referred to as 'JV') of ₹ 66,650.53 Lakhs (including investments, loans and other assets). There is a dispute between the Group and said JV partners and due to non-availability of financial statement for the year ended March 31, 2022 as a consequence of non-cooperation of the said JV partners which is in direct contravention of court rulings, the Group is unable to determine the fair value of Group's investments in JV as at March 31, 2022 and consequent impact thereof on the financial statements. However, the Management believes that it will not have a material impact on the financial statements for the year ended March 31, 2022 b) In the context of 2 joint ventures, viz.: i) HNM Private Limited, a joint venture of the Group: Due to the non-alignment of the Group with the co-joint venturers on key aspects pertaining to the operations of HNM JV, the entity is unable to finalise and approve the financial statements for the year ended March 31, 2022 as on date. ii) FFF Private Limited, a joint venture of the Group (FFF Future JV): As per the resolutions dated March 10, 2022 passed by the Board of Directors of the Holding Company, it has been agreed to discontinue the operations of the ZZ JV. Since the audit of FFF JV is still in progress, audited financial statements for the year ended March 31, 2022 have not been made available to the Group as on date. Since the audited financial statements of HNM JV and FFF JV are not available as on date, the Group has consolidated the proportionate share of the results of these entities based on the Management-Certified Financials, received from the respective entities. However, the Management believes that the audit of these entities will not have a material impact on the financial statements of the Group for the year ended March 31, 2022, or on the book value of the Group's exposure to these entities as on March 31, 2022

WWW.TAXSCAN.IN - Simplifying Tax Laws

24. Dredging

Company 24.1	
Basis for Qualified Opinion	1. As described in Note No 29.13 to the financial statements, Company has not determined the retrospective impact of the change in Accounting Policies on the Opening balance of Other Equity and the Current and Previous reporting periods thereby not complying with the measurement and disclosure requirements under Ind AS 8, on Accounting Policies, Changes in Accounting Estimates and Errors. In absence of sufficient and appropriate evidence, we are unable to comment on the impact thereof on the amounts reported in the Financial Statements. 2. As described in Note No 6.1 to the financial statements, Company has not determined the impact of a pending dispute before the NCLT and a related CBI Investigation involving M/s. XYZ Private Limited on the Current reporting period thereby not complying with the measurement and disclosure requirements under Ind AS 37, on Provisions, Contingent Liabilities and Contingent Assets. In absence of sufficient and appropriate evidence, we are unable to comment on the impact thereof on the amounts reported in the Financial Statements.
Management Response	As described in Note No 29.13 to the financial statements, Company has not determined the retrospective impact of the change in Accounting Policies on the Opening balance of Other Equity and the Current and Previous reporting periods thereby not complying with the measurement and disclosure requirements under Ind AS 8, on Accounting Policies, Changes in Accounting Estimates and Errors. In absence of sufficient and appropriate evidence, we are unable to comment on the impact thereof on the amounts reported in the Financial Statement. As described in Note No 6.1 to the financial statements, Company has not determined the impact of a pending dispute before the NCLT and a related CBI Investigation involving XYZ Private Limited on the Current reporting period thereby not complying with the measurement and disclosure requirements under Ind AS 37, on Provisions, Contingent Liabilities and Contingent Assets. In absence of sufficient and appropriate evidence, we are unable to comment on the impact thereof on the amounts reported in the Financial Statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

25. Edible Oil

Company 25.1	
Basis for Qualified Opinion	a) We draw attention to the Note No 44 to the Financial Results, which indicates that Loans receivables of ₹ 1080.51 lakhs, which have significant increase in credit risk, in respect of which the Company has not made any assessment for expected credit loss, in accordance with the requirements of 'Ind AS 109: Financial instruments', as the management considers such balances as good and recoverable in future, In the absence of such assessment for expected credit loss by the Management and any other evidence to corroborate the Management's assessment, we are unable to comment on the recoverability of these balances and the consequent impact, if any, on the provision thereon and the loss reported in the financial results. b) We draw attention to the Note No 45 to the Financial Results, which indicates that Trade Receivables amounting to ₹ 2780.63 lakhs, which have significant increase in credit risk, in respect of which the Company has not made any assessment for expected credit loss, in accordance with the requirements of 'Ind AS 109: Financial instruments', as the management considers such balances as good and recoverable in future. In the absence of such assessment for expected credit loss by the Management and any other evidence to corroborate the Management's assessment, we are unable to comment on the recoverability of these balances and the consequent impact, if any, on the provision thereon and the loss reported in the financial results.
Management Response	The Company is in process of the recovery of these loans and the management is taking all possible steps for the recovery of the same. We are expecting the recovery of the majority amount and therefore the management has considered the whole amount as recoverable and hence not proposed any provisions of doubtful debts.

Company 25.2	
Basis for Qualified Opinion	1. The Company had entered into financial arrangement with National Spot Exchange Ltd (NSEL) through trading and Clearing Member, XYZ (Group Company) by way of purchase and sales of various goods up to financial year 2012-13. The trade payables and trade receivables arising out of the said transactions through National Spot Exchange Limited (NSEL) from the concerns other than the group concerns are subject to confirmations by the respective parties/NSEL and reconciliations/ adjustments, if any. Further, NSEL has suspended the trading on 31.07.2013, as per the directions issued by the Government of India, Ministry of Consumer Affairs. NSEL has initiated recovery proceedings against the group company XYZ and also against the company by filing

WWW.TAXSCAN.IN - Simplifying Tax Laws

	a civil suit in the Hon'ble High Court of Mumbai for an alleged amount of around ₹ 937 crores plus interest and the said proceedings are pending as on date. Further, the Home department, Government of Maharashtra has issued a notification under the Maharashtra Protection of Interest of Depositors (in financial establishments)-Act, 1999 (MPID Act) attaching the Land, Building & Plant & Machinery of the company located at Kadi, Gujarat. The company had challenged the notification issued by Home department of Maharashtra before Hon'ble Gujarat High Court which was disposed off vide its order dated 29th March 2017. The company preferred a Special Leave Petition before the Hon'ble Supreme Court of India against the order of Hon'ble Gujarat High Court and The Hon'ble Supreme Court of India had disposed off the Special Leave Petition on 17th April, 2017 with a observation to file an application before Hon'ble Bombay High Court, Mumbai, and as informed by the management, the company has filed petition before the Hon'ble Bombay High Court in June 2017 which is pending .Besides the above, the company has also filed its objections against the attachment notification before the Designated Special MPID Court, Mumbai. In view of the above that the matter is subjudice, and the alleged liability /claim are not accepted by the company, we are unable to quantify the final liability and its impact if any, on the loss of the company for the Year ended on 31st March 2022. (Refer note No. 36 of standalone Ind AS financial statements). 2. The Directorate of Enforcement, Government of India has initiated proceedings against the company under section 5(1) of the prevention of Money Laundering Act, 2002, along with group company SSS, and by virtue of the provisional attachment order dated 10/03/2015, attached the assets of the company comprising of Land, building, plant and machinery situated at Survey Nos.719, 720, 721, 732/1, 732/2, 733, 741, 743, 744, 745, AA, taluka- Kadi, District Mehsana-382715 Gujarat. As explained to us, The Company has preferred an appeal before the Hon'ble Appellate Tribunal under the Prevention of Money laundering Act, 2002 against the order of Adjudicating Authority. Further, The Director of Enforcement (hereinafter referred to as ED), Government of India had initiated proceedings of search/seizure on 30.05.2018 on the group company XYZ, the promoters of the company late ABC and PQR, one of the family member as well as on the company and thereafter on 29.06.2018, the ED, Government of India, had preferred an application u/s 17(4) of the Prevention of Money Laundering Act, 2002 before the Adjudicating Authority, New Delhi, vide it's Application No. OA/236 of 2018 against the company as well as group company XYZ and the promoters for retention of the seized properties and for continuation of order of freezing the properties, till finalization of the proceedings, of the properties mentioned in the application u/s 17(4) of the PMLA Act, 2002. The company along with Group Company and promoters challenged the show cause notice issued by the adjudicating authority New Delhi,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	before the Hon'ble High Court of Delhi and the Hon'ble High Court has set aside the said show cause notice. The Director of Enforcement has attached assets of the company, group company XYZ and the promoters of the company by issuing a fresh show cause notice dated 30/08/2018 and the company has filed an appeal before PMLA Appellate Tribunal, Delhi. In view of the above that the matter is subjudice, and the alleged liabilities /claims are not accepted by the company, we are unable to quantify the final liability and its impact, if any, on the loss of the company for the Year ended on 31st March 2022. (Refer note No. 37 of standalone Ind AS financial statements). 3. The Government of Maharashtra, (at the instance of Economic wing offence Mumbai), has filed supplementary Charge sheet dated 25th December, 2018 under the various sections of IPC AND MPID Act. against the company and its chairman PQR. Further MPID Court on the basis of above supplementary charge sheet has issued summons dated 19th March 2019 against the company asking them to remain present on 26th April 2019. The Company has complied with the said summons and the matter was adjourned to 7th November 2019 and further adjourned to 15th February 2020, 7th March 2020, 30th April 2020, 21st May 2020, 18th July 2020, 8th September 2020, 9th October 2020, 10th December 2020, 6th February 2021, 5th May 2021, 5th July 2021, 4th September 2021, 20th September 2021, 26th October 2021, 16th December 2021, 10th February 2022, 10th March 2022, 21st April 2022 and now the matter is further adjourned to 7th June 2022. Thus, in view of the fact that the said criminal proceedings which have been initiated, inter alia, against the company and its Chairman PQR are pending, we are unable to ascertain/quantify the final liability, if any, that may arise from the said criminal proceedings and therefore we are unable to quantify its impact, if any, on the loss of the company for the Year ended on 31st March 2022.(Refer note No. 38 of standalone Ind AS financial statements). 4. The Subsidiary Company DEF had entered into financial arrangement with National Spot Exchange Ltd (NSEL) through trading and Clearing Member, XYZ by way of purchase and sales of various goods up to financial year 2013-14. The trade payables and trade receivables (now reflected under non-current financial liabilities & non-current financial assets) arising out of the transactions through National Spot Exchange Limited (NSEL) from the concerns other than the group concerns are subject to confirmations by the respective parties and reconciliations / adjustments, if any. Further, NSEL has initiated recovery proceedings against the company viz. XYZ and Holding Company viz. XYZ and also against the subsidiary Company and the said proceedings are pending as on date. In view of the fact that the matter is sub-judice, and the alleged liability/Claim are not accepted by the said subsidiary company, we are unable to quantify the final liability and its impact if any, on the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	loss of the Consolidated Accounts. (Refer note No. 47 of consolidated Ind AS financial statements).
Management Response	1. National spot Exchange Limited (NSEL) has served a notice to XYZ who was a Trading and Clearing Member at NSEL, and MNO was only a client Company of Trading Member i.e. MNO. As regards, the balances of trade receivables and trade payables arising out of the transactions through NSEL platform, the same cannot be confirmed pursuant to the pendency of litigations and as the matter is still pending before the respective authorities. Further, the Home Department, Government of Maharashtra has issued a notification under the MPID Act, 1999 securing the attachment of Land & Building and Plant & Machinery of the Company. Against this the Company had challenged the notification issued by Home department, Government of Maharashtra, before the Hon'ble High Court of Gujarat. The Hon'ble Gujarat High Court had disposed off the application of the Company vide its order dated 29th March 2017. Against the said order the Company had preferred a Special Leave Petition before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court of India had disposed off the Special Leave Petition on 17/04/2017, with an observation to file an application before the Hon'ble Bombay High Court. The Company has filed petition before the Hon'ble Bombay High Court in June 2017. Besides the above, the Company has also filed its objections against the attachment notification before the Designated Spl MPID Court, Mumbai. The matter is subjudice. 2. With regard to search and seizure carried out by the Directorate of Enforcement, Government of India on 30.05.2018 on the group company XYZ, the Company along with group Company and Promoters challenged the show cause notice issued by the adjudicating authority New Delhi, before the Hon'ble High Court of Delhi and the Hon'ble High Court has set aside the show cause notice. Further against the attachment of the assets of the Company, the Company has issued fresh show cause dated 30/08/2018 and the Company has filed an appeal before the PMLA Appellate Tribunal, Delhi. 3. Government of Maharashtra has filed supplementary charge sheet dated 25th December 2018, under the MPID Act against the Company and the Chairman. The Company has complied with all the summons under the said charge sheet and the matter was adjourned to 7th November 2019 and further adjourned to 15th February 2020, 7th March 2020, 30th April 2020, 21st May 2020, 18th July 2020, 8th September 2020, 9th October 2020, 10th December 2020, 6th February 2021, 5th May 2021, 5th July 2021, 4th September 2021, 20th September 2021, 26th October 2021, 16th December 2021, 10th February 2022, 10th March 2022, 21st April 2022, 7th June 2022, 29th July 2022 and new date of hearing is not yet updated.

WWW.TAXSCAN.IN - Simplifying Tax Laws

26. Education

Company 26.1	
Basis for Qualified Opinion	a) The Company have recognized net deferred tax assets of ₹ 6,619.26 lakhs based on the estimate that sufficient taxable profits would be available in future years against which deferred tax asset can be utilized. In our opinion, due to uncertainties arising out of the outbreak of COVID - 19 and the existence of unutilized tax losses available, it is uncertain that the Company would achieve sufficient taxable profits in future against which deferred tax asset can be utilized. Accordingly, we are unable to obtain sufficient appropriate audit evidence to corroborate the Management's assessment of recognition of deferred tax assets as at 31 March 2022. Had the deferred tax asset not been recognized, the net loss for the year ended 31 March 2022 would have been higher by ₹ 6,619.26 lakhs. The Opinion on the statement for the year ended 31 March 2021 was also modified in respect of this matter. b) The Company has loans, trade receivables and other receivables of ₹ 4,436.49 Lakhs (net of provisions) from other parties having operations in the education sector outstanding as at 31 March 2022, which are overdue/ rescheduled. The management considers that COVID-19 have disrupted the operations of parties in education sector and such outstandings have arisen primarily due to lockdowns. Even after withdrawal of lockdown, it is facing difficulties in ramping the business and the management considers that it has resulted in deferment of recovery process than envisaged but the same is considered as good and recoverable. Accordingly, owing to the aforementioned overdues/ reschedulement, we are unable to comment upon adjustments, if any, that may be required to the carrying value of the outstanding receivables and further provisions, if any, required and the consequential impact on the accompanying standalone financial statements. The Opinion on the statement for the year ended 31 March 2021 was also modified in respect of this matter. c) Note no. 17 in respect of non-provision of interest w.e.f. 1 October 2021 on loan from Bank and Financial Institution ("lenders") declared as Non-Performing Assets (NPA) and which are under dispute with the lenders and also matter is pending for admission in the National Company Law Tribunal (NCLT) by one of the lender. Had the interest expenses been recognised the loss for the quarter and nine months ended would have been higher by ₹ 175.86 lakhs (excluding penal interest if any) as per the terms of the agreement. d) The Company's internal financial control with regard to evaluation of the recognition of deferred tax assets and recoverability of loans, trade receivables and other receivables to other parties in compliance with the applicable Indian Accounting Standard (Ind AS) were not operating effectively, due to the prevailing Covid-19 pandemic (as fully explained in

Analysis of Modified Opinions — Education

	the 'Basis for qualified opinion' of our main report), which could result in the Company not providing for adjustments, if any, that may be required to be made and its consequential impact on the standalone financial statements.
Management Response	1. The management has made internal assessment and have projected Profit & Loss for next 5 years and are of view to have sufficient taxable profits to utilise the DTA. 2. The matter is under dispute with the lenders and is pending for admission in the National Company Law Tribunal (NCLT) by one of the lender. The Company is in discussions with lenders to find a resolution of the matter. 3. The management is of the opinion that COVID-19 pandemic and the subsequent lockdowns have disrupted the operations of parties in education sector. Although, even after the withdraw of lockdown, the Group / Company is facing difficulties in ramping up the business which has resulted in deferment of recovery process beyond what has been envisaged. We anticipate progress in business in the coming quarters which will enable recovery of the receivables in an orderly manner. At this present juncture, the management considers the outstanding dues to be good and recoverable.

Company 26.2	
Basis for Qualified Opinion	a) We draw attention that the company has earned "other income" amounting to ₹ 1,55,02,792/- as interest on loan by lending money to the third parties which is out of the charter/ main objectives of Memorandum of Association of the company. b) We draw attention that investment in equity shares (unquoted) under the head "Non-Current Investment" amounting to ₹ 39,50,000/- out of which ₹ 37,50,000/- should be considered as impairment loss as per Ind AS-36. The investment in unquoted shares of PQR, XYZ doesn't have the name of ABC as shareholder in their shares holders list provided by the management to us. The investment in DEF is not recoverable since company has been struck off in Registrar of Companies since 2019 as per Ministry of Corporate Affairs. XX has negative reserves resulting in a negative fair value and thus investment cannot be recovered. c) We draw attention that the General Reserves have been debited by Income Tax paid for Assessment year 1996-97 of ₹ 60,50,565.09 by order dated: 08.11.2021 & for Assessment Year 2004-05 of ₹ 2,58,710.00 by order dated: 06.09.2021 by CIT, Appeals instead of Profit and Loss account. No such adjustments are made in the books of accounts for the same. d) We draw attention that the Advance given for development of project under the head "Other Non-Current Assets" amounting to ₹ 26,76,66,625.00, is subject to confirmation/ reconciliation. However,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	management has explained us that the amount is recoverable standing in the books of account. We are unable to validate the assertion of recoverability in the absence of any independent report by the competent agency & the uncertainty of presumption of future operations/ results of operations thereafter. Also, in the absence of underlying documents like agreements/confirmations/contracts, we are unable to comment on the completeness of the same. e) In the absence of appropriate evidence and underlying documents like third party confirmations, details, breakup of Training Expenses Payable under the head "Other Non-Current Liabilities" amounting to ₹ 11,43,20,142.05, we are unable to comment on the sufficiency and appropriateness of the payable amount. "Other Debtors" under the head "Sundry Debtors" amounting to ₹ 2,44,86,266.00 has been adjusted with Training Expenses Payable without any justification/confirmation made available to us by the management. f) We draw your attention that in the absence of Fixed Asset Register and no physical verification report by the management / third party, we are unable to comment on the existence of the Fixed Assets. g). We draw your attention that "XYZ." included under the head "Loans and Advances" (Non-Current Assets) amounting to ₹ 1,69,06,352/- has filed for insolvency (Insolvency And Bankruptcy Code 2016). The Management has explained us that the amount is recoverable standing in the books of accounts. We are unable to validate the assertion of recoverability in the absence of any document/ confirmation. No provision/adjustments are made in the books of accounts as the amount is doubtful to be recovered. g) According to the information and explanations given to us and based on our audit material, weakness has been identified in the company's internal financial controls over financial reporting as at March 31 2022 as regards: • Uncertainty for realizing the carrying value of its trade receivables and payment of the carrying value of its trade payables which are subject to their balance confirmation and in view of ageing analysis. • Non-maintenance/ updation of fixed assets register, loans and investment register for agreements or contracts with related parties and other records as prescribed under Companies Act 2013 in respect of applicable provisions of Section 177, 185, 186, 188 189 as applicable. • Uncertainty for realizing the carrying value of its loans and advances (current and non-current) which are subject to their balance confirmation.
Management Response	There were no qualifications, reservations or adverse remarks made by the Statutory Auditors of the Company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — Education

Company 26.3	
Basis for Qualified Opinion	a) As stated in note 59 to the standalone financial statements, XYZ Bank Limited (Bank) has invoked the Corporate Guarantee issued by the Company and its subsidiary i.e., ABC Private Limited (ABCPL) upon non-repayment of credit facilities availed by Four Trusts/ Entity and called upon the Company and ABCPL to make payment of an amount of ₹ 44,962.56 lakhs (including interest and other charges upto 31 July 2021). As further stated in the note, subsequent to 31 March 2022, the Company has received notice from Bank regarding filing of petition under section 7 of the Insolvency and Bankruptcy Code, 2016 to initiate Corporate Insolvency Resolution Process (CIRP) of the Company, before the Hon'ble National Company Law Tribunal (NCLT), Mumbai, which is pending for admission in the NCLT. As further explained in the note, since the CIRP matter is pending for admission in the NCLT and considering expected revival of education industry post Covid-19 Pandemic, the Company is of the opinion that no liability is required to be provided at this stage. As further stated in note 33 to the standalone financial statements, ABCPL has defaulted in repayment of loans availed from two lenders. In this regard, one of the lenders vide its notice 14 February 2022 issued to the Company has invoked the Corporate Guarantee issued by the Company on behalf of ABCPL and called upon the Company to pay an amount of ₹ 9,162 lakhs outstanding as at 30 June 2021 with further interest w.e.f. 01 July 2021 as per the terms of the sanction letters. As further stated in the said, ABCPL is in discussions with the lenders and evaluating various options including orderly restructuring of loans and the Company is of the opinion that an amicable resolution will be achieved at the earliest. However, the Company has not provided for liability against invocation of the above Corporate Guarantees as at 31 March 2022 as required by the applicable Indian Accounting Standard (Ind AS). Further, in the absence of sufficient and appropriate evidence to substantiate management's conclusion on the resolution including restructuring of some the credit facilities, we are unable to comment upon adjustments, if any, that may be required in the standalone financial statements for the year ended 31 March 2022. b) As stated in note 57 to the standalone financial statements, the Company has investment in equity shares of its subsidiary company viz PQR Limited (PQR) which is carried at cost of ₹ 27,812.22 Lakhs. While PQR on a consolidated basis has a positive net worth as at 31 March 2022, there has been significant decline in the market capitalization of PQR which is listed on National Stock Exchange Limited (NSE) and BSE Limited (BSE). However as stated in the said note, considering the revival of education business post Covid-19, brand potential of PQR and its subsidiaries in the education market and considering the valuation carried out by an independent agency, the management is of the opinion that no

WWW.TAXSCAN.IN - Simplifying Tax Laws

	impairment is required to the said investments, and hence no adjustments have been considered by the Company to the carrying value of its investment in equity shares of PQR as at 31 March 2022. The management has carried out valuation of its investment in equity shares based on the valuation performed by an independent agency using the discounted cash future cash flows method which is significantly dependent on the achievement of certain key assumptions considered in the aforementioned valuation. Also, the market capitalization of PQR, which is listed on National Stock Exchange Limited (NSE) and BSE Limited (BSE), is significantly eroded. Further, PQR and its subsidiary have defaulted in repayment of loan taken from Bank and Financial Institution and such loan is declared as Non-Performing Asset (NPA). Accordingly, owing to above events and uncertainties, we are unable to comment on the appropriateness of the carrying value of its investment in equity shares of PQR and its consequential impact on the net loss, total comprehensive loss for the year ended 31 March 2022 and the financial position of the Company as at 31 March 2022. Our Opinion on the audited standalone financial statements for the previous year ended 31 March 2021 was also qualified in respect of the matter stated in para (b) above. c) In one of the subsidiaries viz. PQR Limited (PQR), the other auditor who audited the consolidated annual financial statements of PQR reported that PQR has recognized net deferred tax assets of ₹ 6,959.96 lakhs based on the estimate that sufficient taxable profits would be available in future years against which deferred tax assets can be utilized. In the opinion of the other auditor, due to uncertainties over the estimated profits for future years and the existence of unutilized tax losses available, it is uncertain that PQR would achieve sufficient taxable profits in future against which deferred tax assets can be utilized. Accordingly, the other auditor is unable to obtain sufficient appropriate audit evidence to corroborate the Management's assessment of recognition of deferred tax assets as at 31 March 2022. Had the deferred tax assets not been recognized, the net loss for the year ended 31 March 2022 would have been higher by ₹ 6,959.96 lakhs and other equity as at that date would have been lower by the said amount. d) In one of the subsidiaries viz. PQR Limited (PQR), the other auditor who audited the consolidated annual financial statements of PQR reported that PQR has loans and other receivables of ₹ 8,402.36 lakhs (net of provisions on consolidated basis) outstanding as at 31 March 2022, from other parties having operations in the education sector, which are overdue/rescheduled. The management considers that COVID-19 has disrupted the operations of parties in education sector and such outstandings have arisen primarily due to lockdowns. Even after withdrawal of lockdown, PQR is facing difficulties in ramping up the business and the management considers that this has resulted in deferment of recovery process than envisaged but the same is

WWW.TAXSCAN.IN - Simplifying Tax Laws

	considered as good and recoverable. Accordingly, owing to the aforementioned overdues/ reschedulement, the other auditor is unable to comment upon adjustments, if any, that may be required to the carrying value of the outstanding receivables and further provisions, if any, required and the consequential impact on the consolidated financial statements. e) In one of the subsidiaries viz. PQR Limited (PQR), the other auditor who audited the consolidated annual financial statements of PQR reported that PQR has not provided interest w.e.f. 1 October 2021 on loan taken from Bank and Financial Institution ("lenders") declared as Non-Performing Assets (NPA) and are under dispute with the lenders and also the matter is pending for admission in the National Company Law Tribunal (NCLT) by one of the lenders. Had the interest expenses been recognised the loss for the year ended 31 March 2022 would have been higher by ₹ 257.74 lakhs (excluding penal interest if any) and other equity as at that date would have been lower by the said amount. The audit report for the previous year ended 31 March 2021, was also qualified in respect of the matters stated in (b) to (d) above. f) According to the information and explanations given to us and based on our audit and consideration of the reports of the other auditors as referred to in 'Other matter' paragraph below, the following material weaknesses have been identified as at 31 March 2022: • The Company's internal financial control with regard to non-provision of liability against invocation of corporate guarantee as at 31 March 2022 as required by the applicable Indian Accounting Standard (Ind AS) (as fully explained in para (a) of the 'Basis for qualified opinion' of our main report) were not operating effectively, which could result in the Company not providing for adjustments, if any, that may be required to be made and its consequential impact on the standalone financial statements. • In one of the subsidiaries viz. PQR Limited (PQR), the other auditor who audited the consolidated annual financial statements of PQR reported that the internal financial controls in PQR and certain of its subsidiaries (PQR Group) with respect to evaluation of the recognition of deferred tax assets and recoverability of loans, trade receivables and other receivables to other parties and non-provision of interest on loan from bank and financial institution which are under dispute with lenders in compliance with the applicable Indian Accounting Standard (Ind AS), were not operating effectively, which could result in PQR Group not providing for adjustments, if any, that may be required to be made and its consequential impact on PQR's consolidated financial statements.
Management Response	1. The Company has investment in its equity shares of its subsidiary company viz PQR Limited (PQR) which is carried at cost of ₹ 27,812.22 lakhs. While, PQR on a consolidated basis has a positive net worth as at

WWW.TAXSCAN.IN - Simplifying Tax Laws

	March 31, 2022, there has been significant decline in the market capitalization of PQR which is listed on BSE and NSE. However, considering the revival of education business post COVID-19, brand potential of PQR and its subsidiaries in the education market and considering the valuation carried out by an independent valuer, the management is of the opinion that no impairment is required to the said investments, and hence no adjustments have been considered by the Company to the carrying value of its investment in equity shares of PQR as at March 31, 2022. 2. In respect of invocation of corporate guarantee of ₹ 44,962.56 Lakhs. The four trusts/entity have been running all their operations under the brick-and-mortar model in pre-Covid-19 era and had switched to digital mode of imparting education during the lockdown. However, the trusts/entity have now started offline education and students are enrolling in schools and business recovery is envisaged. Since the CIRP matter is pending for admission before NCLT and considering expected revival of education industry post Covid-19 pandemic, the Company is of the opinion that no liability is required to be provided at this stage. In respect of invocation of corporate guarantee of ₹ 9,162 Lakhs. ABCPL is in discussions with the lenders and evaluating various options including orderly restructuring of loans and the Company is of the opinion that an amicable resolution will be achieved at the earliest. 3. The management has made internal assessment and have projected Profit & Loss for next 5 years and are of view to have sufficient taxable profits to utilize the DTA. 4. The matter is under dispute with the lenders and also matter is pending for admission in the National Company Law Tribunal (NCLT) by one of the lender. The Group is in discussions with lenders to find the resolution of the matter. 5. PQR on a consolidated basis has a positive net worth as at March 31, 2022, there has been significant decline in the market capitalization of PQR which is listed on BSE and NSE. However, considering the revival of education business post COVID-19, brand potential of PQR and its subsidiaries in the education market and considering the valuation carried out by an independent agency, the Group is of the opinion that no impairment is required to the said goodwill, and hence no adjustments have been considered by the Company to the carrying value of goodwill as at March 31, 2022. 6. The management is of the opinion that COVID-19 pandemic and the subsequent lockdowns have disrupted the operations of parties in education sector. Although, even after the withdraw of lockdown, the Group/ Company is facing difficulties in ramping up the business which has resulted in deferment of recovery process beyond what has been envisaged. We anticipate progress in business in the coming quarters which will enable recovery of the receivables in an orderly manner. At this

WWW.TAXSCAN.IN - Simplifying Tax Laws

	present juncture, the management considers the outstanding dues to be good and recoverable. 7. The said trusts/entity have been running all their operations under the brick-and-mortar model in pre-covid era and had switched to digital mode of imparting education during the lockdown. However, the trusts/entity have now started offline education and students are enrolling in schools and business recovery is envisaged. Since the CIRP matter is pending for admission before NCLT and considering expected revival of education industry post Covid-19 pandemic, the Holding Company is of the opinion that no liability is required to be provided at this stage.

WWW.TAXSCAN.IN - Simplifying Tax Laws

27. Electronic Media

Company 27.1	
Basis for Qualified Opinion	1. The Company had acquired its publication and PQR business in Financial Year 2015-16 as per the scheme of arrangement and during such acquisition the company has recognised goodwill amounting to ₹ 788.69 Lakhs as Goodwill on demerger. The carrying value of Goodwill as on 31 March 2022 is ₹ 299.07 Lakhs. However, the Company has not been able to generate sufficient income from its publication and PQR business since last five years and has incurred losses of ₹ 112.75 Lakhs during the year ended on 31 March 2022 and during the preceding financial year of ₹ 151.99 Lakhs. Also considering the further impact on the business of the company due to COVID 19 restrictions imposed by the Government for Ground event and discontinuance of publication of its magazine 'Governance Now', in our view this fact indicates that there is impairment in the value of Goodwill. However, the Company has not carried out impairment testing on goodwill and instead amortising the Goodwill over a period of 10 years which is not in consonance with the Ind AS 36 Impairment of Assets. In the absence of working for impairment we are unable to quantify the amount of impairment provision required and its possible effects on the financial statements. 2. The Company has not accounted the lease transactions as per requirements of Ind AS 116 Leases. Had the said standard been followed, the liabilities would have been higher by ₹ 56.92 Lakhs and assets would have been higher by ₹ 55.84 Lakhs and loss would have been higher by ₹ 1.08 Lakhs.
Management Response	1. The Management of the Company does not anticipate any impairment in the value of Goodwill as the Management considers that the Goodwill can be commercially exploited in different ways to generate the revenue. Management estimates that decline in revenue in recent past is temporary in nature which has potential to get regularized in near future. The management is of the opinion that keeping in view their long-term business synergy and potential no provision for impairment in the value of goodwill is required to be made as on March 31, 2022. 2. The impact for adoption for Ind AS 116 in the Company's financial statements is not material as the Company has not entered into a long-term lease agreement with any lessor. However, the management will assess its impact in next financial year and account for the same, if required, as per Ind AS 116.

WWW.TAXSCAN.IN - Simplifying Tax Laws

28. E-Retail/ E-Commerce

Company 28.1	
Basis for Qualified Opinion	1. The company had initiated the process of software migration, during the current year, for its accounting database from its existing legacy package to tally package (desktop version) for which updation / reconciliation is in process. 2. The Company has not obtained Actuarial Valuation wit terminal benefits i.e., Gratuity and Leave Encashment as mandated by Accounting Standard 15 issued by the Institute of Chartered Accountants of India. In the absence of the same, the impact thereof on the profit and liabilities of the Company cannot be ascertained. 3. The Company has not maintained the adequate records for inventory lying as stock in trade. In the absence of quantitative records, valuation of these stocks is not ascertainable/ measured. We have relied on the representation made to us by the management. 4. The confirmations regarding the closing balances of trade receivables, trade payables and loans & advances were not made available to us even directly or by the management. Therefore, we are unable to comment whether those balances as shown in financial statements are correct or not. 5. The Company is in process of reconciliation of GST input tax credit between credit lying in books and credit available in GSTR-2A at GST portal. Any discrepancies out of such reconciliation, if any, is presently not ascertainable. 6. According to information and explanations given to us, the Company has not established its internal financial controls over financial reporting on criteria based on or 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. Because of this reason, we are unable to obtain sufficient appropriate evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting, and whether such internal financial controls were operating effectively as at 31 March 2022. We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company and the disclaimer does not affect our opinion on the standalone financial statements of the Company.
Management Response	The Auditor's Report for financial year ended March 31, 2022 does not contain any qualification reservation or adverse remark. All the observation made in the Independent Auditor's Report and Notes forming part of the Financial Statements are self-explanatory and do not call for any further comments and also there is no incident of fraud requiring reporting by the auditor under section 143(12) of the Companies Act 2013 during the year. The Audit report is enclosed with the financial statements in this audit report.

WWW.TAXSCAN.IN - Simplifying Tax Laws

29. Ferro & Silica Manganese

Company 29.1	
Basis for Qualified Opinion	We draw your attention to Note No. 35 of the accompanying financial statements regarding non provision of interest expense on the borrowings of the Company amounting to ₹ 4,910.44 lacs for the year ended 31st March 2022 (Cumulative Non-Provisioning of ₹ 22004.74 lacs till 31st March 2022) and penal interest and charges thereof (amount remaining unascertained) which is not in accordance with the requirements of Ind AS 23: Borrowing Costs read with Ind AS 109: Financial Instruments. In view of pending finalisation of the restructuring plan with Rare Asset Reconstruction Limited, the financial impact if any pursuant to assignment agreement remain unascertained and not been provided for in the financial result which might have consequential impact on the reported figure of this year as well as earlier periods. Had the aforesaid interest expense been recognized, the finance cost for the year ended 31st March 2022 would have been ₹ 4,923.68 lacs instead of reported amount of ₹ 13.24 lacs. The total expenses for the year ended 31st March 2022 would have been ₹ 37,028.63 lacs instead of ₹ 32,118.19 lacs. The Net Loss after tax for the year ended 31st March 2022 would have been ₹ 6,586.65 lacs instead of ₹ 1676.21 lacs. Total comprehensive Loss for the year ended 31st March 2022 would have been ₹ 6,554.06 lacs instead of reported amount of ₹ 1,643.62 lacs. Other equity as on 31st March 2022 would have been ₹ (55,256.44 lacs) instead of reported amount of (₹ 33,251.70 lacs) and current financial liability as on 31st March 2022 would have been ₹ 22020.79 lacs instead of reported amount of ₹ 16.05 lacs. The above reported interest has been calculated using Simple Interest rate.
Management Response	The lenders have stopped charging interest on debts, since the dues from the Company have been categorized as Non- Performing Asset. The Company is in active discussion/negotiation with its lenders to restructure its debts at a sustainable level including waiver of unpaid interest. In view of the above, pending finalization of the restructuring plan, the Company has stopped providing interest accrued and unpaid effective 1st April, 2016 in its books. The amount of such accrued and unpaid interest not provided for stands at ₹ 4,910.44 lacs for the year ended 31st March, 2022 and accordingly the same has not been considered for compilation of Results for the year ended 31st March, 2022.

WWW.TAXSCAN.IN - Simplifying Tax Laws

30. Fertilizers

Company 30.1	
Basis for Qualified Opinion	a) Loan given to an Associate Company-PQR Ltd: As per the agreement dated 28th May 2015, the Company had given loan to M/s PQR Ltd aggregating to ₹ 8.25 Crore. The loan was repayable over a period of five years. Delays/ defaults were observed in payment of interest and in view of this the Company had amended the agreement. However, the same was not complied by M/s PQR Ltd. In view of this, the said loan was recalled on 31/08/2019. The Loan amount is ₹ 8.99 Crores as at 31st March 2022. The management of Company has informed that, all necessary steps have been taken by the Company. However, there is no recovery of the said loan even though a significant amount of time has lapsed. Company has not made any provision in respect of the said outstanding loan. b) Investment in an Associate Company-PQR Ltd: Carrying value of the equity shares investment in an associate Company -PQR Ltd is ₹ 35.06 lacs as at 31st March 2022. The fair valuation report as required by Ind AS 109 is not on record. Even though a significant amount of time has lapsed, PQR was unable to service the loan availed from the Company. In spite of this, the Company has not made any provision regarding the said equity investment in PQR Ltd. c) Carrying value of old overdue trade receivables is ₹ 10.84 Crores as at 31st March 2022.The Company has not made any provision regarding the said old overdue trade receivables. d) Old overdue advances: The Company has given advances to certain parties aggregating to ₹ 1.40 Crores. Certain material amount out of these advances are old and overdue. Company's management is of the opinion that, the intended material/services are received from certain parties for which expenses will be booked after receipt of bills. In respect of certain parties material/services will be received in future and accordingly no provision is necessary in this regard. It is also informed that, in case of few advances, some parties may refund the advances to the Company. e) Society Maintenance Charges (SMC): Outstanding Society maintenance charges receivable aggregating to ₹ 0.26 Crores (app.) as at 31st March 2022 are very old and the Company has not made provision in this regard. f) The amount of subsidy receivable from the financial year ended 31st March 2015 to 31st March 2018 is ₹ 0.21 Crores as at 31st March 2022 and the Company has not made provision in this regard. g) The carrying value of deposits which are not confirmed is ₹ 24.27 lakhs as at 31st March 2022. The Company has not made provision in this regard.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	h) The Matters as per the sr. a) to d) as stated above have been qualified in the preceding quarters and for the year ended 31st March, 2021. i) In absence of adequate audit evidence, we are unable to comment on quantum of provision to be made in respect of sr. nos. (a) to (g) above. j) Discrepancy to be reported under Clause L(ix) under Additional Regulatory Information applicable to a Company required to prepare Financial Statements under Division II Ind AS Schedule III of the Company's Act. Discrepancies occurred in the value of the Current Assets as per books and as appearing in the stock statements submitted to the Bank as on 30.06.2021, 30.09.2021, 31.12.2021 & 31.03.2022 due to inclusion of stocks of all the divisions of the Company. Refer Note No 41 of Notes to Accounts k) According to the information and explanations given to us and based on our audit, the following material weaknesses has been identified in the operating effectiveness of the Company's internal financial controls over financial statements as at March 31, 2022: 1. Loan given to an Associate Company-PQR Ltd 2. Investment in an Associate Company-PQR Ltd 3. Non provisioning of old overdue trade receivables 4. Old overdue advances 5. Society Maintenance Charges (SMC) 6. Subsidy receivable 7. Carrying value of deposits 8. Discrepancy to be reported under Clause L(ix) under Additional Regulatory Information
Management Response	The observations of the auditors contained in their Report have been adequately dealt with in the Auditors reports which are self-explanatory.

Company 30.2	
Basis for Qualified Opinion	a) The company's internal financial control over GST Input Tax Credit availment, claim and reconciliation were not operating effectively which could materially affect the financial performance and also possible effects on the liquidity position of the company. b) The Company's internal control system for inventory Stores and Spares with regard to receipts, issue for production, physical verification and identification of slow-moving and non-moving items were not operating effectively. These could potentially result in material misstatements in the Company's consumption, inventory and expense account balances. c) Non-Integration of HO-OLIS (Corporate Accounts) and ROs OLIS (Marketing) and absence of periodical reconciliation between the two-accounting system may lead to material misstatements in the Company's

Analysis of Modified Opinions — Fertilizers

	Trade receivables (excl. Subsidy Receivable from Government) and consequential impact on the liquidity position.
Management Response	a) The company is in the process of integration of statutory compliance function with financial accounts through a new ERP System for better control. In the meantime, the company has appointed an external consultant to reconcile between Company Books and e-Credit Ledger of GST Portal, filling the returns and other GST related aspects. b) The company is in the process of integration of inventory management function with financial accounts through a new ERP System for better control. Physical verification of stores and spares are carried out by Internal Auditor of the Company on an "Ongoing basis" so as to complete the verification of all items over the period of one year. c) The company has reconciled the receivable balance reflected in HO OLIS and RO OLIS on a regular basis. Further, Company is in the process of installing a new ERP which will integrate RO transactions with HO on real time.

Company 30.3	
Basis for Qualified Opinion	1. We draw attention to Note No: 31 in the standalone financial statements wherein the company explained the basis and reasons for not testing its Property, Plant and Equipment (PPE) for impairment as at the year end. The management explained in the said note that having noticed indications that the PPE may have impaired, it has decided to test its PPE for impairment, but could not complete the impairment testing during the year as the report of the valuer who was appointed for this purpose was not received till date. This is not in compliance with Ind AS-36, Impairment of assets. Pending completion of testing the PPE for impairment and identifying the impairment loss, if any, we have not been able to corroborate the Management's decision of continuing to present the PPE at carrying value and further we are unable to state whether the carrying values of PPE require any adjustments for impairment. Accordingly, we are unable to comment on the appropriateness of the carrying value of PPE and their consequential impact on the financial results and the financial position of the company as at and for the year ended March 31, 2022. 2. We draw attention to Notes No: 14 and 26 in the standalone financial statements wherein the company explained that the lenders (Banks) of the company have not implemented the Corrective Action Plan (CAP) approved by them in the Joint Lenders Forum (JLF) meeting held in 2015 and though the company represented the matter to the lenders for necessary corrective action, the same has not been rectified till date. As a result, the company filed cases against the lenders in the Hon'ble High Court of Telangana, which has restrained the lenders from taking any coercive action against the company. Further, there is no clear

WWW.TAXSCAN.IN - Simplifying Tax Laws

	information on when the loans were declared as NPAs by the lenders. Due to these disputes, the lenders have not been sending the interest demands and the loan statements/ confirmation of balances to the company since 4 years. In this background, the company has been accounting the interest on the loans as per the terms of CAP funding sanction letters with a qualification of dispute and furnishing the default details as available with it in the financial statements. In the absence of independent audit evidence from the lenders on the date(s) from which the loan accounts have been classified as NPAs, outstanding amount of borrowings at the end of every year, interest accrued thereon, period and amount of default in repayment of loans and payment of interest thereon disclosed in the financial statements, we are unable to form an opinion whether any adjustments are required to be made to the outstanding balance of borrowings as at the year end, interest on the borrowings charged to the profit and loss for the year and the period and amount of default in repayment of principal and payment of interest disclosed in the financial statements for the year. 3. According to the information and explanations given to us and based on our audit, material weakness has been identified in the company's internal financial controls with reference to financial statements as at 31st March, 2022 as regards impairment testing of its Property, Plant and Equipment and accounting the effect of impairment, if any and disputes with the lenders resulting in not reconciling the interest on borrowings and the outstanding balance of borrowings with lenders' statements and the disclosure of period and amount of default in repayment of principal and payment of interest thereon.
Management Response	The Auditors' Qualifications in the Independent auditor's report and report of IFC have been appropriately dealt with in Note No. 31 of financial Report is self-explanatory and do not call for any further comments. Qualification on Note No. 14 & 26 to the standalone audited financial statements discussed in detail on implementation of Corrective Action Plan is self-explanatory and do not call for any further comments.

WWW.TAXSCAN.IN - Simplifying Tax Laws

31. Film Production, Distribution & Exhibition

Company 31.1	
Basis for Qualified Opinion	1. With reference to Note 55 of the Standalone Financial Statements, the Company has trade receivables of ₹ 40,645 Lakhs from PQR FZ LLC ("PQR") ("Company having significant influence"), and ₹ 8,652 Lakhs from ABC Limited UK (fellow subsidiary of PQR). Dues of PQR of ₹ 32,577 Lakhs are overdue. As per the management accounts for the year ended March 31, 2022 provided to us, net worth of these companies has been eroded and has incurred losses in that year. Further, PQR has made significant write down in the carrying amount of film content. Considering the financial position of these companies, we are unable to obtain sufficient appropriate audit evidence to comment on the extent of the recoverability of the carrying value of the above receivables and the consequential effects on standalone financial statements. 2. According to the information and explanations given to us and based on our audit, we have identified material weakness as at March 31, 2022 with regards advances given for content development which has remained under production for a substantial period of time. The controls over assessing the further development or alternative arrangements needs to be strengthen failing which the advances may be potentially not recovered and written off in future.
Management Response	The parent company of aforesaid entities i.e., XYZ PLC is committed to continue to support these entities. Further, based on the future business plan of PQR, management is confident of recovery of above dues. Hence, it does not require any provision.

Company 31.2	
Basis for Disclaimer of Opinion	a) The Company has invested ₹ 6,199.90 Lakhs in the equity shares of its 4 subsidiaries as on 31st March 2022. The company has not conducted the Fair Value assessment w.r.t the impairment of the said investment. It was noted that out of the said 4 subsidiaries, ABC Limited and PQR Gold and XYZ Metals Limited are having negative net worth as on 31st March 2022. Due to lack of explanation from the management and documentary evidence, we are unable to comment on the adequacy of the provision to be provided for in the books of accounts. b) The Company has de-investment in one of subsidiary company DEF Private Limited during 2021-22, The Company has booked loss ₹ 26,92,49,990/- on 28/12/2021 due to sale of share of DEF Private Limited. c) The company had not conducted the Fair Value Assessment for the Investments held by XY Limited of ₹ 1,46,26,796 in the shares of unlisted

WWW.TAXSCAN.IN - Simplifying Tax Laws

	companies as required under Ind AS 109. Hence, we are unable to comment on the realizable value of such investment. d) The company has total outstanding loans and advances of ₹ 1,325.62 Lakhs as on the year ended 31st March, 2022 from various companies. We have circulated the independent balance confirmation for the majority of the outstanding loans and advances; however, we have not received any confirmation independently. Further, the company has provided us the balance confirmation amounting to ₹ 526 Lakhs as obtained by the management of XY Limited from these companies to whom the loans have been advanced. Also, the company has not accrued any interest on the said loans & advances. Accordingly, due to lack of sufficient and appropriate audit evidence i.e., loan agreement and independent balance confirmation, we are unable to comment on the authenticity of such balances. e) Some of the balances of Trade Receivables and Trade payable of the Company are subject to confirmation from the respective parties and consequential reconciliation/adjustment arising there from, if any. f) The company has given Advance for Property of ₹ 3,99,46,384 as on 31st March, 2022. The company has made available with the balance confirmation. However, the said balance is long outstanding and we are not provided with any steps taken with respect to the refund of the said amount to the Company or details of the procurement of assets against the said Advance of Property. In absence of information and sufficient documentary evidence, we are unable to comment on the authenticity of such balance or procurement of any assets by the company, if any. g) The company has classified one of its subsidiaries named PRS Production FZE under Asset Held for Sale in the FY 2018-19 having an investment amount of ₹ 3,75,48,757. The said asset has written off by the company during the quarter ended 31st March 2022. However, no financial statement/ status/ existence of the subsidiary (PRS Production FZE) has been provided for review by the management. Thus, due to lack of information and documentary evidence, we are unable to comment on the same. h) The company has a Gross Tax Asset of ₹ 536.05 Lakhs and Net Tax Asset of ₹ 111.49 Lakhs respectively as on 31st March 2022 pertaining to various years. The company has not provided with the status of the assessment/refund/appeal for the said Tax Assets and hence, due to lack of the information and documentary evidence, we are unable to comment on the tax assets appearing in the accompanying in the audited standalone financial statement. i) The company has issued 8% Optionally Convertible Redeemable Bonds and an amount of ₹ 5,00,00,000 is outstanding as on 31st March 2022. However, the company has not accrued interest expense on the said Bonds and has also not obtained Interest Waiver Letter from the Bond Holder.

	j) The company has not provided us with the Internal Audit Report of the Financial Year 2020-22, as required under Section 138 of the Companies Act, 2013 till the date of this report and hence we are unable to review the same. k) Due to the possible effects of the matters described in the Basis for Disclaimer of Opinion paragraph in our main audit report, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion on whether the Company had adequate internal financial controls over financial reporting with reference to these Standalone Ind AS financial statements as at March 31, 2022 and whether such internal financial controls were operating effectively. Accordingly, we do not express an opinion on Internal Financial Controls Over Financial Reporting with reference to these Standalone Ind AS financial statements.
Management Response	Notes to the Financial Statements are self-explanatory and do not call for any further comments.

Company 31.3	
Basis for Qualified Opinion	a) As at March 31, 2022, the company's investment in its subsidiary (including deemed investment), PQR International Limited (PQRIL) a joint venture between the company and Maharashtra Film, Stage and Cultural Development Corporation Limited (MFSCDCL), aggregates to ₹ 19,95,11,218/- and loans and advances, deposits, interest receivable and rent receivable aggregate to ₹ 64,12,90,157/- recoverable from PQRIL. As fully explained in Note 42 to the accompanying audited financial statements, the Order of February 9, 2012 passed by the High Court of judicature at Bombay ('High Court'), had quashed the joint Venture Agreement ('JVA') between the company and Maharashtra Film Stage Cultural Development Corporation ('MFSCDCL'). Maharashtra Film Stage and Cultural Development Corporation ('MFSCDC') raised net demand of ₹ 59,19,66,210/- and asked PQRIL to vacate the premises. PQRIL's petition for special leave to appeal filed with the Supreme Court of India had also been dismissed. The Company and PQRIL had filed application to review the said order with the High Court and an Interim stay was granted on July 30, 2014 which required deposit of ₹ 10,00,38,000/- by January 2015 against payment of arrears of rent for the year 2000-01 to 2013-14 and payment of ₹ 45,00,000/- per annum from Financial Year 2014-15 till the settlement of the case, to MFSCDCL. As per the terms of the said Order, till financial year 2016-17, ₹ 11,35,38,000/- has been paid by the Company and for financial year 2017-18 to 2021-22 ₹ 45,00,000/- per annum has been paid by PQRIL. The State Govt. of Maharashtra and MFSCDCL challenged the order of the High Court in the Supreme Court which was dismissed by the Supreme Court on September 22, 2014. The amount so paid / being paid

WWW.TAXSCAN.IN - Simplifying Tax Laws

	by the–Company have been accounted under Non-Current Other Financial Assets in the Standalone Financial Statements to be adjusted on the settlement of the case. Management of PQRIL informs that these will be accounted as an expense, if required, on the settlement of the case. Additionally, without giving effect to the matter as stated above, PQRIL's net worth stands fully eroded as at March 31, 2022. Management of PQRIL believes that it is appropriate to prepare the financial statements on a going concern basis based on its assessment of the merits of the case, plans for the future and support provided by its holding company. b) The Ministry of Corporate Affairs (MCA) on March 30, 2019 notified Ind AS 116 "Leases" as part of Companies (Indian Accounting Standards) Amendment Rules, 2019. The new standard is effective from reporting periods beginning on or after April 1, 2019. Pending final outcome of the matter under litigation as mentioned above, no adjustment has been made in PQRIL's Financial Statements with respect to Ind AS 116 on the land rights.
Management Response	The Company's explanation to the Auditors' observation in their Report have been detailed in Note No. 42 in the notes forming part of accounts which forms part of the Annual Report. Public Interest Litigations ('PIL') had been filed alleging that the Maharashtra Film, Stage and Cultural Development Corporation Limited ('MFSCDCL') had not followed proper procedure while entering into a Joint Venture Agreement ('JVA') with the Company and in the subsequent allotment of 20 acres of land to the said joint venture, ABC International Limited ('ABC'), a subsidiary of the Company. During the year 2011-2012, pursuant to the Order of the Hon'ble High Court of Judicature at Bombay ('High Court') dated 9 February 2012, inter-alia, the JVA with MFSCDCL was quashed / rendered cancelled, ABC was ordered to return the land to MFSCDCL and pay rent (and interest on arrears) retrospectively on the entire land since the date of the JVA. Of the total land admeasuring 20 acres, 14.5 acres vacant unused land was handed over to MFSCDCL on 18 April 2012 and the balance was to be handed over on or before 31 July 2014. Pending discussion and / or agreement with MFSCDCL and / or clarifications to be sought from the concerned parties, no adjustments have been made to the Share Capital structure of ABC and the carrying value of the land rights in its books of account. However, in terms of the Order of the High Court, the said amount together with future rent till the date of vacation of the premises is adjustable against the market price of the Institute building of ABC on the said land. The valuation is to be carried out by an expert valuer to be appointed by the Government. During the year 2013-2014, the PWD Engineer has given his valuation report based on the Balance Sheet of ABC as at 31 March 2011. Further, the Company made an application to the Government of Maharashtra in February 2013 to appoint expert valuers to determine the market price. ABC's petition for special leave to file appeal with the Supreme Court of India was dismissed. However, the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Company and ABC filed review petitions with the High Court. In terms of Order dated 9 February 2012 passed by the High Court, MFSCDC raised net demand of ₹ 591,966,210 and asked ABC to vacate the premises. The Company's and ABC's Review Petitions were heard by High Court and a stay was granted on 30 July 2014. The High Court ordered the Company / ABC to pay arrears of rent for the years 2000-2001 to 2013-2014 aggregating to ₹ 100,038,000 by January 2015 and to pay rent of ₹ 4,500,000 per annum from the financial year 2014-2015. As per the terms of the said Order, till 31 March 2022 ₹ 113,538,000 has been paid by the Company and ₹ 18,000,000 has been paid by ABCL. The State Government of Maharashtra and MFSCDCL challenged the Order of the Bombay High Court in the Supreme Court which was dismissed by the court on 22nd September 2014 with recourse to the State Government of Maharashtra to make an application to the High Court. Pending final disposal of the review petitions and valuation of the building, and in view of the future plans for ABC which are being evaluated, management believes that the Company's investments in ABC aggregating ₹ 399,511,218 and amounts due therefrom aggregating ₹ 441,290,157 are good and recoverable as management is hopeful of reliefs based on the issues involved and on merits of the case, as also of a high valuation of the building. The amounts so paid/ being paid by the Company have been treated as Deposits in the standalone financial statements to be adjusted on the settlement of the case.

Company 31.4	
Basis for Qualified Opinion	1. The company has not paid the GST Liability of ₹ 56.04/-(in lakhs) up to 31-03-2022. 2. The company has not submitted physical verification reports of inventory aggregating to ₹ 13,13.14/-(in lakhs) as at 31st March 2022 and no provision for impairment has been made therein. In the absence of alternative corroborative evidence, we are unable to comment on carrying value of inventory and realizable value of the same. 3. The company has not submitted the confirmations of Trade Receivables of ₹ 36.00/- (in lakhs). In the absence of alternative corroborative evidence, we are unable to comment on the extent to which such balances are payable or receivable. 4. According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the company's internal financial controls over financial reporting as at March 31, 2022. a) Balances of trade receivable, borrowings and other liabilities are subject to confirmation. b) Statutory dues payments of GST are delayed and making provision for the same has been delayed hence the company needs to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	strengthen internal control system in this regard. c) Inventory Verification has not been conducted by the company during the year.
Management Response	1. The GST liability as on 31st Mach 2022, could not be paid due to the suspension of the registration of the GST registration. The company made appeal and it is under active consideration of the department for restoration of the same. On resolving of the issue, the company will proceed to affect the payments. 2. The amount has been spent by the company over the past years and the company does not have any inventory to be valued as on date as the inventory pertains to the production of films in the past and it is not practically verifiable at this point of time due to practical difficulties involved in the typical film production. 3. The company as per customary practice has issue letters to the trade creditors as well as to the Trade debtors and no response has been received and as such the company is not able to confirm the same.

Company 31.5	
Basis for Qualified Opinion	1. Attention is invited to note no.43 to the Standalone Financial Statements, in relation to advances made for film production (including interest accrued of ₹ 509.94 lakhs) aggregating to ₹ 1,633.14 lakhs, whose realizability is significantly dependent on timely completion of production of films and the commercial viability of the films under production etc. The company's Board is of the view that advances can be realized at the time of release of the movies and accordingly, it is confident of realizing the entire amount of loans with interest and does not foresee any erosion in carrying value. We are not provided with any documentary evidence as regards Board's assertion that the carrying amount of loans made have not suffered any erosion as on March 31, 2022. No evidence was adduced regarding the status of production of films nor was confirmation produced from the loan debtors. Hence, we are not in a position to concur with the view of the Board. Consequently, in our opinion loss is understated to the extent of ₹ 1633.14 lakhs. 2. Attention is invited to note no.44 to the Standalone Financial Statements, in relation to inventory i.e., film production expenses amounting to ₹ 3,861.90 Lakhs, consists of advances granted to artists and co-producers. As represented by the Board the film production is under progress with respect to production of 3 movies costing ₹ 1009.78 lakhs. In respect of the balance inventory of ₹ 2852.12 lakhs the Board is confident of recovering the amount from the production houses. In the absence of documentary evidence as well as the confirmation of balance from the parties relating to the status of the inventory amounting to ₹ 2852.12 lakhs, we are unable to agree with the views of the Board. We

WWW.TAXSCAN.IN - Simplifying Tax Laws

	are of the opinion that realization of inventories is doubtful but we are also unable to decide the quantum of loss that may arise on account of write down of inventory. 3. Attention is invited to note no.45 to the Standalone Financial Statements, in relation to Investment in wholly owned subsidiary viz. AB Capital Limited, Chennai (ABCL) The subsidiary's net worth stands at ₹ 23060.73 lakhs (negative) as at 31.03.2022. The possibility of liberal cash flow is dim. The company has also defaulted in repayment of loans from banks. Even statutory dues are not remitted into the Government. ABCL has not maintained minimum net owned funds as per RBI Regulations. Under these circumstances, regulatory authorities may cancel its registration as non-banking finance company. However, the Board of the XYZ Limited considers there is no need to provide for impairment in investment made. We do not agree with that view. But it is difficult to assess correctly the extent of erosion and the loss arising therefrom. 4. Attention is invited to note nos. 46 to the Standalone Financial Statements, in relation to preparation of financial results on "Going Concern Basis". Though the company is advancing for production of movies, it is still incurring losses from operations (negative net worth ₹ 2032.96). Adverse key financial ratios, non-payment of statutory dues, impact of our observations made in preceding paragraph, and other related factors indicate that there is an existence of material uncertainty that will cast significant doubt on the company's ability to continue as a going concern. Notwithstanding this, the financial results have been prepared as that of going concern and consequently the terminal values of various assets and liabilities have not been redetermined. We are, however, unable to express our view whether the preparation of financial results on a going concern basis is correct or not. 5. The company's internal financial control with regard to assessment of carrying value of loans and advances and inventory as more fully explained in note nos.43 and 44 to these financial statements were not operating effectively and could potentially result in the understatement to the carrying value of such assets and also company needs to strengthen its documentation relating to disbursement of loans. 6. The independent auditor of subsidiary company viz. AB Capital Limited in their auditor's report on the financial statements for the year ended 31st March, 2022 have drawn qualified opinion. a) Note No. 16.6 in the financial statements which indicates that the Company has not adhered to the repayment schedule for the principal and interest dues to the Bank, consequent to which the Bank has filed for recovery of its dues before the Debt Recovery Tribunal (DRT) and also initiated recovery proceedings under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFESI Act, 2002). Further the Bank has taken over symbolic possession of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	immovable property and issued sale notice for e-auction of the property given by the ultimate holding company as corporate guarantee. The outstanding amount is ₹ 23856.86 lakhs as per the books of account as at March 31, 2022. b) The company proposed to the bank for OTS and the same is accepted and agreed by the bank letter dated 15th March 2022 giving option for one time settlement (OTS) as full and final for ₹ 95.00 crore out of which the company had already made payment ₹ 9.00 crore and the balance OTS amount ₹ 86.00 cr should be payable on or before 14th September 2022. c) Further the Company is currently pursuing the realization of dues to the Company and other than this the Company is not carrying any business activity. The regulatory authority may cancel the registration to carry the principal business activity as a Non-Banking Finance Company due to non-maintenance of minimum net owned fund of ₹ 2 crores as stated in the said note to the financial statement. The Company`s inability to meets its financial statements, non-payment of statutory dues and in absence of visual cash flows, doubts are cast on the ability of the Company to continue as a going concern to achieve its future business plans. Taking into consideration the pending legal outcomes of the legal proceedings as well as liquidity constraints, we are unable to express our view whether it is appropriate to treat the Company as a going concern. However, based on the management`s assertions the Company`s financial statements have been prepared on the basis of going concern and the impact, if any, if it were to be treated as a going concern, is not ascertainable at this stage.
Management Response	1. Realisability is significantly dependent on timely completion of production of films and the commercial viability of the films under production etc. Management is of the view that loans and advances can be realised at the time of release of the movies and accordingly, the company is confident of realizing the entire amount of loans with interest and does not foresee any erosion in carrying value. The management is confident of realising the value at which they are carried notwithstanding the period outstanding. 2. The films under production expenses mainly comprising payments to artists and co-producers, the company is evaluating options for optimal utilization of these payments in production and release of films. The management does not foresee any erosion in carrying value. 3. ABCL has applied for One Time Settlement (OTS) to the bank and the same was agreed by the bank vide letter dated March 15, 2022. The lender Bank has agreed for ₹ 9500 lakhs as OTS. ABCL has remitted ₹ 900 lakhs and the balance of ₹ 8600 lakhs would be remitted on or before September 14, 2022. However, the Board of the XYZ Limited

WWW.TAXSCAN.IN - Simplifying Tax Laws

	considers there is no need to provide for impairment in investment write down considering its future cash flows and possibility of recovering its dues from its borrowers. 4. Even though, the company is incurring continuous losses, it succeeded in better EBITA Margins. This is entirely aligned with the Company's long-range plan, which encompasses a continued development of the Company's revenue generating activities in order to absorb the losses carried forward and generate profit over a period of time. Further, the lenders have extended their confidence by advancing finance and extending the time period of repayment. There is no intention to liquidate and the Company has got future projects to keep improving. The Company has paid advance amounts to the artistes and technicians for the future movies productions which are shown under Inventory. The financial statements have been prepared on a going concern basis based on cumulative input of the available movie projects in pipeline and risk mitigating factors. 5. ABCL has applied for One Time Settlement (OTS) to the bank and the same was agreed by the bank vide letter dated March 15, 2022. The lender Bank has agreed for ₹ 9500 lakhs as OTS. ABCL has remitted ₹ 900 lakhs and the balance of ₹ 8600 lakhs would be remitted on or before September 14, 2022. Management has evaluating the action plans to realize the dues to the company and settlement the existing vendors, further company can carry the movie financing business after taking necessary approvals from the RBI. 6. The management is taking all necessary steps to strengthen the internal control framework.

Company 31.6	
Basis for Qualified Opinion	The Company has not accounted for liability for gratuity and leave encashment for the year ended 31 March 2021 this is not in accordance with the requirements of Ind AS 19 – Employee Benefits which requires the Company to accounted for actuarial liability of gratuity and leave encashment, I am unable to quantify the amount adjustments to these Ind AS financial statements as the Company has not carried out actuarial valuation of gratuity and leave encashment.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

32. Financial Institution

Company 32.1	
Basis for Qualified Opinion	a) The financial statements of the corporation are prepared on a going concern basis, notwithstanding the fact that its net worth is completely eroded and defaulted in repayment obligations due to liquidity problems. This is not in accordance with Accounting Standard (AS)–1 "Disclosure of Accounting Policies". The effect of the same on the financial statements is not ascertainable. b) Dues payable to Government of Gujarat is subject to confirmation and adjustment, if any, required upon such confirmation. Pending such confirmation, the effect thereof on interest and penal interest is not ascertainable. c) Interest income on loans and advances on account of recovery from the parties are made on actual receipt basis since beginning of financial year 2018-19, as a result of change in accounting policy adopted by the Corporation. However, in respect of receipts prior to 1-4-2018, the then prevailing policy is kept intact. Therefore, the actual effect on write back of NPA, bad debt provision and any other items of financial results could not be ascertained. d) The balances in parties' accounts in subsidiary ledgers with general ledgers of loans and advances are not reconciled. The effect thereof on loans and advances is not ascertainable. e) Borrowings, Other Liabilities and Provisions Other Assets and Loans and Advances are subject to confirmation and adjustments, if any and the effect of the same on the financial statements is not ascertainable.
Management Response	a) ABC Financial Corporation is established under State Financial Corporations Act, 1951 by Parliament as a special Act pursuant to Entry No. 43 of the Union List. Corporation is, thus, a body corporate and statutory Corporation. The main objective of establishment of the Corporation is aimed at achieving balanced regional growth by extending financial assistance to first generation entrepreneurs to establish micro and small-scale units in the State and to generate employment. Corporation has so far suffered immense loss and its net worth is already eroded but it is continuing its recovery function. Corporation, being a statutory body, thus, prepares accounts on "going concern" assumptions and it is appropriate under the aforesaid circumstances. b) Government loans are granted as a result of provision in the Budgets of Government of Gujarat from time to time and subsequent issuance of Government Resolutions to overcome the financial strain of the Corporation. Since Corporation has discontinued its main activities and dependent on recovery of dues, Corporation is not in a position to service the liabilities towards Government of Gujarat. Under the circumstances, Government has been moved to make the loan advanced to the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Corporation interest free from 1-7-2012 followed by submission of information and data from time to time, as may be called for. The request is still under consideration. However, pending decision, interest and interest on delayed payment on Government loan is charged to Statement of Profit & Loss. The outstanding details are submitted to administrative department on quarterly basis. The loan accounts are subjected to verification by other authorities from time to time. In view of this, separate confirmation is not obtained. c) Till 31st March 2018, the practice followed was that installments received under OTS Scheme is apportioned in the order of penalty, interest and other charges and lastly in principal. OTS amount received from time to time of an account is initially apportioned in the manner stated above. After receiving settlement amount in full, interest and penalty already received is credited to principal and the same amount of shortfall in principal and other account is written off. Therefore, interest income reported in P&L A/c and write off may not be of that particular year. In short, interest income already recognized in a particular year is affected in the subsequent year(s). This policy has been discontinued with effect from FY 2018-19. Accordingly, with effect from 1st April, 2018, receipts from OTS cases are first apportioned against principal and capitalized expenses and excess, if any, is apportioned in the order of interest and penalty. As a result of change in accounting policy, the decrease in interest will be reflected by increase in write back. Once the old cases are settled and issued No Due Certificates, the discrepancy will not arise. d) Reconciliation of assets and liabilities is an on-going process and wherever lacuna is found out, necessary rectification is resorted to. Corporation has not adopted the practice of obtaining balance confirmation from loanees. Efforts are still continuing to reconcile the accounts. e) Large number of accounts is too old and transaction details as well as address of the units are not available. It is, therefore, practically difficult to obtain balance confirmation from individual parties. Borrowings are from Government of Gujarat only which are supported by Government Resolutions and periodic verification is also resorted to.

Company 31.2	
Basis for Disclaimer of Opinion	a) We draw reference to Note No. 1.2, 1.3(i) and 59 to the Standalone Financial Statements which explains that the Administrator has initiated audits/reviews relating to the processes and compliances of the Company and has also appointed professionals for conducting transaction audit as per Section 43, 45, 50 and 66 of the Insolvency and Bankruptcy Code ("IBC"), 2016 ("the Code"). Hence, the Standalone Financial Statements are subject to outcome of such audits/reviews. Pending the outcome of the Transaction Audit, we are unable to comment on the impact, if any of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the same on the Standalone Financial Statements. Note No. 59 explains that latest valuations from independent valuers in respect of assets/ collaterals held as securities is in progress. Hence, pending completion of the process, we are unable to comment on the impact, if any of the same on the Standalone Financial Statements. Further the Notes also explains that since the Administrator has taken charge of the affairs of the Company on 4 October, 2021, the Administrator is not liable or responsible for any actions and regarding the information pertaining to the period prior to 4 October, 2021 and has relied upon the explanations, clarifications, certifications, representations and statements made by the existing officials of the Company, who were also part of the Company prior to the appointment of the Administrator. b) We draw reference to Note No. 51 to the Standalone Financial Statements which explains that during the financial year 2019-20, the Company accounted for the slump exchange transaction and consequently recognized and derecognised the relevant assets and liabilities in its books of account, pursuant to the Business Transfer Agreement ("BTA") with its subsidiary, ABC Finance Limited (ABCFL), with effect from 1 October, 2019, subject to necessary approvals. The superseded Board of Directors and erstwhile management of the Company obtained expert legal and accounting opinions in relation to the accounting of BTA which confirmed that the accounting treatment so given is in accordance with the relevant Ind AS and the underlying guidance and framework. The Note further explains that during the financial year 2020- 2021, ABCFL had filed two separate applications under Section 230 of the Companies Act, 2013 ("the Act"), before the Hon'ble NCLT proposing Schemes of Arrangement (the Schemes) with all its secured and unsecured lenders. Since applications/appeals in connection with the Schemes were pending before NCLT/NCLAT, the superseded Board of Directors and erstwhile management had maintained status quo on the Schemes including accounting of BTA. Both the Schemes were rejected by majority of the creditors and an application of withdrawal was filed by the Administrator in this matter which has been allowed by the Tribunal vide order dated 11 February, 2022. As stated in the said note, the Administrator is in the process of filing consolidated resolution of ABCFL and PQRFL and hence no further action is being contemplated regarding establishing the validity of BTA or otherwise, consequent upon the withdrawal of Schemes. Accordingly, the status quo regarding BTA, as it existed on the date of commencement of Corporate Insolvency Resolution Process (CIRP), has been maintained. In view of the uncertainties that exist in the matter of BTA, we are unable to comment on the accounting of BTA, as aforesaid, done by the Company and accordingly on the impact of the same, if any, on the Standalone Financial Statements. c) We draw reference to Note No. 53 to the Standalone Financial Statements which explains that the Administrator has invited the financial/

WWW.TAXSCAN.IN - Simplifying Tax Laws

	operational/other creditors to file their respective claims and that the admission of such claims is in process. Further, the note explains that the effect in respect of the claims, as on 8 October, 2021, admitted by the Administrator till 4 May, 2022 is in the process of being verified and updated from time to time as and when the claims are admitted and that the creditors can file their claims during CIRP. Accordingly, the figures of claims admitted and accounted in the books of account might undergo changes during CIRP. Hence, adjustments, if any, arising out of the claim verification and submission process, will be given effect in subsequent periods. We are unable to comment on the impact of the same, if any, on the Standalone Financial Statements. d) We draw reference to Note No. 54(b) to the Standalone Financial Statements which explains the reasons owing to which the Company was not able to comply with the requirements of Section 135 of the Act in relation to depositing unspent amount related to Corporate Social Responsibility (CSR). As stated in the said note, the Company has written to the Ministry of Corporate Affairs ("the MCA") seeking exemption from the obligations of the Company under portions of Section 135(5) and Section 135(7) of the Act. We are unable to comment on the impact of the same or any other consequences arising out of such non-compliance, if any, on the Standalone Financial Statements. e) We draw reference to Note No. 56 to the Standalone Financial Statements which explains that the Company, as per the specific directions from Reserve Bank of India ("RBI") in relation to certain borrowers referred to as probable connected parties/related parties, was advised to re-assess and re-evaluate the relationship with the said borrowers to assess whether they are related parties to the Company or to ABCFL and also whether transaction with these connected parties were in line with arm's length principles. However, the said process was not concluded and meanwhile the Company and ABCFL have gone into CIRP. As stated in the said Note, the Administrator is not in a position to comment on the views adopted by the erstwhile management in relation to the RBI's directions since these pertain to the period prior to the Administrator's appointment. As stated in point (a) above, the Administrator has initiated a transaction audit/review relating to the process and compliance of the Company and has also appointed professionals for conducting transaction audit as per sections 43, 45, 50 and 66 of the Code, which is in process. We are unable to comment on the impact of the same, if any, on the Standalone Financial Statements. f) We have been informed that certain information including the minutes of meetings of the Committee of Creditors, Advisory Committee and Joint Lenders are confidential in nature and cannot be shared with anyone other than the Committee of Creditors and Hon'ble NCLT. Accordingly, we are unable to comment on the possible financial effects on the Standalone Financial Statements, including on presentation and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	disclosures, if any, that may have arisen if we had been provided access to that information. g) In view of the possible effects of the matters described in paragraph 5(a) to 5(f) above, we were unable to determine the consequential implications arising therefrom and whether any adjustments, restatement, disclosures or compliances are necessary in respect thereof in the Standalone Financial Statements of the Company. h) We draw reference to Note No. 54(b) to the Consolidated Financial Statements which explains that the latest valuations from independent valuers as a part of Corporate Insolvency Resolution Process ("CIRP") in respect of assets / collaterals held as securities and considered for loan loss provision is in progress. Further, the Note also explains that, the Consolidated Financial Statements, disclosures, categorization and classification of assets are subject to the outcome of such valuation process. Hence, pending completion of the process, we are unable to comment on the impact of the same, if any, on the Consolidated Financial Statements. i) We draw reference to Note No. 58 to the Consolidated Financial Statements which states that PQR has not provided for ₹ 1,99,970 lacs (approx.) for the year ended 31 March 2022 pursuant to its admission under the CIRP, in respect of its obligation for interest on all the borrowings since insolvency commencement date i.e. 8 October, 2021. Had PQR provided its obligation for interest, as aforesaid, its profit before tax for the year ended 31 March, 2022 would have resulted in a loss before tax of ₹ 4,47,380 lacs for the year ended 31 March, 2022. j) We draw reference to Note No. 59 to the Consolidated Financial Statements which explains the reasons owing to which PQR has not been able to comply with guidelines of RBI in relation to mandatory hedging of exposure in External Commercial Borrowings amounting to ₹ 27,272 lacs, as per contractual terms, as at 31 March, 2022. As stated in the said note, PQR has reported the above fact to RBI and reply of the same is awaited from RBI. We are unable to comment on the impact of the same or other consequences arising out of such non-compliance, if any, on the Consolidated Financial Statements. k) We draw reference to Note No. 62 to the Consolidated Financial Statements which explains that ABCFL and PQR, as per the specific directions from Reserve Bank of India (RBI) in relation to certain borrowers referred to as "probable connected parties/related parties", was advised to re-assess and re-evaluate the relationship with the said borrowers to assess whether they are related parties to ABCFL or to PQR and also whether transactions with these connected parties were in line with arm's length principles. The erstwhile management obtained legal and accounting views on the matter which stated that the said transactions were not related party transactions. In view of the RBI's directions, the erstwhile management of PQR, in line with arm's length

WWW.TAXSCAN.IN - Simplifying Tax Laws

	principles, was in the process of re-assessing and re-negotiating terms and conditions with such borrowers and all other borrowers, who have been granted loans with moratorium period and at interest rate which is linked with the cash flows of the project. However, the said process was not concluded and meanwhile ABCFL and PQR had gone into CIRP. As stated in the said Note, the Administrator is not in a position to comment on the views adopted by the erstwhile management in relation to the RBI's direction since these pertain to the period prior to the Administrator's appointment. As stated in paragraph (a) above, the Administrator has appointed professionals and has initiated a transaction audit/review relating to the process and compliance and has also appointed professionals for conducting transaction audit as per sections 43, 45, 50 and 66 of the Code, which is in process. We are unable to comment on the impact of the same, if any, on the Consolidated Financial Statements. l) We draw reference to Note No. 63 to the Consolidated Financial Statements which explains that based on the directions of RBI, PQR has made provisions amounting to ₹ 9,807 lacs and ₹ 4,991 lacs in respect of direct tax cases and indirect tax cases respectively where PQR was under various stages of appeal with the relevant tax authorities. However, PQR has not assessed whether the outflow of resource embodying economic benefits is probable or not as per the requirements of Ind AS 37- "Provisions, Contingent Liabilities and Contingent Assets". Hence, in absence of such assessment, we are unable to comment on any non-compliance with Ind AS and the corresponding impact, if any of the same on the Consolidated Financial Statements. m) We draw reference to Note No. 64 to the Consolidated Financial Statements which explains the reasons owing to which ABCFL and PQR were not able to comply with the requirements of Section 135 of the Act in relation to depositing unspent amount of CSR. As stated in the said note, ABCFL and PQR have written to the Ministry of Corporate Affairs ("MCA") seeking exemption from the obligations of the Companies under portions of Section 135(5) and Section 135(7) of the Act. We are unable to comment on the impact of the same or any other consequences arising out of such non-compliance, if any, on the Consolidated Financial Statements j) We draw reference to Note No. 66 to the Consolidated Financial Statements which states that PQR has not been able to maintain the asset cover as stated in the information memorandum/ debenture trust deeds etc. which is sufficient to discharge the principal amount at all times for the secured non-convertible debentures issued by PQR. Further, as stated in the said Note and paragraph (b) above, latest valuations from independent valuers in respect of assets is in progress, and accordingly, the percentage of asset cover given in Note No. 66 to the Consolidated Financial Statements is subject to the outcome of such valuation process. Hence, we are unable to comment on Note No. 66 as given in the Consolidated Financial Statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	n) We draw reference to Note No. 67 to the Consolidated Financial Statements which explains that in relation to certain borrowings (including secured borrowings and NCDs) acquired by PQR from ABCFL pursuant to BTA as stated in Note No. 55 to the Consolidated Financial Statements, charges created on such borrowings are yet to be transferred in the name of PQR and are still appearing in the name of the Holding Company for the reasons stated in the said Note. We are unable to comment on the impact of the same or any other consequences arising out of it on the Consolidated Financial Statements. o) We draw reference to Note No. 68 to the Consolidated Financial Statements which explains the reasons owing to which the PQR was not able to comply with the requirements of Section 125 of the Act in relation to transfer of certain amounts lying unpaid for 07 years to Investor Education and Protection Fund ("IEPF"). As stated, in the said note, PQR has written to IEPF authorities and requested guidance in the matter. We are unable to comment on the impact of the same or other consequences arising out of such non-compliance, if any, on the Consolidated Financial Statements. p) PQR's auditors had carried out independent balance confirmation process with respect to various parties/lenders, responses for which are pending to be received as on the date of signing this report. Also, the project progress report, for the year ended 31 March, 2022, from various parties is yet to be received. Hence, we are unable to comment on such balances and status and impact of the same on the Consolidated Financial Statements, if any. q) We have been informed that certain information including the minutes of meetings of the Committee of Creditors, Advisory Committee and Joint Lenders are confidential in nature and cannot be shared with anyone other than the Committee of Creditors and Hon'ble NCLT. Accordingly, we are unable to comment on the possible financial effects on the Consolidated Financial Statements, including on presentation and disclosures, if any, that may have arisen if we had been provided access to that information. o) In view of the possible effects of the matters described in paragraph 5(a) to 5(n) above, we are also unable to comment on the PQR's compliance of the covenants in respect of all borrowings (including creation of charges) and consequential implications including disclosures etc., if any. r) In view of the possible effects of the matters described in paragraph 5(a) to 5(o) above, we are unable to determine the consequential implications arising therefrom and whether any adjustments, restatement, disclosures or compliances are necessary in respect thereof in the Consolidated Financial Statements. s) Consequent to the matters mentioned in Note No. 1.2 of the Standalone Financial Statements of the Company and the matters described in the "Basis for Disclaimer of Opinion" section of our Independent Auditor's

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — Financial Institution

	Report of even date on the Standalone Financial Statements of the Company, we are unable to determine if the Company has established adequate internal financial controls with reference to financial statements and whether they were operating effectively as at 31 March, 2022. Accordingly, we do not express an opinion on the internal financial controls with reference to the financial statements.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

33. Garments & Apparels

Company 33.1	
Basis for Disclaimer of Opinion	The company's trade receivables (classified as unsecured and considered good by the management) are carried at ₹ 15,21,57,244 out of which ₹ 7,52,59,566 are outstanding for a period more than six months, which is abnormally high as compared to the turnover of the company. Also, out of the above, receivables of ₹ 1,21,63,160 are aged more than three years. The balances of these parties are subject to confirmation, and as per the management of the company is recoverable. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded amount of Trade Receivables and the elements making up the statement of Profit and Loss and statement of cash flows.
Management Response	The notes on financial statement referred to in the Auditor's Report are self-explanatory.

Company 33.2	
Basis for Qualified Opinion	1. Originally the plant of the company was setup at NSEZ, Noida which was later on shifted outside NSEZ during the FY 2017-18 and in march 2019 the company further changed its business premises to Plot no XX, XX, Greater Noida, UP- 201308 and since then no manufacturing activity has been carried on. As per information furnished to us the company has further entered into a rent agreement in the month of January 2022 to shift its business premises to XX, XX, DD, Bulandshahar UP-203205, however till date the company is unable to shift its assets and business operations to new premises We have not been provided with the copy of rent agreement to verify the term & conditions mentioned there in. The Company is required to determine impairment in respect of fixed assets, However the Company has not done impairment testing. In the absence of any working for impairment of the fixed assets as per Ind AS 36, the impact of impairment, if any on the financial statements is not ascertainable. The depreciation has been recognised based on of useful life and residual value estimated by the management, however in absence of necessary evidence of same we are unable to comment on the possible impact arising out of the said matter. 2. Balance of debtors are outstanding from long period and are subject to confirmation and consequential effect if any on the financial statements remains uncertain. The trade receivables of the company could not be verified as the confirmation of balances have not been provided and made available to us. Trade receivables amounting to ₹ 671.07 lacs which are long overdue and not provided for. Allowance for expected credit loss have not been recognized on these financial assets. The

WWW.TAXSCAN.IN - Simplifying Tax Laws

	company has neither carried out impairment exercises of Trade Receivables nor provided for the same and recognized the same as non-current assets since long outstanding. In the absence of recovery and confirmation from the party, we are unable to comment on the recoverability and consequential impact of reconciliation and adjustment arising there from in the results, if any, is not ascertainable. 3. The company has not followed the treatment for recognition and remeasurement of employee benefit costs as detailed in the Ind AS 19. 4. The wholly owned subsidiary PQR International Ltd has defaulted in repayment obligations towards banking institutions. The subsidiary company PQR International Limited had not made provision of Interest on Cash credit/Term loan charged by banks/ financial institutions during the current year and earlier years on various loans taken from Bank / Financial Institutions in the Financial Statements. Had the company made such Interest provision in the Statement of Profit and loss, the loss for the year and the accumulated would have been higher. The non-recognition of interest expenses is not in accordance with Ind AS on borrowing costs requirement. 5. The wholly owned subsidiary PQR International Ltd had received notice of sale of assets situated at Panipat Haryana from MNO Bank and further the company has informed that it has come to their knowledge through newspaper advertisement that the consortium member banks have executed auction of its assets at XYZ plant. However, in absence of any information regarding the sale of assets i.e. detail of assets sold by bank, value at which the said sale transaction has been undertaken, bank wise utilization of amount received against said sale, the company has not taken into consideration the said transaction while preparing its financial statements as on 31.03.2022 and had the company recorded the said transaction the value of property plant and equipment along with depreciation charged would reduce and the amount owed to the financial institutes would also reduce with the amount received on account of said auction sale. Further there would arise profit or loss on sale of assets and taxation implication on said transaction which will ultimately results in increase or decrease in current year profit/ loss as well as accumulated losses. Further it has come to our knowledge that similarly the consortium bankers have executed sale of assets of directors/ guarantors mortgaged with them during the year as well as earlier years and adjusted the amount received on said auction sale with amount owed by the company to the financial institutions, however the company has not recorded the effect of such transaction in its financial statements. we are unable to comment on the consequential impact of adjustment arising there from in the results, if any, is not ascertainable.
Management Response	1. As per management opinion the impairment testing of PPE requires hiring of independent professional firm to ascertain the condition of PPE,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	however due to delayed availability of information and financial resources the impairment testing process could not be undertaken. 2. The Management is following up with concerned parties regarding recovery of due amount and balance confirmations. 3. The company has not undertaken any business activity during the year and moreover majority of the employees of the company left the company and their dues are settled full and final over the period of time. Considering this fact, the company has not followed the treatment for recognition and remeasurement of employee benefit costs as detailed in the Ind AS 19.

WWW.TAXSCAN.IN - Simplifying Tax Laws

34. Gems, Jewellery and Watches

Company 34.1	
Basis for Qualified Opinion	1. Trade Receivables: The Company's Trade Receivables are carried in the Balance Sheet at ₹ 19.98 crores, out of the same, Trade Receivables outstanding for more than two years amounts to ₹ 6.93 crores. Management has assessed that; no adjustments are required for the carrying value of aforesaid balances which is not in accordance with the requirements of AS 29 'Provisions, Contingent Liabilities and Contingent Assets'. Consequently, in the absence of sufficient appropriate audit evidence to support the Management's contention of recoverability of these balances, we are unable to comment upon the adjustments if any, that are required to the carrying value of aforesaid balances and consequential impact if any on the accompanying standalone financial results. 2. Inventories: The Company generally follows AS-2 and values the inventory at cost or realizable value whichever is lower. However, the closing stock of ₹ 12 crores includes slow-moving stock of ₹ 2 crores which are valued at cost and need to be valued at NRV. Management has assessed that; no adjustments are required for the carrying value of inventories, which is not in accordance with the requirements of AS 2 'Valuation of Inventories'. Consequently, in the absence of sufficient appropriate audit evidence to support the Management's contention of valuation of such inventories, we are unable to comment upon the adjustments if any, that are required consequential impact if any on the accompanying standalone financial results. 3. Borrowings: For the year ending on 31st March 2022, the company has continued its practice of not making any provision of interest on loans from banks (excluding the settlement entered with respective NBFCs for specific loans). Had the company made the provision of interest on loans from banks for the year ended on 31st March 2022, the profit for the year would have been lower and current liabilities would have been higher to that extent.
Management Response	1. Management has assessed that: adjustments are required for carrying value of the said balances. 19.98 Crores (Standalone Basis). As per the requirements of AS-29 'Provisions, Contingent Liabilities and Contingent Assets', Consequently. In addition to above, the management informed that the Trade Receivables outstanding from debtors of ₹ 6.93 Crore for more than 2 years are not to be treated as Bad debts. As the resulting delay in receipt of payment from debtors is due to COVID-19 situations and circumstances that had impacted Business. However, they have committed to the management that they will make payment within reasonable time-period. 2. Management has assessed that; no adjustments are required for carrying

WWW.TAXSCAN.IN - Simplifying Tax Laws

	value of inventories. The management is of the opinion that the Company will sell their slow-moving stock as per the actual price and not at any discounted Price. So, there is no need to value the slow moving stock at NRV (Net Realizable Value). 3. The management is of the opinion that the company has already settled the loan amount of NBFCs, so there is no need to create any provision of interest on loan of NBFC.

Company 34.2	
Basis for Disclaimer of Opinion	a) Refer Note 9(b), 19(b) and 5(a) of the standalone Ind AS financial statements wherein, the company has not translated following monetary items denominated in foreign currency as at the year ended closing rate and has been carried forward at the rate as at 31st March 2015, 31st March 2016, and / or 31st March 2017, which is not in accordance with Ind AS -21 "The Effect of changes in Foreign Exchange Rates" and accounting policy followed by the Company. i. Trade receivable amounting to ₹ 69,703.18 lacs ii. Trade payables and other payable amounting to ₹ 29,717.66 lacs iii. Loans to subsidiaries (including accrued interest) amounting to ₹ 1,998.73 lacs. The company has not provided for cumulative exchange gain (net) on the above items amounting to ₹ 8432.60 lacs including exchange gain amounting to ₹ 1681.27 Lacs pertaining to year ended March 31, 2022. Accordingly, exchange gain for the year is understated by ₹ 1681.27 Lacs. b) The Company has defaulted in repayment of loans taken from the banks due to which the banks have recalled their loans and have initiated legal actions. Refer Note 18(B)(2) of standalone Ind AS financial statement wherein its stated that the management has decided not to provide interest on such loans and consequently based on the calculation done by the management total interest amounting to ₹ 18248.38 Lacs determined at estimated rates, has not been provided for in the books of accounts including interest amounting to ₹ 2763.19 Lacs pertaining to the year ended March 31, 2022. Accordingly, finance cost for the year is understated by ₹ 2763.19 Lacs. c) Had the exchange difference as stated in para (a) above and deferred tax thereon and interest on loans as stated in para (b) above been provided, the loss before tax for the year would have been increased by ₹ 1081.92 Lacs. Consequently, the overstatement and understatement of assets and liabilities are as under:- 1. Trade Receivables ₹ 12675.24 lacs (Understatement) 2. Trade Payables ₹ 4540.76 lacs (Understatement) 3. Non-Current financial assets ₹ 211.97 lacs (Understatement)

WWW.TAXSCAN.IN - Simplifying Tax Laws

	4. Current Financial Assets ₹ 87.10 lacs (Understatement) 5. Borrowings ₹ 18248.39 lacs (Understatement) 6. Current financial liabilities ₹ 0.96 lacs (Understatement) 7. Deferred Tax Liability ₹ 213.66 lacs (Understatement) 8. Other Equity ₹ 10029.45 (Overstatement) Due to uncertainties with respect to settlement of bank dues and interest, adjustments of trade receivables and payables and its consequential impact on taxation thereof, we are unable to ascertain the tax impact and liability, on the financial results. d) We draw attention to Note No. 18(B)(2) and 18(B)(3) of standalone Ind AS financial statements regarding default in repayment of loans and interest to banks (including ARC) owing to which the banks has classified the account as NPA and recalled its loans and had initiated various legal actions for recovery of its dues including legal actions initiated under SARFESI Act, The recovery of Debts due to Banks and Financial Institution Act, 1993 and Insolvency and Bankruptcy Code, 2016 which are still pending for hearing. The outstanding loan balances due to banks (including ARC) amounting to ₹ 17695.78 Lacs shown under Current Financial Liabilities and deposit/advance to an asset reconstruction company amounting to ₹ 1405.61 lacs for which no confirmation/ statements have been obtained and are subject to reconciliation and subsequent adjustments. e) Refer Note No. 9(a) of standalone Ind AS financial statements regarding non-provision of the expected credit loss/ impairment relating to overdue Trade Receivables of ₹ 69,728.48 Lacs as per the requirement of Ind AS 109 "Financial Instruments". In view of defaults in payment obligations by the Trade Receivables on due date, non-recoveries from Trade Receivables, non-confirmations/ reconciliation from Trade receivables, initiation of legal action/ suits against Trade Receivables by the company, notices/ summon to the Company from Enforcement Directorate, Reserve Bank of India, Development Commissioner of Surat SEZ and in absence of clear forward looking information regarding outcome of pending legal actions initiated and time frame and quantum of realisability of these Trade receivables, we are unable to determine the amount of expected credit loss/ impairment based on provision matrix as per the requirements of Ind AS 109 "Financial Instruments" and its consequential impact, on the financial statements. f) Refer Note No. 5(b) and 41(c) of standalone Ind AS financial statements regarding non-provision of the expected credit loss/ impairment on loan to a subsidiary amounting to ₹ 1249.95 Lacs as per the requirement of Ind AS 109 "Financial Instruments". The net worth of above subsidiary is negative and based on reasonable and supportable information regarding

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the current financial status and business condition of this subsidiary, there has been significant increase in credit risk and there could be delay/default in recovery of these amounts. Considering the above, we are unable to comment on the amount of expected credit loss/ impairment and its consequential impact, on the financial statements. g) The Inventory has been taken on the basis of physical verification carried out by the management as at the year-end and its valuation is based on determination of estimated net realizable value and specific identification which involves technical judgment of management. We have relied upon by the physical verification and valuation of the Inventory as certified and determined by the management. h) Refer Note No. 41(b) regarding investment of ₹ 2.03 lacs in its subsidiary namely ABC Diamonds LLC and investment of ₹ 7.44 lacs in its subsidiary namely XYZ Diamond and Jewels XX, the net-worth of these subsidiaries as at the yearend is negative. The Company has not made any provision for Impairment against these investments and advance. i) Balances with Banks amounting to ₹ 2.81 (debit balances), Other non-current deposits amounting to ₹ 13.23 lacs, Trade Payables and Other Current Assets and Liabilities are subject to confirmations and consequential adjustment thereof. j) We draw attention to Notes 18(E) of the standalone financial statement regarding status of charges or satisfaction yet to be register at registrar of the company beyond statutory period. k) The company did not have an appropriate internal control system for customer acceptance, customer credit evaluation and establishing customer credit limits based on the economic, industry and customer's financial considerations. This has resulted in huge old outstanding dues from customers and insignificant recoveries there-against owing to which the Company has defaulted in its obligations for repayment of its dues to banks and creditors. Further, internal control procedures are not operating for periodic review of age-wise analysis of trade receivables, procedure and manner for timely action against defaulting debtors and establishing methodology, underlying assumptions and policies for provision for doubtful debts and its appropriateness on periodic basis. These material weakness/ significant deficiency could potentially result in Company recognizing revenue without establishing reasonable certainty of ultimate collection and could lead to accounting of uncollectible trade receivables. l) The Company's internal financial control is not operating effectively with regard to legal and regulatory compliances mainly on account of payment of statutory dues/ taxes and also in timely payment of interest and repayment of its loan from banks. Certain defaults/ non-compliances could be result of the liquidity crunch faced by the Company due to material weakness as mentioned in para (k) above. This ineffective internal control over legal and regulatory compliance and timely payments

	of interest and repayment of loans could have material effect on the financial statements of the Company and its ability to continue as going concern.
Management Response	1. The management has provided the major audit evidence to excepting the at certain occasions the account confirmation of overseas debtors and creditors and few bank confirmations owing to the frozen bank accounts and bank accounts converted in NPA. The Company has approached consortium bankers and ARC for settlement of loan dues and assumes that Company will have adequate cash flow from export realisation to defray its entire debt obligation and payment to creditors in phased manner The promoters of the Company are also ready to infuse funds in the company and to raise fund from alternate means to meet short term and long-term obligations of the Company. 2. It was deemed prudent not to take cognizance of unrealised exchange difference on notional basis due to uncertainties with regard to expected time frame for realisation of Trade Receivables and loans & advances to subsidiaries. Consequently, the payment to creditors is also dependent on recovery from these Trade receivables and loans & advances to subsidiaries. The company shall account for the actual exchange difference at the time of realization of these trade receivables, Loans and advances and at the time of payment to trade payables. 3. The Management is taking all possible steps to revive the business operations and has approached consortium bankers for one-time settlement (OTS) of entire loan dues and assumes that Company will have adequate cash flow from export realization to defray its entire debt obligation in phased manner. Further, four lender banks have transferred and assigned its outstanding dues against company to an Asset Reconstruction Company and XYZ Bank accepted the One Time Settlement (OTS) proposal submitted by the Company. However, OTS proposals submitted by the company to other banks are still under consideration. The Board have decided not to provide Interest on working capital borrowings availed by the Company. However, the Management to the best of its knowledge and belief has recorded all the transactions. 4. The management has decided on basis of prudent not to recognize deferred tax asset. 5. Factual description of status of legal cases. Since, the banks are not allowing any operation and no statements/ confirmations are being issued by the banks. However, the Management to the best of its knowledge and belief has recorded all the transactions. 6. It was deemed prudent not to take cognizance of unrealised exchange difference on notional basis due to uncertainties with regard to expected time frame for realisation of Trade Receivables and loans to subsidiary. Consequently, the payment to creditors is also dependent on recovery from these Trade receivables. The company shall account for the actual exchange difference at the time of realization of these trade receivables

WWW.TAXSCAN.IN - Simplifying Tax Laws

	and loans and at the time of payment to trade creditors/ other payables. The company shall account for the actual exchange difference & deferred tax liability at the time of actual occurrence of. The Management is of the view that due to certain unfavourable developments and sluggish market in earlier periods, the recovery from trade receivables is slow and there is a mismatch in the cash flow. The Management is hopeful that these trade receivables shall be recovered as the company has initiated legal action by way of sending legal notices and filing court cases. The company has filed legal suits in Mumbai High Court against majority of debtors and is in process of filing legal suits against other major debtors. 7. Factual description of status of legal cases. Since, the banks are not allowing any operation and no statements/ confirmations are being issued by the banks. However, the Management to the best of its knowledge and belief has recorded all the transactions. 8. Management has physically verified the inventory as at year end and has properly valued the inventory based on determination of estimated net realizable value and specific identification. 9. The management is of the view that the investment is in the nature of long-term investment and the diminution in value is of temporary in nature. The management is confident that the subsidiary shall revive its operations in near future and therefore no provision is required against such investment and advances. 10. The management is of the opinion that all the transactions have been recorded on the books properly. Efforts are being made regularly for obtaining confirmations statements. 11. The management is of the view that due to certain unfavourable developments and sluggish market in earlier periods, the recovery from trade receivables are slow and there is a mismatch in the cash flow resulting in default in payment to creditors, payment of statutory dues and repayment of dues to banks owing to which banks have classified the account as NPA and recalled their loans. The management is hopeful that these trade receivables shall be recovered as the company has initiated legal action by way of sending legal notices and filing court cases. The company has filed legal suits in Mumbai High Court against majority of debtors and is in process of filing legal suits against other major debtors. Further, the management is taking all possible steps to revive the business operations and has approached consortium bankers for one time settlement of entire loan dues and assumes that Company will have adequate cash flow from export realisation to defray its entire debt obligation and payment to creditors in phased manner. At the same time, management is hopeful that it will be able to raise adequate finance from internal accruals and alternate means to meet its short term and long-term obligations. Hence, the accounts of the Company are prepared on going concern basis. 12. Due to slow recovery from trade receivables, there is a temporary deficit

	in the cash flow resulting in default in payment of statutory dues / taxes; and repayment of dues to banks. The Company is taking all possible efforts to recover old trade receivables and revive its business operations. Nonetheless, the management is committed to pay all statutory dues/ taxes. Regarding repayment of dues to banks, the company has approached bankers with proposal of One Time Settlement.

Company 34.3	
Basis for Qualified Opinion	As explained in Note 51 to the accompanying standalone financial statements, the Company during the financial year ended 31 March 2019 had provided discounts of ₹ 513.65 crore to its export customers which had been adjusted against the revenues for the said year. The Company had initiated the process of complying with the requirements of the Master Circular on Exports of Goods and Services issued by the Reserve Bank of India and had filed the necessary applications with the appropriate authority for approval of such discounts, which is a prerequisite, under the Foreign Exchange Management Act, 1999. Subsequently, the Company has obtained the approvals from the authorized dealer banks for reduction in receivables corresponding to discounts amounting to ₹ 323.07 crore. For the remaining discounts of ₹ 190.58 crore, in the absence of requisite approvals and material evidence related to such transactions, we are unable to comment on the impact, if any, of the same on the accompanying standalone financial statements. Auditor's Opinion for the year ended 31 March 2019, 31 March 2020 and 31 March 2021 were also modified in respect of this matter.
Management Response	The Company had filed requisite applications with AD Category - 1 Banks for seeking approval of the aforesaid discount as per Master Circular on Exports of Goods and Services (Master Circular No.14/2014-15) issued by Reserve Bank of India. Subsequently, the Company has obtained approvals from Authorized Dealer Banks for reduction in receivables corresponding to discounts amounting to ₹ 323.07 crore and approval for the balance amount is under process. The discount extended was in accordance with the aforesaid Master Circular and the management does not expect any material penalty to be levied and therefore, no provision for the same has been recognized in the financials.

Company 34.4	
Basis for Qualified Opinion	We draw attention to note 25 of the Statement, regarding the Management's contention about the recoverability of the Trade Receivables mentioned therein. We have not been able to substantiate the Management's contention regarding the carrying value of Trade Receivables aggregating to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	₹ 3,58,389.38 lakh. Accordingly, we are unable to comment on the appropriateness of the carrying value of such Trade Receivables and their consequential impact on the financial results and the financial position of the Company as at and for the year ended March 31, 2022.
Management Response	The Board is of the opinion that It is not going to majorly impact financial position of the company. Considering nature of our industry, Post covid-19 situation and past experience, such delay / late recovery from receivables have been in earlier years also. No major write off has been happened in past. In the opinion of the Management, no allowance/ provision are required for above Trade receivables and these receivables are considered good and fully recoverable.

Company 34.5	
Basis for Qualified Opinion	1. As per the note no. 31: Employee Benefits, the company has not made the provision of employee cost with reference to the retirement benefits of the employees. 2. The company has delayed in transferring the amount to Investors Education Protection Fund Account as required by the section 125 of the Companies Act, 2013. Details of delay are available under II (1) (H) (iii) of this audit report.
Management Response	1. The Opinion of the Auditor is Self-explanatory and Company is in process of complying the same and necessary compliance will be done in due course. 2. The Company has transferred funds to Investor Education Protection Fund Account for the FY 2012-2013 as required under Section 125 of the Companies Act, 2013, however the status of the Form IEPF -1 is still under showing as Pending for Upload of Investor Details.

Company 34.6	
Basis for Qualified Opinion	We draw attention to Note 39 to the financial statements, wherein the Company has not received confirmation from one of the vendor having outstanding balance of ₹ 49,32,661/- for more than 3 years. Due to non-availability of confirmation of balance, we are unable to quantify the impact, if any, arising from the same.
Management Response	The Trade payables of the Company includes a vendor having outstanding for more than 3-year amount of ₹ 49,32,661/- as at March 31, 2022. The vendor is under Corporate insolvency Resolution Process from January 2018. The management of the company is making all efforts to quantify the amount payable to the vendor. The matter is pending before various statutory

WWW.TAXSCAN.IN - Simplifying Tax Laws

	investigating authorities. However, the company has not received any claim. Hence, in the opinion of management no impact has been given in the financial statements in absence of the confirmation of the vendor.

WWW.TAXSCAN.IN - Simplifying Tax Laws

35. General Insurance

Company 35.1	
Basis for Qualified Opinion	1. Balances due to/from entities carrying on Insurance business including reinsurance businesses are subject to confirmations and/ or reconciliation (refer note 26 b). The consequential impact on the Standalone Financial Statements of the corporation for the quarter/year ended as on 31st March, 2022, is unascertainable. 2. According to the information and explanations given to us and based on our Audit, the following material weaknesses has been identified as at March 31, 2022. Corporation's internal financial control system is not operating effectively for obtaining confirmations and its reconciliation if any from entities carrying on Insurance business including reinsurance businesses. This could result in incorrect representation of due from/due to balances and deposits in financial statements.
Management Response	Reconciliation is an ongoing process and Corporation is making efforts to reconcile the same. Non-appropriation of receipts due to non-receipt of complete confirmation/information from cedents/brokers the impact of confirmation/reconciliation cannot be fully estimated.

Company 35.2	
Basis for Qualified Opinion	a) Balances due to/from persons or bodies carrying on Insurance Business including reinsurers are subject to confirmations, reconciliation and records relating to old balances are being compiled by the Company. (Refer Note 9(a) of Schedule 16B); b) Balances of Inter office accounts, control accounts, certain loans and other accounts at certain offices are pending for reconciliation/ confirmation and consequential adjustments, effect of which, if any, is not ascertainable and cannot be commented upon. (Refer Note 9(c) of Schedule 16B). c) The impact on account of reconciliation relating to various accounts and balances under confirmation with respect to compliance of tax laws which may arise out of such reconciliation (Refer Note 9(d) of Schedule 16B). d) Overall impact of the above para (a) to (c) above and the consequential effects on the state of affairs of the Company as at March 31, 2022, the Revenue Accounts, Profit and Loss Account and the Receipts and Payments Accounts for the year ended on that date are not ascertainable and cannot be commented upon. e) Based on the report of external consultant appointed to assess the internal financial control framework in the Company, the following internal control weaknesses of material nature have been identified as at March 31, 2022:

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — General Insurance

	1. Confirmation and reconciliation of various balances relating to reinsurers and other control accounts are pending and are at various stages. 2. Adequate coverage of audit of health-related claims processed by TPAs to be conducted by the respective offices of the Company in accordance with the policy of the Company.
Management Response	1. The Inter office reconciliation process done this year resulted in clearing balances related to various years. The reconciliation will continue during current year also to identify old balances. In our opinion there is no significant impact on revenue. Net Interoffice Debit balance of ₹ 283.98 Cr as on 31.03.2021 has come down to ₹ 182.92 Cr as on 31.03.2022 reflecting an overall 35.59% reduction in the balances. 2. Control accounts were reviewed and targeted for closure during the current period through system support. They pertain to older periods and a provision for doubtful debts is created towards these balances. 3. The reconciliation of older balance is in progress in all the above matters and hence the impact cannot be estimated. 4. Loan and other accounts may not have any financial impact.

WWW.TAXSCAN.IN - Simplifying Tax Laws

36. Healthcare Service Provider

Company 36.1	
Basis for Qualified Opinion	Gratuity Liability and Leave Encashment Liability is not provided for in the books of accounts of the Company and is thus not in accordance with Accounting Standard 15 on "Employee Benefits" issued by the Institute of Chartered Accountants of India.
Management Response	Company does not have any agreement with employees for any leave encashment and retirement benefits and accordingly gratuity liability and leave encashment liability are recognised on actual payment basis, hence no provision has been made for gratuity and leave encashment liabilities.

WWW.TAXSCAN.IN - Simplifying Tax Laws

37. Heavy Electrical Equipment

Company 37.1	
Basis for Qualified Opinion	1. Finance Cost: We draw attention to note no. 47 of the standalone financial statement of the Company, that it has not provided finance cost related with interest expenses for the year ended on March 31, 2022 as the account of the Company has been reclassified as Non- Performing Assets (NPA) by all lenders on financial facilities availed from them. Due to non-provision of the interest expenses, Loss for the year ended on March 31, 2022 is understated. Amount is not determinable. 2. Material Uncertainty related to Going Concern: Material Uncertainty related to going concern due to delay in meeting its debt obligation, overdue liabilities, complete erosion of Company's net worth as on March 31, 2022 and incurred the losses for the year ended March 31, 2022. However, the standalone financials statements are prepared on the going concern assumption. 3. Tax related balances: The Company is in the process of reconciling direct/indirect tax related balances as per books of account and as per tax records. 4. Other current assets: It mainly includes advances to vendors, balances with government authorities and other recoverable. In the absence of confirmations from such parties, we are unable to comment on it including its recoverable value etc. Bank Guarantees issued to the customers are invoked by them during the year ended on March 31, 2022. The entire amount is retained as receivable based on the management assessment of these amount. 5. Cash and Cash Equivalents: To confirm the balances of the Company, held as on March 31, 2022 from the records of the Banks we had send the Emails, from our email Id to them. But except one bank none of them, has sent the confirmations/ statement of balances held as on that date. Hence, we have to rely on the statements produced before us by the Company for the reconciliation with of books of account of the Company. 6. Borrowings: To confirm the balances of the Company, held as on March 31, 2022 from the records of the Banks and Financial Institutions we had send the Emails, from our email Id to them. But, except one bank none of them has sent the confirmations/statement of balances held as on that date. Hence, we have to rely on the statements produced before us by the Company for the reconciliation with of books of account of the Company. As per the information and explanations provided to us, as part of CIRP, financial creditors had filed their claims with RP Refer note 5, any settlement with creditors will be carried out as per the provisions of the Code and the same has been provisionally admitted by the resolution professional. Final admitted claims will be subject to verification by RP.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	1. Remarks are self-explanatory and hence does not require further explanation from management. 2. Company has received Resolution Plans and in the opinion of RP and Board of Directors, the Company is a going concern. 3. The same has been provided in Contingent Liability. 4. Most of the parties are Government Parties and they have not confirmed their Balances. Bank Guarantee has been shown in contingent Liability.

Company 37.2	
Basis for Qualified Opinion	The Company continues to prepare accounts on a going concern basis, despite accumulated losses as on 31.03.2022 being more than 50% of the average net worth during the four years immediately preceding the current financial year. The Company's Board of Directors explanations for the losses and assessment of the Company's ability to continue as a going concern as per note no. 36 to the financial Statement have been relied upon.
Management Response	The Company's Board of Directors are examining available options to further increase sales/ income from operations. Barring unforeseen circumstances beyond the control of the Company, the Board of Directors are confident about the Company's ability to continue as a going concern. Based thereupon and considering the profitability achieved in the current financial year and projected revenues / cash flows, the Company has prepared accounts on a going concern basis.

Company 37.3	
Basis for Qualified Opinion	The Company has not done the reversal of GST input of ₹ 14,22,73,743/ - (excluding interest as payable thereon) for the tax period 2017-18 to 2020-21 due to non-payment to creditors within a stipulated time as prescribed in terms of 2nd proviso to section 16(2) of CGST Act, 2017. Accordingly, the statutory liability would have been increased by ₹ 14,22,73,743/ and the Net Worth would have been reduced by ₹ 14,22,73,743/ respectively. This matter is also disclosed in our Report on Other Legal and Regulatory Requirements in paragraph below. As per information and according to the explanations given to us, the company has not received any notice or demand letter on this GST input reversal from the GST department.
Management Response	The notes on Financial Statements referred to in the Auditors' Report are self-explanatory and need no further comments.

WWW.TAXSCAN.IN - Simplifying Tax Laws

38. Hotels & Resorts

Company 38.1	
Basis for Qualified Opinion	a) As mentioned in note no. I of Note – 22 B, the accounts have been compiled on the basis of the records and documents available with the Company due to seizure of records and documents by various authorities on various occasions. The impact on accounts (financial as well as disclosure) due to such non-availability of the records is not ascertainable. b) As mentioned in note no. p of Note – 22 B, the hotel was partially available for guests for a certain period and as such, revenue and operational expenses for the intervening period are not comparable. c) As mentioned in foot note no. 1 of Note no. 1 and foot note no. 2 of Note no. 8, pending conveyance of land at Nande, pending payment of stamp duty applicable to scheme of arrangement & amalgamation sanctioned by Hon'ble Bombay High Court vide their judgment dated 16th July 2009 and pending legal formalities of allotment of shares (the subject matter of the aforesaid scheme), accounting has been done of Fixed Assets (Land) of ₹ 1,59,65,999.74, Issued, Subscribed and Paid-up Share Capital of ₹ 17,96,254.00, Share Premium of ₹ 1,06,69,748.76 and Current Liabilities (Amount payable to Dr XX) of ₹ 34,99,996.98. Pending completion of all legal formalities, the respective amounts on the aforesaid accounts are overstated to that extent. d) In the absence of the records, the nature of Capital Work in Progress (pending since long), as mentioned in foot note no. 3 of Note no. 1, could not be ascertained. As such the probable accounting thereof, capital or revenue, is pending. Further, the impairment of Assets (including Capital Work in Progress), if any, as per the requirements of Ind AS 36 has not been ascertained, and as such, the consequent financial impact on accounts is not ascertainable. e) Details and supporting documents of the amount of ₹ 3,91,00,000/- paid as Advance to Dr. XX (Foot note 2 of Note no. 4) are not available with the Company. As such, we are unable to express our opinion on the genuineness of the payment, recoverability thereof and correctness of the accounting treatment. Financial impact on accounts is not ascertainable. f) As mentioned in foot note no. 6 of Note no. 7, Balances with Banks in current account include as amount of ₹ 179,75,000/- kept in bank account in the individual name of a director. As informed to us, this amount has been kept in No Lien Account as part of the negotiation with a lender bank for One Time Settlement. Further, this account is subject to confirmation, reconciliation and consequential adjustments, if any. Financial impact on accounts is not ascertainable. The Company has assured us that no such other bank account (other than those recorded in the books of the Company) has been opened by the Company, on which

WWW.TAXSCAN.IN - Simplifying Tax Laws

	reliance has been placed. g) As mentioned in foot note of Note no. 22 B, the outstanding balances of sundry creditors, sundry debtors, and advances (taken or given), bank current accounts (as specified in foot note 8 and 9 of Note 7), bank deposit accounts, all loan/overdraft accounts are subject to confirmation, reconciliation and consequential adjustments if any. Financial impact on accounts is not ascertainable. h) As mentioned in various notes, no provision has been made for interest on Sales Tax Deferment and interest / penalties for non-payment / late payment of statutory dues and for non-compliance of legal formalities under different statutes and laws, interest payable to MSME creditors etc., if any. The amount is not ascertainable. Financial impact on accounts is not ascertainable. i) As mentioned in foot notes of Note no. 16 and 20, in the absence of details, the interest on borrowings and on bank deposits has been accounted for at contractual rates. Financial impact on accounts is not ascertainable. j) The company's gross investments in equity shares of the then three subsidiary companies of ₹ 883.13 lakhs were sold during the Financial Year 2017-18 for an amount of ₹ 0.48 lakh only. The value of these investments was diminished progressively by charging to profit and loss accounts for the years from 2014-15 to 2017-18. We have not examined the propriety of this sale, which was based on the management's assessment on the recoverability of these financial assets and of the consequent loss. k) The Company has not obtained confirmations from debtors and other parties for the amount due from them. Further, in the absence of the records, seized by various authorities at various points of time, the recoverability of these amounts could not be ascertained. The company has written off / provided for the credit loss and non-recoverability of debtors, based on its own assessment. However, the company has not applied any scientific / verifiable basis for arriving at such write off or provision for doubtful of recovery. l) An advance given to Director was outstanding as on 31st March, 2022 of ₹ 1,51,67,554.77 which is, in our opinion, in contravention of Section 185 of the Companies Act, 2013. As mentioned in our audit reports for earlier years, this has been a continuing contravention of Section 185 of the Companies Act, 2013. Further, interest, fines and penalties for contravention of the provisions of Section 185 of the Companies Act, 2013, if any, is not ascertainable. Impact on accounts is not ascertainable. Certain payments on behalf of the Company seem to have been made by the director from this advance. Documentary evidence for these payments has not been produced for our verification. m) As mentioned in Foot note 4 of Note no. 6, The company has been

WWW.TAXSCAN.IN - Simplifying Tax Laws

	running the hotel under an arrangement with XX Hotels Ltd. (XX) to whom Management and other charges are payable. Sessions Court, Aurangabad, under the ongoing MPID case, had appointed an independent auditor to examine the books of the Company. Pursuant to his audit report, the Court ordered XX to deposit an amount of ₹ 41.56 lakhs with the Competent Authority. Against this, XX has deposited an amount of ₹ 76.99 lakhs which has been included in amount with 'additional session judge Aurangabad'. Management and other charges in respect of revenue from the Doctors stay at Hotel during pandemic have not been accounted for pending discussion with XX. XX has now submitted their account statement which is in the process of reconciliation. In view of the foregoing, the account of XX is subject to confirmation, reconciliation and consequential adjustments, if any. Impact on accounts is not ascertainable. n) As mentioned in Foot note 9 of Note 4, An amount of ₹ 140.90 lakhs (Previous Year ₹ 96.42 lakhs) has been transferred to the account of 'Additional Sessions Judge Aurangabad' till 31st March 2022, pursuant to an order dated 24.05.2019 and 17-03-2021, passed by the Sessions Judge under MPID Act. The balance is subject to confirmation. Vide order dated 24.10.2019, Spl. Judge (MPID), Aurangabad has ordered to make payment to the applicants of the said case under MPID Act, out of this amount deposited in the Court. The Company has not received any intimation from the Court Authority till date about any payments made under MPID Act to the applicants. Pending such intimation, the amount is shown as advance in the name of Spl. Judge, MPID Aurangabad. As informed to us, on receiving the official intimation, appropriate accounting would be done. Impact on accounts is not ascertainable. o) Tax adjustment pertaining to prior years of ₹ 2.00 lakhs has been made directly in Note 9, Other Equity instead of routing through Profit & Loss Account. Consequently, Loss for the year is understated to that extent. p) The final accounts are prepared as per amended schedule III of the Companies Act 2013 subject to non-disclosure of the age wise bifurcation of debtors & creditors.
Management Response	1. There will be no significant impact on accounts (financial as well as disclosure) of the Company. 2. The Company has acquired land at Nande from Dr. XX pursuant to the Scheme of Amalgamation approved by the High Court. As per the Scheme, the Company was required to allot 17,96,254 Equity Shares and pay ₹ 34,99,996.98, additionally, as a consideration for the said land to Dr. XX, by executing separate Conveyance Deed. However, the management was advised that the allotment is required to be made before the execution of the Conveyance Deed. Accordingly, in good faith the Board allotted the necessary shares to Dr. XX and prepared the deed for registration. However, Dr. XX, expressed his desire for upward revision of the total consideration, as the prices of the land have gone up

WWW.TAXSCAN.IN - Simplifying Tax Laws

	considerably since 01.04.2008 i.e., the appointed date and the market price of the equity shares of the Company have not appreciated in line with the same. Due to this, the conveyance deed with Dr. XX is not yet done. The management is exploring ways and means to sort out the issue and hopes that the same will be resolved amicably. However, until the financial difficulties are resolved, a solution to this issue appears remote. After settlement of the issue and completion of all legal formalities, the aforesaid amounts accounted for under Fixed Assets, Share Capital, Share Premium will stand confirmed. 3. The management believes that there will be no significant impact on accounts (financial as well as disclosure) of the Company. Till the underlying asset is put to use the amount will stay under Capital work in progress. 4. The Company has received a proposal from PLM Bank to avail the "MAHA MUKTI YOJANA" Scheme introduced by it for One Time Settlement (OTS) of outstanding dues of the Company. A No Lean Account was opened in the name of Director of the Company and the amount of ₹ 1,79,75,000/- was deposited in the said account as a part of the negotiation with a lender bank. After finalization of OTS proposal, this amount of ₹ 1,79,75,000/- will be adjusted by the Bank against its dues. As a result, the amount will be reduced from Current assets and Current liabilities. The arrangement was made in pursuance of the Scheme introduced by the PLM Bank for OTS of the outstanding dues of the Company. 5. The management believes that there will be no significant impact on accounts (financial as well as disclosure) of the Company. 6. ABC Pvt. Ltd. / DRT Co.-Op. Bank Ltd. are not providing the statement of dues / interest / penal interest / other charges, if any. Hence, the Company has provided in its books as per the contractual rate of interest. As far as Sales Tax demand is concerned, the Company has provided as per the Assessment Order. The penal interest / penalties for late payment of statutory dues, non-compliance of legal formalities etc. are not provided for due to financial difficulties. The management is unable to estimate the impact of audit qualification. 7. These the then three subsidiary companies are non-operational. Their net-worth is completely eroded. They did not contribute anything to the Company but added the work of consolidation. The Company is not in a position to infuse funds in these companies for their revival. The management has chopped of some dead wood from its Balance Sheet. 8. All the outstanding balances of debtors are from ordinary course of business activity of the Company. The Company has identified debtors of which the balances standing with them was old outstanding and could not be recovered in spite of putting continuous efforts in appropriate 9. manner or some of are not in exist in their business. Finally, it has been decided to written off such amount in the books of accounts. The

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Company has identified such debtors and made provision thereof for doubtful recovery which is having some disputes and possibility that amount may not be recovered from them. 10. The Company has started trading activities/ treasury business operations pursuant to the compliance of applicable provisions of the Companies Act and clauses of Memorandum of Association. Considering the expertise in the field of Investment Analysis and Portfolio Management of Mr. XYZ (DIN 0xxxxxx), Chairman and Managing Director, the Company has given advance to him for doing securities trading business on its behalf and on the terms and conditions that he will utilise those funds for trading operations on behalf of the Company considering the opportunities and market risks and conditions as in the best interest and beneficial for the Company. The necessary amount shall be advanced to him from time to time as per the requirements. He would be the custodian of such funds to be advanced by the Company to him and of the debit balance, if any, outstanding in his account for such advanced funds. The amount shall not be treated as a loan in any case. Necessary approvals of the Audit Committee, Board of Directors and the Shareholders of the Company are obtained. The advance as aforesaid given to the Managing Director for securities trading purpose. Further, as per the notification issued by Reserve Bank of India (RBI) dated 06.08.2020 and subsequently intimation from SFM Bank, to continue Current Account and execute transactions, the Company is required to maintain minimum 10% share of the total credit facility with such bank. However, the Company has already availed credit facility of more than ₹ 5 Cr. from other banks. All the assets and bank accounts of the Company are seized by the Police Authority under MPID Act. Due to this, the Company is not in a position to maintain and comply the minimum credit exposure criteria with SFM Bank. Consequently, the said Bank prohibited to execute transactions through the Current Account of the Company, resulting the outstanding balance is there as on 31.03.2022. The management believes that the said transaction is out of the ambit of the provisions of Section 185 of the Companies Act, 2013. 11. The default made in payment of certain statutory dues is due to financial difficulties. Management is unable to estimate the financial impact of the same. 12. The Auditor's Comment is self-explanatory. The management believes that there will be no significant impact on accounts (financial as well as disclosure) of the Company.

Company 38.2	
Basis for Qualified Opinion	1. MSMED Act compliances: The Company does not collate maintain and present the proper details of MSME Vendors registered under Micro Small and Medium Enterprises Development (MSMED) Act, 2006. Hence,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	compliances of procurement; provision for interest, if any, on outstanding dues to MSME units could not be verified. We, therefore are unable to determine the delay in making payment to such entities and liability of interest and compliance on such delayed payments in terms of provisions of MSMED Act. (Refer point no. 33 to note no. 39 of the Standalone Financial Statements). 2. The Company has not generated invoices for license fees on licensees of units, viz. ABC Restaurant (units of XX) to the tune of ₹ 1292.59 lakhs during the year 2020-21 on account of Covid-19 pandemic, the licensees have disputed the same for which the Board of Directors initially denied for the waiver. However, a committee of executives was recently formed in the Board Meeting dated 18.05.2022 in the matter and report to the Board of Directors. Thus, the sale of services from license fee and Trade receivables of the Company continued to be understated to the extent of ₹ 1292.59 lakhs. (Refer point no 12 of Note 39 to the Standalone Financial Statements). 3. The entity has entered into arrangements for marketing of travel related business with M/S SS plan your ABC Pvt. Ltd. (ABC). As per terms and conditions, evaluation was to be made on monthly basis of outstanding receivable and to obtain remittance from ABC. No proper evaluation, confirmation or reconciliation or assessment was available. Instead of making recovery from ABC, ₹ 300 lakhs were paid by the Company on 27.08.2020 for which neither any justification was given nor was the authority of the same disclosed. During the year 2021-22 and 2022-23 to date, no information/ data/facts were made available as audit evidence. Statutory Auditors of the Branch ATT also could not get any audit evidence and qualified the report. It was also pointed out by the Branch Statutory Auditors that various conditions of the Agreement were not complied/enforced like credit limits, monthly evaluation, additional deposit etc., in spite of raising the issue in previous year and in the year under audit. It was also stated even ABC account is not reconciled which is having gap of ₹ 656.79 lakhs as on 31.03.2022. Regarding Performance Linked Bonus (PLB) from Airlines, neither proper records were available nor proper accounting been done for which Management explained to Branch Auditors that the same will be dealt at Head Office, which is not practicable and intends to avoid to bring correct status. The Account and Report of Branch Auditors was available to us on Saturday evening i.e., 11.06.2022 and Audit Committee has to consider to audited Accounts on 14.06.2022 leaving no time to Central Statutory Auditors to review the matter, if at all management inclined to make available all relevant facts, which is not in the present case. This is not out of place to mention that the issue was prolonged from last two years by the management, which was also brought to knowledge of the Hon'ble Audit Committee of the Company but the things remained unresponded. In view of circumstances stated above, we are unable to comment on the final outcome of non-

WWW.TAXSCAN.IN - Simplifying Tax Laws

	compliance of terms of Agreement, confirmations, reconciliations and/or assessment of recoverability of outstanding in the accounts pertaining to AAA and consequential impact on the Standalone Financial Statements on this account. 4. Some exclusive paintings and antiques are placed at Hotel PQR, New Delhi, (A Unit of XX). The source whereof is not identified in absence of any record. The list of Paintings/ Antiques has been identified during FY 2020-21, but the valuation thereof could not take place and hence not been considered in Books of Accounts. Pendency of Valuation, the impact of the same is not ascertainable and quantifiable, on the Standalone Financial Statements. (Refer Point no. 23 of Note 39 of Standalone Financial Statements). 5. Dues recoverable from SST by DEF Consultancy & Engineering Services (DEF) – Unit of XX MoU was signed between XX and SST, as a special business dealing for furnishing SST Flats with furniture and fixtures during Commonwealth Games 2010 (CWG). Litigations were raised by the vendors/ parties engaged by XX (for supply of furniture & fixtures), due to non-receipt of their ordered items by SST. Subsequent payments were made by XX to vendors as per the Court Orders from time to time. Recovery proceeding were initiated by XX from SST as per the MoU. Thereafter, the matter is under dispute between XX and SST, and is further referred to Administrative Mechanism for Resolution of CPSE's Disputes (AMRCD). XX policy and practice adopted for provisioning of receivables, disclosed under Point No. 4 of General Note No. 39, is for transactions entered during the normal course of business. Disclosure is deficit to the tune of transactions entered under special course (as stated above) for which provisioning amounting to ₹ 989.57 lakhs (being outstanding exceeding 3 years) was not made. Also, the matter was not adequately disclosed by the Branch Auditor. However, as intimated to us, the management is very hopeful of recovery of the amount involved.
Management Response	1. Necessary modification in the accounting system is being carried out to maintain proper records relating to MEME vendors to display the status of compliance with the provisions under MSMED Act. 2. On finalisation of the committee's report, further appropriate actions will be taken by the management. 3. Management has constituted a committee to look into the issues relating to compliance with the various clauses/ conditions of the agreement with the ABC. Reconciliation with the ABC is also under process. Necessary entries will be made in the accounts, if required, on acceptance of the committee recommendation and completion of reconciliation process. 4. The matter is under discussion with the Government agencies to carry out the valuation of the exclusive paintings and antique items. 5. The recovery of the amount due is from the Government entity and the matter is pending for resolution with the Administrative Mechanism for

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Resolution of CPSE's Disputes (AMRCD). Necessary disclosure/ entries will be made in the accounts appropriately based on the status of the matter at the end of the FY 2022-23.

Company 38.3	
Basis for Qualified Opinion	With respect to one of the subsidiaries (MNO Limited) reference is invited to note 35.1(a) of notes to the consolidated financial statements. Vide agreement dated 24th December, 2018 XYZ Limited purchased the loan from M/s PQR Limited [lender to whom loan was sold / assigned by IMN Bank in earlier years] for an aggregate amount of ₹ 13,500.00 lakhs. As per the books of the company, total outstanding towards this loan is ₹ 18,833.99 lakhs (including interest liability accounted in books upto 30th September, 2013). The interest amount from 1st October, 2013 till 31st March, 2022 has not been provided in the books nor has the same been quantified. Non-provision of interest is not in compliance with the accounting treatment as prescribed under Ind AS 23 Borrowing Costs. As per the legal opinion obtained by the management, no further liability is required to be accounted now considering the terms of settlement arrangement and pending execution of the definitive agreement (the modalities of which are being worked out). Further, the subsidiary company has filed a commercial suit before the District Court, Pune for performance of the obligations by IARC narrated above, which is pending. Had the provision been made, borrowing cost and loss for the year ended 31st March, 2022 and negative net worth as at 31st March, 2022 would increase by the amount of interest for the period 1st October, 2013 to 31st March, 2022 which has not been provided as per the management's view mentioned above.
Management Response	The Statutory Auditors, in their report on Consolidated Financial Statements for the year ended 31st March, 2022, have invited reference to Note 35.1 a) of notes to the financial statements and stated that, in their opinion, non-provision of interest on the secured loan taken by Company's Subsidiary viz., PQR Private Limited (PQRPL) in its books from 1st October, 2013 till 31st March, 2022 is not in compliance with Ind AS 23 – Borrowing Costs. Your Directors are of the view that no provision for interest is required to be made in the books of accounts for the reasons detailed in Note 54(ii) of the notes to the financial statements, which are self-explanatory.

Company 38.4	
Basis for Qualified Opinion	According to the information and explanations given to us and based on our audit procedure, the following material weakness has been identified in Company's internal financial controls as at March 31, 2022. The company needs to improve internal financial controls in accrual and recording of administrative and other expenses.

Analysis of Modified Opinions — Hotels & Resorts

Management Response	The observations, if any, made by the Statutory Auditors in their Auditors Report together with the notes to accounts, as append thereto are self-explanatory and hence does not call for any further explanation.

Company 38.5	
Basis for Qualified Opinion	We draw attention to Note No. 36 of the attached Financial Statements for the year ended 31st March 2022. The Company's borrowings were taken over by M/s. XYZ Limited commencing from April 1, 2017, and out of the final One-time settlement amount of ₹ 97.32 crores agreed with the XYZ, the Company has made a payment of ₹ 42.20 cr. from the sale proceeds of shopping mall and part of Multiplex properties, Hotel at Coonoor and Advance received for sale of power plant. The Company intends to repay the balance to the XYZ from the sale of other assets of the Company, refer Note No. 35 to these financial statements. Further, with the Company having suspended all business operations and with no revenue being generated to meet the debt obligations, there exists a concern on the ability of the Company continuing as a Going Concern. In view of the above, our opinion is Qualified.
Management Response	As a result of concerted and constant efforts of the promoters of the Company, the Company concluded the One Time Settlement (OTS) offer with M/s. XYZ thereby the Company's debt position stands reduced substantially and is manageable level. The Promoters-Directors have infused funds amounting to ₹ 55.14 lakhs during the financial year 2021-2022 to meet the fixed expenses to keep the Company's assets in good. Within manageable level of the company's debt and financial commitment, the management is exploring possibilities of leasing of its hotel property situate at Tirupur in order to generate stable revenue. The ability of your Company to continue as a going concern is predicated upon its ability to monetize its remaining non-core assets and lease out Tirupur hotel property. In view of all the actions that are currently underway, the financial statements to financial year ended to 2021-22 have been prepared on the basis that your Company is a going concern.

Company 38.6	
Basis for Qualified Opinion	a) Capital Work In progress: The Company has converted capital work in progress into Fixed Assets during the F.Y 2017-18 of an amount of ₹ 111.94 Crores. However, the company has not submitted us any valuation certificate towards capitalization of fixed assets of ₹ 111.94 crores, and the depreciation claimed by the company towards such capitalization of fixed assets for the F.Y 2017-18 is ₹ 358.34 Lakhs, F.Y 2018-19 ₹ 599.98 Lakhs and FY 2019-20 is ₹ 601.63 Lakhs and FY 2020-21 is ₹ 600.05 lakhs and FY 2021-22 is ₹ 600.24 Lakhs which increase the Loss to that Extent, As we could not obtain sufficient audit

WWW.TAXSCAN.IN - Simplifying Tax Laws

	evidence in this regard and the capitalization is not in compliance with the generally accepted accounting principles, we are unable to comment upon the true and fair view of the same. (Refer Note no.27) b) Forfeiture of advance: The Company has forfeited an advance of amounting to ₹ 134.65 Crores received from ABC Hotel Private Limited, RST Investments and trading private limited and PQR Industrial Corporation Limited in the F.Y 2013-14 and adjusted in slump sale proceeds as disclosed in the annual report of F.Y 2013-14. In the financial year 2017-18 again the company has recognised the forfeited advances in the books of accounts as liability which is not in line with the Ind AS accounting policies, also the management of the company has not provided us any supporting document towards re recognition of such advances as liability in the books of accounts in the F.Y 2017-18. As per the Business transfer agreement (BTA) entered between DEF Hotels Limited and ABC Hotels Limited dated 02nd April, 2011, the company M/s DEF Hotels Ltd received an advance of ₹ 124.52 Crores (Included in above said advance ₹ 134.65 Crores). The date of termination of the agreement is 31.12.2011. In the event of termination, the company is liable to repay the advance along with the interest @2% per month till the date of repayment. However, no interest has been paid or provided by the company in its Books of Accounts since the termination of the agreement, which is not in line with the accounting principles. Hence, we are unable to comment upon the true and fair view of the same. (Note No.48). c) Directorate of Enforcement: The Directorate of Enforcement made a Provisional Attachment Order in PAO No. 04/2019 dated 26.03.2019 passed by the Deputy Director, Directorate of Enforcement against the M/s DEF Hotels Limited of OC No.1118/2019 pending adjudication before the Honourable Adjudicating Authority, PMLA, 2002, from alienating the proceeds of crime in the form of movable and immovable properties which are involved in money laundering and the non-attachment may seriously affect and frustrate the proceedings under PMLA, 2002. The Directorate of Enforcement has also filed an application under Insolvency and Bankruptcy code 2016 against M/s DEF Hotels Limited in respect advances taken from ABC Hotels Ltd and the same has been accepted by the Hon'ble NCLT on dated 06-05-2019. The resolution professional has challenged the provisional attachment order of Enforcement Directorate, Chennai, before the Hon'ble NCLT, Hyderabad on 08-04-2019. NCLT has raised the attachment of Enforcement Directorate, Chennai. Subsequently Directorate of Enforcement, Chennai has gone to High Court, Chennai vide their writ petition number: WP/29970/2019 which was declared in their favour. Then the resolution professional of DEF Hotels Limited has approached Supreme Court and at present it is pending at Supreme

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Court vide order no SLP(C) no. 008259/2020. (Note No.44) d) NCLT: The Asset Reconstruction Company (India) Ltd (ARCIL) has filed plea under Sec.7 of The Insolvency and Bankruptcy code 2016 against M/s Viceroy Hotels Limited for non-payment of dues and the same has been accepted by the Hon'ble NCLT. Further proceedings are subject to NCLT order. The Resolution Professional has invited Expression of Interest from the prospective bidders for submission of Resolution Plans for revival of the Company. In terms of provisions of the Insolvency and Bankruptcy Code, 2016 (IBC) the resolution plan submitted by M/s XX Asset Reconstruction Company Private Limited for M/s DEF Hotels Limited has been approved by the Committee of Creditors (COC) of the company in its 18th COC meeting and identified as a successful resolution applicant. However, Hon'ble NCLT, Hyderabad has rejected the resolution plan. The case is pending with Hon'ble NCLAT. The Hon'ble NCLT, Hyderabad appointed Dr SS as new Resolution Professional for conducting Corporate Insolvency Resolution Process vide order dated April 12, 2022. (Note No.42) e) NCLAT: The Appeal has been filed by IARC seeking to set aside the order of the Hyd NCLT rejecting the Resolution Plan of XX ARC dated 01-Sep-2021. Both IARC and RP have completed the pleadings and written submissions the primary issue being whether an ARC is disqualified to be a Resolution Applicant. XX has filed an affidavit in this Appeal seeking to withdraw its Plan and have the Performance Bank Guarantee returned. The NCLAT has passed 2 interim orders one directing the RP to keep the CD as a going concern and the other to have the PBG extended. The next hearing is posted for dated 28th June 2022. (Note No.43) f) Loans from Banks or Financial Institutions: During the current Financial Year, the company has not provided interest on the loans obtained from various Banks and financial Institutions which is not in accordance with generally accepted accounting principles. Confirmations from Banks/ Financial Institutions are not yet received. Due to the non-provision of interest in the financial statements; the financial statements may not give a true and fair view in this regard. (Note No.50) g) Statutory Dues: The Company has not paid the statutory dues for a period more than 6 months is as follows as per the Books and records verified by us as on 31-03-2022. h) Non availability of confirmations Trade Receivables, Trade Payables - In the absence of alternative corroborative evidence, we are unable to comment on the extent to which such balances are recoverable. (Note No. 46). i) Exceptional items: The management decided to written off various assets,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	capital work in progress etc for an amount of ₹ 291.94 crores in the F.Y 2017-18 for which there is no provision has made for such amount up to F.Y 2016-17. As there is no sufficient appropriate audit evidence for such written off, we are unable to comment on the True and Fair Value of such written off. (Note No. 28). j) In respect of investments, loans and advances and Corporate Guarantees given to subsidiaries that have significant accumulated Losses as at March 31st 2022, and the Loans and advances given to those subsidiaries. Based on management's internal assessment, the management of the Company is of the view that the carrying value of the investments and provision of Impairment on Investments in its subsidiary Companies as at March 31, 2022 is appropriate in the accompanying consolidated Ind AS financial statements. In absence of fair valuation of these investments, we are unable to comment upon the carrying value of these investments, recoverability of loans and advances and the consequential impact, if any on the consolidated financial statements. We are unable to comment on the provisions if any required for the corporate guarantees given to its Subsidiary Companies and the provision for interest of loans and advances given to such subsidiaries. (Note No. 51). k) Tax Disputes: The company has material tax disputes with the Income Tax department, service tax and sales tax departments as given under which is as per the information submitted by the management in this regard. However, the company has not made provision for such dues in the financial statements for the year ending 31-03-2022. l) Going Concern: The above conditions indicate the existence of material uncertainties which may caste significant doubt on the Company's abilities to continue as going concern. In the event that the going concern assumption of the company is inappropriate, adjustments will have to be made as not a going concern. However, the financials has not been made with such adjustments for the F.Y 2021-22. (Note No. 49) m) Corporate Guarantee: The Company has given corporate guarantee in excess of the limits prescribed under Companies Act 2013. n) The Company has not appointed Chief Financial officer (CFO) for the FY 2021- 22. (Note No:47) o) The company did not have appropriate internal controls for confirmation and reconciliation of trade receivables, trade payables, other current assets and current liabilities.
Management Response	a) The company has passed board resolution on 26-08-2017 for converting Capital work in progress of ₹ 111.94 Crores to fixed assets. The depreciation claimed by the company on capitalization of fixed assets for the F.Y 2017-18 is ₹ 358.34 Lakhs, F.Y 2018-19 is ₹ 599.98 Lakhs, FY

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2019-20 is ₹ 601.63 Lakhs and FY 2020-21 is ₹ 600.05 Lakhs. b) The company has forfeited an amount of Advance of ₹ 134.65 crores erroneously in the Financial year 2013-14 (ABC Private Limited - ₹ 11.77 Crores, XX Industrial Corporation- ₹ 0.65 Crores, XYZ Hotel Private Limited ₹ 122.23 crores) and the same is taken back into the Books as Exceptional Item in the F.Y. 2017-18. c) The company has received provisional attachment of immovable and movable properties having a value of ₹ 315.50 Crores from Directorate of Enforcement, Chennai on 26.03.2019. The resolution professional has challenged the provisional attachment order of Enforcement Directorate, Chennai, before the Hon'ble NCLT, Hyderabad on 08-04-2019. NCLT has raised the attachment of Enforcement Directorate, Chennai. Further, as per the Hon'ble NCLT, Hyderabad order dated 11.07.2019 declared that immovable and movable properties of DEF Hotels Limited can't be attached by the Enforcement Directorate - Chennai when the company is under Corporate Insolvency Resolution Process ("CIRP"). Subsequently Directorate of Enforcement, Chennai has gone to High Court, Chennai vide their writ petition number: WP/29970/2019 which was declared in their favour. Then the resolution professional of DEF Hotels Limited has approached Supreme Court vide registration number. SLP(C) no. 008259/2020 which is pending at the Supreme Court. d) The Appeal has been filed by IARC seeking to set aside the order of the Hyd NCLT rejecting the Resolution Plan of CFM ARC dated 01-Sep-2021. Both IARC and RP have completed the pleadings and written submissions the primary issue being whether an ARC is disqualified to be a Resolution Applicant. CFM has filed an affidavit in this Appeal seeking to withdraw its Plan and have the Performance Bank Guarantee returned. The NCLAT has passed 2 interim orders one directing the RP to keep the CD as a going concern and the other to have the PBG extended. The next hearing is posted for dated 28th June 2022. e) As the loans turned as Non-Operating Assets, there is no correspondence from the banks and financial institutions regarding the interest provision, hence as a result the company could not provide for the interest expense during the year. f) The Company is in the process of clearing outstanding statutory dues. g) The company is in the process of obtaining the confirmation from them. h) The Company has passed board resolution on 14-02-2018 for Writing off various Assets, Liabilities, Incomes and Expenses. i) The company has provided impairment for the investments from F.Y 2017-18 as there is forceable future cash flows from such investments. j) It is not possible to predict the outcome of the pending litigations with accuracy, the company believes, based on legal opinions received, that it

WWW.TAXSCAN.IN - Simplifying Tax Laws

	has meritorious defences to the claims. The management believes the pending actions will not require outflow of resources embodying economic benefits and will not have a material adverse effect upon the results of the operations, cash flows or financial condition of the company. k) Management believes the status of going concern is not affected and is confident of maintaining the going concern status and is undergoing the process of IBC Code, 2016. The final status can be known on approval of resolution plan.

WWW.TAXSCAN.IN - Simplifying Tax Laws

39. Industrial products

Company 39.1	
Basis for Qualified Opinion	1. There is delay in payment of interest and instalments to some of the lenders. In some cases where there are disputes with the lenders, the management has decided not to provide interest which proposed to be provided at the time of settlement/ payment. Accordingly, the loss for the year and loan liability has been understated to the extents. 2. During the year, the company has melted some of the stocks which were non-moving or rejected that has resulted in significant loss and reduction in value of stocks. This being technical matter, we are unable to check and verify the loss on this account. 3. During the year, Sundry debtor amounting to ₹ 1262.38 lacs, outstanding for more than three year, has been classified as other non-current assets. Out of which some of debtors are disputed and litigation is pending. The management has decided not to provide for these doubtful debts in view of its possible adverse impact on recovery litigation. Accordingly, the loss for the year is understated and Debtors has been overstated to the extents. 4. A total amount of ₹ 1,161.98 Lacs included in loan and advances is from parties who have not given confirmation of their dues. The management is in the process of reviewing the recoverability of these advances and obtaining confirmations. We therefore are unable to comment on recoverability of these advances. 5. Other matters read to together with notes.
Management Response	Not Available

Company 39.2	
Basis for Qualified Opinion	We invite attention to the Note 33.17 in financial statements stating that the balances of parties and accounts under head trade receivable, trade payable, advances and deposits are subject to confirmation and reconciliation. Financial impact of the same has not been ascertained by the management. In view of this, we were unable to determine whether any adjustments are necessary in respect of the same.
Management Response	The Company and management has not been operating in its full capacity and the Management has also sold its Land and Building. Company does not has enough Staff to Complete the Verification of all its Trade Receivables, But in the coming years it is expected to resume the operations as a trading concern and comply with all the pending Compliances.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 39.3	
Basis for Qualified Opinion	The Company has not provided for gratuity liability of employees as required by Ind AS 19 on "Employee Benefits" (Refer Note No. 28.1). The impact of the same could not be quantified in the absence of actuarial valuation/ management estimate. Our audit opinion on the financial statements for the year ended 31 March 2022 is qualified in respect of the said matter.
Management Response	The Auditors' Report contains one Qualification regarding non provision of Gratuity Liability on actuarial basis as required by Ind AS 19. The company is in the process of getting the liability ascertained on actuarial basis and in the current year hopes to provide for the same. Notes to Accounts and Auditors remarks in their report are self-explanatory and do not call for any further comments.

Company 39.4	
Basis for Qualified Opinion	1. Note (4) - The finished goods and work-in progress have been valued at estimated cost. The estimated Cost has been arrived by deducting certain percentage towards margin from the estimated selling price. We are unable to obtain sufficient and appropriate audit evidence about approximation of the estimated cost to the Actual cost as required by the Ind AS-2 "Inventories" from the records maintained by the company. Consequently, we are unable to determine the impact of the same on the financial statements for the year end 31st March 2022. 2. Balance confirmations have not been received from Trade receivables, Other Financial assets and Other Financial liabilities against balance outstanding as on 31st March 2022. In the absence of such confirmations, we are unable to comment on the impact arising out of reconciliation' adjustments, if any, on the financial statements for the year end 31st March 2022.
Management Response	1. The company has maintained proper book of account including inventory and the same has been provided to statutory auditor during the audit. Hence the view of audit qualification is unnecessary. 2. The company has maintained proper book of account and same has been provided to statutory auditor during the audit. Balance confirmations provided to auditor. Hence the view of audit qualification is unnecessary.

Company 39.5	
Basis for Qualified Opinion	1. Food Processing Machinery Unit, Aurangabad: As per information and explanation given to us with regard to Inventory valuation as stated in Note No. 1.9 stock of raw material, it is valued by adopting Weighted Average Cost method. However, in the inventory statement provided for

WWW.TAXSCAN.IN - Simplifying Tax Laws

	verification purpose, the correctness of stock items rates could not be verified due to absence of sufficient and appropriate audit evidence. Owing to the nature of Company's records and in the absence of sufficient audit evidence, we are unable to ascertain if there is material departure from the Weighted Average Cost Method adopted by the company. We are also unable to ascertain its consequent impact, if any, on the Standalone Ind AS financial statements. 2. XYZ Business Division, Bengaluru: a) The inventory valuation as on 31.03.2022 include inventories valued as per Valuation report dated 30.03.2020 amounting to ₹ 261.80 Lakhs. Consequently, we are unable to ascertain the impact due to deviation in inventory valuation on the Standalone Ind AS Financial statements as on 31.03.2022. b) The unit has not carried out any assessment on Impairment of Property, Plant & Equipment as required under Ind AS 36 Impairment of Assets. Consequently, the impact if any, on impairment of Fixed assets on the Standalone Ind AS Financial statements cannot be quantified. 3. Corporate Head Office and Company as a whole: a) Non-confirmation of balances of Trade Receivables, Loans and Advances, Trade Payables and Other Current Liabilities and its consequential impact if any on the Standalone Ind AS financial statements cannot be quantified. b) The Company has not provided status quo of ABC Tools Ltd. and PQR Tools Corporation Ltd as on 31st March, 2022. Consequently, we are unable to comment on the impact of the same on Standalone Ind AS financial statements. c) Non-disclosure of Corporate Guarantee amounting to ₹ 129.22 crores (fund and non-fund based) under contingent liability in Note No 32 - Notes forming part of accounts issued to subsidiaries of the company. Against the said Corporate Guarantee the credit facility utilized is ₹ 82.70 crores (fund and non-fund-based limits). d) During the year 2016-17, the company recognised the provision for the impairment loss on investments of ₹ 37.26 crores in respect of DEF Limited. During the year, the Company received a total surplus of ₹ 15.26 crores from DEF Limited as per NCLT order. Thus, against the Company's investment in DEF Limited amounting to ₹ 37.46 crores only ₹ 15.26 crores was realised by the Company. However, the company reversed the entire provision in the accounts for the current year and instead of separately disclosing the loss of ₹ 22.20 crores, the Company has shown only net amount of ₹ 15.26 crores as other income. The disclosure does not adequately reflect the transaction and the loss incurred amounting to ₹ 22.20 crores on its investment in DEF Limited.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	e) The company for Impairment on Financial Assets as per Ind AS 109 has to apply expected credit loss (ECL) model for measurement and recognition of impairment loss. However, as per the information and explanation given to us no ECL matrix was prepared for the period under audit for creating provision for loss allowance. Hence, we are unable to ascertain its impact, if any, on the Standalone Ind AS financial statements. The effect on revenue on all the above transactions are not ascertained. 4. The company did not have adequate appropriate internal controls for reconciling inventories and obtaining balance confirmation from sundry debtors, sundry creditors and other parties. This could potentially result a material weakness, in financial reporting process of debtors, creditors and other parties. 5. There is no appropriate internal control system for inventory as there is no integration between financial accounting module and inventory module. The valuation of inventory is done in inventory module. It has been explained that Company is in the process of integrating the finance accounting module and inventory module and currently it is in the final stage. As explained to us, stock is valued by adopting weighted average cost method. However, on scrutiny the rates could not be verified due to absence of relevant records such as Purchase Invoices, Purchase orders etc. Further, the internal control system for identification and allocation overheads to inventory was also not adequate. These could potentially result in material misstatements in the company's consumption, inventory and expense account balances. 6. As per Information and explanations given to us, verification of fixed assets was done in March, 2022. An effective internal financial control may be evolved to ensure that there should not be any mismatch between fixed assets register and physical sets with respect to the make of the asset, serial number and location which could potentially result in a material weakness in the process of verification of fixed assets. 7. Non-confirmation of balances of Trade Receivables, Loans and Advances, Trade Payables and other Current Liabilities and its consequential impact if any on the standalone Ind AS financial statements cannot be quantified. 8. The Unit has not complied from the requirement of Schedule II of the Companies Act of depreciating the assets over its useful life and such depreciable amount shall be the cost of asset less its residual value. The Unit follows the policy of depreciating the Plant, Property & Equipment costing less than ₹ 10,000/- to ₹ 1/- in the year of purchase. Due to unavailability of required information impact could not be quantified. 9. Intangible Assets – This includes ₹ 823.74 Lakhs on account of inclusion of non-impaired intangible asset pertaining to technology received from PPP. The Company had entered (November 2014) into a Technical

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Collaboration Agreement (TCA) with PPP, Switzerland to acquire knowhow for manufacture of numerical controls and feed drive & spindle drive controllers for machine tools. The Company received technical know-how on 07th March 2015 and paid ₹ 330.87 Lakhs (Euro 4 Lakh) in February 2016. The balance amount has not been paid by YYY SSS as per the terms and conditions of the agreement till date. PPP, Switzerland intimated (28.09.2018) the company that PPP has exited from the agreement and asked the company to destroy/cancel all the received manufacturing information on any support. The Internal Impairment test conducted (31.03.2022) by General Manger, XX Bengaluru Complex is not in order as the impairment in value has not been recognised. The Company does not have contractual or other legal rights on the technical know-how received from PPP as it has exited from the Agreement, the assistance for usage of PPP technology and license to manufacture and sell such contract products has been lost by the Company. Therefore, utilization, manufacture of CNC system with new PPP technology is not permissible as per the TCA. Further, even after lapse of seven (7) years from the date of receipt (March 2015) of technical documents, YYY SSS has failed to create any manufacturing facility for manufacture of CNC machines with PPP technology. Therefore, the entire expenditure on the asset needs to be written off. Hence, not providing for impairment has resulted in overstatement of intangible assets and understatement of depreciation & amortization expenses by ₹ 823.74 Lakhs. Liability of ₹ 897.37 Lakhs created in FY 2019- 20 is to be reviewed and reversed as it is no longer required since PPP has exited from the project on 28.09.2018. 10. Intangible Assets – This includes overstated amount of ₹ 160.55 Lakhs due to non-impairment of ERP software procured (2010) from AAA Limited, Bengaluru. The software is not being used currently as the staff of the company could not be trained fully as AAA has terminated the agreement due to default in balance payments to the supplier. During the year 2010, the Company paid (September to December 2010) total of ₹ 3.58 Crore to the supplier for the acquisition of ERP system. Out of six modules, four modules were installed and integrated by AAA Ltd., during November/December 2010. The balance two modules could not be integrated as the balance payment to the supplier was not made. However, pending complete installation and integration of all the six modules, the Company capitalized (01st April 2019) ERP software valued ₹ 2.29 Crore and ERP hardware of ₹ 1.29 Crore. Though four modules of ERP system were installed and integrated by AAA Ltd as early as in 2010 itself, the officers/staff of the Company could not be trained. Thus, non-impairment of ERP system has resulted in overstatement of intangible assets and understatement of depreciation & amortization expenses by ₹ 160.55 Lakhs. 11. No provision has been made in these Accounts for interest / penalty / damages for the delayed remittance of provident fund dues to the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	appropriate authorities and non-settlement/ non-payment of gratuity dues as at 31st March 2022. The amount of interest/ penalty/ damages has not been quantified and we hence are unable to express an opinion on the impact of this non-provision on the financial statements. 12. Ind AS 2 -According to the details and information provided to us, the value of Raw Materials, Work-in- progress and Stock in Trade (Finished Goods) are taken on the basis of job cards issued for the particular work order and stock taking is on Weighted Average basis, However, due to non-availability of valuation report and detailed working of Inventories, we are unable to comment on the compliance with Ind AS 2 and the impact on financials due to this. Also, the physical verification of stock has not been done in regular intervals. 13. As per Ind AS -19, the unit has not determined the actuarial valuation liability for Provident Fund dues as at 31st March, 2022. Consequent effect of the same on the financial statements for the years is not ascertainable. Accordingly, provident fund set up employer which require interest shortfall to be met by the employer would be in effect defined benefit plan in accordance with Ind AS -19. Hence this is not in compliance with the Ind AS-19" Employee Benefits". 14. The division has not complied with para 76 of Ind AS 40, since adequate disclosure with regard to fair values of the investment property, depreciation method and criteria for distinction between Investment Properties and PPE has not been disclosed. 15. Property, plant & equipment is charged at 100% of the cost of asset over their useful life. The residual value for all the assets has been standardized at ₹ 1. The Division has not appropriately justified and disclosed in the Notes to Accounts for charging depreciation at 100% of the cost of asset over their useful life. In our opinion this is a departure from the Schedule II of the Companies Act, 2013 where it is stated that Residual value should be 5% for the tangible assets and depreciation should be charged at ninety five percent of the cost of asset over their useful life. The Impact of such non-compliance on the loss, Assets and liabilities could not be ascertained. Our observation revealed that the division has not complied with "Component" based depreciation method as required by Ind AS 16 despite the stated policy and necessary identification of components of an item of PPE has not been identified and depreciated accordingly. The impact of such noncompliance on the loss and the accumulated depreciation could not be ascertained. 16. Division is not in compliance with Ind AS 19, as defined benefit plan does not include Current service cost plus interest obligation thereof nor does it incorporate plan asset. The impact of such noncompliance on the loss and the current liabilities could not be ascertained. 17. We draw attention towards Ind AS-36 Impairment of Assets in relation to the assessment of potential impairment loss of assets of the unit. In

WWW.TAXSCAN.IN - Simplifying Tax Laws

	respect of the company's procedure the asset verification is conducted by the management once in every three years and accordingly as per the verification report conducted in the FY 2020-2021, it is noted that, the unit is yet to take management approval for disposal of said assets as per the company's procedure and the quantum of impairment value is not available to report. 18. The unit has defaulted in settlement/payment of gratuity to the extent of ₹ 2,49,32,580/- in the case of employees retired/separated from the unit. Further the unit has not made any provision for penalty for non-payment/settlement of gratuity as per the Payment of Gratuity Act, 1972. The amount of penalty has not been ascertained by the unit, being contingent in nature. 19. Going Concern Status: a) The Board of Directors in its 72nd board meeting held as on 18.01.2016 have decided to close down the company after getting the approval from cabinet committee of Economic Affairs. b) The accumulated losses of the company as at the close of 31st March 2022 amounted to ₹ 2,68,877.28 lakhs against which the paid-up capital of the company is ₹ 649.01 lakhs and the losses has totally eroded the net worth of the company. c) The company has been incurring continues losses for the past many years. d) The total liabilities of the company as at the close of 31st March 2022 is ₹ 2,72,473.57 lakhs (Previous year ₹ 2,72,851.89/-lakhs) against which the Fixed and current assets book values are only ₹ 4,245.30 lakhs (Previous year ₹ 4,518.98 lakhs). e) The contingent liabilities disclosed in the financial statements are ₹ 8000.00 lakhs (Previous year ₹ 622.41/- lakhs) and there are other liabilities, which have not been quantified. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. f) Consequent to the decision of closing the Company, the Company has sold all the fixed assets other than the immovable properties in Bangalore and Ranibagh. In respect of immovable property, the Company is in the process of transferring the assets. 20. Other current liabilities include a sum of ₹ 926.64 Lakhs relating to advances received against sale of land including buildings. The company has executed an agreement to sale and the possession of land (including buildings) has been given to the purchaser. The transaction has not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. The value of land (including buildings) has been included in the asset held for sale in Note 2.8 and the possession is already given to the buyer. The consequential impact on the losses,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	carrying amount of the assets, depreciation and tax liabilities are not ascertainable. 21. The details for interest on delayed payment of statutory dues were not made available. The company has neither ascertained nor worked out the quantum of penal interest, penalties and damages towards default in remitting statutory dues. In the absence of such details, we are unable to express our opinion on adequacy of provision towards interest on delayed payment and its impact on financial statements. 22. One of the creditors of the company had obtained execution decree dated 30-05-1998 passed in OS no. 15652 of 2008 for ₹ 128 lakhs. This fact together with contingent liability if any has not been disclosed in the financial statements of the company. 23. Pursuant to distress warrant dated 08-04-2022 issued by III Bengaluru DDD for recovery of ₹ 773.83 lakhs of property tax along with penalty for the period from 01-10-1995 to Financial Year 2022-23, a total provision of ₹ 773.83 lakhs has not been made. However, the company has made a provision of ₹ 123.41 lakhs for dues towards the principal amount. Impact on the Financial Statements due to proposed penalty is not ascertainable. 24. We are unable to comment on the compliance of section 186 and 188 of Companies Act, 2013 in respect of advances given and transactions with related party entered during the year as necessary documents for compliance of the said section is not provided for our verification. 25. As per the communication received from Ministry of Heavy Industries and Public Enterprises vide letters dated 13.01.2017 & 27.03.2017, the company has not adjusted / written off the GOI Loans and holding company loans amounting to ₹ 2,69,378.75 lakhs during the year 2021-22. However, as per the minutes of 79th meeting of Board of Directors of BBB Watches Ltd, the board has decided to account the write off loan together with interest at the time of closure of the company as approved by CCEA vide letter dated 13.01.2016. Consequently, the company has overstated the GOI liabilities (Note 2.12) to the extent of ₹ 2,69,378.75 lakhs and overstated the negative balance of Other Equity (Note 2.10) by ₹ 2,69,378.75 lakhs. Further, any provision required which is resulting from above transactions is also not accounted and not ascertained. 26. No provision towards gratuity amounting to ₹ 28 Lakh during training period has been made in the financial statements as ordered by ALC on the applications filed by 125 separated employees and orders of Hon'ble High Court of Karnataka to deposit ₹ 28 Lakh, which is contrary to Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets, resulting in understatement of loss and current liabilities and provisions to that extent. Impact on financial statements is not ascertainable. 27. In respect of XX, Hyderabad Unit: a) Books of accounts are not being maintained in all completeness on day-to-day basis as evidenced from accounting entries being posted

WWW.TAXSCAN.IN - Simplifying Tax Laws

	upon conclusion of the transactions to an intermediary/ suspense head of accounts and later deletion of such entries and reposting of entries in the correct heads of accounts. b) Delay in recording of inventory movements in the inventory records and its reporting to Accounts department resulting in inappropriate updation of financial books. 28. In respect of the Company Non reconciliation and non-confirmation of Trade receivables, trade payables balances, deposits and old balances and advances.
Management Response	1. The inventory is valued using weighted average cost method. There are some items of stores (consumables) valued incorrectly due to system error/software drawback. New tally software is going to be installed in the stores department. However, there is no material impact in the valuation of inventories. 2. The Unit had floated a tender for conducting Evaluation of Inventory in Newspaper 'XYZ" dated 19.02.2022 and on Company's website on 20.01.2022. In response to the said tender, we received only one quotation from M/s RRR & Co., Vadodara. As per purchase manual the single party quotation cannot be opened. Therefore, the said tender was extended thrice on dated 24.02.2022, 07.03.2022 and 23.03.2022. Thereafter one more party M/s XX Engineers and Consultants, Panchkula have submitted their quotation. As RRR and Co. is L1 the above service is allotted during May-2022. The RRR & Co. visited at our works at Pinjore and evaluation has already completed. We are expecting report from RRR & Co. shortly. Hence Valuation could not be done during FY 2021-22. 3. Confirmation for balances under Trade Receivables, Loans & Advances, Trade payables and Other Current Liabilities have been sought in most of the cases. Disclosures has been made to this effect in Note no.50. 4. ABC Tools Ltd is a company incorporated outside India. The Company could get the previous year Financials from ABC Tools Ltd and DEF Tools Corporation Ltd. Since the net worth is completely eroded, the company believes that it is more appropriate to conclude that the Fair Value of Investment in these Companies shares as NIL. 5. Corporate Guarantee amounting to ₹ 129.22 crores (fund and non-fund based) issued to subsidiaries of the company is pertaining to earlier years out of which the credit facility utilized towards working capital is ₹ 82.70 Crores (fund and non-fund-based limits). In this regard, necessary disclosure will be made during the financial year 2022-23. 6. The details of the provision withdrawn and loss on investment resulting in net income of ₹ 15.26 Crores has been disclosed in the Financial Statements by way of foot note under other income note no. 24.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	7. The Company is periodically reviewing the Trade Receivables and necessary provision has been made in the books of accounts wherever it is doubtful. The Trade receivable considered good are fully realizable. As such there in no ECL during the year.

Company 39.6	
Basis for Qualified Opinion	1. For reasons mentioned in note no. 40 of the standalone financial statements, the Company has not assessed impairment of carrying value of tangible assets, capital work in progress and intangible assets in accordance with requirements of Indian Accounting Standard 36 on "Impairment of Assets". We are unable to obtain sufficient appropriate audit evidence about the recoverable amount of the Company's tangible assets, capital work in progress and intangible assets. Consequently, we are unable to determine whether any adjustments to carrying value are necessary and consequential impacts on the statement. Further, as mentioned in note no. 1 to these standalone financial statements, the CoC has approved the resolution plan and approval petition for the same is pending before the NCLT. However, we are not privy to the terms & conditions of the approved plan as the same has not been made available to us for our perusal. Therefore, we are unable to comment as to whether any provisions are required for impairment in the value of the assets or cessation of any liabilities. 2. In accordance with the Insolvency and Bankruptcy Code (Code), the Resolution Professional ("RP") has to receive, collate and admit the claims submitted by the creditors as a part of Corporate Insolvency Process ("CIRP"). Such claims can be submitted to the RP till the approval of the resolution plan by the CoC. The amount of claim admitted by the RP may be different than the amount reflecting in the financial 61 statements of the Company as on 31st March, 2022. Pending final outcome of the CIRP, no adjustments have been made in these financial statements for the differential amount, if any. Hence, consequential impact, if any, is currently not ascertainable and we are unable to comment on possible financial impacts of the same. 3. We draw your attention to the fact that updation of personnel records was carried out based on the availability of the documents, data, etc. In addition, employee dues including retirement / termination benefits were calculated based on the available data and only till the initiation of the CIRP. Moreover, actuarial valuation for gratuity & privileged leave was conducted only till the nine-month period ending 31st December, 2020 being the quarter immediately preceding the initiation of CIRP. 4. As mentioned in note no. 38 to the standalone financial statements, the Company is under CIRP for the entire financial year. Under the CIRP, all the expenses incurred / payments made during the year by the Company are to be approved by the CoC. However, the relevant records such as

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the minutes of the CoC meetings approving the expenses / payments have not been provided to us. Therefore, we are unable to comment as to whether all the expenses incurred during the year have been approved by the CoC. 5. Material Uncertainty related to Going Concern: We draw your attention to the fact that the Net Worth of the Company has been completely eroded as at the year ended 31st March, 2022. Further, the company has incurred a further loss of ₹ 2,247.99 Lakhs (excluding other comprehensive income) for the year ended 31st March, 2022. Further, the operations of the company have continued to remain suspended during the year ended 31stMarch, 2022 owing to the lack of working capital available to the company. These conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Despite these circumstances, for reasons mentioned in note no. 39, these standalone financial statements have been prepared on a going concern basis. 6. According to the information & explanation given to us, for the period pertaining subsequent to the initiation of CIRP as mentioned in note no. 1 to these standalone financial statements, due to non-availability of the process owners & practical difficulty in obtaining sufficient appropriate information relating to internal controls over financial reporting, we are unable to opine as to whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at 31st March, 2022, 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.
Management Response	Not Available

Company 39.7	
Basis for Qualified Opinion	We draw attention that as per the Ind AS 19 "Employee Benefits", re-measurements of long-term employee benefits and the corresponding liabilities is to be valued, validated and certified by an actuary. In the absence of said report we are unable to comment upon the correctness of the liability, accounts and disclosure required to be recognized in the financial result. The net impact of the same on profit remained uncertain.
Management Response	The provision amounting to ₹ 20.50 lakhs is already lying in the books of the company, which seems to be sufficient in view of management. Hence company has not made provision in the current financial year 2021-22.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 39.8	
Basis for Qualified Opinion	1. The company has trade receivables, retention Money receivable from the customers and earnest money deposits amounting to ₹ 1,101.08 Lakhs for which Company has neither obtained balance confirmations nor statement of account from its customers to reconcile the receivables. Further significant trade receivables amounting to ₹ 582.39 Lakhs is outstanding for a period of more than six months. As a result of this, we are unable to comment on the provision to be accrued for the doubtful receivables/expected credit losses in respect of trade receivables, retention money receivable from the Customers and earnest money deposits as on the balance sheet date and its consequential impact on the financial statements. 2. The company has closing stock amounting to ₹ 272.46 Lakhs as on March 31, 2022 out of which inventory amounting to ₹ 22.40 Lakhs are lying with customers. However, company has neither conducted physical verification nor obtained supporting documents from the customers to confirm that stock is available with them. Accordingly, we are unable to comment on the existence of the stock lying with the customers as per books of account and its impact on the carrying value of the inventory as on March 31, 2022. 3. The Company has obtained interest free loans and have an outstanding amount of ₹ 1,095.35 lakhs as on March 31, 2022. As per Ind AS 109 'Financial Instruments', the Company has to recognize interest free loan at amortised cost by discounting the interest free loan and amortize the interest expense over the loan period by applying the effective interest rate. However, the Company has not been accounted any Ind AS adjustment as per Ind AS 109 in the financial statements. Accordingly, we are unable to comment on the same. 4. The Company did not have appropriate internal control system for inventory with regard to accounting of receipts, issues and discrepancies noted in physical verification. These could potentially result in material misstatement in the company's trade payables, consumption and Inventory Valuation. 5. The Company did not have appropriate internal control system for collection/recovery of the trade receivables within due date, periodical balance confirmation and reconciliation, adjusting of amounts received from customers with respect to respective invoices, recording of due dates for receipt of retention money and earnest money deposits withheld by the customer which may result in non-recognition of the bad debts and incorrect estimation of provision for bad and doubtful debts/expected credit losses in respect of trade receivables, deposits, other advances, lease receivables, retention monies etc., which may affect the funds for the working capital.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	6. The Company did not have appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the company recognizing revenue without establishing reasonable certainty of ultimate collection. 7. The Company did not have appropriate internal control system for collection/recovery of the trade receivables within due date, periodical balance confirmation and reconciliation, adjusting of amounts received from customers with respect to respective invoices, recording of due dates for receipt of retention money and earnest money deposits withheld by the customer which may result in non-recognition of the bad debts and incorrect estimation of provision for bad and doubtful debts/expected credit losses in respect of trade receivables, deposits, other advances, lease receivables, retention monies etc., which may affect the funds for the working capital. 8. The Company did not have appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the company recognizing revenue without establishing reasonable certainty of ultimate collection.
Management Response	1. More volume of individuals transaction and its payment need to be collected from each branch level based on the nature of the company and business. Hence arranging of balance confirmation from each unit is not possible in short span of time. But Management is confident and keeping track on each transaction and for arranging the collection of all Receivable, Retention and Earnest Money deposits on priority. 2. Normally our installation of CCTV work will commence while site under construction. One of the processes of laying the CCTV cable commence before false ceiling. In such a case we may remain owner of the material used for such partial/ pre-site readiness installation cases and are categorised as Stock Lying with customer, till the site fully ready and installed. In those cases, site is under the control of caretaker of the Bank/ Financial Institutions and no Bank Official is not available on the site. Hence it is not possible to always obtain confirmation from customers. However, we have system in process to check periodically and tally all such cases with proper billing and close subsequently. 3. The company have availed interest free unsecured Loan from Associate Companies and those amounts will not be withdrawn by them till the company turn into positive. Possibility of converting interest free unsecured loan into Equity is also being explored. Hence there is no provision for interest on unsecured loan considered as per Ind AS 109 in the financial statement.

WWW.TAXSCAN.IN - Simplifying Tax Laws

40. Integrated Power Utilities

Company 40.1	
Basis for Qualified Opinion	1. We draw attention to Note 38 to the standalone financial statements regarding XYZ Limited ("XYZ"), a wholly owned subsidiary, having XX Power Undertaking, which has been incurring significant operational losses since earlier years, whereby net worth of XYZ has been completely eroded. For the reasons stated by the management in the aforesaid note, the performance and the financial position of XYZ over the foreseeable future is dependent on the outcome of resolution of various matters with the discoms / regulators, improvement in its future operational performance and financial support from the Company. We have not been able to corroborate the Management's contention of realising the carrying value of its investments and loans and advances (including interest accrued) related to XYZ aggregating to ₹ 9,258.84 crores as at reporting date. Accordingly, we are unable to comment on the appropriateness of the carrying value of such investments and loans and advances and their consequential impact on the financial results and financial position of the Company as at and for the year ended March 31, 2022. Our audit report for the previous year ended March 31, 2021 was also qualified in respect of this matter. 2. According to the information and explanations given to us and based on our audit, material weakness has been identified in the Company's internal financial controls over financial reporting as at March 31, 2022 as regards evaluation of uncertainty for realising the carrying value of its investments / loans related to XYZ Limited, a wholly owned subsidiary, aggregating to ₹ 9,258.84 crores.
Management Response	The Auditors' Qualification has been appropriately dealt with in Note No. 38 of the Notes to the standalone audited financial statements. As at 31st March, 2022, the Company is carrying investment of ₹ 219.80 Crores, Unsecured Perpetual Securities of ₹ 5,050.00 Crores and outstanding loans (including accrued interest) of ₹ 3,989.04 Crores relating to its wholly owned subsidiary, XYZ Limited ("XYZ") having power generation plants of 4620 MW. XYZ has reported net loss of ₹ 335.93 Crores for the year ended 31st March, 2022 (net loss of ₹ 2,138.83 Crores for the year ended 31st March, 2021) and has accumulated losses of ₹ 14,689.89 Crores as at 31st March, 2022, whereby the net worth of XYZ has been completely eroded. Further as at 31st March, 2022, its current liabilities exceed current assets by ₹ 1,339.07 Crores which include net payables of ₹ 1,000.45 Crores to related parties. Notwithstanding the above, as at reporting date, of the total available capacity of 4620 MW in XYZ, it has Power Purchase Agreement ("PPA") / Supplementary Power Purchase Agreement ("SPPA") (under Bid 1 and Bid 2) with ABC Limited of 1200 MW and 1234 MW, for which XYZ is allowed compensation for imported coal in terms of SPPA dated 5th December, 2018.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	XYZ also has PPAs of 1424 MW XYZ Limited and MNO Limited for which Central Electricity Regulatory Commission ("CERC") and Appellate Tribunal for Electricity ("APTEL") has allowed change in law claims towards shortage of coal under New Coal Distribution Policy ("NCDP") for the power supplied. The residual capacity of XYZ is utilised to sell power on merchant basis. XYZ continues to supply power to DEF and Haryana Discoms, pending resolution of certain matters under dispute and the management is reasonably confident of realising all the receivables. In order to settle the ongoing disputes with respect to Bid -1 and Bid-2, both XYZ and DEF signed a Settlement Deed on 3rd January 2022 and jointly approached the Hon'ble Supreme Court to place on record the Settlement Deed to resolve and withdraw all pending cases related to Bid 1 & Bid 2 PPA / SPPAs. During the year, Hon'ble Supreme Court vide its order dated 8th February, 2022, has disposed off curative petition filed by DEF for Bid 2 termination, taking on record Settlement Deed. Further, the CERC vide its order dated 21st February, 2022 disposed off the pending matters related to Bid 2 compensation, unilateral deduction for Bid 1 PPA and recall of SPPA. Further, both parties have agreed to amend the energy charge rate / formula for power sales under Bid 1 & Bid 2 SPPAs, with retrospective effect from 15th October, 2018, which shall be determined by CERC and approved by Government of Gujarat. Accordingly, XYZ has entered into SPPA with DEF dated 30th March, 2022 for Bid 1 and Bid 2 PPA which is pending with CERC for approval. The management expects that XYZ will sustain its operational performance from sale of power to DEF, Haryana Discoms and on merchant basis. The management has also made long term assessment of recoverable amount of XYZ's power generation assets that has factored better operational parameters leading to better operational and financial performance of XYZ. The management believes that over foreseeable future, XYZ would be able to establish profitable operations and meet its liabilities as and when they fall due and Hence, no provision / adjustment is considered necessary to the carrying value of the said investments and loans (including accrued interest) aggregating to ₹ 9,258.84 Crores as at 31st March, 2022.

Company 40.2	
Basis for Qualified Opinion	1. As explained in Note 55 to the accompanying standalone financial statements, the Company has a non-current investment of ₹ 121,181.77 lakhs (net of impairment provision of ₹ 181,439.78 lakhs) [Previous year – ₹ 121,181.77 lakhs (net of impairment provision of ₹ 181,439.78 lakhs)] and inter corporate deposits (classified under current assets) of ₹ 2,605.00 lakhs [Previous year – ₹ 2,605 lakhs] recoverable from XYZ Power Limited (formerly DEF Power Limited) (XYZ), a wholly owned subsidiary of the Company, as at 31 March 2022. The subsidiary company has incurred losses since its inception and is yet to commence operations. The accumulated losses in the subsidiary company amount to ₹ 959,560.21 lakhs as at 31 March 2022, and the management of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	subsidiary company has determined that a material uncertainty exists as at 31 March 2022, that may cast significant doubt about the subsidiary company's ability to continue as a going concern. The management of the Company, based on an internal estimate, has recorded an impairment of ₹ 181,439.78 lakhs against carrying value of investment in XYZ in earlier years. In the absence of adequate and appropriate evidence for such impairment assessment performed by the management and to support the appropriateness of the going concern assumption, we are unable to obtain sufficient appropriate audit evidence to comment on adjustments, if any, that may further be required to be made to the carrying value of the above mentioned non-current investment of ₹ 121,181.77 lakhs and inter corporate deposits of ₹ 2,605.00 lakhs as at 31 March 2022 and the consequential impact thereof on the accompanying standalone financials Statements. 2. The Company's internal financial control system towards estimating the carrying value of its investment in and loans extended to a subsidiary as more fully explained in note 55 to the standalone financial statements were not operating effectively, which could result in the Company not providing for adjustments, if any, that may be required to the carrying values of loans, non-current investments, and its consequential impact on the accompanying standalone financial statements.
Management Response	The Statutory Auditors of the Company have raised a qualification on the financial statement in respect of non-current investment of ₹ 1,211.82 crore (net of impairment provision) and inter corporate deposits (classified under current assets) of ₹ 26.05 crore, recoverable from XYZ Power Limited (XYZ), wholly owned subsidiary of the Company which had an accumulated loss as on March 31, 2022 amounting to ₹ 9,595.60 crore and the management of the subsidiary company has determined that a material uncertainty exists as at 31 March 2022, that may cast significant doubt about the subsidiary company's ability to continue as a going concern. However, in view of acute power shortage faced by the country, the Ministry of Power has identified certain power plants, including that of XYZ, that are commissioned and preserved in a condition that they can be brought into operation within few months' notice. In this context, XYZ has been directed to make plant operational and endeavour to start power generation from 2 out of its 5 units within 4 months timeframe. Initially, while the plant is expected to take benefit of sharp demand-supply gap in merchant market; it would continue to look for opportunities to tie-up for medium / long term PPA which are expected to emerge for bidding in due course. Accordingly, the management is of the view that XYZ's status as going concern for the purpose of accounting is appropriate. The Management has undertaken assessment of recoverability of the financial assets and has created provision, wherever deemed necessary.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — Integrated Power Utilities

Company 40.3	
Basis for Disclaimer of Opinion	1. We refer to Note 38 to the standalone financial statements regarding the Company's exposure in an XYZ Company as on March 31, 2022 aggregating to ₹ 6,526.82 Crore (net of provision of ₹ 3,972.17 Crore). Further, the Company has also provided corporate guarantees aggregating to ₹ 1,775 Crore on behalf of the aforesaid XYZ Company towards borrowings of the XYZ Company. According to the Management of the Company, these amounts have been funded mainly for general corporate purposes and towards funding of working capital requirements of the party which has been engaged in providing Engineering, Procurement and Construction (XYZ) services primarily to the Company and its subsidiaries and its associates and the XYZ Company will be able to meet its obligation. As referred to in the above note, the Company has further provided Corporate Guarantees of ₹ 4,895.87 Crore in favour of certain companies towards their borrowings. According to the Management of the Company these amounts have been given for general corporate purposes. We were unable to obtain sufficient and appropriate audit evidence about the relationship, recoverability and possible obligation towards the Corporate Guarantees given. Accordingly, we are unable to determine the consequential implications arising therefrom in the standalone financial statements of the Company. 2. We refer to Statement of Changes in Equity of the Standalone financial statements wherein the loss on invocation of shares and/or fair valuation of shares of investments held in XX Power Limited (XX) aggregating to ₹ 5,024.88 Crore for year ended March 31, 2020 was adjusted against the capital reserve as against charging the same in the Statement of Profit and Loss. The said treatment of loss on invocation and fair valuation of investments was not in accordance with the Ind AS 28 "Investment in Associates and Joint Ventures", Ind AS 1 "Presentation of Financial Statements" and Ind AS 109 "Financial Instruments". Had the Company followed the above Ind AS's the Retained earnings as at March 31, 2021 and March 31, 2022 would have been lower by ₹ 5,024.88 Crore and Capital Reserve of the Company as at March 31, 2021 and March 31, 2022 would have been higher by ₹ 5,024.88 Crore. 3. As at March 31, 2022, the Company has investments in and amounts recoverable from a party aggregating to ₹ 6,526.82 Crore (net of provision of ₹ 3,972.17 Crore) as also corporate guarantees aggregating to ₹ 1,775 Crore given by the Company in favour of the aforesaid party towards borrowings of the aforesaid party from various companies including certain related parties of the Company. Further, the Company provided Corporate Guarantees of ₹ 4,895.87 Crore in favour of certain parties towards their borrowings. We were unable to evaluate about the relationship, recoverability and possible obligation towards the Corporate Guarantees given. Accordingly, we are unable to determine the consequential implications arising therefrom in the standalone financial statements of the Company. Because of the above reasons, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting with reference to standalone financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	statements and whether such internal financial controls were operating effectively as at March 31, 2022. We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and the disclaimer has affected our opinion on the standalone financial statements of the Company and we have issued a Disclaimer of Opinion on the standalone financial statements of the Company. 4. We refer to Note no. 37(d) of the consolidated financial statements regarding non provision of interest amounting to and ₹ 358.08 Crore for the Year ended March 31, 2022 and ₹ 340.78 Crore up to March 31, 2021 on the borrowings of PQR Power Limited (PQR) a wholly owned subsidiary company of XX Power Limited (XX) an associate of the Parent Company. PQR has not provided for the interest for the reasons stated in the aforesaid note. The said non provision of the interest expenses on borrowings of PQR is not in accordance with the provisions of Ind AS 23 "Borrowing Costs" and Ind AS 1 "Presentation of Financial Statements". Had the interest been provided by PQR, the share of Loss from associate in the Consolidated Financial Statement of the group would increased by ₹ 60.49 Crore for the year ended March 31, 2022 and Capital Reserve reduced by ₹ 96.06 Crore as at March 31, 2022 and ₹ 156.55 Crore being reduced from the investment in the associates. 5. We draw attention to Note no. 37(c) of the consolidated financial statements which sets out the fact that, PQR Power Limited (PQR) has incurred losses during the year ended March 31, 2022 as well as during the previous years, its current liabilities exceeds current assets, Power Purchase Agreement with ABC Electricity Mumbai Limited stands terminated w.e.f. December 16, 2019, its plant remaining un-operational since January 15, 2019 and one of the lenders filed an application under the provision of Insolvency and Bankruptcy Code. These events and conditions indicate material uncertainty exists that may cast a significant doubt on the ability of PQR to continue as a going concern. However, the financial statements of PQR have been prepared on a going concern basis for the factors stated in the aforesaid note. The auditors of PQR are unable to obtain sufficient and appropriate audit evidence regarding management's use of the going concern assumption in the preparation of consolidated financial statements, in view of non-provisioning of interest as explained in paragraph 3 above together with the events and conditions more explained in the note 37(d) of the Statement does not adequately support the use of going concern assumption in preparation of the financial statements of PQR.
Management Response	The other observations and comments given by the Auditors in their report, read together with notes on financial statements are self-explanatory and hence do not call for any further comments under section 134 of the Act.

WWW.TAXSCAN.IN - Simplifying Tax Laws

41. Internet and Catalogue Retail

Company 41.1	
Basis for Qualified Opinion	1. Balances of Loans and Advances and Unsecured Loans are subject to confirmation (Refer Note No. 21(ix) of Annual Accounts). 2. The company has granted loans to body corporate and others. Since written terms of repayment of interest and principal loan were not provided during the audit, hence, we cannot comment upon the regularity and its classification as current and non-current assets as per requirement of Schedule III of the Act. 3. The Company has undertaken a non-profit project from Assam State Rural Livelihood Mission of Government of Assam which is Ultra Vires to the objects of the Company (Refer Note No. 21(iii) of Annual accounts). 4. Reference is invited to the issue of Capital and Disclosure Requirements (ICDR) regulations issued by the Securities and Exchange Board of India (SEBI) which contemplate the procedure, manner and duration of the Share warrants. The law applicable on the share warrants as per ICDR guidelines clearly stipulates that right to apply for equity shares against the warrants must be exercised within 18months and in case it is not exercised within 18 months any amount paid on such warrants shall stand forfeited. The Company has not followed the aforementioned stipulation of the SEBI.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

42. Investment Company

Company 42.1	
Basis for Qualified Opinion	Attention is drawn to Note No 26. Related to valuation of inventory of unquoted shares which are carried in the Balance sheet at cost instead of lower of cost or fair value. In absence of adequate information for determining the fair market value of inventories of unquoted shares, impact thereof on Financial Statements are not ascertainable.
Management Response	The observation made in the Secretarial Audit Report is self-explanatory and hence, do not call for any further comments.

Company 42.2	
Basis for Qualified Opinion	1. Justice ABC* as one man committee was appointed vide order dated: - 3rd September, 2015 by the Hon'ble High Court of Delhi to scrutinize the list of depositors and other claimants and to take steps enumerated hereinafter with the view to resolve at-least some of the disputes. The one-man committee submitted its report on to Hon'ble High Court of Delhi on 22nd April, 2016. Taking cognizance of the report, Hon'ble High Court of Delhi on 10th August, 2017 accepted the recommendation of one-man committee enumerated in the report. Under Scheme of One-Man Committee, Interest of ₹ 235 Lakhs are payable to Debenture Holders and ₹ 1,448 Lakhs are payable to Fixed Depositors under Phase-2 of Schedule of Payments laid down by One Man Committee. Presently the said committee has waived any further payment of Interest to Fixed Depositors, Debenture-holders and other lenders, however on complete liquidation of properties and investments, if any surplus remains after payment to all stakeholder creditors, then further payment of Interest would be decided. All stakeholders' creditors which are covered under scheme has given its consent to the scheme. No provision of ₹ 1,683 Lakhs as laid down under the scheme towards Interest on Debentures and Fixed Deposits, have been provided in the financial statements on the outstanding amount of Debentures and Fixed Deposits. Had interest of ₹ 1,683 Lakhs been provided for in the financial statements of year ending31st March 2018 on outstanding amount of Debentures and Fixed Deposits, the Net Profit before tax would have been lowered by ₹ 1,683 Lakhs and Net Profit after tax would have been lowered by ₹ 1,340 Lakhs as at 31st March, 2018. The cumulative net loss as well as Current Liabilities as at 31st March, 2022 would have been higher by ₹ 1,340 Lakhs. The same has been explained in Note 17.2 and Note 17.3 *The Hon'ble High Court of Delhi has appointed Mr. DEF, District Judge (Retd.) vide its order dated 29th July 2021, as the One Man Committee in place of Hon'ble Mr. Justice ABC (in view of his unfortunate demise).The One Man Committee would continue from the stage at which the exercise

Analysis of Modified Opinions — Investment Company

	assigned to the One Man Committee by the High Court stands, at the stage when Hon'ble Mr. Justice ABC unfortunately expired. The agenda of the One-Man Committee would be as per the order dated 3rd September, 2015, read with subsequent orders passed, if any, in that regard. 2. For redemption of 'B' series debentures of ₹ 2014.98 Lakhs debenture redemption reserve is required to be created. Debenture redemption reserve of ₹ 2014.98 Lakhs has not been created due to insufficient profits. The same has been explained in Note 17.2. 3. The value of assets charged as security in favour of banks, debenture-holders & financial institutions have been depleted over a period of time. The depletion has not yet been ascertained by the Company. To the extent of shortfall, if any, the liability is unsecured, whereas the same has been shown as secured. The same has been explained in Note 17.2. 4. Balance confirmation of bills receivable and payable, advances recoverable in cash or in kind, receivables and payables relating to lease and hire purchase, lease security deposit of which party wise details are not available. Balance confirmation of inter-corporate deposits, FD balances with Bank, interest on FD from banks, balance of ex-employees, margin against L/C, loans from institutions, banks, no dues certificate on payment of loans from bank and other receivables and payables have not been received from the parties/persons concerned. In the absence of balance confirmation, the closing balances as per books of accounts have been incorporated in the final accounts and have been shown, unless otherwise stated by the management about its recoverability in the financials including considering the NPA Provisions, are good for recovery/payment. Time barred debts under the Limitations Act have not been separately ascertained and written off or provided for. In the absence of such confirmation& corresponding reconciliation, it is not feasible for us to determine financial impact on the financials and the amount referred as payable in the financials can differ. (Please refer Note No.-39). 5. Contingent liabilities and Other Commitments- (a) During the year ended 30th June, 2011 the company's tenant had filed a claim of ₹ 100 Lacs against the company due to damages suffered by the tenant which is still pending under arbitration proceedings as on 31st March, 2022. (b) There is an award passed by the High Court vide its judgment dated April 27, 2022 against the company in the matter of MS ZZ Limited for ₹ 12.82 lacs i.e., the claim amount, along with interest of ₹ 8.97 Lacs for an underwriting given by the company in the year 1995 for the public issue of MS ZZ Ltd. (c) Due to dispute with the builder namely M/s PQR Ltd. from which the company had purchased an office premises in the year 1995, regarding a claim of ₹ 288.29 Lacs on account of increase in super

WWW.TAXSCAN.IN - Simplifying Tax Laws

	area and certain other expenditure which the builder i.e., M/s PQR Ltd. had incurred and the same is pending in arbitration. (Refer pg. 59 & 121).
Management Response	1. Provision of interest on certain liabilities covered under Para i and under notes 17.2. & 17.3 is in accordance with the Scheme of restructuring filed by the Company before the Hon'ble Delhi High Court, which provides for waiver and cancellation of interest and the same is pending before the Hon'ble Court. Further, the quantum of interest, if any will be decided by the High Court of Delhi upon completion of phase II payments and sale of assets. 2. Non-creation of debenture redemption reserve. The same cannot be created due to insufficient profits in the past against the redemption of debenture. This has no impact on financial results of the company as redemption reserve is to be created out of Reserve and Surplus available with the company. Company has commenced repayments in the earlier years as well as in the current Year as per directions of the Hon'ble High Court of Delhi vide order dated 10th Aug 2017 and recommendations of One-Man Committee. Company is still not creating Debenture redemption Reserve for the same reason that it has no sufficient profits to do so. 3. It relates to ascertainment of Security against Debentures and Bank Loan, which could not be ascertained since the Company has litigation with various Lease and Hire Purchase customers and the matters are sub-judice, hence confirmations and acknowledgments are not feasible. 4. Balance Confirmation of Bills Receivable and Payable, advances recoverable in cash or in kind, receivables and payables relating to lease and hire purchase and lease security deposit. In view of litigation with creditors mentioned in the Note 39, it's not possible to obtain the balance confirmations. 5. There are certain disputes with the tenant and the claim of tenant is contested. Both parties have filed an appeal against the judgement dated 27.4.2022 and the matter has not yet listed. In view of this no provision has been made.

Company 42.3	
Basis for Qualified Opinion	We draw attention to Note 54 of the consolidated financial statements, which explains that the Subsidiary Company's income from the financial assets constituted more than 50 percent of the gross income for the financial year ended 31 March 2021. Further, the financial assets of the Subsidiary Company were also more than 50 percent of its total assets as at that date. The Subsidiary Company has obtained independent legal advice and basis that, in view, the situation prevailing on 31 March 2021 is transitory; the financial income does not represent income from ordinary activities of the Subsidiary Company and the Subsidiary Company does not intend to carry on

Analysis of Modified Opinions — Investment Company

	the business as a Non-Banking Financial Company (NBFC). However, there can be a view that, the Subsidiary Company meets the "Principal business test" as per the press release by Reserve Bank of India (RBI) vide No. 1998-99/1269 dated April 8 1999 for being classified as a NBFC from April 1, 2021 and is required to obtain a certificate of registration as a NBFC. The auditor of the Subsidiary Company has issued a qualified report regarding the above matter in their Independent Auditor's Report dated 25th May 2022 on standalone financial statement for year ended 31 March, 2022.
Management Response	The Auditor's qualification has been appropriately dealt with in Note No 54 of the Notes to the Consolidated Audited financial Statements. The Auditor's report is enclosed with the financial statements in this Annual Report. Page No. 161 During the previous year ended 31 March 2021, the Subsidiary Company's income from financial assets constituted more than 50 percent of the gross income for the financial year ended 31 March 2021. Further, the financial assets of the Subsidiary Company were also more than 50 percent of its total assets as at 31 March 2021. Accordingly, the Subsidiary Company meets the eligibility criteria (Principal business test) as per the press release by Reserve Bank of India (RBI) vide No. 1998-99/1269 dated April 8, 1999 for being classified as a Non-Banking Financial Company (NBFC) from April 1, 2021. The significant amount of financial income in the previous year was largely on account of cessation on manufacturing/trading activity in the recent years. The Subsidiary Company has commenced business of commodity trading during the current year and is also actively pursuing other business opportunities including trading of AA Resins. The Subsidiary Company does not expect income from financial assets to be more than 50 percent of the gross income for subsequent financial years. The Subsidiary Company, in consultation with legal experts, has concluded that it is not required to register itself with the RBI as an NBFC mainly due to the fact that the principal business of the Subsidiary Company is to deal with of all types of Petrochemicals and other related products and it does not intends to carry on the business as an NBFC and the situation prevailing on 31 March 2021 is transitory in nature. The Board has also noted and confirmed that the Subsidiary Company does not intend to carry on the business as an NBFC.

Company 42.4	
Basis for Qualified Opinion	1. Subsidiary of the Company has not made provision for employee benefit as per Accounting Standard 15 which deals with "Employee Benefits". 2. The Company has granted interest free loans to its Subsidiary Company in violation of Section 186 (7) of Companies Act, 2013.
Management Response	The Company is in talk with management of its material subsidiary so that adequate provisions for the employee benefit shall be made. Company ensures to recover the interest from subsidiary company in next financial year.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 42.5	
Basis for Qualified Opinion	The Company's income streams are not sufficient to meet its recurring financial obligations. The company has defaulted in repaying the inter corporate deposits and loan taken by it. These factors have adversely affected the going concern assumptions used in the preparation of financial statements. However, for the reasons stated in note no.34, the company continues to prepare its financial statements on going concern basis.
Management Response	Certain issues relating to Company's income stream and its effect on the going concern aspects, Company's Investment in various companies is the subject matter of Qualification in the Audit Report. This Qualification has been explained in Note no. 21 to 36 of the financial statement.

Company 42.6	
Basis for Qualified Opinion	1. We draw attention to Note no. 38(a) of the Standalone Financial Statements which explains that the amount of the claims including claims on account of corporate guarantees invoked, admitted or to be admitted by the Administrator under Corporate Insolvency Resolution Process may differ from the amount reflecting in the books of account of the Company. Pending final outcome of the CIRP, no adjustments have been made in the books for the differential amounts, if any, in the claims admitted as on the date of the Standalone Financial Statements. 2. We draw attention to Note no. 1 of the Standalone Financial Statement which explains that in view of the ongoing CIRP, the Company has provided for interest expense which may be applicable on the financial debt only up to December 06, 2021. Had such interest been recognised from December 07, 2021 to March 31, 2022, the loss before tax for the year ended March 31, 2022 would have been higher by ₹ 49,090 lakh. 3. We draw attention to Note no. 46(b) of the Consolidated Financial Statements with reference to ABC Commercial Finance Limited ("ACFL"), wherein the statutory auditor of RCFL has modified the opinion on the Standalone Financial Statements of RCFL with regard to the Inter Creditors Agreement ("ICA") entered into under the circular issued by Reserve Bank of India on "Prudential Framework for Resolution of Stressed Assets" dated June 07, 2019. In view of the ICA, ACFL has not recognised any penal interest and additional interest due to default and downgrade of the credit rating. Subject to availability of latest balance confirmation and reconciliation from banks / lenders other than principal amount there is material unreconciled balance as per books of ACFL and lenders / banks. The impact, if any, due to non-recognition of penal interest and additional interest as explained above in the audited financial statements of RCFL is not ascertainable at present. In view of the above, the statutory auditors of ACFL and consequently, we are unable to comment on the completeness, accuracy of bank balance, borrowing,

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — Investment Company

	interest expense of ACFL for the year ended March 31, 2022. 4. Based on the auditors' report of subsidiary and associate companies, information and explanation provided by the management, following material weakness have been observed with regard to internal financial control. a. The basis of Qualified Opinion given in the Auditors Report of Subsidiary Company ACFL is mentioned here under: The Company's internal financial control system over financial reporting is not operating effectively in respect of controls over corporate loan book segment due to weak credit appraisal and loan sanctioning mechanism, however the Company has not lent any new loan to borrower during the current financial year. Internal financial controls need to be more stringent for evaluation of impairment quantum by applying control mechanism. Internal control system needs to be strengthened for credit evaluation, and establishing customer credit limits for disbursement of loans, to mitigate the risk of potentially result in the Company recognising revenue without establishing reasonable certainty of ultimate collection. Further internal control mechanism for recovery in credit impaired loan assets and monetization of security required to be strengthened. We have not received sufficient audit evidences for other controls and we are unable to comment on operating effectiveness of that. The effects on the standalone Ind AS financial statements for aforesaid material weaknesses of controls cannot be commented upon. b. The basis of Qualified Opinion given in the Auditors Report of Subsidiary Company DEF is mentioned here under: The company's operation of financial controls over valuation of investment and assessment of impairment provision thereof of the certain investee companies. These investments were being valued at amortized cost as prescribed by the IRDAI Regulations and valuation policy approved by the Board of Directors.
Management Response	1. Opinion on amount of the claims including claims on account of guarantees invoked, admitted or to be admitted by the Administrator under CIRP process may differ from the amount reflecting in the books of account of the Company. Pending final outcome of the CIRP, no adjustments have been made in the books for the differential amounts, if any, in the claims admitted as on the date of the financial results. 2. Opinion on Interest Expenses - In view of the ongoing CIRP, the Company has provided for interest expense which may be applicable on the financial debt only upto December 6, 2021. Had such interest been recognised from December 7, 2021 to March 31, 2022, the loss before tax for the quarter and year ended March 31, 2022 would have been higher by ₹ 49,090 lakh.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 42.7	
Basis for Qualified Opinion	1. Non-recognition of Interest Expense The company has not recognized interest expense amounting to ₹ 4,43,611 Thousands on inter corporate borrowings for the year ended 31st March 2022 (₹ 4,50,431 Thousands on inter corporate borrowings for the year ended 31st March 2021). As a result, finance cost liability on account of interest are understated and total comprehensive profit for year ended 31st March 2022 is overstated to that extent. This constitutes a departure from the requirements of Ind AS 109 "Financial Instruments". 2. Default in repayment of principal and interest. We draw attention to Note No 15A, 16A, 46 and 47 of the Standalone Financial Statements with respect to default in repayment of principal and interest on Non-convertible Debentures and loans from Financial Institution and other Lenders. On default, the credit facility advanced to the Company by the lenders have henceforth been recalled. Further, the lenders have taken legal action against the Company and the matter is subjudice. Moreover, security provided by the Company by way of pledge of certain investments with the Debenture Trustee against issue of above Debentures have been invoked by the Debentures Trustee and certain shares pledged with them have been disposed of. The Management has ascertained and decided to adjust disposal proceeds from the outstanding value of debentures and estimated interest as per the repayment schedule. These events and conditions may cast a significant doubt on the Company's ability to continue as a going concern. 3. Recognition of Deferred Tax Assets We draw attention to Note No 31 of the Standalone Financial Statements where the Management has considered recognition of deferred tax assets during the current financial year assuming virtual certainty supported by convincing evidence that sufficient future taxable income would be available against which such assets can be realised. Considering the management's assessment of going concern assumption in the Standalone Financial Statements, the condition of reasonable certainty for recognizing the deferred tax assets as per Ind AS 12 "Income Taxes" has not been met. Consequently, deferred tax assets are overstated and total comprehensive profit for the year ended 31st March, 2022 is overstated to that extent. 4. Balances of receivables, unsecured and secured loan creditors and their balance confirmations. We draw attention to Note No. 33 to the Standalone Financial Statements with respect to certain balances, relating to trade and other receivables and liabilities including those payable to loan creditors lacking reconciliation and confirmation. Adjustments/impact in this respect are currently not ascertainable and as such cannot be commented by us.
Management Response	1. Since the Company is not agreeable to the high processing fee and steep interest rates already charged by the lenders, the Company disputed such processing fee and interest rates. Accordingly, the Company is in discussion with the lenders to get substantial relief. The Company would

WWW.TAXSCAN.IN - Simplifying Tax Laws

	recognize interest expenditure after final determination upon such restructuring of debts. 2. The business of the Company took a downturn during the Covid 19 pandemic. This resulted in default in repayment of principal and interest to lenders. The Company would be doing debt-restructuring, whereby the Company hopes to improve its financial position and would continue as a going concern. Further, upon invocation of security by debenture trustees, the company did not get sufficient statement of account from the lenders regarding the invocation value realised by them and its utilisation towards repayment of principal and interest. In view of the nonreceipt of statement from the lenders the company is taking a stand that invocation value should be at the market price of the underlying quoted investment as on the date of invocation and such invocation value has been adjusted against outstanding amount of debt/loan. 3. The Company has a plan to revive/improve its business after restructuring of borrowings/ realization of receivables/ monetization of other assets. Once the business revives, the company would be having sufficient profits against which it would be able to utilize the deferred tax assets. 4. In respect of Company's receivables pertaining to loans given by the Company, such borrowers have requested the company for waiver of interest. Since in most of the cases the company has not agreed to waive the interest receivables, the borrowers have not given balance confirmation. However, the company has still been trying to get the balance confirmations. In respect of borrowing of the company, the lenders have not given confirmation to the company, as the company has been insisting upon waiver/reduction of interest expenses. However, the company has plans to undertake full fledge debt-restructuring and therefore the lender would give balance confirmation after final determination of the residual borrowing amount and interest waiver amount.

WWW.TAXSCAN.IN - Simplifying Tax Laws

43. Iron & Steel

Company 43.1	
Basis for Qualified opinion	We draw your attention to note no. 28 of the accompanying Financial Statements regarding non-provision of interest expense on the borrowings of the Company amounting to ₹ 13,540.04 Lacs for the year ended 31st March, 2022 (cumulative non provision of ₹ 79,359.02 Lacs till 31st March, 2022) and penal interest and charges thereof (amount remaining unascertained) which is not in accordance with the requirements of Ind AS 23: Borrowing Costs read with Ind AS 109: Financial Instruments. Had the aforesaid interest expense been recognized, the finance cost for the year ended 31st March, 2022 would have been ₹ 14,019.61 Lacs instead of reported amount of ₹ 479.57 Lacs. The total expenses for the year ended 31stMarch, 2022 would have been ₹ 94,451.16 Lacs instead of ₹ 80,911.12 Lacs. The Net Loss after tax for the year ended 31st March, 2022 would have been ₹ 18,702.35 Lacs instead of reported amount of ₹ 5,162.31 Lacs. Total Comprehensive Loss for the year ended 31st March, 2022 would have been ₹ 18,639.23 Lacs instead of reported amount of ₹ 5,099.19 Lacs. Other equity as on 31st March, 2022 would have been ₹ (1,71,988.13) Lacs instead of reported amount of ₹ (92,629.11) Lacs and Other Current Financial Liability as on 31st March, 2022 would have been ₹ 96,170.56 Lacs instead of reported amount of ₹ 16,811.54 Lacs. (The above reported interest has been calculated by using Simple Interest Rate).
Management Response	Various credit facilities availed from XYZ Bank, PQR Bank, DEF Bank, RST Bank and MNO Bank have been assigned by the respective banks and Asset Reconstruction Companies under various assignment agreements between the respective banks and Asset Reconstruction Companies. In absence of information about the terms of assignments, the Company is carrying the various credit facilities as appearing in the books as per the previous terms with the respective banks. In view of the above, pending finalization of the restructuring plan, the company has not provided accrued interest in its books during the quarter as the account was declared NPA by the banks. The amount of interest has been recognised in the books of accounts to the extent amount charged/realised by the banks as reflected in the Bank Statements. The amount of interest not so provided stands at ₹ 3,356.83Lacs and ₹ 13,540.04 for the quarter and year ended 31st March, 2022 respectively and penal interest and charges thereof (amount remaining unascertained). The unprovided liability in respect of interest on Long-Term and Short-Term Borrowings as on 31st March, 2022 amounted to ₹ 79,359.02 Lacs. The same have consequential impact on the reported figures

Analysis of Modified Opinions — Iron & Steel

Company 43.2	
Basis for Qualified opinion	The Company has not provided for interest amounting to ₹ 1,57,680.94 Lacs of which ₹ 29,938.85 Lacs pertains to the current financial year on various loans and credit facilities availed from banks and financial institution on the ground that same is being treated as Non-Performing Assets by the lenders. Due to this reason, Profit for the current financial year has been overstated by ₹ 29,938.85 Lacs and accordingly loss for the year ended 31st March,2022 would have been ₹ 25,132.30 Lacs instead of the profit of ₹ 4,806.55 Lacs. Further, due to this, the Reserves and Surplus of the company would have been at a negative balance of ₹ 3,35,001.18 Lacs.
Management Response	The Board is of the view that the secured lenders of the Company have mostly assigned their debts to various ARC's or settled through one time settlement scheme. The debt acquired by EEE Limited has already been restructured and subsequent repayment has been started. The Company is in active discussion/ negotiation with OOO Private Limited for restructuring of debt which has been assigned to them. The rest of the debts have been settled through OTS. In view of the above. the Company has stopped providing interest in books but continues to accumulate separately. The accumulated interest not provided till 31st March, 2022 is estimated at ₹ 157,680.94 lacs.

Company 43.3	
Basis for Qualified opinion	1. Note 36 to the financial statement, an amount of ₹ 16,998 lakhs has been withdrawn from general reserve to adjust equivalent amount with respect to capital expenditure incurred, implementation of which is abandoned and claim recoverable subject to realization. Had this adjustment not been made, net profit before and after tax and total comprehensive income after tax for the year ended on March 31, 2022 would have been lower by ₹ 16,998 lakhs. 2. Note 35 to the financial statement, wherein the deferred tax liability of ₹ 8,897 lakhs for the year ended on March 31, 2022 has been adjusted against Security Premium Account in terms of a court order. Had the deferred tax been accounted for pursuant to the Ind AS-12 'Income Taxes', net profit and total comprehensive income after tax for the year ended on March 31, 2022 would have been lower by ₹ 8,897 lakhs. 3. In our opinion according to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2022: The Company did not have appropriate internal financial controls in respect of control over process of Ind AS-12 "Income Taxes" and accounting thereof. The inadequate supervisory and review control over Company's process in respect of its aforesaid assessment in accordance with the accounting principles generally accepted in India could potentially result in a material misstatement in preparation and presentation of financial statement including the profit/loss after tax.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	1. The expenditure amounting to ₹ 16998 lakhs in respect of capital expenditure incurred was subject to completion of respective projects and claim receivable was to realization. The implementation of these projects was abandoned and claim receivable could not be realized hence, the same has been written off by withdrawing an equivalent amount from General Reserve. 2. The net deferred tax liability computed in terms of Ind AS-12 "Income Taxes" amounting to ₹ 8897 lakhs has been adjusted against Securities Premium Account. This has been in terms of Hon'ble Punjab & Haryana High Court order dated 23rd August 2007.

Company 43.4	
Basis for Qualified opinion	1. As referred in note 47.2 (a) to the accompanying standalone financial statements, the constitutional validity of the Entry Tax Act has been upheld by the Hon'ble Supreme Court and the matters relating to levy of entry tax are now pending before regular benches of the Supreme Court / Jurisdictional High Courts / assigned authorities. Pending decision by the other Courts, the management is of the view that no adjustment is required in the accompanying standalone financial statements of the Company for the disputed entry tax demand in various states amounting to ₹ 1,419.51 crores as on 31st March 2022. However, in the absence of sufficient appropriate evidence to support the management's view, we are of the opinion that a provision for entry tax liability should be recognised in the standalone financial statement. 2. As referred in note 47.2 (b) to the accompanying standalone financial statements, current assets include advance of ₹ 587.72 crores paid under dispute to DD Valley Corporation against the bills raised for supply of power for period up to 31st March 2017.The matter is under litigation with Jharkhand State Electricity Regulatory Commission for finalisation of tariff, pending which, the management is of the view that the amount is fully recoverable and thus no adjustment is required in the accompanying standalone financial statements. However, in the absence of sufficient appropriate evidence to support the management's contention of recoverability of these balances, we are of the opinion that an allowance for possible non-recoverability of such advance should be created in the standalone financial statements. 3. Impact of all the above qualifications on the standalone financial statements for the year ended 31st March 2022 is as under: (Amounts in ₹ crores)

Particulars	As at 31st March 2022	
	Reported Balances	Balances after impact of all the qualifications which are quantified
Other equity	₹ 47,886.61	46,384.56

WWW.TAXSCAN.IN - Simplifying Tax Laws

		Deferred tax liability	₹ 5,259.93	4,754.75
		Other current assets	₹ 2,322.16	1,734.44
		Other current liabilities	₹ 4,076.75	5,496.26
		The audits report on the standalone financial statements for the year ended 31st March 2021 was also modified in respect of above matters.		
	4.	In relation to the matter described in Note 49.16 to the accompanying standalone financial statements, the following qualification paragraph is given on the financial statements of DDD Plant, a branch of the Company, which is reproduced by us as under: "Management is in the process of reconciling the Goods Receipt/ Invoice Receipt – GR/IR accounts (grouped under Trade Payables/ payables for capital works). The balance outstanding as on 31st March 2022 is ₹ 101.54 crores (31st March 2021 – ₹ 304.08 crores). As part of the process, the plant has written back an amount of ₹ 186.16 crores during the year ended 31st March 2022. In absence of requisite supporting documentation, we are unable to comment on the accuracy and completeness of the amount written back and the resultant impact of the ongoing reconciliation on the accompanying standalone financial statements and related internal control over financials reporting".		
Management Response	1.	The Nine Judge Bench of the Supreme Court., vide its order dated 11th November 2016, upheld the Constitutional validity of the Entry Tax legislations passed by the various Sates. However, the Bench directed those certain other matters raised by the Petitioner, such as discriminatory rates of tax, tax on goods entering the landmass of India from another country, etc. may be determined by regular benches hearing the matters. Accordingly, various matters raised by SAIL are pending with High Court and the Supreme Court. Pending decision by the Courts, the disputed Entry Tax liabilities of ₹ 1,419.51 crore have been treated by the Company as Contingent Liability		
	2.	The Company's view is that the cases are sub-judice and pending for adjudication before the various judicial authorities for a long time. Further, the civil appeal filed by DD pertaining to tariff of 2004-09 against the Order of the Appellate Tribunal for Electricity (APTEL), have been dismissed by the Hon'ble Supreme Court of India vide its Order dated 3rd December, 2018. Accordingly, State Electricity Regulatory Commission (SERC) will finalise the retail tariff as directed by APTEL, the financial implication of which can only be ascertained after the Tariff fixation by SERC. DD filed its Retail Tariff Application in November 2020 along with application for Annual Revenue requirement before the Jharkhand State Electricity Regulatory Commission for the period 2006-07 to 2011-12 and also seeking adjustment of revenue Gap/Surplus in the period of 2012-13 to 2014-15. The Company has also filed their objections on 28th December 2020 to the aforesaid Application of DD. The above disputed demands stated at (3) and (4), contested on valid		

WWW.TAXSCAN.IN - Simplifying Tax Laws

	and bonafide grounds, have been treated as contingent liabilities as it is not probable that present obligations exist as on 31st March, 2022. Therefore, there is no adverse impact on Profit for the year. 3. The process of reconciliation of balances under GI/IR has been duly completed to the satisfaction of Auditor

Company 43.5	
Basis for Qualified opinion	We draw attention to Note 16B of the accompanying Standalone Financial Statements with regard to nonrecognition of interest expense on the borrowings of the Company. The accumulated interest not provided as on March 31, 2022 is ₹ 8,496.93 million (including ₹ 1,459.69 million for FY 2016-17, ₹ 1,552.29 million for FY 2017-18, ₹ 1,465.46 million for FY 2018-19, ₹ 1,443.39 million for FY 2019-20, ₹ 1,286.83 million for FY 2020-21, ₹ 1,289.27 million for the year ended March 31, 2022) which is not in accordance with the requirement of Ind AS 23: 'Borrowing Costs' read with Ind AS 109: 'Financial Instruments'. Had the aforesaid interest expense been recognized, finance cost for the year ended March 31, 2022 would have been ₹ 1,528.99 million instead of the reported amount of ₹ 239.72 million. Total expenses for the year ended March 31, 2022would have been ₹ 9,747.31 million instead of the reported amount of ₹ 8,458.04 million. Net loss after tax for the year ended March 31, 2022 would have been ₹ 1,814.96 million instead of the reported amount of ₹ 525.69 million. Total Comprehensive Income for the year ended March 31, 2022 would have been ₹ (1,815.28) million instead of the reported amount of ₹ (526.01) million, other equity would have been ₹ (12,743.77) million against reported ₹ (4,246.84) million, other current financial liability would have been ₹ 10,562.84 million instead of reported amount of ₹ 2,065.91 million and Loss per share for the year ended March 31, 2022 would have been ₹ 15.67 instead of the reported amount of ₹ 4.54. The above reported interest has been calculated using Simple Interest rate.
Management Response	The secured debt of the Parent Company and a step-down subsidiary i.e. XYZ Limited have been categorized as Non-Performing Assets (NPA)by the lenders effective 11 July 2012 and accordingly, the Parent Company and XYZL has stopped providing further interest in its books effective 1 April 2016.The amount of interest expenses not provided for is estimated at ₹ 809.65 million for the quarter ended 31March 2022 and the accumulated interest not provided as on 31 March 2022 is estimated at ₹ 21,509.00 million.

WWW.TAXSCAN.IN - Simplifying Tax Laws

44. Iron & Steel Products

Company 44.1	
Basis for Qualified opinion	1. In the Financial Statements where in management has considered outstanding trade receivables and advance to suppliers of ₹ 76,83,60,847/- and ₹ 6,23,30,508/- as good and fully recoverable as at the balance sheet date. Out of them ₹ 47,16,93,343/- and ₹ 3,83,23,665/- respectively for period more than one year. Due to confirmations being not available and pending reconciliation adjustments we are unable to comment on their recoverability of these receivable advance and its consequential effect on these financial statements. 2. Management has also provided interest on some debtors amount for ₹ 3,97,61,375/- for delayed payment and booked the profit in the financial. But this is not surety to recoverability of amount in the absence of any legal notice and without any written contractual agreement with the respective party and its consequential effect on this financial statement.
Management Response	Not available

Company 44.2	
Basis for Qualified opinion	As stated in note 3.39 to the accompanying standalone financial statements, trade payables, trade receivables and other loans and advances given or taken continued to be subject to reconciliation and confirmation. Further term loan accounts with the banks are also subject to reconciliation/ confirmation. The opinion expressed by ABC Associates on the standalone financial statements for the year ended March 31, 2021, vide their report dated July 14, 2021 was also qualified in respect for the said matter.
Management Response	The Auditor's Report on Financial Statements is a part of this Annual Report. Although Auditors report is self-explanatory, but the qualifications are similar to the earlier qualification was mentioned in the previous year reports regarding the trade payables, trade receivables and other loans and advances given or taken are subject to reconciliation/ confirmations. Further, term loan accounts with the banks are also subject to reconciliation/ confirmation. The effect of consequential adjustment upon such confirmation/ reconciliation, if any, on the Financial Statements is not ascertainable. Company wants to report that the reconciliation with the vendors and customers are done at the time of final settlement with them. It is the nature of the business. The reconciliation with the lending banks would be done post resolution of their debts. In view of this, it is not possible to estimate the impact of the same if any, on the financial position and the financial results of the company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 44.3	
Basis for Qualified opinion	i) Treatments of gratuity and leave salary are not in conformity with Ind AS–19 impacts thereof are not readily ascertainable. (Refer Note No 3 (25)). ii) Depreciation on components as laid down in foot note–4 Schedule II of Companies Act, 2013 for implementation from financial results of 31stMarch, 2016 has not been accounted for (Refer Note No. 3 (30)).
Management Response	The observations of the Auditors when read with the corresponding reference in Notes on Accounts will be found self-explanatory.

Company 44.4	
Basis for Qualified opinion	1. Based on information provided to us by management, the Standalone Financial Statements consists of a ₹ 1,09,96,636/- under Other Non-Current Assets – Electricity Subsidy. As per explanations received; this is Electricity Subsidy receivable pending for a long period. In the absence of adequate information with regard to their present status, we are unable to ascertain the recoverability of this balance. 2. Balance confirmation for transactions with some of the Companies who are Related Parties are to be obtained and reconciled.
Management Response	1. The Company is in the process of recovering the electricity subsidy amounting to ₹ 1,09,96,636/-. Hence the same is considered as recoverable. 2. The company has made provision for amount recoverable and investment made in its related company amounting to ₹ 41,03,590 in the current financials since the same is under Corporate Insolvency Resolution Process (CIRP) process. And the balance confirmation after the last transaction was obtained from the company. And the claim for the amount receivable has also been submitted to Resolution Professional. Any final settlement of the above claim will not have any material impact on the financial statements.

Company 44.5	
Basis for Qualified opinion	1. Note no. 48 in respect to cancellation of coal block allotted to the company in earlier years and non-recognition of the claims receipt thereof & non-carrying of any adjustment in the books of accounts for the reasons stated in the note. Pending finalisation of the matter & as the matter is sub judice, disclosures as per Indian Accounting standard will be given effect on final settlement of the matter and the balances appearing in the books of accounts in respect to such coal block have been carried forward at their carrying cost and disclosed as capital work in progress, property

WWW.TAXSCAN.IN - Simplifying Tax Laws

	plant & equipment, inventories and other heads of account. The impact and consequential adjustment thereof are not presently ascertainable. 2. Note No. 8A.2 in respect to Company's investment amounting to ₹ 8298.26 lakhs in EEE Limited, the pledge of which was invoked by the lenders of EEEL and the same has been set aside by the Hon'ble High Court at Calcutta. The plea of the company to release the pledge is pending before the Hon'ble High Court at Calcutta. Further the Land of Elavur plant of the Company which is mortgaged in favour of a Lender of EEEL, who has assigned their rights to another entity and the symbolic possession has been taken in the earlier years, has been disputed by the company as enumerated in the note. Above exposures have been carried forward at their existing carrying value & no impairment has been provided in respect to above and the impact of which is not presently ascertainable. Impacts with respect to (a) & (b) above are presently not ascertainable and as such cannot be commented upon by us.
Management Response	1. As regards the Qualified Opinion expressed by the Auditors in their Report under para (a) under the head 'basis for qualified opinion' and its consequential references made in para nos. 2 (d), (e), (g) and (j)(i) under the head 'Report on Other Legal and Regulatory Requirements' of their Report and para (I)(b) and (II)(a) of the Annexure A to the Auditors' Report of even date, attention is drawn to Note no. 48(a) of the Standalone Financial Statement, which are self-explanatory. 2. With respect to the Qualified Opinion expressed by the Auditors in their Report under para (b) under the head 'basis for qualified opinion', attention is drawn to Note no. 8A.2 of the Standalone Financial Statement, which are self-explanatory.

Company 44.6	
Basis for Qualified opinion	We draw attention to Note No. 37(b) of non- provision of interest on NPA accounts of banks, on approximate basis of ₹ 213.81 Crore, for the year under consideration and the total amount of such unprovided interest till date is ₹ 1435.54 Crore. The exact amounts of the said non provisions of interest are not determined and accordingly the amount of Net Loss for the year is understated by ₹ 213.81 crore and the amount of Bank/ARC liability and Total retained earnings/(loss) as on March 31,2022 is understated by ₹ 1435.54 crore. Our audit reports for the previous year ended March 31, 2021 was also qualified in respect of this matter.
Management Response	With regard to the qualification in the Independent Auditors 'Report in reference to Note No. 37(b) of non-provision of interest on NPA accounts of banks on approximate basis of ₹ 213.81 Crores for the year under consideration and total amount of such unprovided interest till date is ₹ 1435.54 Crores, the Board of Directors submits that the loan accounts of the Company have been classified as Non-Performing Assets (NPA) by the Bankers and some of the Bankers has

WWW.TAXSCAN.IN - Simplifying Tax Laws

	not charged interest on the said accounts and therefore provision for interest has not been made in the books of accounts. The quantification has been done only for the loans which have not been settled.

Company 44.7	
Basis for Qualified opinion	1. In respect of Inventories, during the reporting period, the management has not undertaken physical verification of Inventories at periodic intervals and has not obtained any technical/ market/ commercial evaluation for the inventories. Hence, we are unable to comment on the realizable value of the same, which may be lower than the amount at which it has been reflected in the balance sheet. The Company has not maintained adequate inventory records at the factory. No provision has been made on diminution in the value of old and slow-moving inventory. The impact of the above remarks, presently not ascertainable and, therefore, cannot be commented upon. 2. In respect of Trade Receivables amounting to ₹ 8,430.29 Lakhs, we have not received balance confirmations from the debtors. The reliability of these amounts is doubtful and company has not made any provision for Bad and Doubtful debts in respect of these receivables, other than specified in Note no.11. In our opinion, the provision made is inadequate and the impact on loss and carrying value of trade receivables could not be ascertained. 3. In respect of Property, Plant & Equipment as per Note 6 to the Standalone financial statements, physical inspection was not conducted by any technical personnel and the fair value report of gross fixed assets of ₹ 5,825 lakhs for Tangible Assets as at March 31, 2022 is not available. The said assets are not tested for impairment and hence no provision for impairment has been made. In absence of any alternative corroborative evidence, we are unable to comment on the recoverability of the same.
Management Response	1. In respect of inventory, we had valued inventory at cost or NRV whichever is lower. As per the requirement of Ind AS – 2 as on 31.03.2022, we had raw material amounting to ₹ 916.96/- lakhs and finished goods amounting to ₹ 577.84/- lakhs which is aggregating to ₹ 1494.80/- lakhs which is stated in the balance sheet as well, also management has verified its stock at a periodic level, and we have a stock statement of every month for the financial year 2021-22. 2. In respect of Trade Receivables the balance sheet for the financial year 2021-22 contained ₹ 1975.90/- lakhs which is considered as good. In amounting to ₹ 8430.29 lakhs, ₹ 6454.39 is considered doubtful and taken as allowances of credit loss in the financial statement, apart from it

WWW.TAXSCAN.IN - Simplifying Tax Laws

	we also recognize ₹ 838.01/- lakhs as impairment loss under the ECL model. 3. In respect of Property, Plant & Equipment, gross fixed assets are valued at ₹ 5825/- lakhs and we had not tested for impairment as management thinks that Property, Plant & Equipment recoverable amount does not exceed its carrying amount, hence no provision for impairment has been made, although we had charge deprecation as per the requirement of Ind AS 16.

Company 44.8	
Basis for Qualified opinion	The Company has ₹ Nil (Previous year ₹ Nil) revenue from operations. The company has been unable to conclude negotiation or obtain business orders. In view of the management's expectation of the successful business agreement in near future, the financial statements have been prepared on a going concern basis. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this matter.
Management Response	Not Available

Company 44.9	
Basis for Qualified opinion	1. Inventories amounting to ₹ 17,018.59 Lakhs have not been valued at lower of cost or Net realisable value which is against the significant accounting policies of the company and is not consistent with Ind AS 2 "Inventories". These inventories held by the company include obsolete and non-moving stock which are valued at cost and is inconsistent with provisions of Ind AS 2. As per the information and documents provided to us, we are of the opinion that work-in-progress amounting to ₹ 11,753.23 Lakhs and Raw Material amounting to ₹ 3,665.42 Lakhs held by the company can only fetch scrap value. The estimated difference between the valuation of Work in progress and Raw Material at cost and present net realizable value is approx. ₹ 14,000.00 Lakhs. On account of the same the loss of the company has been understated by approx. ₹ 14,000.00 Lakhs. In the absence of quantitative information and supporting documents of Finished Goods, Stock in Trade and Stores and Spares amounting to ₹ 1,599.95 we are unable to comment on carrying value of the same and its effect on the financial statements for the year. 2. Company has shown insurance claim receivable amounting to ₹ 1,120.27 Lakhs. The said claim is outstanding since long back and the same has not been approved by appropriate authority till date. In our opinion, showing the said insurance claim as receivable is not showing true and fair view. On account of the same assets of the company are overstated by ₹ 1,120.27.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	3. Confirmations of the balances of sundry creditors and debtors, loans and advances, Advances given to suppliers have not been obtained and they are subject to reconciliations and subsequent adjustments if any. As such we are unable to express any opinion as to the effect on the financial statements for the year. 4. Sufficient and appropriate documentary audit evidence in respect of Contingent liabilities were not provided to us. As such we are unable to express any opinion as to the effect on the financial statements for the year.
Management Response	1. The Company is planning to put up a slag recovery plant. This will enable recover the metal from slag and hence the value of stocks would not be eroded as pointed out by the auditors. 2. The Company has filed a consumer case for insurance claim before the NCDRC (National Consumer Dispute Redressal Commission) in the year 2014.The case is pending for final hearing. 3. The Company is in process of getting balance confirmations from the parties belonging to trade payables and trade receivables, loans and advances, advances to suppliers. However, pending confirmations from trade receivable and trade payable, for loans and advances, advances to suppliers will not affect the financials of the Company. 4. The Company is in process of getting documentary evidence with respect to contingent liabilities wherever pending.

Company 44.10	
Basis for Qualified opinion	1. The Company has, based on the internal evaluation, valued inventories at ₹ 150.86 Lakhs, wherein there is no movement since past one year. In the absence of valuation report, we are unable to ascertain the realisability of the inventories and to that extent, total profit is overstated. 2. Internal Audit Report is not available since the management has not appointed Internal Auditor as required under section 138 of Companies Act, 2013. 3. Balances under sundry debtors and loans and advances given by the company are subject to confirmations and adjustments, if any. In absence of such confirmations and reconciliations, consequential impact of the same on financial statements of the company could not be ascertained. 4. Provision for gratuity and leave encashment is not being made on actuarial basis, which is non-compliance with the requirements of Ind AS – 19 'Employee Benefits'. In absence of an actuarial valuation being made, we are unable to quantify the effect, if any, on the profit/loss of the Company for the year ended 31st March, 2022. 5. Physical verification/valuation report for Property, Plant & Equipment including assets held for sale of ₹ 84.16 Lakhs is not available and in

WWW.TAXSCAN.IN - Simplifying Tax Laws

	absence of verification/ valuation report, we are unable to ascertain the fair/realizable values of such items and its impact on the financials of the company for the year under report.
Management Response	Not available

Company 44.11	
Basis for Qualified opinion	1. As mentioned in Note 32.6 regarding non-recognition of interest on borrowing of banks and financial institutions and taken over by JJJ Company Limited amounting to ₹ 15,698.49 Lakhs for the year ended 31st March 2022. The same is not in compliance with requirements of Ind AS - 23 on "Borrowing Costs" read with Ind AS-109 on "Financial Instruments". Had provision for interest been recognised, finance cost and total loss for the year, would have been higher to that extent as mentioned above, having consequential impact on borrowings and other equity. 2. We draw your attention to Note 55.3 wherein the rent amounting to ₹ 74.88 Lakhs (including GST) has been paid to the various related parties for the periods from August 2018 to April 2021. According to the information and explanation provided to us these premises has been utilized by the company without any consideration. The owners approached the company for the payment of the rent which has been quantified and approved by the Board of Directors during the year. The management is of the opinion that the liability has crystalized during the year and accordingly the payment has been made. However, the provisions of Ind AS 116- Leases have not been complied with. 3. In accordance with the Insolvency and Bankruptcy Code ("Code"), the Resolution Professional ("RP") has to receive, collate and admit the claims submitted by the creditors as a part of Corporate Insolvency Process ("CIRP"). Such claims can be submitted to the RP within 90 days from the date of commencement of CIRP. Pending final outcome of the CIRP, no accounting impact in the books of accounts has been made in respect of excess, short, or nonreceipts of claims for operational and financial creditors and disclosed under the head contingent liabilities. Hence, consequential impact, if any, is currently not ascertainable and we are unable to comment on possible financial impacts of the same.
Management Response	1 The Auditors in their report to the Members have given qualifications for the reasons set out in the para titled Basis of Qualified Opinion. The relevant facts and explanation by the Board have been provided in the Statement on impact of Audit Qualifications annexed with Standalone Financial Statement and are self-explanatory and hence do not call for any further comments under Section 134 of the Act. Page no. 115 Note 32.6 32.6. Interest amounting to ₹ 5,698.49 lakhs for the year ended on 31st March, 2022 has not been provided on debt payable to JJJ Company Limited.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. Page No.120 Note 55.3 The Company has been utilising two premises, namely ABC House, Indore, and office at XYZ Tower, Mumbai for several years. However, due to the classification of Company's account as NPA coupled with financial crunch in the system, the management in agreement with the owners of the premises decided to utilise the same without any consideration. During the year the owners approached the Company for payment of rent from August 2018 to April 2021 which has been quantified and approved by Board of Directors for an aggregate sum of ₹ 74.88 Lakhs (including GST), in their meeting held on 20th January, 2022. According to the management the liability has crystallised during the year. The amount of ₹ 74.88 Lakhs has been recognised as rent paid during the year which is not in accordance with Ind As 116 Leases.

Company 44.12	
Basis for Qualified opinion	The Company has accumulated losses resulting in erosion of Net Worth and the Company's current liabilities exceeded its current assets by ₹ 6071.92 lakhs. These conditions cast doubt about the company's ability to continue as a going concern. However, the Ind AS financial Statement of the Company has been prepared on a going concern basis. This matter was also qualified in our report on the Ind AS financial statements for the year ended March 31, 2021.
Management Response	Refer Page No. 21 Due to adverse condition in steel industries on account of drastic fall in the prices of steel, the Company has been suffering losses since couple of years which is impacting the net worth of the Company. The Loan account of the Company with its consortium banks has become nonperforming assets (NPA). Company is not generating revenue to service the loans. Hence, in view of uncertainty, the Company has not provided interest including penal interest and other dues for the year on borrowings; to the extent the same have remained unpaid.

Company 44.13	
Basis for Qualified opinion	1. For the Year ending on 31st March, 2022, the company has continued its practice of not making any provision of interest on loans from banks (excluding on the settlement entered with ARCs for specific loans which are assigned to them). Had the company made the provision of interest on loans from banks for the year ended on 31st March, 2022, the profit for the year would have been lower by ₹ 146.61 lakhs and current liabilities would have been higher to that extent. (Refer Note No.33 of Standalone Financial Statements). 2. The Company has not assessed the impact of Effective Interest Method to the finance cost as per the requirement of Ind AS 109 'Financial Instruments' and hence, the effect of the same, if any, on the financial results is not identifiable therefore, we are unable to comment upon its

WWW.TAXSCAN.IN - Simplifying Tax Laws

	impact on the Financial results for the year ended March 31, 2022. (Refer Note No. 43 of Standalone Financial Statements). 3. The Company has not evaluated the provisioning requirement of a loss allowance on its financial assets so as to give impact of impairment if any as per the expected credit loss method as per the requirement of Ind AS 109 'Financial Instruments' and hence, the effect of the same if any on the Financial Results is not identifiable thereof. We are unable to comment upon its impact on the financial results for the year ended March 31, 2022. (Refer Note No. 44 of Standalone Financial Statements).
Management Response	1. On account of non-payment of principal and interest to the Banks, debts were declared NPA by the Banks. Since Company has entered into one time settlement with banks and financial institutions (FI) and actively negotiating to settle the dues amicably with the remaining Banks and FI, hence it did not provide for interest. 2. It is expected that the impact of "Effective Interest Method" to the Finance Cost as per the Requirements of Ind AS 109 on the financial Results will not be material enough and hence, the Management has not given effect of the same in the consolidated financial results.

Company 44.14	
Basis for Qualified opinion	1. As required by Standards on Auditing (SA's) we could not carry out physical verification of inventories or fixed assets. Accordingly, we could not obtain sufficient and appropriate audit evidence for adequacy and reasonableness of management estimates for fair valuation/net realizable value of various assets. These matters can have material and pervasive impact on the financial statement. Consequential impact, if any, of matters described below, on recognition of certain components in financial statement including its presentation/disclosure is currently not ascertainable. Certain such matters pertaining to major elements of financial statements are mentioned below: a. Pending CIRP, the company has not carried out impairment testing of tangible assets in its entirety as at the balance sheet date. Basis the information and explanation provided to us, RP had carried out the physical verification of assets and also got the valuation done once through Registered IBBI's valuer as per IBC, 2016 on 4th July, 2019 However, no accounting impact was given based on the outcome of the valuation and physical verification pending CIRP. b. Pending CIRP, the company has not carried out physical verification of its assets in its entirety as at the balance sheet date. 2. As required by Ind AS-21- The effects of changes in Foreign Exchange Rates, foreign currency monetary amounts should be reported using the closing rate. As referred in Note 35 of the financial statements, the financial liabilities of USD 3 lakh have not been reported using the closing rate.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	3. As per Ind AS -36- Impairment of Assets, at each reporting date the entity should test whether there is any indication of any impairment of an asset. The accounting effect is to be given in the financial statements due to the impairment of the assets. The company has not done the impairment testing during the period ended 31st March, 2022. 4. As per Ind AS -19- Employee Benefits, the company is required to go through the actuarial valuation of defined benefit obligation or fair value of any related plan assets and the accounting effect of actuarial gains and losses is required to be given in the financial statements. Since inception of CIRP, the company has not done any actuarial valuation. 5. As per Ind AS-107, 109, 32, 36, 16 - Fair Value of assets and liabilities is to be determined at each reporting date or the circumstances as mentioned in those standards. For the fair valuation of assets and liabilities, the fair value is to be calculated as per Ind AS-113 - Fair Value measurements. Since inception of CIRP, the company has not done the fair valuation of assets and liabilities in the financial statements during the current financial year. 6. We refer to Note 2.2 of Notes to Financial Statements; the Company is not in operation since September 2016. The net worth of the Company has already been eroded. A resolution plan submitted by JJJ (one of COC members) for restructuring of the company and has been approved by COC and filed with Honourable NCLT Kolkata for its approval. However, unless the same is approved the position of the company will not undergo a drastic favourable change. Considering, these factors the going concern assumption is not appropriate for preparing the Ind AS financial statements and the Ind AS financial statements have been prepared other than going concern basis, however, no adjustments have been made to the carrying value of assets and liabilities and their presentation and classification in the Balance Sheet pending CIRP.
Management Response	1. The Resolution Professional took efforts and carried out the physical verification of assets and also got the valuation done once through Registered IBBI's valuer as per IBC,2016 on 4th July, 2019. Since the CIRP is ongoing and the matter relating to the approval of Resolution Plan is pending with Honourable NCLT bench, Kolkata, and due to suspension of operations, pending outcome of CIRP and significant uncertainty about future economic outlook of the company, it is not feasible to determine the amount of impairment, if any which would have been required to be done in the net book value of the assets of the company. 2. As the currency liability is towards related party and CIRP is ongoing, the liability has not been revaluated at the current rates. 3. Since the CIRP is ongoing and the matter relating to the approval of Resolution Plan is pending with Honourable NCLT bench, Kolkata, and due to suspension of operations, pending outcome of CIRP and significant uncertainty about future economic outlook of the company, it is not feasible to determine the amount of impairment, if any which would have been required to be done in the net book value.

	4. The operations of the Company have remained suspended since September 2016 and thereafter CIRP commenced on 5th April 2019. An appropriate amount towards the claim of Employees and workers (who became the members of CoC) including the retiral benefits have already been admitted as claim by the Resolution Professional. Since the commencement of CIRP and because of continued suspension of operation, the services of workmen were not availed. Hence, no further provisioning has been done for retiral benefits through actuarial valuations. 5. As already disclosed in Note 2.2 of Notes to Financial Statements, the Company is not in operation since September 2016 and a resolution plan submitted by JJJ (one of COC members) for restructuring of the company that has been approved by Coc and filed with Honourable NCLT Kolkata for its approval. Since the approval is awaited and CIRP is ongoing, no adjustments in the carrying values of assets and liabilities or their presentation and classification, have been made.

Company 44.15	
Basis for Qualified opinion	1. We draw attention to the fact that the Company is continuously incurring losses and its net worth was totally eroded on 31.03.2021. During the Financial year 2015-16 the Company's loans and liabilities were restructured under the Corporate Debt Restructuring Scheme providing certain reliefs and concessions. As per the scheme the company's repayment obligations were restructured. The Banks also provided certain reliefs/waivers/sacrifices by reducing the rate of interest. Interest was provided in the books at the lowered rates of interest. However, upon the non-adherence to the scheme by the company, the concessions so provided under the scheme were withdrawn by some of the banks with retrospective effect and charged the interest at original rates. Consequent to the withdrawal of concessions, few banks have debited the account of the company for the differential amount of interest and other concessions given as per CDR scheme. The period of withdrawal relates from May 1st 2014 to the date of debit. The Company had sought waiver of the said debits in the various restructuring proposals submitted to the bank. The charges as debited have been recognized as Finance charges in the period of debit. During the year the company had submitted a Compromise Settlement proposal as detailed below. 2. We draw attention to Note No 44 and 52 regarding the Compromise Settlement. The Company had submitted a Bilateral Compromise proposal for the consideration of the Consortium of lenders. During the year, the Compromise Settlement proposal has been accepted by one of the banks with certain conditions and the application with the other banks/ financial institutions are under negotiation and a decision is yet to be taken by the lenders. The Company is in the process of complying with the conditions of the Compromise Settlement proposal approved and is

WWW.TAXSCAN.IN - Simplifying Tax Laws

	following up with the other lenders for approving the respective Compromise Settlement proposals submitted. We were informed that the Company's management is confident of complying with the conditions of the Compromise proposal approved and also getting approval for the other pending compromise proposals. Based on the above, the management believes that it will result in significant reduction in the outstanding dues to the lenders, including interest. Considering the above, the Company has (a) reversed the interest charged by the banks during the year under audit (b) did not provide for interest where the banks have not charged interest. In the opinion of the management, in view of the Compromise Settlement already approved by a Bank/under negotiation with the other bankers, there will be no further interest liability on the Company and the above accounting treatment considered will not significantly impact of the financial statements in the current and future periods.
Management Response	The Auditors' Report on the financial statements of the Company for the financial year ended March 31, 2022 is unmodified i.e. it does not contain any qualification, reservation or adverse remark or disclaimer. The Auditors' Report is enclosed with the financial statements forming part of the annual report.

Company 44.16	
Basis for Qualified opinion	1. Trade Receivables includes, certain debtors in respect of which no provision has been made as per Ind AS 109 on financial instruments by applying expected credit loss method on receivables for getting fair value of assets. 2. Inventories have been taken as Certified by the management. We have not verified the same. 3. No assessment to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern has been given to us. Accordingly, we are unable to comment upon the going concern of the entity. 4. Trade receivables, Loan and Advances and Trade payables are subject to confirmation and reconciliation. Moreover, provision for doubtful debts consist of receivables of amounting ₹ 1.80 cr approx. 5. Actuarial Valuation report has not been provided to us which is non-compliance of IND AS-19 "Employee Benefits". In the absence of the same we are not able to ascertain the impact on the financial statements. 6. In respect of Property, plant & equipment. As per IND AS 36 "Impairment of Assets" company should recognize impairment loss if the carrying value

WWW.TAXSCAN.IN - Simplifying Tax Laws

	of the assets in the books of account is more than recoverable amount of the assets. Further IND AS specifies that enterprise should access at the end of each financial year whether there is any indication that an asset may be impaired. No such assessment has been done by the management, In the absence of the same we are unable to comment upon the fair value of the property, plant & equipment in the books of account.
Management Response	Not available

Company 44.17	
Basis for Qualified opinion	1. Non-provision of shortfall of deemed energy charges for earlier years amounting to ₹ 53,44,77,378/, pending disposal of company's petition before TSERC as stated in Note No. 2.34 to the standalone Ind AS financial statements has resulted in understatement of the loss for the year. 2. As stated in Note No. 2.04c the company has not measured its Investments in Equity Instruments designed to be measured at Fair Value through Other Comprehensive Income at fair values as required by Indian Accounting Standard "Financial Instruments" (Ind AS 109) which is not in compliance with the provisions of section 133 of the Companies Act, 2013. 3. As stated in Note No. 2.42 that balances lying in the lenders', sundry creditors, like, suppliers' service providers', employees' and customers' accounts are subject to confirmation. 4. Provision towards present liability in respect of future payments of gratuity and leave encashment has not been made using Projected Unit Credit method as required by Ind AS 19 "Employee Benefits", which is non-compliance with the provisions of section 133 of the Companies Act, 2013. 5. As stated in Note No. 2.41 the company has not conducted the impairment test of its cash generating assets despite of the indication of asset remaining idle as required by Ind AS 36 "Impairment of Assets", which is non-compliance with the provisions of section 133 of the Companies Act, 2013. 6. No physical verification of inventories has been carried out during the year. Accordingly, we are unable to express our opinion on the realisability of the amount at which the same are stated in the books of account.
Management Response	1. Company approached Telangana State Electricity Regulatory Commission (TSERC) with a request to waive the demand as the said amounts relating to deemed energy charges. As the TSSPDCL imposed said deemed energy charges even period relating to power cuts/ power holidays/non supply of power due to acute power shortage in the erstwhile undivided state of Andhra Pradesh. Therefore, the company is confident to get a

WWW.TAXSCAN.IN - Simplifying Tax Laws

	favourable decision from TSERC/ TSSPDCL and hence, the Board is not providing any liability. We take into consideration of ₹ 53,44,77,378 for Adjusted Figures (audited figures after adjusting for qualifications). 2. We approached by the investment companies and they informed that due to COVID-19 and consequential lockdown and absence of public transport system etc., the qualified staff is not available for the finalization of matters related matters. Therefore, we could not comply the said requirement. As per the Board's view all the investments are considered as good. Therefore, we have not taken any impact on for Adjusted Figures (audited figures after adjusting for qualifications). 3. Company send the balance confirmation letter to the respective parties as per the standard audit practice. But Company is yet to receive the response from them. As per the Board's view all the balances are correct as per our books of accounts. Therefore, we have not taken any impact on for Adjusted Figures (audited figures after adjusting for qualifications). 4. An amount of ₹ 70,781/- has been quantified for the said liability. Accordingly. we have taken consideration of the said amount in adjusted figures (audited figures after adjusting for qualifications). 5. Non availability of technical staff due to COVID-19, we could not conduct impairment status of assets. However, the Board is confident to get benefits from all the assets in future, therefore no provision has been made for impairment. As per the Board's view all the balances are correct as per our books of accounts. Therefore, we have not taken any impact on for Adjusted Figures (audited figures after adjusting for qualifications).

Company 44.18	
Basis for Qualified opinion	1. The company has not made provision for interest on short term borrowings since April 1, 2001 till March 31, 2022. As a consequence, loss for the year is understated by ₹ 11.47 lakhs and accumulated losses under Other Equity and Other Current Financial Liabilities are understated by ₹ 240.79 lakhs (understated by ₹ 229.33 lakhs as at March 31, 2021). 2. The management has prepared the financial statement on going concern basis, notwithstanding the fact that the Company is facing financial difficulties and accumulated losses of the Company as at the Balance Sheet date exceeds its paid-up share capital and free reserves, indicating uncertainty that casts significant doubt on the Company's ability to continue as a going concern. As a consequence, resultant impact on the assets, liabilities and loss for the year ended March 31, 2022 is not ascertainable.
Management Response	1. The Company has not made provision for interest payable to the associate companies on borrowings since the closure of the plant, as no activities have been carried out and / or any revenue / income earned during the financial year ended March 31, 2022. Waiver of interest charge

WWW.TAXSCAN.IN - Simplifying Tax Laws

	as envisaged by the Company could have a positive & favourable impact on the financial position. 2. The restructuring of the Company would be dependent on the waiver of interest charges as per qualification (1) dealt with earlier and other Circumstances.

Company 44. 19	
Basis for Qualified opinion	1. The Company has not complied with the provisions of section 73 to 76 of the companies Act, 2013 read with Rules made thereunder with regard to repayment of deposits and interest on due date, maintenance of liquid assets to the extent required and also not fully complied with the orders passed by the Company Law Board. (Refer note18 to the extend current maturities of fixed deposits and interest payable thereof). 2. The balance confirmations in respect of Trade Payables, Trade Receivables, Loans, Advances, Deposits etc. have not been received from the parties and hence we are unable to state whether these balances are recoverable /payable to the extent stated. (Refer note 43). 3. The Company has made provision of ₹ 29.14 lakhs in respect of certain current accounts maintained with banks, which have been frozen by regulatory authorities. In the absence of bank statements and year-end balance confirmations, we are unable to comment on impact of shortfall in provisions, if any, which is made for frozen bank balances of certain banks accounts against which confirmation and statements are not available (Refer note 49). 4. The Company has accumulated losses exceeding the share capital and reserves and its net worth has been fully eroded. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. However, the standalone financial statements have been prepared on a going concern basis considering management assessment of the current situation and future prospects. (Refer note 47).
Management Response	1. The company has taken action on priority to clear the dues of deposit holders who are incapacitated and to comply with the orders of existing authorities. For the rest, the company has already started the process of settling their dues through sale proceeds of the assets sold by MPID court of the other Company who has given NOC for using the amount towards repayment of the Fixed Deposits of the ZZZ Limited currently known as XX Limited and will complete it before the end of Financial Year 2022-23. 2. Reconciliation of balances of sundry creditors, debtors and other parties are an ongoing basis and the figures would be ascertained only when the reconciliation is finalised. Hence at this stage, impact of the same is not ascertainable.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	3. The company is pursuing with the banks to get the Account unfrozen and is of the view that the provision made is sufficient and no further loss is expected. 4. On account of strategic understanding with suppliers/customers, which is continuing, the Company is on revival mode and is operating some of its units. In view of the same going concern concept holds good.

WWW.TAXSCAN.IN - Simplifying Tax Laws

45. IT Enabled Services

Company 45.1	
Basis for Qualified opinion	Reference is invited to Note 2.17 of the financial statements, the company has not provided interest on unsecured loans as terms are not clearly available with the Company This constitutes a departure from the Accounting Standards notified under the Companies Act, 2013. The loss stated by the Company would be higher by the amount of interest had the same been debited to the statement of profit and loss.
Management Response	There are no qualifications, reservations or adverse remarks made by M/s XX, Chartered Accountants, Statutory Auditors, in their report for the financial year ended 31st March, 2022.Pursuant to provisions of section 143(12) of the Companies Act, 2013, the Statutory Auditors have not reported any incident of fraud to the Audit, Risk and Compliance Committee during the year under review.

Company 45.2	
Basis for Qualified opinion	As detailed in Note 7(c) to standalone financial statements, the Company has reported an amount of ₹ 3,628 Lakhs as trade receivables from its wholly owned subsidiary, III America, Inc., USA as at 31 March 2022 which are significantly over-due. Further, due to non- realization of aforesaid trade receivables within the prescribed time limit in accordance with sub rule 1 of 96A of CGST rules, the Company is liable to pay Goods and Service Tax (GST) liability along with interest and penalty on such export sales. The management is confident of recovering the aforesaid receivables from the subsidiary based on the business plans as detailed out in the management note and accordingly, no expected credit loss provision has been made against such long outstanding receivables under Ind AS 109, Financial Instruments and no provision is recognized towards aforesaid GST liability including interest and penalty. However, in the absence of sufficient appropriate audit evidence regarding the timing and extent of cash flows that will be available with the subsidiary to settle these dues, we are unable to comment upon the recoverability of the carrying value of the said trade receivables as at 31 March 2022 and impact on Goods and Service Tax liability, including penalty and interest that may be levied, and the consequential impact thereof, if any, on the standalone financial statement.
Management Response	As disclosed with Note 7c to the Standalone Financial and Consolidated Financial Statements the Company has a trade receivable of ₹ 3,628 Lakhs as on 31st March, 2022 from one of its subsidiary company III America, NC. The balance reflects accumulation of receivables since 2016-17. ISNA the wholly owned subsidiary of PP Limited (ISL), India is the marketing arm for the offshore services offered and delivered to the US customers of III from PPL India. III has been working with customers in North America and have been

WWW.TAXSCAN.IN - Simplifying Tax Laws

	engaging them for onsite business in the US and offshore business for PPL India. The trade receivables in the books of PPL India represents services performed and billed on III over the years in respect of offshore services for the clients of III. The Management is working on turning around the business performance of III and are hopeful of generating profits to pay PPL India against the trade receivables and to this effect have drawn up business plans for the subsidiary for the next few years. In view of the above, the Management considers not making any provision towards any expected credit loss against these Accounts Receivable from III including GST liability if any on such export receivables together with interest thereon as we are hopeful of collecting the dues from III.

Company 45.3	
Basis for Qualified opinion	1. The company has granted interest free unsecured loan in earlier years to Mr. XYZ who was then promoter, KMP and relative of the Directors. The amount of loan outstanding on 31 March 2022 ₹ NIL (₹ 22,00,000 for the year ended on 31 March 2021). In respect of this unsecured interest free demand loan, the Company has not furnished any agreement and in the absence of that, the terms of repayment, chargeability of interest and other terms are not verifiable. 2. The company has granted interest free unsecured loan in earlier years to CCC Private Limited. The amount of loan outstanding on 31 March, 2021 ₹ 5,88,10000 (₹ 5,88,10000 for the year ended on 31 March 2020). The purpose of loan, repayment schedule and other terms are not known. In the absence of agreement, it cannot be verified. 3. The parties, to whom interest free unsecured loan was granted in earlier years, have invested in the shares of the auditee company. M/s CCC Private Limited holds NIL percent equity of the auditee company as on 31 March 2022 (12.26 percent equity as on 31 March 2021.) and Mr. XYZ holds NIL percent equity as on 31 March 2022 (8.52 percent equity as on 31st March 2021). In the absence of purpose of the unsecured interest free demand loan to then promoter it appears in contravention with the provisions of section 67 of the companies Act, 2013. Moreover, then promoters when loan was granted have not submitted form MBP-4 therefore it cannot be concluded that this loan was not granted to purchase the shares of auditee company. 4. The company has recognized a revenue of ₹ 1,45,76,000 from the sale of software services during the year 2020-21 and ₹ 92,96,466 during the audit period. No money has yet realized from the trade receivable affected from the sale of software services. 5. The company has granted unsecured loan of ₹ 2,50,00,000 to UUU Private Limited. The company has made a provision for interest on loan, but nothing has realized on account of interest since the loan was granted.

Analysis of Modified Opinions — IT Enabled Services

	No legal action initiated so far to recover the overdue amount of unsecured loan and interest thereon.
Management Response	The Auditor's qualification highlights issue of granting of interest free unsecured loans in previous years. Further, it highlights the issue of lack of documents to establish whether these transactions were in contravention or conformity with regard provisions of Company Act 2013 The current management is taking necessary steps for recovery of loan outstanding as on 31 March 2022; However, there is no loan agreement and further considering that management who had extended loan is no more associated with Company, the current management cannot comment on whether interest free unsecured loan given in previous years were in contravention or conformity with the relevant provisions of the Companies Act, 2013. The Auditor's Report is enclosed with the financial statements in this Annual Report.

Company 45.4	
Basis for Qualified opinion	1. The Group has incurred net loss before tax on ₹ 239.45 crores and ₹ 683.00 crores, during the quarter and year ended March 31, 2022, respectively and having accumulated losses of ₹ 7,980.13 crores as on that date. Considering continuing liquidity crunch, applications pending against the Company in NCLT/ DRT and the significant fall in revenues indicate that presently a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on going concern basis as explained in note no 4 and 5 (a) of the Statement and the same is also dependent upon the implementation of Restructuring Services Agreement (RSA) pending for more than three years. In view of uncertainty, we are unable to express an opinion as to whether the Company can operate as a going concern and also as to the extent of the effect on accumulated losses, assets and liabilities as at the year-end and losses for the year which is presently not ascertainable. 2) (i) During the year ended March 31, 2021, the Group had adjusted in its books the amount receivable from its US subsidiary, RRR arising from devolvement of Standby Letters of Credit (SBLC) and interest thereon against long term export advances received. Further, the company has also adjusted amount payable to step down subsidiary of RRR against the SBLC dues receivable from RRR. The Company has made necessary applications stating the above facts to Reserve Bank of India for their permission for adjusting the amount receivable from RRR against the amount payable to them, which is still awaited. (ii) We draw attention to Note no. 6 of the Statement. The Company has adjusted in its books the amount receivable from its UK subsidiary i.e. UUU Limited arising from devolvement of Standby Letter of Credit (SBLC)

WWW.TAXSCAN.IN - Simplifying Tax Laws

	and interest thereon against long term export advance received. Further, the Company has also adjusted the receivables against the payables and advance of UUL. Similarly, the Company has adjusted in its books the amount receivable from its subsidiary i.e. Further, the Company has also adjusted the receivables against the payables and advance of RME. The Company has made necessary application stating the above facts to Reserve Bank of India for their permission for adjusting the amount receivable from UUU and RME against the amount payable to them which is still awaited.
Management Response	1. Pursuant to the execution of a definitive Restructuring Services Agreement (RSA) entered with the ABC Group on August 6, 2019, under the terms of which the ABC Group will assist XYZ Ltd., its group Companies and its subsidiaries in repayment and restructuring of its liabilities. In view of the difficulties faced by the Stream cast Group, with the statutory authority in Europe, the company has recently signed a tripartite amendment agreement on 23'" March, 2022 with SS Group and it's holding Company JJ Inc, USA. The Board has conducted the due diligence of JJ Inc. and are satisfied with their credentials. As per the agreement now the RSA has been taken over by JJ Inc. USA and as per the recent communication from JJ Inc. USA, the RSA is expected to be implemented from October, 2022 onwards. Thereafter, the Company will be able to come out of the financial crisis and all the liabilities will be settled by JJ Inc. Therefore, Management of the Company is of the view that the Company continues to be a going concern. The Company had received the payment of ₹ 227.77 Crores out of which amount of ₹ 7.72 Crores was deducted towards TDS (Income Tax and GST) and also further deducted ₹ 23.18 Crores towards TDS payable by the company for earlier period and remitted the same to the department directly. Accordingly, the company received ₹ 196.87 Crores net of taxes in CFT Bank. The said amount was not released by CFT Bank due to the claim received from RST Bank. The company therefore filed a commercial suit against CFT Bank in Hon'ble High Court, Mumbai and the matter is sub judice and CFT Bank account became non-operational. Once the company receives a favourable order from the court, the Company will receive ₹ 196.87 Crores which will help the company to settle all pressing liabilities including statutory dues etc. The Company is putting full efforts to realise the balance amount from the Government department. 2. The Company has adjusted in its books the amount receivable from its UK subsidiary i.e. UUU Limited arising from devolvement of Standby Letter of Credit (SBLC) and interest thereon against long term export advance received. Further, the company has also adjusted the receivables against the payables and advance of UUL. Similarly, the Company has also adjusted in its books the amount receivable from its subsidiary i.e. RME arising from devolvement of Standby Letter of Credit (SBLC) and interest

WWW.TAXSCAN.IN - Simplifying Tax Laws

	thereon against long term export advance received. Further, the Company has also adjusted the receivables against the payables and advance of RME. The Company has made necessary application stating the above facts to Reserve Bank of India seeking their permission for the above adjustments and the approval is awaited.

WWW.TAXSCAN.IN - Simplifying Tax Laws

46. Leisure Products

Company 46.1	
Basis for Qualified opinion	We invite attention to Note 13 regarding the manner of accounting for Branding, Marketing and Initial Setup Costs incurred for the Financial Year 2021-22 aggregating to ₹ 9,38,01,317/- (Previous Year 2020-21 ₹ 2,72,06,654/-) which have been accounted under the head Non-Current Assets in the Balance Sheet. This manner of accounting is not as per AS-26 on the Intangible Assets. Had the correct accounting been followed the profits would have been lower by ₹ 9,38,01,317/-, that would result into loss during the year amounting to ₹ 9,30,66,825/- (Previous year 2020-21 ₹ 2,59,04,431/-)
Management Response	The expenses incurred would have future economic benefits for a period of approximately 4 years. Therefore, it is shown as Intangible assets.

Company 46.2	
Basis for Qualified opinion	(1) The company has an amount of ₹ 1,000.75 Lacs (PY – ₹ 2,029.81 Lacs) outstanding under Advances to others. This amount pertains to the advances given to parties for supply of goods and services. Out of this amount, the balance receivable includes ₹ 855.02 Lacs from parties which are outstanding for a long time. The management has represented that the amount of advances has been reduced significantly in the current year and is confident that such advances are recoverable/adjustable and that no accrual of diminution in value of trade receivable is considered necessary as at 31st March 2022. We have relied on the documents submitted by the management in respect of recoverability of the receivable, external confirmations received and the management's internal assessment and representation in this matter. (2) As per The Indian Accounting Standards (IND AS) – 38 prescribed under section 133 of the Companies Act, 2013, an intangible asset shall be recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. The company has recognized the intangible assets of ₹ 1,233.18 Lacs during the FY 2021-22 primarily for the purpose of development of its Electric vehicle division and is confident of getting future economic benefits of the same.
Management Response	(1) The amount of advances has been reduced significantly in the current year and we are confident that such advances are recoverable/ adjustable and that no accrual of diminution in value of trade receivable is considered

WWW.TAXSCAN.IN - Simplifying Tax Laws

	necessary as at 31st March 2022. The management has ensured that negotiations are going on and the matter will be sorted out. The management is confident of recovery of this amount. (2) The company has recognized the intangible assets of ₹ 1,233 Lacs during the FY 2021- 22 primarily for the purpose of development of its Electric vehicle division and is confident of getting future economic benefits of the same.

WWW.TAXSCAN.IN - Simplifying Tax Laws

47. Logistics Solution Provider

Company 47.1	
Basis for Qualified opinion	(i) We draw attention to the Note no.43.1 of the financial statements, during the year ended 31st March 2022, the Company received settlement of debt letter from EEE Company Limited. The settlement of debts would have become effective upon due completion of all condition's precedent to the satisfaction of EEE as mentioned in the settlement letter which were only partially achieved. However, the Company has given accounting effects of settlement letter in the standalone financial statements for the year ended 31st March 2022. Had the accounting effects of settlement letter not considered in the books of accounts of the Company, borrowing, finance cost, exceptional items, net profit/(loss) for the year, other equity and EPS for the year ended 31st March 2022 would have been ₹ 814,10.59 Lakh, ₹ 186,58.05 Lakh, ₹ 5,45.70 Lakh, ₹ (165,52.82) Lakh, ₹ 257,45.22 Lakh, ₹ (6.31) respectively, as against the reported figure of ₹ 598,43.54 Lakh, ₹ 86,46.77 Lakh, ₹ 472,44.27 Lakh, ₹ 401,57.04 Lakh, ₹ 859,55.28 Lakh, ₹ 15.31 respectively. (ii) We draw attention to the Note no.73 of the financial statements, during the course of preparation of standalone financial statements for the year ended 31st March 2022, e-mails have been sent to lenders by the Company with a request to confirm their balances directly to us. As at 31st March 2022, direct balance confirmations of total borrowings including interest accrued (including current maturities and current borrowings), aggregating to ₹ 651,89.29 Lakh have not been received. We are unable to obtain sufficient appropriate audit evidence about these borrowings (including interest) outstanding as at 31st March 2022. Consequently, we are unable to determine whether any adjustment to these amounts are necessary and consequential impacts on the standalone financial statements of the Company. (iii) Based on our audit and information & explanations provided by the management, the material weaknesses have been identified in the Company's internal financial controls with reference to standalone financial statements as at 31st March, 2022 with regard to i) accounting of settlement letter without complying conditions precedent and ii) obtaining balance confirmations of borrowing (including interest) from lenders.
Management Response	1. The Company has partially complied with condition precedent of Settlement of Debt. The management of the Company is in discussion with EEE for pending compliances of conditions precedent, further, there is no communication about revocation of settlement of debt from EARC. 2. The management of the Company is in process of arranging balance confirmation. The Company is confident that there will not be significant changes in its liabilities.

Analysis of Modified Opinions — Logistics Solution Provider

Company 47.2	
Basis for Qualified opinion	1. We draw your attention to note no 6 wherein the company has accounted for Goods and service tax (GST) liability amounting to ₹ 42,09,537/- for the years up to 31st March 2022 without obtaining GST registration. Consequently, it has not discharged the said liability. The resultant impact of the same along with interest, late fees, penalty (if any), on the statement of profit and loss, retained earnings and the related disclosures forming part of their financial statement could not be ascertained. 2. We draw your attention to note no 8 wherein advance amounting to ₹ 64,50,455/- has been given to a party for which no confirmation has been obtained. In the absence of confirmation, we are unable to verify the recoverability of the same However the management is confident about its realisability. Further in the absence of appropriate audit evidence on its recoverability we are unable to comment on carrying value at the year end and its resultant impact on the statement of profit and loss, retained earnings and the related disclosures forming part of their financial statement. 3. Also we draw attention to the fact that the company has defaulted in complying with the provisions of section 138(1) of the Companies Act, 2013 which require the Company to appoint an Internal Auditor.
Management Response	The Auditors' Report to the members on the Accounts of the Company for the financial year ended 31st March 2022 does not contain any qualifications, reservations or adverse remarks.

Company 47.3	
Basis for Qualified opinion	As referred in Note No. 38 of the accompanying standalone Financial Statement, balances of "Trade Receivables", "Trade Payables", "Borrowings"," Advances from Customers" etc. includes balances remaining outstanding for a substantial period. The balances are subject to confirmation/ reconciliation. The reported Financials might have consequential impact which remains unascertained.
Management Response	Trade Receivables and advances from customers includes amounts due from various debtors. The company is doubtful on their recovery and for that reason we have already initiated legal proceedings against them by issuing legal notices to the concerned parties. For the Trade Payables and Borrowings, due to adverse market condition and impact of COVID-19, the company is incurring losses resulting in defaults in payment of loans.

Company 47.4	
Basis for Qualified opinion	1.. We draw attention to Note 32 of the standalone Ind AS financial statements in respect of litigation with the DD Port Trust (DPT) in respect of their demand of transfer/upfront fees and increase in lease rentals for

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the leasehold lands and renewal of the said leases. As stated in Note, the Hon'ble Gujarat High Court has issued an order against the Company and the Company is examining the possibility of contesting the same in the Hon'ble Supreme Court of India. However, pending action on the above, no provision/adjustments have been made in the standalone Ind AS financial statements in respect of incremental liability or any impact on the leased assets recognised in the financial statements being the same currently not ascertainable and depreciation on assets constructed on lease hold land has been continued to be charged as per the rates prescribed in Schedule II of the Companies Act 2013 and right to use lease assets are continued to be recognised based on the lease period as already determined and recognised earlier. The final outcome of the matter may have impact on the profits of the Company as well as the Right to use – Lease assets recognized by the Company. 2. We draw attention to Note 33 of the standalone Ind AS financial statements with regard to Company's noncurrent investment in and other non-current loan to ABC Limited, a wholly owned subsidiary company, aggregating ₹ 9,803.04 lakhs and ₹ 3,913.63 lakhs respectively as at March 31, 2022. As stated in the said note, ABC has incurred substantial losses till current year and the net worth of ABC has been fully eroded. In view of loan and interest payment defaults by ABC, the lenders of ABC have filed a petition against ABC and the Company (being a corporate guarantor) with the National Company Law Board (NCLT) - Mumbai under the Insolvency and Bankruptcy Code (IBC) 2016. The petition against ABC was admitted on 17th February 2022 and Mr. AB was Appointed as the Interim Resolution Professional (IRP) under the Insolvency and Bankruptcy Code, 2016. In view of the above, Management is of the view that there is an impairment in the value of the above loans to and investments in ABC. However, the extent of impairment has not been ascertained and an approximate provision for impairment of loans and investments of ₹ 6,858.33 lakhs i.e. 50 % of total investments and loans outstanding as on 31.03.2022 has been made in the financial statements which is not in accordance with the requirements of Ind AS 36 – 'Impairment of Assets'. Also, during the year, the management has taken a decision not to book the Notional Interest Income as per IND AS on investments in ABC (i.e. 0% preference shares and Interest free Unsecured Loans) and notional commission on corporate guarantee given on Loans taken by ABC w.e.f. 01.04.2021. In the absence of sufficient appropriate audit evidence to support Management's assessment as above or any other relevant alternate evidence, we are unable to comment upon whether provision for impairment of loans and investments made is adequate and adjustments, if any, that may be required to the carrying values of these noncurrent investments and loans and the consequential impact on the standalone Ind AS financial statement. 3. We draw attention to Note 33 of the standalone Ind AS financial statements in respect of the petition filed against the Company being a

WWW.TAXSCAN.IN - Simplifying Tax Laws

	corporate guarantor for the borrowings availed by the Subsidiary Company, ABC from lenders which has been admitted in the NCLT, Mumbai under the Insolvency and Bankruptcy Code (IBC) 2016. As explained in Note 33 of the financial statements, the One Time Settlement (OTS) proposal been submitted to the lenders by the Company of the ABC and an amount of ₹ 800 lakhs has been paid to the lenders of the ABC, which shall be adjusted against the OTS amount upon sanction of the OTS by the consortium banks. The said amount has been disclosed as 'Other Current assets' pending sanction of the OTS proposal. However, no provision has been made in the books of account in respect of liability if any that may arise out of the invocation of the Corporate Guarantee as stated above and in view of the petition against the Company being admitted in the NCLT, Mumbai. Further, the IBC proceedings admitted against the Company may have impact on the assets and liabilities of the Company. 4. As stated in Note 36, the Subsidiary Company has not yet performed impairment testing with respect to the value of its Property, Plant and Equipment's of the Subsidiary Company situated at Composite Logistics Hub at Pawarkheda, Madhya Pradesh in view of the Subsidiary company incurring losses and net worth being completely eroded, turnover of the Subsidiary company not improved as per Company's expectations and the CIRP proceedings initiated against the Subsidiary Company under the Insolvency and Bankruptcy Code, 2016. Accordingly, the impairment in the value of the carrying amount of Property, Plant and Equipments of the subsidiary company is not ascertained and no provision has been made thereto as required by Indian Accounting Standard (Ind AS 36) 'Impairment of Assets'.
Management Response	Not Available

Company 47.5	
Basis for Qualified opinion	1. The Company has not provided Provision for doubtful debit since the management is of the opinion that Debtor are fully realizable. 2. The Company has not recognized Right to use assets of leased property since in the view of management the lease are not long term lease. 3. The Debit and credit balances are subject to confirmation.
Management Response	1. The Company has not provided provision for doubtful debts since the debtors are fully reliable. 2. The Company has not recognized right to use assets of leased property since the lease are not long-term lease. 3. The Company is in process of getting confirmation from parties

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 47.6	
Basis for Qualified opinion	As described in Note 40 of the financial statements, a fraud in previous financial year i.e. 2020-21 of ₹ 5,41,43,316/- was detected which is shown as Non-current assets in Note No 6 of Financial Statements. Impact of above amount of ₹ 5,41,43,316/- has resulted in overstatement of Reserve & Surplus and also in Non-current assets with the same amount. We were of an opinion that appropriate provision should be made in the Profit & Loss Account.
Management Response	No provision for this amount is made in books of accounts, as the management is quite certain about its recovery from the movable/immovable property of the alleged culprits to the fraud. An F.I.R vide Sl. No. 0215 dated 27/04/2021 at Jharsuguda P.S. was lodged against the branch head Mr. ABC and others.

Company 47.7	
Basis for Qualified opinion	Refer to standalone financial statements, all the value with regards to financial assets and financial liabilities in the financial statements has been stated at historical cost only irrespective of the fair value of the same which is departure from requirement of Ind AS 113 (Fair Value Measurement) and Ind AS 109 (Financial Instruments).
Management Response	The Report given by M/s ABC & Co., Chartered Accountants for the Financial Year 2021-2022 forms part of the Annual Report. The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. There are no audit qualifications, reservations or adverse remarks from the Statutory Auditors during the year under review.

Company 47.8	
Basis for Qualified opinion	1. Note No.1.2 to the Standalone Financial Statements, regarding application by an operational creditor, initiating the insolvency provisions under the Insolvency and Bankruptcy Code, 2016 ('the Code') and the consequential appointment of the RP under the Code, and adequacy of disclosures concerning the Company's ability to meet its financial, contractual and statutory obligations including management's technical estimates in regard to realisation of Overdue receivables, Other Financial Assets, investments, other receivables, loans and advances including dues to related parties and Deferred Tax Assets, amounting to ₹ 399.19 crores. The possible impact, if any, arising out of the above matters is presently not quantifiable. 2 Note No.25 to the Standalone Financial Statements, Confirmation of balances are not available for majority of the trade receivables, loans and advances given, trade payables, claims received from the employees, bank balances including certain deposits and bank loans as at March 31, 2022. The claims made by the creditors and admitted by the RP as

WWW.TAXSCAN.IN - Simplifying Tax Laws

	available in the website of the Company are yet to be reconciled. Pursuant to the CIRP, the Company stopped providing interest on bank borrowings from the CIRP initiation date. In the absence of confirmation of balances, the possible adjustment if any required in the Standalone Financial Statements is presently not determinable. The finance cost appearing in the Standalone Financial Statements are recorded based on transactions accounted in the accounting system, differences between the liability recorded by the Company and confirmations received from the lenders are not recorded as finance cost or contingent liability. 3. The Company's net worth as on the reporting date is negative. The Company has significant accumulated losses as at the date of the Balance Sheet and it continues to incur cash losses. Considering the above and the matters more fully explained in the Material Uncertainties Relating to Going Concern section below, we are unable to comment on the appropriateness of preparation of the Standalone Financial Statements on a going concern basis. 4. We have been informed by the RP that certain information including the minutes of the meetings of the CoC, cases filed by the RP against the erstwhile directors / other parties and the outcome of certain specific/ routine procedures carried out as part of the IBC process are confidential in nature and could not be shared with anyone, other than the CoC and Hon'ble NCLT. In the opinion of the RP, the matter is highly sensitive, confidential and may have adverse impact on the resolution process. Accordingly, we are unable to comment on the possible adjustments required in the carrying amount of assets and liabilities, possible presentation and disclosure impacts, if any, that may arise if we have been provided access to review of those information. Additionally, the auditors of some of the subsidiaries have highlighted key audit matters, material uncertainty related to going concern and emphasis of matter paragraphs, non-receipt of confirmation of balance from debtors and creditors, delay / defaults in payment of interest and principal to banks and financial institutions, receivables outstanding from Holding Company in the books of subsidiaries in their respective audit reports.
Management Response	1. Corporate Insolvency Resolution Process has been initiated by the Honourable National Company Law Tribunal, Chennai Bench vide order dated 10th March, 2021. Accordingly, Interim Resolution Professional was appointed and subsequent to this, Resolution Professional was appointed on 02nd June, 2021. The RP has completed the process of finalising the resolution plan duly approved by CoC and has filed an application before the Honourable NCLT Chennai Bench for approval of the resolution plan. In the hearing held on December 8, 2022, the Hon'ble National Company Law Tribunal, Chennai Bench has orally pronounced that the resolution plan submitted by Pristine LMN Limited under Section 31 of the Insolvency Bankruptcy Code, 2016 stands approved. However, a copy of this order has not been received till date.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. In accordance with the IBC Code, public announcement was made calling upon the financial creditors, operational creditors and past and present employees of the Company to submit their claims with the Interim Resolution Professional/ Resolution Professional ["IRP/ RP"]. In accordance with the Code, the IRP/ RP has to receive, collate and admit the claims submitted against the Corporate Debtor. Such claims can be submitted to the IRP/ RP during CIRP within timelines. 3. The Resolution Professional has filed the Resolution Plan before the Honourable NCLT Chennai Bench for approval. In the hearing held on December 8, 2022, the Hon'ble National Company Law Tribunal, Chennai Bench has orally pronounced that the resolution plan submitted by PPP Limited under Section 31 of the Insolvency Bankruptcy Code, 2016 stands approved. However, a copy of this order has not been received till date. A successful resolution plan would ensure the company as a going concern. In view of the above, financials have been prepared on a Going Concern basis. 4. The Resolution Professional is not obliged to share certain information which are integral part of the CIRP, in order to maintain confidentiality of the process and in line with the directions of the Committee of Creditors. As regards the observation of some of the subsidiaries, the same will get addressed once a Resolution Plan is achieved by the Corporate Debtor in reviving the Company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

48. Media and Entertainment

Company 48.1	
Basis for Qualified opinion	1. Disruption in Operations owing to COVID-19 We draw attention to Note No.3 of the Standalone Financial Statements which discloses that the industry in which the Company operates is adversely affected owing to the impact of Covid-19. It is also not clear as to when the operations will regularize. 2. Material Uncertainty relating to Going Concern We draw attention to Note No. 20 of the Statement. As at the date of Balance Sheet, the Company's net worth has fully eroded and its current liabilities have exceeded its current assets. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the Company is confident of meeting its obligations in the normal course of its business and accordingly, the financial statements of the Company have been prepared on a going concern basis. 3. Investments We draw attention to Note No. 9 (i) of the Standalone Financial Statements relating to Company's non-current investment in CCC Pvt Ltd of ₹ 72.25 Lakhs as at 31/03/2022, the Company has not assessed fair value due to covid-19 pandemic situation. We draw attention to Note No. 8 and Note No. 17 of the Standalone Financial Statements relating to Company's Investment in wholly owned subsidiary ABC Pte Ltd amounting to ₹ 9.35 lakhs and the company's loans and advance to subsidiary amounting to ₹ 18.46 lakhs respectively as on 31/03/2022. The investment in the subsidiary has not been tested for impairment as per Ind AS 36.
Management Response	1. The lockdowns and restrictions imposed on various activities due to COVID – 19 pandemic to contain its spread, posed an unprecedented challenge to all businesses. The Company have also been impacted, supply of fresh content is constrained because of stoppage of all the shooting and other allied production activities resulting in revenue loss for the Company. The Company managed to ensure functioning of critical operations by providing necessary digital infrastructure to allow employees to operate from home. All production remained closed as the Company followed local regulations during the lockdown. The Company resumed its content production operations as per the directives and permissions of the State Government and other statutory and trade bodies on 10th July 2020, complying with the advisories issued by concerned authorities and following all health and safety measures. Corporate offices were opened as per the directions received from the concerned authorities with limited staff as per local and central guidelines. Further details on

WWW.TAXSCAN.IN - Simplifying Tax Laws

impact of Covid-19 Pandemic are provided under Note No.3 of the Standalone Financial Statements.

2. Material Uncertainty relating to Going Concern

The Covid-19 pandemic created hardship in operations of the Company worsening the liquidity position. Turnover of the Company was drastically dropped during the year, resulting gross losses and liquidity crunch. Company was not able to meet it's liabilities including statutory dues on time. The current liabilities went up to 4.5 times of current assts. As at the balance sheet date, company has negative net-worth of (-) ₹ 981.58 lakhs and the following undisputed statutory dues were pending to be remitted.

Nature of Payment	Amount (₹ Lakhs)	Details
Tax Deducted at Source	26.80	January' 2022 – March 2022
Goods and Services Tax	52.46	ITC claim prior to Nov'20
PF / ESI	1.08	February 2022 – March'2022

Management is fully committed to clear statutory dues in compliance of applicable provisions under respective laws, as on the date of this report the PF / ESI dues were already paid.

3. On account of Covid-19 pandemic, applying fair value measurement was deferred till return of normalcy to determine the fair value of the investment. Other details on the investment are provided under Note No.37 of the Standalone Financial Statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

49. Non-Banking Financial Company (NBFC)

Company 49.1	
Basis for Qualified opinion	We draw to attention to: We are unable to determine the consequential impact of certain specific transactions /matters and disclosures on the Standalone Financial Statements. Such specific transactions/ matters include: 1. The company had not conducted the Fair Value Assessment for the Investments held of ₹ 13,52,545/- in the shares of listed companies as required under Ind AS 109. Hence, we are unable to comment on the realizable value of such investment. 2. We are not able to verify the Investments (₹ 13.53 lakhs) made in shares and securities, as management has not provided us with the Demat statement and other related documents. We are not able to express our opinion on the same. 3. The Company has not complied with provision of Ind AS- 19 for employee benefits. 4. The Company has not complied with the provisions of TDS under Income-tax Act.
Management Response	The Auditor's Report to the Members for the year under review does not contain any qualification, reservation or adverse remark or disclaimer.

Company 49.2	
Basis for Qualified opinion	The Company has not provided for defined benefit obligation in the nature of gratuity based on the requirement of Ind AS 19 i.e. "Employee Benefits", which requires defined benefit obligation to be recognised based on actuarial valuation basis. In absence of valuation we are unable to quantify the impact of above on the net profit for the year and liabilities as on reporting date.
Management Response	For payment of gratuity, it is accounted for on payment basis. Further, the Statutory Auditor of the Company has not reported any fraud as specified under Section 143(12) of the Act. Further, the Statutory Auditor was present at the last AGM.

Company 49.3	
Basis for Qualified opinion	1. Note 40 which explains that a corporate insolvency resolution process (CIRP) and the appointment of a resolution professional were admitted in the case of one of the major customers of the Company by the Hon'ble National Company Law Tribunal (NCLT), Chennai Bench vide its order dated May 5, 2020. The total amount due from the above referred major customer to the Company as at March 31, 2022 is ₹ 546.63 Lakhs (net of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	provisions). The Company has filed its claims with the Resolution Professional of the said customer. The Hon'ble NCLT has passed an order approving the resolution plan submitted by one of the resolution applicants. In accordance with the approved resolution plan, no payment will be made towards any amount due to the promoters and their related group companies by the successful resolution applicant. In our opinion, considering the present development, the entire outstanding due from the above customer is considered to be not recoverable as per the approved resolution. However, we were informed by the management that a major part of the assets of the customer comprises of land and commercial buildings (including a well-known brand name in the hotel industry), whose liquidation value is much higher than the total dues to its financial and operating creditors (including that of the Company) and the resolution plan approved is not in line with the actual value of the assets. The management also confirmed that the resolution professional has not followed the due process of CIRP and accordingly, the resolution plan approved is not proper as per law. It was also informed to us that the customer has filed an application before the Hon'ble National Company Law Appellate Tribunal ("NCLAT") praying for quashing the order of the Hon'ble NCLT. The Hon'ble NCLAT has set aside the resolution plan approved and ordered to recommence the CIRP process, Including the consideration of 12A application filed by the promoters of the customer company. On an appeal against the order of the Hon'ble NCLAT, the Hon'ble Supreme Court has heard the arguments of both the sides and reserved the case for judgement as on date. Accordingly, in the opinion of the management, the Company will be still able to recover the entire outstanding dues from the customer, even in the aforesaid CIRP conditions. Based on the above estimate and based on the fact that the customer's account was a fully performing asset before the admission of the CIRP, no provision towards allowance for expected credit loss in respect of the dues from the aforesaid customer was considered by the Company in the financial statements. Due to uncertainties involved in the CIRP process as detailed above, the impact, if any, on the financial statements are not presently determinable in respect of the above matter. 2. Note 41 which explains that the Hon'ble National Company Law Tribunal, Chennai Bench vide its order dated July 30, 2021 admitted a corporate insolvency resolution process (CIRP) and approved the appointment of an interim resolution professional, in one of the investee companies. The carrying amount of investments as at March 31,2022 is ₹ 44.52 Lakhs. In the opinion of the management, the major part of the assets of the investee company comprises of factory land, buildings and plant and machinery, whose liquidation value is much higher than the total dues to its financial and operating creditors. Accordingly, the Company will be able to recover the entire carrying value of the investments, even in the aforesaid CIRP conditions. Based on the above estimate made by the management, no adjustment has been made in the fair value of such

	investment. In the absence of a comprehensive external valuation/ appraisal report of the interim resolution professional of the Investee company supporting the management's estimate of possible full recovery of the carrying value of the investments, we are unable to comment on the appropriateness of not making any provision for the possible decrease in fair value of the aforesaid investment. 3. Had the Company considered making provision for the outstanding balance referred to in (a) above, the net owned funds of the Company as at March 31, 2022 will be lower than the limits prescribed under Section 45-IA of the Reserve Bank of India Act, 1934 for a Non- Banking Financial Services Company (NBFC).Thus, the Company's ability to continue as an NBFC and as a going concern may depend on infusion of further capital to meet the minimum net owned funds criteria as per RBI norms within the prescribed time limit and on identification of alternative business plans.
Management Response	1. Corporate insolvency resolution process (CIRP) and the appointment of a resolution professional was admitted in the case of one of the major customers of the Company by the Hon'ble National Company Law Tribunal (NCLT), Chennai Bench vide its order dated May 5, 2020. The total amount due from the above referred major customer to the Company as at March 31, 2022 is ₹ 546.63 Lakhs (net of provisions). The Company has filed its claims with the Resolution Professional of the said customer Refer Page no. 17. 2. The Hon'ble NCLT has passed an order approving the resolution plan submitted by one of the resolution applicants. In accordance with the approved resolution plan, no payment will be made towards any amount due to the promoters and their related group companies by the successful resolution applicant. Aggrieved by this Order, the customer has filed an application before the Hon'ble National Company Law Appellate Tribunal ("NCLAT") praying for quashing the order of the Hon'ble NCLT. The Hon'ble NCLAT has set aside the resolution plan approved and ordered to recommence the CIRP process, including the consideration of 12A application filed by the promoters of the customer company. On an appeal against the order of the Hon'ble NCLAT, the Hon'ble Supreme Court has heard the arguments of both the sides and reserved the case for judgement as on date Refer Page No.17. 3. In the opinion of the management, the major part of the assets of the customer comprises of land and commercial buildings (including a well-known brand name in the hotel industry), whose liquidation value is much more than the total dues to its financial and operating creditors (including that of the Company) and accordingly, the Company will be able to recover the entire outstanding dues from the customer, even in the aforesaid CIRP conditions. Based on the above estimate and based on the fact that the customer's account was a fully performing asset before the admission of the CIRP, no provision towards allowance for expected credit loss/ provision for NPA as per IRAC Norms of Reserve Bank of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	India in respect of the dues from the aforesaid customer has been considered by the Company in these financial results. Accordingly, the above financial results have been prepared on a going concern assumption and the net owned funds are considered to be above the minimum limits prescribed by the Reserve Bank of India for an NBFC. Refer Page No.17.

Company 49.4	
Basis for Qualified opinion	As at 31 March, 2022, the gross loan balances relating to Commercial Vehicle (CV) loans and Small and Medium Enterprises (SME) loans are ₹ 448,399 lakhs and ₹ 153,484 lakhs respectively out of total gross loans of ₹ 760,755 lakhs. The impairment allowance of ₹ 111,659 lakhs as at 31 March, 2022 includes impairment allowance of ₹ 88,628 lakhs and ₹ 8,503 lakhs for CV and SME loans, respectively. Further, the security receipts relating to CV loans and related impairment allowance are ₹ 41,281 lakhs and ₹ 18,217 lakhs, respectively and the fair value of the financial guarantee relating to CV loans included within other financial liabilities is ₹ 2,993 lakhs as at 31 March, 2022. As a result of control deficiencies in the CV and SME loans portfolio identified during the audit for the year ended 31 March, 2022, the Audit Committee of the Company, appointed an external agency to: Further, the Audit Committee has also appointed an external law firm to review the transactions pertaining to the CV and SME loans portfolio for (i) identifying the root cause of control deficiencies, (ii) evaluating the business rationale for transactions executed through deficient controls and (iii) examining documentation and interacting with identified employees/ex-employees to understand the transactions which were processed through deficient controls ("Conduct review"). As at the date of this Report, the external agency provided their report on matters relating to (a) to (c) above which was considered by the Company in recording an impairment allowance (net of recoveries) of ₹ 115,077 lakhs for the year ended 31 March, 2022 (includes ₹ 48,075 lakhs for CV loans, ₹ 782 lakhs for SME loans, ₹ 14,533 lakhs for investment in Security Receipts and ₹ 1,351 lakhs for changes in fair value of financial guarantee contracts and ₹ 57,764 lakhs was recorded for loan assets written off during the year). As per information and explanations provided to us, the external law firm has not submitted their findings relating to the Conduct review stated above to the Audit Committee of the Company. Further, the Company has concluded that it is impracticable to determine the prior period-specific effects, if any, of the impairment allowance, loan assets written off and changes in fair value of financial guarantee contracts recorded during the year ended 31 March, 2022 in respect of account balances identified above and explained by the Company in Notes 41.2 and 41.3 to the standalone financial statements. As a result, we are unable to determine whether (i) any adjustments are required for prior period(s) relating to the impairment recorded for the year ended 31 March, 2022 and (ii) any additional adjustments to the year ended 31 March, 2022 and prior period(s) are required relating to the outcome of the Conduct review for: i) the impairment allowance

	and therefore the carrying value of CV and SME loans; ii) the impairment allowance and therefore the carrying value of investment in security receipts relating to CV loans; iii) the fair value of financial guarantee contracts relating to CV portfolio; iv) interest income and fees and commission income relating to CV and SME loans for any consequential impact arising due to i) to iii) above; v) presentation and disclosures in the standalone financial statements arising due to consequential impact arising from i) to iv) above.
Management Response	With respect to the qualifications of the Statutory Auditors, the Company has concluded that it is impracticable to determine the prior period specific effects, if any, of the impairment allowance, loan assets written off and changes in fair value of financial guarantee contracts recorded during the year under review in respect of loan assets, investment in security receipts and impairment thereon because significant judgements have been applied in determining the staging of the loan assets and the related impairment allowance for events and conditions which existed as on March 31, 2022 and the Company believes it is not practicable to apply the same judgement without hindsight for the prior period(s).

Company 49.5	
Basis for Qualified opinion	The Company has availed term loans and working capital facilities from various banks, however, slow down of its lending business and increased level of non-performing / impaired loan portfolio, has impacted its cash flow / liquidity, and the Company is un-able to service term loans and working capital facilities including interest thereon to certain banks. The interest of ₹ 2,320.80 lakhs accrued on these loans has not been accounted / provided for by the Company, due to the reasons as described by the Company in note no. 17.4 to these standalone financial statements. The same has resulted in the non-compliance of the Ind AS and inconsistency in the application of the accounting policies of the Company, and if the said interest would have been accounted / provided for, the Company's total comprehensive loss for the year, and borrowings and other equity as at the Balance Sheet date would have been ₹ 1,968.79 lakhs and ₹ 8,031.12 lakhs and ₹ 3,421.30 lakhs as against the reported figures of ₹ 352.01 lakhs of total comprehensive income and ₹ 5,710.32 lakhs and ₹ 5,742.10 lakhs respectively.
Management Response	The Company is in talks/discussion with banks for restructuring / One Time Settlement (OTS). Even during the financial year, OTS's proposal for settlement of its loans have been accepted / approved by two banks (Previous Year: two Banks). Hence the Company has decided not to provide Interest amounting ₹ 2320.80 Lacs in its books of accounts as settlement with other banks is also in the advance stage.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 49.6	
Basis for Qualified opinion	1. During the year, the application for forfeiture of 61,42,847 equity shares allotted to ABC (P) Ltd. of face value of ₹ 10/- each was rejected by SEBI and hence the shares and the premium thereon reversed earlier was re-stated back to the original amount. 2. The Company has not made any provision for advances of ₹ 12 Crores outstanding beyond 3 years from ABC (P) Ltd which is considered under liquidation by the authorities.
Management Response	The Company has not made any provision for advances of ₹ 12 Crores outstanding beyond 3 years from ABC (P) Ltd which is considered under liquidation by the authorities.

Company 49.7	
Basis for Qualified opinion	1. We draw attention to Note No.28.01 of the financial statements. The Company has incurred losses and its majority of funds are blocked in Non-Performing Assets, raising a doubt about the Company to continue as a going concern. The Company has presented a scheme of arrangement for restructure of liabilities as detailed in Note 14.01 of the financial statements and subsequently withdrawn the same, for reasons given therein. The account, however have been prepared on a "going concern basis" in view of management perception as detailed in Note No.28.01 as aforesaid. In this connection, we are unable to comment on the ultimate realisability of the Company's assets including Property, Plant & Equipment under lease. Accordingly, we are also unable to comment on the Company's ability to settle its liabilities. 2. We draw attention to Note 28.14 of the Financial Statements. The Company has not verified the Fixed Assets i.e. Property, Plant and Equipment under lease falling under the head "leased machineries and equipment" & "leased vehicles and furniture" of Note 9 of the Financial Statements.
Management Response	In respect of the Qualification / Observation made by the Auditors vide "Basis for Qualified Opinion", "Emphasis of the Matter", and "Other Matters" Para 3, 4(e), 4(f), 4(g), 4 G) (1) and 4G)(3) of the "Report on other Legal and Regulatory Requirements" of "Report on Financial Statements" and Clause Nos.(i), (v), (xvi) and (xix) of Annexure "A" to the Auditors Report and Qualification given under Basis for Issues of Qualified Opinion under Annexure "B" for the Auditors Report and the qualifications given in report in relation to matters specified in Para 3 (A) and (B) as per master direction DNBS.PPD.03/66.15.001/2016-17 issued by RBI dated 29" September, 2016, the clarifications given vide Note Nos.14.01, 18.01, 28.01, 28.08, 28.11, 28.14, 28.15 28.16, 28.23, 28.28, 28.29, 28.30 and 28.31 and Significant Accounting Policies, Key Accounting Estimates and Judgments [II (m) to the financial statement are self-explanatory.

Analysis of Modified Opinions — Non-Banking Financial Company (NBFC)

Company 49.8	
Basis for Qualified opinion	1. The company had not conducted the Fair Value Assessment for the Investments held of ₹ 15,38,08,500/- in the shares of unlisted companies as required under Ind AS 109. Hence, we are unable to comment on the realizable value of such investment. 2. The company had not conducted the Fair Value Assessment for the stock held of ₹ 10,00,250/- in the shares of listed companies (these stocks are not traded since long time on stock exchange) as required under Ind AS 109. Hence, we are unable to comment on the realizable value of such investment. 3. The Company has not complied with provision if Ind AS- 19 for employee benefits.
Management Response	The Notes on Financial Statement referred in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer for the Financial Year 2021-22.

Company 49.9	
Basis for Qualified opinion	1. On January 19, 2022, three independent directors of the Company resigned mentioning lapses in governance and compliance. The Company, basis directions of the audit committee in its meeting held on April 26, 2022, appointed an independent firm (the "Forensic auditor"), vide engagement letter dated July 18, 2022, to undertake a forensic audit in relation to the allegations raised by ex-independent directors. On November 4, 2022, the Forensic auditor submitted its final report to the Company which included, in addition to other observations, instances of modification of critical sanction terms post sanction approval from the Board, non-compliance with pre-disbursement conditions, disbursements made for clearing overdues (evergreening), disproportionate disbursement of funds and delayed presentation of critical information to the Board. The Company's management has appointed a professional services firm (the "External Consultant") to assist the management in responding to such observations and subsequently, also obtained a legal opinion contesting certain matters with respect to the contents, including matters highlighted as evergreening in the Forensic audit report, and approach adopted by the Forensic Auditor. Accordingly, the management, has rebutted the observations made by the Forensic auditor and has confirmed that, in their view, there is no additional impact on the Company's standalone financial statements for financial year 2021-22 and that there are no indications of any fraud or suspected fraud. The Company has uploaded Forensic audit report, the management's responses, report from External Consultant and legal opinion on the website of stock exchanges. In the adjourned audit

WWW.TAXSCAN.IN - Simplifying Tax Laws

	committee meeting held on Nov 13, 2022, the committee considered the Forensic audit report and management's responses thereon and accepted the findings in the report, by majority but with dissent of two directors out of five directors. We have been informed about the discussions held in the meeting and reasons for dissent expressed by two directors as set out in the Company's communication to us dated November 15, 2022, as attached in Annexure A accompanying our report. In the board meeting held on November 13, 2022, the board of directors of the Company (with the absence of Chairperson of the Audit Committee in the meeting, who recorded a dissent on the matters being discussed in his absence) considered the Forensic audit report, Management's responses, Report of External Consultant and legal opinions. We have been informed about the observations and views expressed in the meeting as set out in the Company's communication to us dated November 16, 2022, as attached in Annexure B accompanying our report. 2. Due to resignation of the former independent directors, the Company has not complied with the various provisions of Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 related to constitution of committees and sub-committees of the Board, timely conduct of their meetings and filing of annual and quarterly results with respective authorities. The Company intends to file for condonation of delay for non-compliance of such provisions with respective authorities. The Company has also not finalized the minutes of audit committee meetings held since November 9, 2021, which results in non-compliance with applicable provisions. (Refer Note 55(c) of the Standalone Financial Statements) In light of the constraints and limitations highlighted by the Forensic auditor while preparing the Forensic audit report and as also noted by the Audit Committee, several concerns raised therein as described in the second paragraph above (including observations around evergreening) and lack of specific procedures and conclusions thereon, divergent views among directors regarding forensic audit report (as further detailed in Annexure A and B, accompanying our report), we are unable to satisfy ourselves in relation to the extent of forensic audit procedures and conclusion thereon, including remediation of the additional concerns raised therein. Considering the above and indeterminate impact of potential fines and/ or penalties due to non-compliance of various provisions as mentioned above, we are unable to obtain sufficient and appropriate audit evidence to determine the extent of adjustments, if any, that may be required to the standalone financial statements for the year ended March 31, 2022. 3. According to the information and explanations given to us and based on our audit, we draw your attention to the following: 1. Matters described in the Basis of Qualified Opinion section of our main report including matters relating to divergent views among directors regarding forensic audit report, constraints and limitations highlighted by the Forensic auditor while preparing the Forensic audit report as also noted by the Audit Committee,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	several concerns raised therein (including the observations around evergreening) and lack of specific procedures and conclusions thereon; and 4. The Board, at its meeting held on November 13, 2022, gave certain directions to expeditiously address the operational issues identified by the Forensic auditor, including on obtaining recommendations from the External Consultant for strengthening the business processes and operational issues (as fully detailed in Annexure B). We understand that these steps are yet to be taken by the management. Pending conclusion of these matters, we are unable to determine their impact on the design and operating effectiveness of internal financial controls over financial reporting, including entity level controls, as at March 31, 2022.
Management Response	1. On January 19, 2022, three (3) independent directors of the Company resigned mentioning lapses in corporate governance and compliance. Since then RBI, SEBI and ROC (the 'Regulators") have reached out to the Company with their queries regarding the allegations made by the then independent directors and directed the Company to submit its response against such allegations. SEBI also directed the Company to submit its Action Taken Report (ATR) together with Company's response against such allegations. Basis the forensic audit report which was received by the Company on November 04th, 2022 and other inputs from professional services firm retained by the Management, it has been decided that the management shall take necessary corrective actions and submit its ATR, if required, to the satisfaction of SEBI. On February 11, 2022, RBI sent its team at the Company's office to conduct scrutiny on the matters alleged in the resignation letters of ex-independent directors. While the RBI's team completed its scrutiny at Company's office on February 14th, 2022 and the Company has satisfactorily responded to all queries and requests for information but has not received any further communication from RBI in this regard. On November 04th, 2022, the Forensic auditor appointed by the Company, submitted its forensic audit report. The Company engaged a reputed professional services firm to independently review the management's response and independent review of documents supporting such response and commenting on such observations, including financial implications and any indication towards suspected fraud. The management's responses and remarks of professional services firm, together with report of forensic auditor, have been presented by the management to the Board in its meeting held on November 07th, 2022 and November 13th, 2022. 2. SEBI vide its email dated March 02nd, 2022, rejected the ATR submitted by the Company and not acceded the Company's request for conducting Board Meeting without an independent director. Subsequent to this, with recommendation of the Holding Company, the Company appointed four (4) independent directors through circular resolution. These directors are also independent directors on the Board of the Holding Company. Prior to the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	appointment of the independent directors, Chairman of XX India Limited vide email dated March 25th, 2022 informed RBI and SEBI about the proposed nomination of four (4) independent directors of PPP India Limited to the board of the Company, and post appointment, disclosures on such appointments have been made to the stock exchanges. On April 19th, 2022, the Chairman, PPP India Limited sent another email to SEBI, with specific reference to earlier email dated March 25th, 2022, and SEBI in its email dated April 19th, 2022 has acknowledged the same. The Company has also made necessary communication to Stock Exchanges regarding appointment of directors and holding of board meetings. The Company, basis its discussions with SEBI and RBI as also summarized in such emails and advise received from external legal firm, believes that there is no non-compliance with SEBI's directions vide its email dated March 02nd, 2022. On June 28th, 2022, the SEBI also directed the Company for waiving-off with the requirements of regulation 17 (1C) of SEBI Listing Regulations regarding ratification of directors' appointment in shareholders' meeting within three (3) months from the date of their appointment by the Board Post resignation of ex-independent directors, the Company has not been able to comply with the various provisions of the Act and SEBI Listing Regulations related to non-constitution of committees and sub- committees of the Board, timely conduct of their meetings and non-filing of annual and quarterly results with respective authorities. The Company intends to file for application for compounding of offences for noncompliance of such provisions with respective authorities and does not expect any material financial impact, if any, due to fines/ penalties arising from such process. As on the date of this report, the Composition of Board and Committees thereto, are complying with the relevant provisions of the Act and SEBI Listing Regulations.

Company 49.10	
Basis for Qualified opinion	1. We draw your attention to Note 8.2 wherein the Company has treated payment of ₹ 18,500 thousand towards release of collateral securities, as 'Other Financial Assets' which the company intends to adjust after release of collateral securities by all the security holders. This being not in accordance with generally accepted accounting principles. Net Profit for the year, Current Assets and Surplus at the year-end are higher by ₹ 18,500 thousand. 2. We draw attention to Note 28 regarding the Company's Financial Statements having been prepared using the going concern basis of accounting. Management is responsible for assessing the Company's ability to continue as a going concern The Balance Sheet and Cash Flow Statement, indicate that as on March 31, 2022, the Company's Current Liabilities are more than double of its Current Assets; and Company has incurred net Operating Loss of ₹ 16,375 thousand during the year ended March 31, 2022.

Analysis of Modified Opinions — Non-Banking Financial Company (NBFC)

	3. The Balance Sheet and Cash Flow Statement of Subsidiary Company, indicate that as on March 31, 2022, its Current Liabilities are more than double of its total Assets; and it has incurred net Operating Loss of ₹ 58 thousand during the year ended March 31, 2022 and hence indicates that there is a significant doubt on the Subsidiary Company's ability to continue as a going concern.
Management Response	1. The Management has treated the payment as "Other Financial Assets" in the interim period pending the release of collateral security by all the security holders and same shall be adjusted in due course after the collateral securities are released by all the security holders. 2. The management is hopeful that the Company and its Wholly Owned Subsidiary would be able to continue operations in the foreseeable future in the normal course of business and hence, the Standalone and Consolidated accounts have been prepared on a going concern basis.

Company 49.11	
Basis for Qualified opinion	We draw attention to Note 23(I) of the Financial Statements regarding non-recognition of interest income for the year on Inter Corporate Loan amounting to ₹ 485 Lakhs outstanding as on 31st March 2022. In the absence of sufficient and appropriate audit evidence, we are unable to comment on the recoverability of the Inter Corporate Loan and interest thereon. This constitutes a departure from the requirements of Indian Accounting Standard 109 "Financial Instruments".
Management Response	Explanation by the Board: During the earlier years, the Company had given Inter Corporate Loan amounting to ₹ 500 Lakhs to ABC Financial Services Limited ("the recipient Company"). Considering the financial position of the recipient Company, the management has decided not to recognise interest income on the same. However, the management believes that outstanding dues are fully recoverable and unrecognised interest income from 1st April 2019 will be recognised as and when received. During the financial year, the Company has received ₹ 15 Lakhs against such loan and the same has been adjusted against principal amount. Statutory Auditor's Comments on Explanation: The Management should provide sufficient and appropriate audit evidences regarding the recoverability of the Loan and Interest for the year thereon.

Company 49.12	
Basis for Qualified opinion	1. Note 29 regarding claims on the Company by the lenders of DEF Ventures Private Limited and it's subsidiary ABC Power Private Limited aggregating to ₹ 25619.80 Lakhs due to invocation of corporate guarantee given by the Company. Against the said liability, the Company during the year 2019-20, considering the disputed nature of claim and unlawful invocation of Corporate Guarantee made a provision of ₹ 7798.91 Lakhs. As at March

WWW.TAXSCAN.IN - Simplifying Tax Laws

	31, 2022, the Company has disclosed the balance amount of liability ₹ 17,820.89 Lakhs as contingent liability in its financial statements. In the absence of sufficient and appropriate audit evidence for the said treatment, in our opinion the company ought to have recognised the liability in its books. Had the liability been recognised, the loss for the year and accordingly the other equity (negative balance) will be higher by ₹ 17,820.89 Lakhs. 2. Note no 28 (i) regarding the invocation of Company's investment in equity shares of ABC Limited pledged as security for the credit facilities availed by XX Services Private Limited (XX), one of the lender to the Company. However, the Company continued to present the said equity shares as investment at fair value as at March 31, 2022 despite invocation for the reasons stated in the said note. Fair value of the invoked shares considered as an asset aggregates to ₹ 1,584.43 Lakhs. Considering that investments have been sold, we are unable to comment on the appropriateness of presentation of fair value of said equity shares as investments in the financial statements. Further in view of the uncertainty relating to recoverability of the said investment, we are unable to comment on the impact, if any, on the loss for the year and other equity as at March 31, 2022. 3. Note no 28 (ii) regarding the investments in equity shares of a Company held in ABC Limited pledged as security for the credit facilities availed by ABC Infrastructure Private Limited on receipt of letter of comfort from DEF Ventures Private Limited. The lenders of AIPL have invoked the pledge and realized their dues in the year 2016-17. However, the Company continued to present the said equity shares as investment at fair value as at March 31, 2021 despite invocation for the reasons stated in the said note. During the year 2021-22, the Company has accounted for the invoked shares and value realised of ₹ 1875.03 Lakhs as receivable. However, the latest audited financial statements of ABCIPL which shows negative net worth and there are substantial amount of borrowings in the Company. These circumstances raise a doubt on the realisability of the amount's receivable from ABCIPL. In the absence of adequate evidence with respect to realisation of ₹ 1875.03 Lakhs, we are unable to comment on the ultimate recovery and short fall, if any, as at the year end. Further, the accounting of sale transaction in the current financial year is not in accordance with Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors. We are unable to comment on effect of the accounting of sale on loss for the year, other comprehensive income and retained earnings had the Company accounted for the sale in accordance with Ind AS 8. 4. Note no 28(iii) regarding the investments in equity shares of the Company held in GGG Limited pledged for the facilities availed by DDD Private Limited. The lenders of DDDPL have invoked the pledge and realized their dues. However, the company continued to present the said equity shares as investment at fair value as at March 31, 2022 despite invocation for the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	reasons stated in the said note. The fair value of the invoked shares considered as an asset aggregates to ₹ 1,318.99 Lakhs. Considering that investments have been sold, we are unable to comment on the appropriateness of presentation of fair value of said equity shares as investments in financial statements. Further, in view of the uncertainty relating to recoverability of the said investment, we are unable to comment on the impact if any, on the loss for the year and other equity. 5. Note no 31 regarding non recognition of interest expense of ₹ 96.00 Lakhs for the year ended March 31, 2022 for the reasons stated in the said note. The interest expense not recognised, upto March 31, 2022 aggregates to ₹ 215.87 Lakhs. Consequently, loss for the year is lower by ₹ 96.00 Lakhs and Other Equity (negative balance) and borrowings are lower by ₹ 215.87 Lakhs. 6. Note 47 regarding non-provision of current tax for the year in accordance with Ind AS 12: Income Taxes considering the gain on the accounting of the investments pledged as security for the credit facilities availed by ABC Private Limited; amount not ascertained. 7. The Company has received communication from RBI regarding non-reporting of matters reported at para (b), (c) and (d) above and a direction to account the same in the financial statements of March 31, 2020. As the Company received the complaint, post the audit of March 31, 2021, the Company has submitted the revised financial position i.e. special purpose reporting] by adjusting the above-said qualifications. The financial statements for the current year do not include any adjustments contained in the directions of the RBI. We are unable to comment on effect on presentation and disclosures in the financial statements, had the Company followed the directions of the RBI.
Management Response	1. Response of the management is however given in note no. 29 of the financial statements The Company in the earlier years, has given Corporate Guarantees to the lenders of DDDL and it's wholly owned subsidiary – ABC Limited – aggregating to ₹ 31,336.71 Lakhs. During 2019 – 20, (i) certain lenders of these entities have invoked the Guarantees and raised claims on the Company aggregating to ₹ 25,619.80 Lakhs. (ii) The Company made a provision of ₹ 7,798.91 Lakhs on an estimated basis considering the disputed nature of the claim and unlawful invocation of the corporate guarantee. 2. Response of the management is given in note no. 28(i) of the financial statement: During the year 2015-2016, the Company took a loan of ₹ 5 Crores from XX Limited on the security of 10,00,000 equity shares of ABC Limited held by the Company. These shares re-pledged by XX with a third party, with the consent of the Company. The said shares were invoked by the third party in the year 2016-2017 on default by ABC without there being any default by the Company. The Company took necessary legal recourse

WWW.TAXSCAN.IN - Simplifying Tax Laws

	for restoration of the pledged shares and in terms of the settlement arrived at, XX agreed to restore the said invoked shares. During the financial year 2019-20, XX restored 33,000 shares and balance 9,67,000 shares were yet to be restored. In view of the settlement agreement and further litigation raised by the Company, the said 9,67,000 equity shares in ABC Limited have been continued to be disclosed as " Investments". 3. Response of the management is given in note no. 28(ii) of financial statement: During the year 2015-2016, the Company has pledged 1,580,000 shares of ABC Limited held by the Company as Investments in favour of VGY Bank Limited (VGY) for facilities availed by M/s ABC Infrastructure Private Limited on receipt of Letter of Comfort from M/s DDD Private Limited being the holding company of AIPL. The said shares were invoked by VGY Bank in the year 2016-2017 due to default made by AIPL. AIPL, DDDPL and the Company entered into a tripartite agreement for restoration of such invoked shares to the Company. The Company has accounted for the invoked shares and the value realised amounting to ₹ 1875.03 lakhs has been shown as "Receivable". Management is confident of recovery therefore no provision is considered necessary at this point of time. 4. For comment of the management refer note no. 28(iii) of financial statement: During the year 2014-2015, the Company has pledged 805,000 equity shares of ABC Limited held by the Company as Investments in favour of PQR Ventures Limited (PV) for facilities availed by M/s DDD Limited. DVPL had repaid the said loan, the Company had made request to PV for release of pledged shares. However, during the year ended March 31, 2018, PV invoked the said shares and transferred the same to XYZ India Ventures Fund for certain dues payable by DDDPL. The Company has taken necessary legal recourse for the restoration of the invoked shares. In view of the above, the invoked 805,000 equity shares in GGG Limited have been continued to be disclosed as "Investments". 5. Refer response of the management from note no. 31 of the financial statement: The Company has not recognised the interest expenses on certain borrowings amounting to ₹ 96.00 Lakhs for the year ended March 31, 2022 in view of the litigations with the respective lenders. Total interest expense not recognised upto March 31, 2022 aggregating to ₹ 215.87 Lakhs. 6. Response of the management given in the note no. 47 of the financial statement: The company has not made provision for income tax the gain realised on the accounting of the investments pledged as security for the credit facilities availed by ABC Infrastructure Private Limited and same was showed in receivable, there is no cash transactions. Reference case no [1997] 227 ITR 802 (Kerala) / [1997] 140 CTR 541 (Kerala), High Court of Kerala.

	7. As there are ongoing litigations and the company is confident of restoration of the invoked shares, the same were not incorporated in the books of accounts and a statement showing the impact of the said adjustments on the financial position was submitted to RBI as per their directions.

Company 49.13	
Basis for Qualified opinion	1. Going Concern Assumption in preparation of the Statement: Due to continuous losses, the net-worth of the Company has been fully eroded. The Company has defaulted in repayment of borrowings to its lenders. In view of the Management, the Company would be able to improve its net working capital position to discharge its total financial obligations as described in Note 29 to the Financial Statement. However, in view of the uncertainties involved, these events and conditions indicate a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern. Accordingly, the use of going concern assumption of accounting in preparation of this Statement is not adequately and appropriately supported. 2. Non-recognition of Interest Expense: We draw attention to Note 34 of the Statement relating to non-recognition of interest expense amounting to ₹ 6,52,067 thousand for the year ended 31st March, 2022 on its borrowings. As a result, finance Costs liability on account of interest is understated and total comprehensive income (Loss) for the year ended 31st March, 2022 is understated to that extent. These constitute a departure from the requirements of Indian Accounting Standard 109 "Financial Instruments". 3. Non-recognition of Interest Income: Interest Income on Standard Asset of ₹ 61,748 thousand for the year ended 31st March, 2022 not provided on loans given Refer Note 35. As a result, interest income, interest receivable and total comprehensive income (Loss) for the year ended 31st March, 2022 are overstated to that extent. These constitute a departure from the requirements of Indian Accounting Standard 109 "Financial Instruments". 4. Advances: The Company has given Advances to Body Corporates aggregating to ₹ 2,85,000 thousand which are outstanding as on March 31, 2022. In absence of appropriate audit evidence and status thereof, we are unable to comment on the validity and recoverability of such advances. Due to Non provision, the impact of the same on advances and total comprehensive income (Loss) are understated out of which one company also Struck off as per Ministry of Corporate Affairs Portal. [Refer Note 45 of the Financial Statement]. 5. Non-Confirmation of Loans and Advances: Due to Non-Confirmation and Reconciliation of Loans and Advances and Borrowings, adjustment/impact or provisions in financial statement if any not ascertainable in respect of this, so cannot be commented by us at present. [Refer Note 34(d) of the Financial Statement].

WWW.TAXSCAN.IN - Simplifying Tax Laws

	6. Non-Recognition of Provision on Loans and Advance: The Company has given Unsecured loan aggregating to ₹ 22,46,883 Thousand Outstanding as on 31st March, 2022 (Including Interest of ₹ 3,36,209 Thousand accrued till 31st March 2019) given to bodies corporates which in our opinion are doubtful of recovery of such loans and advances. The Classification of Loans not made in accordance with Reserve Bank of India Prudential Norm and Provision thereof. In absence of adequate provision there against, the loss for the year is understated to that extend. Impact in this respect have not been ascertained by the management and recognized in the Financial Statement. 7. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2022, based on the criteria for internal financial control over financial reporting 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 subject to certain improvements in connection with periodic reconciliation and confirmation of borrowings and loans and advances with appropriate audit evidence and appropriate action for recovery of loans and advances.
Management Response	1. The Shareholders may kindly note that the Management is in the process of Plan (Debt-Restructuring) for improvement of the Company. The Company has plans to revive its business and also realise/monetize its assets. With this initiative the company is hopeful to achieve a positive net-worth and sufficient working capital and would be able to discharge its financial obligations. Therefore, the company has prepared its accounts as a going concern assumption. 2. Since the Company is not agreeable to the high processing fee and steep interest rates already charged by the lenders, the Company disputed such processing fee and interest rates. Accordingly, the Company is in discussion with the lenders to get substantial relief. The Company would recognize interest expenditure after final determination upon such restructuring of debts. 3. The Shareholders may kindly note that most of the borrowers have been facing financial stress due to slow down in economy. The problem further increased due to COVID 19 pandemic due to which the borrowers are not in a situation to pay interest hence keeping conservatism approach Interest Income is not booked. However, the company has still been trying to get the balance confirmations and also trying to realise the principal of loans given together with interest. 4. The Shareholders may kindly note that the Management is of view that these advances are good in nature and will be recovered in due course. 5. The Shareholders may kindly note that Loans and Advances and Borrowings are subject to confirmation and reconciliation. In most of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	cases the company has not agreed to waive the interest receivables, the borrowers have neither given balance confirmation nor are repaying the principal amounts of loans given to them. However, the company has still been trying to get the balance confirmations and also trying to realise the principal of loans given together with interest. 6. In respect of Company's receivables pertaining to loans given by the Company, such borrowers have requested the company for waiver of interest. Since in most of the cases the company has not agreed to waive the interest receivables, the borrowers have neither given balance confirmation nor are repaying the principal amounts of loans given to them. However, the company has still been trying to get the balance confirmations and also trying to realise the principal of loans given together with interest. Also the management has envisaged a group level debt-restructuring. Therefore, the management is of the view that the loan-assets would be realised/ adjusted as per the outcome of the overall group-restructuring. Therefore, no provision is considered necessary at this stage.

WWW.TAXSCAN.IN - Simplifying Tax Laws

50. Oil Equipment & Services

Company 50.1	
Basis for Qualified opinion	With respect to the matters described in Note 46(i), Note 46(ii), Note 46(iii) and Note 46(iv) to the accompanying consolidated financial statements, the following qualifications have been included in auditor's report dated May 13, 2022 on the annual financial statements of XYZ Ltd, a subsidiary of the Holding Company, audited by an independent firm of Chartered Accountants registered in Dubai, United Arab Emirates and reproduced by us as under: a. "The Company's only customer M/s ABC Ltd had issued a notice of suspension of the contract (suspension notice) on November 16, 2020. Against the said suspension notice, the Company had issued notice of termination vide notice no. 2021-AOS-AMN-P002-0017 dated August 3, 2021 (termination notice) to terminate the contract with immediate effect. Subsequently, the Company has issued notice of suspension of termination till August 31, 2021, vide notice no. 2021-AOS-AMN-P002-0018 dated August 7, 2021, to amicably solve the matter. Such suspension of termination, after multiple extensions have been currently extended till May 31, 2022, by which the customer is working towards imminent project restart, as per customer's email dated April 25, 2022. Amount receivable & amount due from customer for contract works amounting USD 7,007,774/- & USD 76,161/- remains unconfirmed and subject to impairment, if any." Our audit report dated June 19, 2021, on the consolidated financial statements for the year ended March 31, 2021, was also qualified in respect of this matter. b. "The Company has issued, notice of suspension of contract, to some of its vendors who were working on a project, which in turn was suspended by the Company's customer. As represented to us by the management, the vendors have not raised any claim, compensation etc., against the contract suspension. The balances with some of such vendors, amounting to USD 4,330,997/- remain unconfirmed." c. "Independent verification, valuation & impairment testing of property, plant & equipment lying in Nigeria, of carrying value of USD 1,077,534/- could not be carried out." d. "Advances to suppliers, amounting to USD 362,346/- remains unconfirmed and subject to impairment, if any."
Management Response	The Auditors' Qualification has been appropriately dealt with in Note No. 46 of the Notes to the consolidated audited financial statements. The Auditors' Report is enclosed with the financial statements in this Annual Report.

Company 50.2	
Basis for Qualified opinion	1. Qualified Opinion Impairment of Assets: As per Indian Accounting Standard 36 on impairment of Assets, the Company is required to determine impairment in respect of property, plant and equipment as per the methodology prescribed under the said Standard. However, the management of the Company has not done impairment testing for the reasons explained in the note No.31 and 32 of the Ind AS financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	statement. In the absence of any working for impairment of the property, plant and equipment as per Ind AS 36, the impact of impairment, if any on the Ind AS financial statement is not ascertainable. (Refer to note No.31 and 32 notes to financial Statements). 2. According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at March 31, 2022. The Company's internal financial controls over obtaining certain confirmation of balances, particularly confirmations of balances from Banks, were not operating effectively, which could potentially affect the expenses -Interest, bank charges etc. - and resultant closing bank balances shown in the books of account of the Company.
Management Response	The observations given by the Auditors are suitably explained in the Notes to Accounts and are self-explanatory.

WWW.TAXSCAN.IN - Simplifying Tax Laws

51. Other Agricultural Products

Company 51.1	
Basis for Disclaimer of opinion	1. The Company has borrowings from the banks where fixed assets of the company are secured against such loan. As the company has been downgraded to Non-Performing Assets for many years as per the Banking regulation and provisions, the Banks have attached all the assets of the Company and we are unable to satisfy ourselves with regard to value of the assets. 2. We were unable to satisfy ourselves with-regard to carrying value of Property, Plant and Equipment, Security Deposits, Other non-current assets and current assets. 3. According to the provisions of the Companies Act, 2013 read with Ind AS, all details with regard to borrowings by the Company need to be form part of notes to accounts, the Company has not disclosed any of its information and we are not being provided any sanction copies of the borrowings or any of the documents or information. 4. We were unable to confirm or verify correctness of the figures referred to Capital advances given for ₹ 6,19,920- Refer Note 4. 5. We were unable to confirm or verify correctness of the figures referred to other deposits for ₹ 22,00,000- Refer Note 3. 6. The Company has accumulated losses exceeding the share capital and reserves and its net worth has been fully eroded. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. However, the standalone financial statements have been prepared on a going concern basis considering management assessment of the current situation and future prospects. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of above financial results and other financial information there in.
Management Response	Reference to Point No. 1,2 and 3. Due to Lack of records with it. Present company is unable to provide the documents with the Auditors. Company is also trying to contact with banks and other FI to get old documents. Once received by company will provide the same to auditors.

Company 51.2	
Basis for Qualified opinion	1. In reference to Note No. 41 in the statement discloses the management's assessment of the company's ability to continue as going concern. The management's assessment of going concern is based on the OTS by the lead bank XX and the interest shown by prospective investors in the company. However, in view of default in re-payment of borrowings, continuous losses, negative cash flows and negative net worth and due to

Analysis of Modified Opinions — Other Agricultural Products

	financial constraints, material uncertainty exists about the company's ability to continue as going concern and the decision of the management of the company to prepare the accounts of the company on going concern basis. There may arise a need to adjust the realizable value of assets and liabilities in the event of failure of assumption as to going concern. 2. As stated in Note No.27 of Standalone Audited Financial Results, Loss of the company is understated by ₹ 10,588 lakhs (approx.) due to non-provisioning of interest on bank loans for the period from 01/04/2021 to 31/03/2022 (Previous year ₹ 9742.10 lakhs (approx.)) and ₹ 34,079 lakhs (approx.) from the date on which the account of the company was classified as NPA to the period covered under audit, due to non-provisioning of interest on bank loans after the accounts of the company were classified as NPA. Further no provision has been made towards penal interest, any other penalty etc. as may be charged by lenders. In the absence of complete statement of account from the bank, the above amount has been arrived as per calculation made by the company. With the limited information the aggregate amount un-provided in books of account of the company is not ascertainable with accuracy. 3. We draw our attention to paragraph of "Basis for qualified opinion" of our main report and the same to be read with our comments as stated below: According to information and explanations given to us and based on our audit, the following material weakness has been identified as at 31st March, 2022. The Company did not have an appropriate internal control system for (a) Customer acceptance; (b) Customer credit evaluation; (c) Establishing customer credit limit for sales; (d) Acceptance of goods by customers and transfer of risk & reward at the time of sales. This could potentially result in the company recognising revenue without establishing reasonable certainty of ultimate collection. 4. The Company did not have any internal control system for follow-up/recovery/adjustment of old outstanding receivables and payables including balance confirmation and reconciliation. A 'Material weakness' is a deficiency, or a combination of deficiency, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statement will not be prevented or detective on timely basis.
Management Response	The Company has received the Auditors Report duly signed by M/s XYZ Associates, Chartered Accountants, New Delhi, and took note on the same. Further As mentioned in the Auditor's Report, attention is drawn (Emphasis of Matters) to notes to the Financial Statements, the same has not been reproduced for the sake of brevity as the remarks given by the Auditors are self-explanatory. However, the Board has discussed the same in details as had been provided in the notes to the Financial Statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 51.3	
Basis for Qualified opinion	As stated in Note 48(A)(4) to the standalone financial statements, the Enforcement Directorate ('ED') is investigating the Company's Joint Managing Director Mr. XYZ ('JMD') under the Prevention of Money Laundering Act, 2002, for alleged involvement in ABC case. Further, the ED has filled criminal complaint and made certain allegations against the Company, PQR Ltd (a subsidiary of the Company) and JMD. As further described in the said note, a review of the impact of allegations on the financial statement and its control environment was performed by an independent professional firm appointed by the Board of Directors and in our view as per their report, there is no conclusive evidence to ascertain impact of the aforesaid matter on the financial statement of the Company and its control environment. Pending the completion of ongoing investigation of the above matter by regulatory authorities, we are unable to comment on any adjustment that may be required to the standalone financial statements in this respect.
Management Response	The Company's Joint Managing Director, Mr. XYZ ('JMD'), had been detained and released on bail by the Directorate of Enforcement ('ED') pursuant to certain allegations against the Company, PQR Ltd (a subsidiary of the company) and JMD. As per criminal complaint filed it is alleged that M/s EFG LLC had received proceeds of crime of USD 24.62 million in ABC case during the period 2008-2010 which in turn had been transferred to LMN Ltd through PQR Ltd. Basis the affidavit filed by STU Group (one of the Customer of the Company) in the Hon'ble High Court of Delhi in the said matter, the amount of USD 24.62 million had been received by EFG in the account of STU Group. Pursuant to this, ED had attached 1,43,33,221 shares of STU Group held in LMN Ltd. Based on the opinion taken from the independent legal counsel, the management is of the view that since the investigation is still ongoing no adverse opinion can be drawn. The Company had appointed an independent professional firm ('IP') to review the aforesaid allegations, to assess the impact, if any, on the financial statement and control environment of the Company. Subsequent to the year ended 31 March 2022, the IP has issued a report to the Board of Directors with respect to the aforesaid review. The board of the directors has discussed and approved the report, and has responded to the observation contained therein, basis that no further action is proposed.

Company 51.4	
Basis for Qualified opinion	We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. As stated in Note no. 6 to the financial statement the sundry debtors as at the end of the year of ₹ 316.52 crore includes over dues receivable due to credit impaired of ₹ 316.52 crore and as per Note no. 3 & Note no. 8 in respect of non-current investment & loan to related parties of ₹ 4.10 crore & ₹ 40.65 crore respectively being considered doubtful and recoverable by the management for which no provision has been made. In the absence of confirmation and liquidity constraints facing by the parties due to which these may not be able to realize. In the absence of

Analysis of Modified Opinions — Other Agricultural Products

	sufficient appropriate audit evidence, we are unable to comment upon the carrying value of non-current investment, loans to related parties and trade receivable and recoverability of the aforesaid dues and consequential impact, if any on the accompanying financial statement.
Management Response	There are no qualifications, reservations or adverse remarks or disclaimers mentioned in Audit Report made by M/s. XYZ & Associates, Chartered Accountants, Statutory Auditors.

Company 51.5	
Basis for Qualified opinion	1. Following events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements (and notes thereto) do not disclose this fact. However, the standalone financial statements of the Company have been prepared on a going concern basis. We draw attention to the standalone financial statements, which indicates that- a) The Company has incurred a net loss of ₹ 9.16 Crores during the year ended 31st March 2022 and also its current liabilities over current assets exceeded by ₹ 48.07 Crores. b) The Company has accumulated losses and its Net Worth has been fully eroded. c) The Company's financing arrangements expired and the amount outstanding of ₹ 46.84 Crores was payable on March 31, 2022. The Company has been unable to re- negotiate or obtain replacement financing and the loan to the company is currently classified by bank as Non-Performing Asset. The bank has recently declared the company as a wilful defaulter and hence further alternate financing from the banking system seems to be difficult. 2. Under the Micro, Small & Medium Enterprises Development Act, 2006 which came into force from 2nd October 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. No such disclosures are made in financial statements, in the absence of relevant information with the Company which is not in compliance with the requirements of Schedule III of the Companies Act, 2013. 3. The Company has not determined the liability towards retirement benefits, such as leave encashment, etc. as per the Accounting Standard 15 - "Employee Benefits" prescribed under Section 133 of the Companies Act, 2013. No provision has been made in the books of accounts for the above liability as per the actuarial valuation report. The financial statements do not disclose the financial impact of the above provisions. The Loss in the statement of Profit & Loss and Current Liabilities are understated to that extent. This constitutes a departure from the Accounting Standard -15 "Employee Benefits". 4. The company has changed its policy for accounting of interest on loans

WWW.TAXSCAN.IN - Simplifying Tax Laws

	payable to bank during the year. The company had not accounted for interest payable during the previous year, while it has accounted for the same during the current year. Due to the same the loss for the year has increased by ₹ 10, 92, 35,253/- and the liabilities have increased to the same extent. 5. As a result of the matters stated in Para (i), Para (ii) Para (iii) & Para (iv) above, we were unable to determine whether any adjustments might have been found necessary in respect of recorded assets and liabilities in the Balance Sheet and the corresponding elements making up the Statement of Profit and Loss and Cash Flow Statement.
Management Response	1. The Company is taking steps to revive effectively in coming years. The company proposes to restructure its debt obligations. The promoters have infused unsecured loan of ₹ 3.31 Cr. till 31/03/2022 to operate the activity smoothly. The Company is having experienced marketing staff and good dealers and distributors network to increase the sales. The company is having wide range of varieties of field crops and vegetables in the matter of Wilful defaulter the company is in consultation with its legal counsels, to challenge the decision by taking appropriate legal action that may be required in this regard. 2. The company has sent necessary communication to all the vendors to confirm their MSME Status, however the confirmation is awaited. 3. Company has obtained demand note for every year from LIC towards the trust created for Gratuity / Retirement Benefits/ Leave Encashment as per the Accounting Standard 15. The said amount as per demand note issued by LIC is adjusted against the unpaid amount pending with LIC. 4. Company has obtained demand note for every year from LIC towards the trust created for Gratuity / Retirement Benefits/ Leave Encashment as per the Accounting Standard 15. The said amount as per demand note issued by LIC is adjusted against the unpaid amount pending with LIC.

Company 51.6	
Basis for Qualified opinion	The Company has not made provisions for Bad debt of ₹ 97.56 Lakh (PY ₹ 97.56 lakhs) in case of one debtor ABC Private Limited which was referred to NCLT under Indian Bankruptcy Code and NCLT has passed the order on 10th May 2019. As per NCLT order only 15.14% amount is payable to all the Sundry Creditors of ABC Private Limited. Company's total outstanding against ABC Private Limited at the time of referral to NCLT stood ₹ 114.97 lakhs (PY ₹ 114.97 lakhs). Due to this Company's profit and Sundry debtors are overstated by ₹ 97.56 lakhs (PY ₹ 97.56 lakhs).
Management Response	The Company is in the process of collecting the dues from ABC Private Limited. Therefore, the Company has deemed it fit not to make any provisions.

WWW.TAXSCAN.IN - Simplifying Tax Laws

52. Other Capital Market related Services

Company 52.1	
Basis for Qualified opinion	1. Non-Provision of Doubtful Long-Term Loans & Advances: The Company has long term loans as on 31/03/2022 amount to ₹ 22.13 Lakhs which is given to Group Company. In absences of sufficient and appropriate evidence, we are unable to comment recovery of said loans & advances. If these Loan & advances balances were written off in the books, the loss for the year would have been ₹ 1543.71 lacs (as against the reported loss figure of ₹ 1521.58 lacs) and loss after considering accumulated figures of previous years would have been ₹ 1719.71 Lacs (as against reported figure of Loss of ₹ 1697.58. Lacs) and the balance of amount due from group company would have been ₹ Nil (as against the reported figure of ₹ 22.13 lacs). 2. The Holding Company has given the advances to the group company in tune of ₹ 22.13 Lakhs, in absences of sufficient and appropriate evidence, we are unable to comment recovery of said loans & advances. We further report that, had the observation made by us above been considered, the loss for the year would have been ₹ 1443.65 lacs (as against the reported profit figure of ₹ 1465.78 lacs).
Management Response	Company had advanced a sum of ₹ 22.13 lakhs to one of the group companies. This amount has not been written off in the books since and the management had initiated legal process for recovering the dues and the matter is sub judice.

WWW.TAXSCAN.IN - Simplifying Tax Laws

53. Other Consumer Services

Company 53.1	
Basis for Disclaimer of opinion	1. The Company's Current Financial Assets as at 31st March 2022 includes Trade Receivables, aggregating to ₹ 105.06 Lakhs (31st March 2021 ₹ 228.76 Lakhs) which were outstanding for substantial period of time. Management has assessed that; no adjustments are required for carrying value of aforesaid balances. Consequently, in the absence of sufficient appropriate audit evidence to support the Management's contention of recoverability of these balances, we are unable to comment upon the adjustments if any, that are required to the carrying value of aforesaid balances and consequential impact if any on the accompanying standalone financial results. 2. The Company's Current Financial Liabilities as at 31st March 2022 includes Trade Payables, aggregating to ₹ 175.88 Lakhs (31st March 2021 ₹ 83.01 Lakhs) respectively in respect of which confirmations/statements from the respective parties have not been received and which were outstanding for substantial period of time. Further, whilst, we have been able to perform alternate procedures with respect to certain balances, in the absence of confirmations/ statements from the respective parties, we are unable to comment upon the adjustments if any, that are required to the carrying value of aforesaid balances and consequential impact if any on the accompanying standalone financial results. 3. The Company generally follow AS -2 and value the inventory at cost or realizable value whichever is lower. However, in the absence of sufficient appropriate audit evidence, we are unable to comment on impact of the same.
Management Response	1. On basis of internal assessments and evaluations possible recoveries from the significant portion of such trade receivable balance outstanding still recoverable /adjustable and that no accrual for diminution in the value of trade receivable other than once already provided in the books of accounts is therefore necessary for the period ending 31st March 2022. 2. According to management, sufficient confirmation has been received from the parties with regard trade payable balance. The Management closely monitors its credit exposure and confident of appropriately adjusting/ recovering significant portion of remaining outstanding balance of such amounts in the foreseeable future. 3. The Company follows all the accounting standards applicable upon it and the value of the inventories as per the accounting standards as applicable on the company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

54. Other Electrical Equipment

Company 54.1	
Basis for Qualified opinion	1. The Company has been continuously incurring substantial losses since past few years. The Company's current liabilities exceed its current assets and further the net worth of the Company has been fully eroded, these events indicate a material uncertainty that casts a significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not disclose the fact that the fundamental accounting assumption of going concern has not been followed. 2. We draw attention towards the fact that the Company's financial facilities/arrangements including Term Loans, Working Capital Facilities and Non-Fund Based Credit Facilities have expired and the accounts with the Banks have turned into Non-Performing Assets. The Company is unable to renegotiate, restructure or obtain replacement of financing arrangements and the banks have initiated legal proceedings for the recovery from the Company u/s. 19 of the Debt Recovery Tribunal (DRT), u/s. 13(2) of the Securitization & Reconstruction of Financial Assets & Enforcement of Security (Second) Interest (SARFAESI) Act, 2002. The Company has not provided for interest on its banking credit facilities amounting to ₹ 9767.65 lakhs, for the year ended March 31, 2022. Had the same been accounted for; the net loss (after tax) for the year ended March 31, 2022, would have increased by ₹ 9767.65 lakhs. Total amount which the Company has not recorded cumulatively up to March 31, 2022, amounted to ₹ 63,541.20 lakhs. 3. On November 27, 2019, the order of Debt Recovery Tribunal was passed, wherein it has been directed to the Company to clear dues amounting to ₹ 13,971.99 lakhs and interest and penalty within a period of 2 months from the date of order, failing which the Bank will be entitled to sell the hypothecated assets, mortgage properties and other personal movable and immovable properties of the Company and guarantors. The Company received a letter dated 25-Feb-2022, for e-auction of movable and immovable properties on 19-Apr-22. No communication has been received from Debt Recovery Tribunal or any other authority with respect to the same till the date of this report. Also, no action has been taken by the Company till the date of this report and consequential impact is unascertainable. Application has been filed against the Company by one of the secured financial lender with The Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench on June 18, 2020, to initiate Corporate Insolvency and Resolution Process (CIRP), which is pending for final hearing at NCLT. The consequential impact is unascertainable. 4. Attention is also drawn to the fact that the Company has not provided for impairment or diminishing value of its assets/investment as per 'Ind AS 36

WWW.TAXSCAN.IN - Simplifying Tax Laws

	–Impairment of Assets' as notified under Section 133 of the Companies Act, 2013. The effect of such Impairment or diminishing value has not been quantified by the management and hence the same is not ascertainable. 5. We also draw attention to the fact of non-receipt of confirmations of balances from the Sundry Debtors, Deposit Accounts, Unsecured Loans, Loans & Advances, Investments, Banks, Sundry Creditors and other liabilities. Pending receipt of confirmation of these balances and consequential reconciliations / adjustments, if any, the resultant impact on the financial statements is not ascertainable. 6. We draw attention to the fact towards the non-ascertainment of complete particulars of dues to Micro, Small and Medium enterprises, if any under MSMED Act, 2006, and provisions towards interest, if any, at this stage which is not in conformity with 'Ind AS 37-Provision, Contingent Liabilities and Contingent Assets'. 7. Attention is drawn, regarding the fact that the Company for its Optical Disc's manufacturing unit, had imported various Capital Goods under the Export Promotion Capital Goods Scheme (EPCG), of the Government of India, through various licenses, at concessional rates of Custom Duty on an undertaking to fulfil quantified exports within a period of eight years from the date of issue of respective licenses. The Custom Duties so saved amounted to ₹ 2,538.56 lakhs and the corresponding Export obligation to be fulfilled amounted to ₹ 20,308.50 lakhs, however as on March 31, 2022, the Export obligation yet to be fulfilled amounted to ₹ 19,121.60 lakhs. The stipulated period of 8 years to fulfil Export obligation has already expired and the company is required to pay the said saved Custom Duty together with interest @ 15% p.a. but the same has not been provided in books of accounts by the Company and the final liability is presently unascertainable. 8. Attention is drawn to the fact that, the Company Secretary had resigned from the Company and the Company has not appointed any other person and the position stands vacant till the date of our report and therefore the company is not in compliance with Regulation 6 of LODR which requires Company Secretary to be appointed as Compliance Officer. 9. Attention is also drawn, to the fact that, the Company's XX Cells manufacturing unit which is located in self-owned sector specific Special Economic Zone (SEZ). According to the SEZ Rules 2006, the units should have positive Net Foreign Exchange Earnings (NFE), which shall be calculated as per applicable rules in cumulative blocks of five years, starting from the commencement of production. The company could not achieve positive Net Foreign Exchange Earnings in the first block of five years, hence the Director General of Foreign Trade (DGFT) has imposed a penalty of ₹ 2,500.00 lakhs under Rule 54 of the SEZ Rules 2006, and the same has not been provided in books of accounts by the Company. 10. We also draw attention towards the fact that, in respect of deposits

Analysis of Modified Opinions — Other Electrical Equipment

	accepted by the company before the commencement of this Act, within the meaning of section 74 & 75 of the Act and the Rules framed there under, the principal amount of such deposits and interest due thereon remained unpaid even after expiry of one year from such commencement and the Company had not filed a statement within a period of three months from such commencement or from the date on which such payments, were due, with the Registrar, details as prescribed u/s.74(1)(a). Further no application has been made for extension of time with the National Company Law Tribunal u/s. 74(2) of the Companies Act, 2013 in this regard. Further, the Company has deposits in contravention to Section 73 read with Section 76 of the Companies Act, 2013.
Management Response	1. The Company's financial facilities/arrangements including Term Loans, Working Capital Facilities and Non-Fund Based Credit Facilities have expired and the accounts with the Banks have turned into Non-Performing Assets. The Company is unable to renegotiate, restructure or obtain replacement of financing arrangements and the banks have initiated legal proceedings for the recovery from the Company u/s. 19 of the Debt Recovery Tribunal (DRT), u/s. 13(2) of the Securitization & Reconstruction of Financial Assets & Enforcement of Security (Second) Interest (SARFAESI) Act, 2002. In addition to this, the Company has been continuously incurring substantial losses since past few years and as on March 31, 2022, the Company's current liabilities exceed its current assets by ₹ 40,773.08 lakhs. Further, the net-worth of the Company has fully eroded and the Company had filed for registration u/s. 15(1) of the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985, before the erstwhile Hon'ble Board for Industrial & Financial Reconstruction. All the above events indicate a material uncertainty that casts a significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial results do not disclose the fact that the fundamental accounting assumption of going concern has not been followed. Considering the changes and new developments taking place in the solar industry, the management is optimistic about the better opportunity and turnaround of the Company. 2. The Company has not provided for interest on banking credit facilities amounting to ₹ 2547.97 lakhs, for the quarter ended March 31, 2022 and ₹ 9767.65 lakhs, for the year ended March 31, 2022. Had the same been accounted for, the net loss (after tax) for the quarter ended March 31, 2022 would have been increased by ₹ 2547.97 lakhs and for the year ended March 31, 2022, would have been increased by ₹ 9767.65 lakhs. Further, this interest on banking credit facility has not been provided in the books of accounts since financial year 2014-15 and aggregate amount of which is subject to confirmation and reconciliation from banks. The proceedings of NCLT are ongoing for the Company for the said matter. 3. The order of Debt Recovery Tribunal was passed on 27-Nov-2019, wherein

WWW.TAXSCAN.IN - Simplifying Tax Laws

	it was directed to the Company to clear dues amounting to ₹ 13,971.99 lakhs and interest and penalty within a period of 2 months from the date of order, failing which the Bank will be entitled to sell the hypothecated assets, mortgage properties and other personal movable and immovable properties of the Company and guarantors. The Company received a letter dated 25-Feb-2022, for e-auction of movable and immovable properties on 19-Apr-22. No communication has been received from Debt Recovery Tribunal or any other authority with respect to the success or failure of the process. Also, no action has been taken by the Company till the date of this report and consequential impact is unascertainable. Application has been filed against the Company by one of the secured financial lender with The Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench on June 18, 2020, to initiate Corporate Insolvency and Resolution Process (CIRP), which is pending for final hearing at NCLT. The consequential impact is unascertainable. The proceedings of NCLT are ongoing for the Company for the said matter. 4. The order of Debt Recovery Tribunal was passed on 27-Nov-2019, wherein it was directed to the Company to clear dues amounting to ₹ 13,971.99 lakhs and interest and penalty within a period of 2 months from the date of order, failing which the Bank will be entitled to sell the hypothecated assets, mortgage properties and other personal movable and immovable properties of the Company and guarantors. The Company received a letter dated 25-Feb-2022, for e-auction of movable and immovable properties on 19-Apr-22. No communication has been received from Debt Recovery Tribunal or any other authority with respect to the success or failure of the process. Also, no action has been taken by the Company till the date of this report and consequential impact is unascertainable. Application has been filed against the Company by one of the secured financial lender with The Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench on June 18, 2020, to initiate Corporate Insolvency and Resolution Process (CIRP), which is pending for final hearing at NCLT. The consequential impact is unascertainable. The proceedings of NCLT are ongoing for the Company for the said matter. 5. The financial statements have been prepared with regards to non-receipt of confirmation of balances from few of the debtors, Unsecured Loans, loans & advances, investments, banks, sundry creditors and other liabilities. Pending receipt of confirmation of these balances and consequential reconciliations / adjustments, if any, the resultant impact on the financial statements is not ascertainable. The Company has policy of confirming balances at least once in a year. However, on account of non-receipt of adequate and timely response, the same is still in process. 6. The financial statements are prepared considering non-ascertainment of complete particulars of dues to Micro, Small and Medium enterprises, if any under MSMED Act, 2006, and provisions towards interest, if any is not ascertained at this stage which is not in conformity with 'Ind AS 37-

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Provision, Contingent Liabilities and Contingent Assets'. In view of the management, the impact will not be material. 7. The Company for its Optical Disc's manufacturing unit had imported various Capital Goods under the Export Promotion Capital Goods Scheme (EPCG), of the Government of India, through various licenses, at concessional rates of Custom Duty on an undertaking to fulfil quantified exports within a period of eight years from the date of respective licenses. The Custom Duties so saved amounted to ₹ 2,538.56 lakhs and the corresponding Export obligation to be fulfilled amounted to ₹ 20,308.50 lakhs, however as on March 31, 2022, the Export obligation yet to be fulfilled amounted to ₹ 19,121.60 lakhs. The stipulated period of 8 years to fulfil Export obligation has already expired and the Company is required to pay the said saved Custom Duty together with interest @ 15% p.a. but the same has not been provided in books of accounts by the Company and the final liability is presently unascertainable. The Company till date has not received any order quantifying the liability. In fact, the management has Suo-moto approached the appropriate authorities surrendered the licenses and have lodged the counter claim for extinguishing their liability under the license in view of relevant zero duty notification. Hence the management is optimistic of positive outcome. 8. The Company Secretary had resigned from the Company and the Company has not appointed any other person and the position stands vacant till the date of our report and therefore the company is not in compliance with Regulation 6 of LODR which requires Company Secretary to be appointed as Compliance Officer. The Company is a sick unit and also in NCLT. It is difficult for the company to appoint Company Secretary. 9. The Company's Solar Photovoltaic Cells manufacturing unit which is located in self-owned sector specific Special Economic Zone (SEZ). According to the SEZ Rules 2006, the units should have positive Net Foreign Exchange Earning (NFE), which shall be calculated as per applicable rules in cumulative blocks of five years, starting from the commencement of production. The company could not achieve positive Net Foreign Exchange Earnings in the first block of five years, hence the Director General of Foreign Trade (DGFT) has imposed a penalty of ₹ 2,500.00 lakhs under Rule 54 of the SEZ Rules 2006, and the same has not been provided in books of accounts by the Company. The Company had filed an appeal against the Order of honourable DGFT, New Delhi with the Commerce Secretary, Ministry of Corporate Affairs and hearings have been completed. After hearing the submissions made on behalf of the Company, Appellant Committee has reserved its order till date. 10. In respect of deposits accepted by the company before the commencement of this Act, within the meaning of section 74 & 75 of the Act and the Rules framed there under, the principal amount of such deposits and interest due thereon remained unpaid even after expiry of one year from such commencement and the Company has not filed a statement

WWW.TAXSCAN.IN - Simplifying Tax Laws

	within a period of three months from such commencement or from the date on which such payments, are due, with the Registrar details as prescribed u/s.74(1)(a). Further no application has been made for extension of time with the National Company Law Tribunal u/s.74(2) of the Companies Act, 2013 in this regard. Further, the Company has deposits in contravention to Section 73 read with Section 76 of the Companies Act, 2013. The non-compliances are unintentional and in absence of Whole Time Company Secretary earlier, the compliances were missed out inadvertently.

Company 54.2	
Basis for Qualified opinion	1. Attention of the members is invited to note 36(19) to the Standalone Ind AS financial statements regarding the amounts due to the Company from certain subsidiaries towards part consideration receivable on sale/ assignment of certain immovable properties, receivables, interest charged and expenses reimbursed. The amount due from the said subsidiaries aggregates to ₹ 11762.42 lakhs (₹ 11771.86 lakhs as at March 31, 2021). Pending disposals/ realizations of assets by the subsidiaries, relying on the Management Representation, provision of ₹ 8400.77 lakhs as at March 31, 2022 is recognized. Any shortfall in the realization of the amount outstanding (net of provision), if any, could not be ascertained. 2. Attention of the members is invited to note 36(5) to the Consolidated Ind AS financial statements regarding trade receivables/ book debts exceeding two years and considered good by the management estimated at ₹ 2434 lakhs. The relevant accounts are subject to adjustments, if required after management completes review, reconciliation and identification of doubtful debts. We are unable to express an independent opinion on the extent of shortfall in the recovery of the same.
Management Response	1. The subsidiaries are taking active steps to repay the dues of the Company, from collection of book debts assigned and from disposal of immovable properties transferred apart from debts transferred as referred in the auditor's qualification. The Board of directors is confident of realisation of entire amounts due from the Subsidiaries as we are sure of realizing much more amount from the sale of immovable properties. 2. The Company is in the process of completing the review and reconciliation of receivables / book debts and in our opinion any further provision required will not have material impact on the financial results of the Company and we are confident of realizing the book debts The detailed Company's explanation thereto has been given in the relevant notes to accounts.

Analysis of Modified Opinions — Other Electrical Equipment

Company 54.3	
Basis for Qualified opinion	Provision for taxation including interest estimated at ₹ 1306.15 Lacs for the year ended 31 March 2022 (Previous Year ₹ 1647.64 Lacs; up to the year ₹ 5956.89 Lacs) has not been made in accounts in view of the proposed amalgamation under the provisions of Companies Act, 2013. (Refer note no. 33(iv)(a))
Management Response	The observations made in the Auditors' Report read together with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013. Page No. 106 Note: iv) (a) Provision for taxation including interest estimated at ₹ 1306.15 lacs for the year ended 31st March 2022 (31st March 2021- ₹ 1647.64 lacs; up to the year ₹ 5956.89 lacs) has not been made in accounts of the holding company in view of the proposed amalgamation under the provisions of Companies Act, 2013.

WWW.TAXSCAN.IN - Simplifying Tax Laws

55. Other Financial Services

Company 55.1	
Basis for Qualified opinion	The company has not provided for the defined benefit obligation in the nature of gratuity based on the requirement of Ind AS- 19 i.e. Employee Benefits which require defined benefits obligation to be recognized based on Actuary Valuation. In absence of the Actuary valuation report, we are unable to quantify the impact of the above on the net profit for the year and liability as on date.
Management Response	For payment of gratuity, it is accounted-for on payment basis.

Company 55.2	
Basis for Qualified opinion	1. The Company has investment in unquoted equity shares with a carrying value of ₹ 5,444.92 lakhs. The Company has not obtained fair valuation of these investments as at 31 March 2022 as required by Ind AS 109 "Financial Instruments". In the absence of fair valuation report, we are unable to comment on the carrying value of these investment amounting to ₹ 5,444.92 lakhs and the consequent impact thereof on Other Comprehensive Income. 2. The Company did not obtain/ receive balance confirmation/ term sheet from two lenders amounting to ₹ 3,596.65 lakhs. Hence, we could not obtain external confirmations as required in SA-505, Standards on Auditing and are unable to comment on adjustments or disclosures, if any, that may arise. 3. According to the information and explanations given to us and based on our audit, material weaknesses have been identified in respect of: i) Independent Confirmation/ term sheet which were not obtained /received from two lenders for the balances outstanding as at 31 March, 2022. ii) Fair valuation of unquoted equity shares as required by the Ind AS 109 "Financial Instruments".
Management Response	1. The Company has requested for the fair valuation for investments in unquoted equity shares. The Company is confident that there will be no material change in the carrying value of investments in unquoted equity shares. 2. The Company is unable to get the confirmation / term sheet from two lenders as the parties are not contactable. The Company is confident that there will be no material change in the balances outstanding.

Company 55.3	
Basis for Qualified opinion	1. The Company has Not provided for Delayed Period Interest cost amounting to ₹ 70.32 Lakhs for the year ending 31st March 2022 cumulative impact of

Analysis of Modified Opinions — Other Financial Services

	Interest Cost Not Provided from 1st October 2019 to 31st March 2022 is ₹ 181.70 Lakhs to that extent profit is overstated and Liability is understated. 2. Investment in Associate, ABC Limited not shown at fair value as at 31st March 2022, in absence of audited statement, we are unable to quantify the effect on the value of Investment and other comprehensive Income and corresponding figures are incomparable.
Management Response	1. Interest is required to be provided for delays, if any, by the Company in payment of instalment. So, interest was provided up to 30" September, 2019. The Management decided not to provide interest after 1st October, 2019 as there was a Public notice issued by the Company in News Paper on 14" May, 2019 to the Bond & Deposit holders to surrender their Certificates and collect their final instalment dues. The public notice conveys that Company is ready to pay and, therefore, no further delay and, therefore, no delayed period interest need to be provided. 2. As observed by the auditors in the absence of audited financials of associate M/s ABC Limited, the management is unable to assess the gain or loss on the investment of the company for the year under report.

Company 55.4	
Basis for Qualified opinion	The Company is not allowed to carry Non-Banking Financial Business due rejection of its application by the Reserve Bank. However, presently the operations of the Company are restricted to realization of debtors and advances and interest income on investments. - We draw attention to note no. 7 of the statement, wherein the Company has given loan of ₹ 21,686 thousands to one of its related party "CCC Private Limited". This is not in line with the provisions of section 186 of the Companies Act, 2013. - The Company has incurred a net loss of ₹ 4,2927.80 thousand for the year ended March 31, 2022 resulting in accumulated loss of ₹ 1,65,670.97 thousand as on that date which has completely eroded the net worth of the Company. Further, as on March 31, 2022, the Company's current liabilities exceeded its current assets by ₹ 17,670.97 thousand. The Company had been reporting negative operating cash flows for few years which have also contributed to constraints of working capital. These conditions have resulted into acute working capital deficit and have casted material uncertainty on functioning of the Company. As stated by the management, the accounts of the Company have been prepared on a "going concern" basis as the management is hopeful that adequate finance and opportunities would be available in the foreseeable future to enable the Company to start operating on a profitable basis. In view of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	above, the accounts of the Company have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts or classification of liabilities that may be necessary if the Company is unable to continue as going concern.
Management Response	The observations of Auditors in their report with the relevant notes to accounts are self-explanatory and therefore do not require further explanation.

Company 55.5	
Basis for Qualified opinion	The company has taken various loans, which were outstanding as on 31st March, 2022. The management has not provided the interest on some of the loans, which constitute a departure from the Accrual basis of accounting. The company's records indicate that an amount of ₹ 72,97,299/- for the year ended on March 31, 2022 has not been provided as interest expenses on these loans, which would have been decrease the profit by ₹ 72,97,299/- for the year ended on March 31, 2022 and also increase the loan liability by same amount.
Management Response	Interest of ₹ 72, 97, 299/- has not been provided in the books as the there is some dispute going on with the concerned parties and management is in view that no provision of interest is required in the books of accounts.

Company 55.6	
Basis for Qualified opinion	The Company has not obtained Certificate of Registration from Reserve Bank of India or its consent, in accordance with the provisions of Section 45 IA of the Reserve Bank of India Act, 1934, for carrying on the business of dealing in investment in shares and other securities.
Management Response	The Auditors have commented that the Company has not obtained Certificate of Registration from Reserve Bank of India or its consent, in accordance with the provisions of Section 45 IA of the Reserve Bank of India Act, 1934, for carrying on the business of dealing in investment in shares and other securities. It is, hereby, clarified that the Company is not carrying on NBFC activity and that it has invested the Company's own funds in shares. The Company has no borrowings of any kind or public Deposits, nor has it issued any NCDs. However, the Company will take steps to comply with the Reserve Bank of India regulations, as and when required. Notes to Accounts are self-explanatory and do not call for any further comments.

Analysis of Modified Opinions — Other Financial Services

Company 55.7	
Basis for Qualified opinion	During the course of our audit, the following observations were observed with respect to compliances under the Companies Act, 2013: TDS deducted on interest paid pending as on date due to non-reconciliation among the parties.
Management Response	There are no qualifications made by M/s. ABC & Associates, Chartered Accountants, the Statutory Auditors of the Company, in their report.

WWW.TAXSCAN.IN - Simplifying Tax Laws

56. Other Food Products

Company 56.1	
Basis for Qualified opinion	We draw attention to the matters described in "Annexure C", the effects/ possible effects of which and matters where we are unable to obtain appropriate audit evidences, individually or in aggregate, are material to the financial statements. 1. The total turnover of Salt (Edible Salt) is being booked on MRP basis, as per policy of the company, in the Profit and Loss statement and subsequently the credit notes were issued to vendors and shown as Dealer & Distributor discount hence, approximately 58% of Trade Discount is shown. 2. For Hospitality division of Company, the physical accounting records for the period from April '21 to November '21 are not available as they are detained with GST department for scrutiny, and not yet released.
Management Response	There were no qualifications, reservations or adverse remarks or disclaimers made either by the auditors or the practicing company secretary in their respective reports.

Company 56.2	
Basis for Qualified opinion	The Company's Employee's Group Gratuity Liability is carried in the Balance Sheet at ₹ 136.94 Lakhs Management has stated the gratuity liability on the basis of liability worked out by LIC under Group Gratuity Scheme for the employees on the basis of certain Actuarial assumptions up to 30th Sept. 2021 also refer Note No.46 and in which sufficient audit evidence is not available for us, which constitutes a departure from the Accounting Standards Ind As 19 prescribed under section 133 of the Companies Act, 2013. The Company's records indicate that, had management stated the Gratuity Liability as per the appropriate Actuarial Valuation Basis Gratuity Liability, such amount as debited in Profit and Loss account and other Comprehensive Income would have been increased/decreased by Likely amount, and income tax, net income and shareholders' funds and Gratuity Provision Liability would have been increased/reduced by that likely amount, respectively.
Management Response	The Company has taken a Group Gratuity Policy for providing gratuity benefits under Group Gratuity Scheme from Life Insurance Corporation of India (LIC) and the premium paid to the LIC is charged to Profit & Loss A/c. The payment is made as per computation made by LIC on the basis of Actuarial Valuation. For the FY 2021-22 the LIC has worked out employee group gratuity liabilities at ₹ 32.69 Lakhs on basis of Actuarial assumptions up to 30th Sept. 2021 and accordingly the same has been provided in books for the year.

WWW.TAXSCAN.IN - Simplifying Tax Laws

57. Other Industrial Products

Company 57.1	
Basis for Adverse opinion	1. As stated in Note no. 31(xvii) of the Financial Statements, regarding preparation of Financial Statements on Going Concern basis for the reasons stated therein. The Company has discontinued its manufacturing operations and as represented has plans to resume the trading activity but necessary and evident steps to start the same is not reflected in the action moreover during the year under review, the company has sold one of its office premises at a price lower than the circle rate as determined by the stamp duty valuation authorities signifying stress sale of assets. As stated in Note no. 31(xvii) the appropriateness of Going Concern is dependent upon various initiatives undertaken by the company including realisation of Trade receivables through ECGC, feasibility and sustainability of the trading activities, arrangement for financial resources in order to meet working/ long term capital requirement of the trading activity and payment/ settlement of existing unsecured creditors. The Company has accumulated losses of ₹ 1341.55 Lacs (Previous year ₹ 1266.35 Lacs) leading to negative net worth of ₹ 120.56 Lacs (Previous Year ₹ 45.36 Lacs) as at 31st March, 2022, which has resulted in complete erosion of the net worth of the Company. The Company's current liabilities exceeds its current assets by ₹ 42.63 Lacs as at 31st March, 2022. Considering matters described above and in absence of necessary and adequate evidence with respect of the Company's assessment of going concern, as per our judgement, management's use of going concern basis of accounting in the financial statements is inappropriate. 2. According to the information and explanation given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at 31st March 2022; The Company's internal controls over financial reporting with respect to financial statements closure process in terms of assessing the Company's ability to continue as a going concern were not operating effectively, which is likely to result in material misstatements in the carrying value and classification of assets and liabilities and have a consequential impact on earnings, reserves and related disclosures in the financial statements.
Management Response	In respect to the above qualification the Board states that the statement on the impact of Adverse Opinion shows that the Audited figures for the year March 31st, 2022 do not change and remain the same, hence the observation of the Auditors are futuristic and as a mark of caution. The "Turnaround Plan" as approved by the Board of Directors was partially successful in so far as that related to disposal of property, plant and equipment and consequential realization of sale proceeds. The Company was able to negotiate and settle with secured lenders under one time settlement scheme. As far as liabilities which remains after the above would be settled and the Company continues to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	negotiate with the remaining creditors to settle the dues at a reasonable discount with mutual consent including the case pending at NCLT. The efforts to realize the refundable taxes and duties from Revenue Authority, the refund of ₹ 99.08 Lacs from West Bengal VAT authorities and ECGC claim realization from two overseas buyers continues. Besides this the reduction of administration cost by various ways such as staff reduction and remuneration review is being done. The property sold as stated by the Auditor was below circle rate which was primarily become of the sale during COVID times and total collapse of the property market during these tough times besides our urgency to get funds to pay off the liabilities and sustain the establishment. The Company has been in touch with various financial institutions and finance providers and is awaiting for a fair and reasonable offer. Once the financial ratio improves, the Company can hope for progress in this front. ABC does have a good image in the overseas markets and can get customers but without a finance tie-up, the Company cannot approach the customer for business and it is working on future arrangements from Financers and Promoter Directors.

Company 57.2	
Basis for Qualified opinion	1. The Company has defaulted in repayment of its borrowing taken from various banks/NBFC and according these loans have been classified as non-performing assets by the respective banks/NBFC. The company has not been recognising interest on such loan from the date of NPA classification by respective banks/NBFC. The amount of interest expenses cannot be ascertained. Further, the balance of borrowing are subject to confirmation from the respective banks/NBFC. 2. The company has classified its investments in unquoted equity shares of other entities to be Fair value through other comprehensive income. However, it has not obtained carried out fair valuation of such unquoted equity shares. The company has measured investments in unquoted equity shares based on Net assets value of such equity shares as at 31st March 2021. Whenever the financial statements of such entities are available as on such date. The impact of fair valuation cannot be ascertained. 3. The company has not used expected credit loss model to assess the impairment loss or gain on trade receivable as required by Ind AS 109-Financial Instruments. The impact of such non-compliance cannot be ascertained. However, the company has made provision of ₹ 7,494.41 lacs against doubtful trade receivable in the previous financial years. 4. The Company had entered into certain transactions with ABC Group Companies in past years. In consequent to which forensic audit was construction as per the directions of Hon'ble Supreme court of India to look into transactions between ABC group of companies and PQR group of companies. After which the hon'ble supreme court vide its order no writ petition (civil no 940/2017 dated 2 December 2019 had directed M/S LMN limited and RST limited including associated Companies and directors viz

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — Other Industrial Products

	Mr. DEF and Mr GHI to deposit ₹ 16,700 lacs. In response to the order of the Hon'ble Supreme court, it had filed an application on 9 December 2019 before the Hon'ble court to accept the title deeds of immovable properties belonging to PQR family members and associate companies (bases on latest valuation report worth amounting ₹ 16,897.00 lacs net off incumbency amount ₹ 3934 lacs including properties amounting ₹ 10182.00 lacs belonging to RST Limited. In the financial year 2019-20, the company has charged ₹ 1500 lacs in the statement of profits and loss against the above matter on an estimated basis and reduce the value of properties. 5. The company has not disclosed the ageing of trade payables in the format as prescribed under the schedule III of the Act. It is mandatory disclosure not directly impacting required members however any impact of the same cannot be ascertained. The company has neither provided for liability against this matter nor amount has been shown as contingent liability as required by Ind AS 37 Provision, Contingent Liabilities and Contingent Assets.
Management Response	The Auditors' Report being self-explanatory requires no comments from the Directors.

WWW.TAXSCAN.IN - Simplifying Tax Laws

58. Other Telecom Services

Company 58.1	
Basis for Qualified opinion	As mentioned in Note No. 32.1 to the Statement, the Company has neither paid nor provided interest on its borrowings during the financial year. Had such interest been recognised, the finance cost and interest liability for the year ended March 31, 2022 would have been more by ₹ 437.94 crores. Consequently, the reported profit after Other Comprehensive Income by the Company for the year ended March 31, 2022 would have been a loss of ₹ 6.45 crores. The Earnings per Share (EPS) would have been Negative ₹ 0.39.
Management Response	As regards the Auditors' modified opinion and emphasis of matters, the Board has furnished required details / explanations in Note Nos. 32.1 and Note No. 48 of Notes to financial statements respectively.

WWW.TAXSCAN.IN - Simplifying Tax Laws

59. Other Textile Products

Company 59.1	
Basis for Qualified opinion	1. During the year under review, the company has provided ₹ 58.07 Lakhs as interest on working capital loans and term loans with NPK Bank as per Terms of Onetime Settlement proposal submitted with the Banks. However as per the Revised terms of Sanction by RST Bank vide their letter dated March 29, 2022 the total Liability of Interest for the entire OTS period is ₹ 241.13 Lakhs. In the absence of statement of account/ confirmation from the Banks and financial institutions the above amount has been arrived at as per calculation made by the Company. 2. During the year the company has not provided interest on unpaid statutory dues amounting to ₹ 18.52 Lakhs. 3. Confirmation of balances was not obtained from Debtors, Creditors, loans and advances and other current assets. The management has not made any provision in the books of accounts. 4. The company did not provide the interest on unsecured loans received from Directors and body corporates.
Management Response	1. The management would like to bring to your notice that per the revised OTS sanctions terms vide the letter received from RST Bank dated 29th March 2022 the total amount of interest to be paid under the entire scheme was ₹ 241.13 lakhs to be paid before 30th June 2022. The company has settled the OTS scheme after payment of the outstanding sum and has also received No dues certificate from the bank to the effect. 2. The management would like to inform that the interest payable on statutory dues would be verified with individual statutory authorities and all the provisions relating to the same shall be made in the financial year 2022-23. 3. The management would like to inform that in an attempt to obtain confirmation from, company has written and sent intimations to all the debtors and creditors, most of them have not yet responded and hence the workings for financials have been completed as per the available balances in the company's books. 4. The management has agreed with the directors that keeping in mind the financial position and future operations of the company, interest will not be provided on the unsecured loans.

Company 59.2	
Basis for Qualified opinion	Non-Provisioning of CSR Expenditure to the tune of ₹ 16.25 Lacs which has resulted in Understatement of Provision for CSR Expenditure by ₹ 16.25 Lacs and Overstatement of Reserves and Surplus by ₹ 16.25 Lacs as on 31/03/2022, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true

WWW.TAXSCAN.IN - Simplifying Tax Laws

	and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2022 and its profit and comprehensive income, changes inequity and its cash flows for the year ended on that date.
Management Response	The Board of your Company wish to respond that the Board could not identify the suitable project in accordance with the Annual Action Plan, and provisioning for the CSR expenditure was left out inadvertently. Hence, the Company will transfer the amount of CSR Obligation for the year under review within the stipulated time in the fund specified in Schedule VII. Also, there is no such significant impact on the reserve and surplus of the Company.

Company 59.3	
Basis for Qualified opinion	Refer to note no. 38 to the notes on accounts, the Company has not provided for its liability towards interest & part of principal loan, waived earlier, and impact of retained earnings in terms of draft rehabilitation scheme and now revoked by its consented lenders amounting to ₹ 167553.94 lakh, accordingly the loss for the year and loan liability would have been increased and shareholder's fund would have been reduced to that extent.
Management Response	Observations in the Auditors' Report are dealt within Notes to Accounts at appropriate places and being self-explanatory, need no further explanations With regard to Audit qualifications for the year under review, as per the requirement under Regulation 33 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, and further amended by SEBI Notification No. SEBI/LAD-NRO/GN/2016-17/001 dated May 25, 2016 and as amended on May 9, 2018 and Circular No. CIR/CFD/CMD/56/2016 dated May 27, 2016 issued by the Securities and Exchange Board of India (SEBI), the Statement on Impact of Audit Qualifications signed by Managing Director/CFO/ Chairman of the Audit Committee and Auditors have been submitted with stock exchanges and forming the part of Annual Report.

Company 59.4	
Basis for Qualified opinion	1. The company has not changed interest to few parties to the whom loan is given as specified in section 186 of the Companies Act 2013. This matter was also qualified in the report on the standalone financial statements for the year ended 31 March 2021. 2. We draw attention to note 4(b) point (d) of the Financial statements regarding non- provision for doubtful advance amounting to ₹ 2,32,25,603 / given to ABC India Private Limited. The ultimate outcome of the above matter cannot be presently determined. Being unable to make informed judgement we are unable to express our opinion on the same.

	3. The Company is required to be registered under Section 45-IA of the Reserve bank of India Act 1934. However, the company has not obtained such registration because as per management such a situation has arisen as no new project is uncertain by the company. 4. The Company is required to get Internal Audit done as per Sec 138 of the Companies Act 2013, the same has not been complied with the company.
Management Response	1. The disclosures made by the statutory auditors in the report are self-explanatory and no explanation by the board is required. 2. In last two years the company could not take any project for implementation but now company is not working on waste recycling project and shortly will start work on the same. Therefore, company does not require registration under section 45 of Reserve Bank of India.

Company 59.5	
Basis for Qualified opinion	The company has not complied with the provision of AS-15 Employees Benefits with respect to creation off provision for leave encashment expenses payable to its employees. The company determines the liability of defined benefit plan on actual payment basis only and consequently financial statement do not include any adjustments in this regard.
Management Response	The Auditor Report contains unmodified opinion on the financial statements for the period ended March 31, 2022. The statement made by the Auditor in their Report are self-explanatory and do not call for any further comments.

Company 59.6	
Basis for Qualified opinion	Attention is drawn to Note 32 to the statement regarding non provision of interest on loan of ₹ 217,47,77,735/- of overdue debts availed under the Modified Draft Restructuring Scheme (MDRS) till March, 2022. Owing to the pending legal cases, the Company could not liquidate the asset and repay the mentioned loan amount as per stipulation, which has become over-due. The company is under negotiation with the lenders for restructuring of interest amount, as such amount of interest for and up to the year ended 31.03.2022 is not provided in the books of accounts.
Management Response	The observations made by the Auditors are self-explanatory and have also been explained in the notes forming part of the accounts, wherever required. The Auditors has not reported any matter of an offence of fraud to the Company required to be disclosed under Section 143(12) of the Companies Act, 2013.

Company 59.7	
Basis for Qualified opinion	1. As per Indian Accounting Standard 36 on Impairment of Assets, the Company is required to determine impairment in respect of Property, Plant & Equipment as per the methodology prescribed under the said Standard.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	However, the Management of the Company has not done impairment testing. In the absence of any working for impairment of the fixed assets, as per Ind AS 36, the impact of impairment, if any, on these Standalone Financial Statements is not ascertainable. 2. As mentioned in the note no. 35 (b to c) of the standalone financial statements, the Redemption Procedures of Investment in Debentures of the wholly owned subsidiary, SSS India Limited is not carried out. Therefore, impairment of the investment in the debentures is not ascertainable. 3. The mention is made in the note no. 59 (a & b) of the standalone financial statements, regarding non-provision of trade receivables/payables, trade advances, deposits and loans are subject to reconciliation, confirmation and consequential adjustments that may arise on reconciliation which may have major impact for the year ended March 31, 2022. Had this provision been made, the current assets would have been lower and the net worth would have also been eroded to that extent. These conditions, along with absence of clear indications or plans for revival, in our opinion, indicate that there is significant uncertainty about realisation of the carrying amount of the assets as on March 31, 2022. We are unable to ascertain the consequent effect on the balances held by the company and loss for the year. 4. As mentioned in the note no. 62 of the standalone financial statements, the company has not provided for interest accrued and due on the Optionally Convertible Debentures ("OCD") as the company is in the process of negotiating a one-time settlement with the lenders. The total interest payable are unascertainable. We further state that to this extent the loss of the company is understated. 5. As mentioned in the note no. 46 & 61 (c) of the standalone financial statements, during the year covered under our audit we find that the company has not provided for interest accrued and due on the borrowing from financial institution and bank, as the company is in the process of negotiating a onetime settlement with the lenders. The total interest not provided in books during the year are as follows: I. Interest dues not provided during the year from Financial Institutions i.e. ABC ₹ 472.85 Crores (PY ₹ 448.38 Crores), the company has reversed an amount of Interest of ₹ 273.91 Crores (P.Y. ₹ 460.05 Crores) provided in the earlier years. II. Interest dues not provided during the year from XYZ Bank Limited is ₹ 43.10 Cr (PY Nil), the company has reversed an amount of Interest of ₹ 91.90 Crores (P.Y. Nil) provided in the earlier years. III. To this extent we state that the loss of the company is understated. We would further like to state that the company s total non-provision of the interest (period 01.04.2020 up to 31.03.2022) due to the financial institutions and XYZ Bank Limited is ₹ 2314.69 cr (PY ₹ 1709.84 cr).

Analysis of Modified Opinions — Other Textile Products

Management Response	The Report of the Statutory Auditors on the financial statement for the year ended 31st March 2022 does not contain any qualification.

Company 59.8	
Basis for Qualified opinion	The Company has not accounted for liability for gratuity and leave encashment for the year ended 31 March 2022 this is not in accordance with the requirements of Ind AS 19 – Employee Benefits which requires the Company to accounted for actuarial liability of gratuity and leave encashment, I am unable to quantify the amount adjustments to these Ind AS financial statements as the Company has not carried out actuarial valuation of gratuity and leave encashment.
Management Response	There are no qualifications, reservations, adverse remarks or disclaimers made by Mr. ABC, Statutory Auditors, in their Audit Report. However, they drawn the attention of the Management of the Company towards non-compliance of Section 203.

Company 59.9	
Basis for Qualified opinion	1. The Company has recognized deferred tax asset (net) of ₹ 739.98 million on its carried forward accumulated losses (including unabsorbed depreciation) and other temporary differences. In accordance with Ind AS 12 on Income Taxes, a deferred tax asset shall be recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Due to the financial difficulties experienced by the Company as stated in Note22(d) and Note 24(c) to the standalone financial statements and significant uncertainty stated in Note 54 to the standalone financial statement, we are unable to comment on the recoverability of deferred tax asset and consequential impact, if any, on the standalone financial statements. Had the Deferred tax asset not been created, the net loss and total comprehensive loss for the year ended March 31, 2022 would have been higher by ₹ 739.98 million and other equity as on that date would have been lower by the same amount. 2. The Company's Cash Generating Unit ("CGU") viz. ABC Cluster, has a carrying value of ₹ 3,379.38 million as on March 31, 2022 comprising of tangible and intangible assets. The Company has performed an impairment assessment of the CGU as required under Ind AS 36- Impairment of Assets. The Company is undergoing financial difficulties as stated in Note 22(d) and Note 24(c) to the standalone financial statements and there is significant uncertainty as cited in Note 54 to the standalone financial statements in respect of the Company's plan to monetize its assets, secure funding from the bankers/investors, restructure its liabilities and normalize its operation. We are unable to comment on the appropriateness of the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	assumptions for the projections used in the impairment assessment and consequential impairment provision, if any, to be made in the standalone financial statements with regard to the CGU. 3. The Company has not provided for interest charge (including penal interest) amounting to ₹ 183.29 million; ₹ 171.44 million and ₹ 203.07 million for the year ended March 31, 2020; March 31, 2021 and March 31, 2022 respectively on loans outstanding to certain lenders; this constitutes departure from the accrual basis of accounting stipulated under Ind AS 1 - Presentation of Financial Statements. Accordingly, interest due to lenders (gross of TDS deduction), the interest cost and loss during the year ended March 31, 2020, March 31, 2021 and March 31, 2022 is understated by ₹ 183.29 million, ₹ 171.44 million and ₹ 203.07 million respectively. In the absence of sufficient appropriate audit evidence, we are unable to comment upon the consequential impact, if any that may arise from this matter. Refer Note 53 to the standalone financial statements.
Management Response	1. The Company is carrying deferred tax asset aggregating to ₹ 7,399.85 lakhs. Management is reasonably certain that the Company will earn sufficient taxable profit in future to utilise the Deferred Tax Asset (including MAT Credit) within the time limit prescribed under the Income-tax Act, 1961. Management believes that they are very close to having a complete solution for the Company's debt overhang. The management is negotiating with various investors and all its lenders for one-time settlement of the term loans. This settlement will happen at a steep discount to the original value. On account of the steep discount, enough profit would be generated which will set off the entire brought forward losses. Once the solution happens, the Company has the ability to generate profit in excess of ₹ 50 crore per year which will enable the Company to utilize deferred tax in the period available to the company easily. Accordingly, no adjustment is currently considered necessary by the management to the amount of deferred tax recognised. 2. The Company's Cash Generating Unit ("CGU") viz. ABC cluster, has a carrying value of ₹ 33,793.84 lakhs as on March 31, 2022, comprising of tangible and intangible assets. The Company has performed an impairment assessment of the CGU as required under Ind AS 36 - Impairment of Assets. The Company is undergoing financial difficulties as stated in Note 2 to the Statement and there is significant uncertainty as cited in Note 3 to the Statement in respect of the Company's plan to monetize its assets, secure funding from the bankers / investors, restructure its liabilities and normalize its operations. We are unable to comment on the appropriateness of the assumptions for the projections used in the impairment assessment and consequential impairment provision, if any, to be made in the Statement with regard to the CGU. 3. The Company is in the process of approaching DEF Ltd. and International Finance Corporation ("lenders") for one time settlement of its loan and envisages that the lenders shall forgo the interest charge (including penal

WWW.TAXSCAN.IN - Simplifying Tax Laws

	interest) on its loans for the period April 1, 2019, to March 31, 2022. Accordingly, the Company has not accrued interest amounting to ₹ 2,030.70 lakhs, ₹ 1,714.41 lakhs and ₹ 1,832.91 lakhs for the year ended March 31, 2022, for the year ended March 31, 2021, and for the year ended March 31, 2020 respectively.

Company 59.10	
Basis for Qualified opinion	1. In our opinion, the company is no longer a going concern. The Board of Directors in their meeting held on 06.08.2019 decided to voluntarily wind up the Company. A special resolution to this effect was also brought before the shareholders for their approval in the 30th AGM of the Company held on 27.09.2019. 2. The interest provisions for all Loans from Banks have not been worked out since the date of taking over of assets by the bank. We could not be able to quantify the interest amount. 3. The balances shown under Secured loans and Balances with bank. Confirmation of balance is yet to be given by the Bankers. Hence, the balances reflected under these two heads are as per the books of account of the company. 4. The penalty amount of ₹ 7,30,48,152 imposed by the Income Tax department become due after the company lost its appeal in the Hon'ble Supreme Court of India. However, the management has not provided this liability in the books of account of the Company. Management has given explanation that they are considering filing a Review petition in the Hon'ble Supreme Court of India. Hence this amount has not been provided the books of account of the Company.
Management Response	The reports of Statutory Auditors appearing elsewhere in the Annual Report and that of the Secretarial Auditors (annexed hereto) are self- explanatory having no adverse comments.

Company 59.11	
Basis for Qualified opinion	During the quarter also, the company has generated operating cash losses (except the profit on sale of assets of ₹ 76.40 lakhs) and generated negative cash flows and there has been an erosion of net worth. The company is continuing to incur cash losses in its yarn trading business. We are of the opinion that these factors indicate existence of material uncertainty in the company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statement even if the Going Concern Concept is not adopted.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	The Independent Auditors report contains qualified opinion with respect to 'Material uncertainty related to going concern', the explanation is provided as follows: The Company continued to lease out its immoveable property and earned lease rental income. The quality of goods produced hitherto by company has generated goodwill and brand image. The Board of Directors hope to continue to use these advantages by continuing yarn trading business and the promoters have given assurance of infusion of funds as and when deemed necessary. Considering the above, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion with respect to the same.

Company 59.12	
Basis for Qualified opinion	1. A sum of ₹ 428 lakhs have been written off as deferred Interest Expenditure in the financial statements under review though the amount was paid in FY 2013-14 consequent upon One time Settlement of loan from III bank assigned by it KK Bank Ltd. The amount was parked as deferred interest expenditure to be amortized over a period of 7 years. However, the unamortized balance of ₹ 428 lakhs has been charged to the statement of profit and loss of the year under review. 2. The companies spinning division was not in operation during the year under review. 3. The company has incurred net cash losses in the previous financial years. These conditions cast serious doubt about the company's ability to continue as a going concern. However, the Ind AS financial statements of the Company are prepared on a going concern basis.
Management Response	1. The deferred revenue expenditure ₹ 428 lakh pertains to the interest component of the earlier OTS of bank dues in 2014 which was approved to the written of in 2022 years. Accordingly, it was written off for 7 years, leaving aside the balance of ₹ 428 lacs to be written off. This balance has been written off fully during the current year for the following twin reasons. Firstly, consequent upon the final settlement of bank dues during the current year, year wise written off the balance of deferred revenue expenditure of interest component is no more required to write off, and secondly, the said deferred revenue expenditure should have been written off within a period of remaining 7 years which has been completed on 31-03-2022. 2. Due to large variations in the raw material prices coupled with lack of demand for the finished goods, the business of the manufacturing of spinning of yarn has been suspended, which will be resumed once the normal condition prevails. 3. The response to the auditor's qualification in clause c is covered in the reply given the above serial number b.

Analysis of Modified Opinions — Other Textile Products

Company 59.13	
Basis for Qualified opinion	1. We draw to attention to: We are unable to determine the consequential impact of certain specific transactions /matters and disclosures on the Standalone Financial Statements. Such specific transactions/ matters include: 1. The company had not conducted the Fair Value Assessment for the Investments held of ₹ 7,88,16,800/- in the shares of unlisted companies as required under Ind AS 109. Hence, we are unable to comment on the realizable value of such investment. 2. The Company has not complied with provision if Ind AS-19 for employee benefits.
Management Response	There is no audit qualification, reservation or adverse remark for the year under review.

Company 59.14	
Basis for Qualified opinion	The company has booked insurance claim receivable amounting to ₹ 25.29 Crores as on 31st March, 2022.The claim lodged is under consideration and subject to confirmation by the insurance company. We are unable to comment on appropriateness of assumption taken for booking of insurance claim and any consequential impact, if any that may arise from this matter.
Management Response	The Comments on the qualifications in the Auditors' Report on the financial statements of the Company for financial year 2021-22 are provided in the "Statement on Impact of Audit Qualifications" which is annexed as Annexure VIII and forms part of this report. Since the survey report from the insurance company is pending management is unable to estimate the impact of same on the financial statements of the company.

Company 59.15	
Basis for Qualified opinion	The company has not provided for Post-Employment Benefits and other long term employee benefits under Defined Benefit Plans on accrual basis but provides the same as and when they become due for payment. This method of accounting of Post-Employment Benefits and other long term employee benefits under Defined Benefit Plans is in deviation with Ind AS – 19 on Employee Benefits. As there is no actuarial report or basis of calculation available with the management of such Post-Employment Benefits and other long term employee benefits, the quantum of deviation cannot be ascertained. If the company had followed the method accounting as per Ind AS – 19, then employee benefit expense would have increased and correspondingly Profit for the period would have reduced.
Management Response	The notes referred to in the Auditor Report are self-explanatory and they do not call for any further explanation as required under section 134 of the Companies Act, 2013.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 59.16	
Basis for Qualified opinion	1. We have not received direct bank confirmations from the banks and hence in view of pending confirmations from banks we are unable to comment on the impact, if any, on the financial statement arising out of such confirmations and reconciliation thereof with the books of accounts. 2. The system of Internal Financial Control over Financial Reporting with regard to the company were not made available to us to enable us to determine if the company has established adequate internal financial control over financial reporting and whether such internal financial control was operating effectively. Because of this reason, we are unable to obtain sufficient appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2022. We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the disclaimer does not affect our opinion on the financial statements of the Company.
Management Response	The Notes on financial statements referred to in the Auditors Report are self–explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark except receipt of balance confirmation and the same was address by the management.

Company 59.17	
Basis for Qualified opinion	1. We draw attention to the Note no 24 of the financial statement and fact that company is continuously suffering losses from operation with net loss for the year ended March 31, 2022 amounting to ₹ 40.11 lakhs and as of that date the company's accumulated losses amount to ₹ 668.79 lakhs as against share capital of ₹ 650 lakhs and the net worth of the company fully eroded. These conditions indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. In the event that the going concern assumption of the company is inappropriate, adjustment will have to be made as not a going concern. However, the financials has not been prepared with such adjustment for the year March 31, 2022. 2. We draw attention towards Inventory that Companies do not have any movement in Inventories and have not revalued its stock as on date, which indicate a material uncertainty on stock obsoleteness.
Management Response	1. We draw attention to 24 of the financial statements, wherein company's net worth eroded due to losses in current years as well as previous year, which indicate a material uncertainty exists that may cast a significant doubt on

	the company's ability to continue as a going concern. However, for the reason more fully described in aforesaid note the accounts of the company have been prepared as going Concern. 2. We draw attention towards Inventories valued at ₹ 7.85 (in lakhs) in financial statements, which are non-moving and obsolete, however no provision has been made by the management. As a result, the inventory and profit are overstated to the tune of ₹ 7.85 (in lakhs).

Company 59.18	
Basis for Qualified opinion	1. We are unable to determine the consequential impact of certain specific transactions /matters and disclosures on the Standalone Financial Statements. Such specific transactions/ matters include: The company had not conducted the fair value assessment for the investment held of ₹ 15,00,000/- in the shares of unlisted company as required under Ind AS 109. Therefore, these are shown at cost. Due to not availability of valuation report, we are not able to comment on the same.
Management Response	The Auditor's Report Contain qualifications, reservations, adverse remarks.

Company 59.19	
Basis for Qualified opinion	1. The company has not provided for Interest Expenses amounting to ₹ 2,012.29 lakhs (P.Y. ₹ 2,054.78 lakhs) (derived on simple interest basis) which should have been provided as per the principle of prudence on the borrowings which have been classified as "Non-performing assets" (NPA) by the banks and on borrowings transferred to Asset restructuring company ('ARC') as referred in Note 17(e) of accompanying notes to financial statement. The company has also not provided penal interest and other bank charges, as the same are not ascertainable. Had these Interest Expenses been debited to the Statement of Profit and Loss Account, loss for the year ended and debit balance of Other Equity would have been higher by ₹ 2,012.29 lakhs and ₹ 13,214.60 lakhs. 2. According to the information and explanation given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at 31st March, 2022: The documentation in respect of specific policies and procedures and the IT Controls pertaining to internal financial controls over financial reporting are not adequate and needs to be further strengthened.
Management Response	The Company is in the process of discussion with its lenders and is hopeful that the suitable resolution plan will be considered by its lenders and accordingly, the company has not recognized the Interest Expense.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 59.20	
Basis for Qualified opinion	1. During the year under review, the company has provided ₹ 79.77 Lakhs as interest on working capital loans and term loans with NPK Bank as per Terms of Onetime Settlement proposal submitted with the Banks. However as per the Revised terms of Sanction by RST Bank vide there letter dt 29/03/2022 the total Liability of Interest for the entire OTS period is ₹ 399.68 Lakhs. In the absence of statement of account/confirmation from the Banks and financial institutions the above amount has been arrived at as per calculation made by the Company. During the year under review, the company has provided ₹ 79.77 Lakhs as interest on working capital loans and term loans with NPK Bank as per Terms of Onetime Settlement proposal submitted with the Banks. However as per the Revised terms of Sanction by RST Bank vide there letter dt 29/03/2022 the total Liability of Interest for the entire OTS period is ₹ 399.68 Lakhs. In the absence of statement of account/confirmation from the Banks and financial institutions the above amount has been arrived at as per calculation made by the Company. 2. During the year the company has not provided interest on unpaid statutory dues amounting to ₹ 38.44 Lakhs. 3. The company did not provide the interest on Unsecured loans received from Directors and other related parties. 4. Confirmation of balances was not obtained from Debtors, Creditors, loans and advances and other current assets. The management has not made any provision in the books of accounts. Consequent to the above, profit for the period was overstated and Liabilities as on 31st March 2022 was understated and Shareholders funds are overstated to this extent.
Management Response	1. The management would like to bring to your notice that per the revised OTS sanctions terms vide the letter received from RST Bank dated 29th March 2022 the total amount of interest to be paid under the entire scheme was ₹ 399.68 lakhs to be paid before 30th June 2022. The company has settled the OTS scheme after payment of the outstanding sum and has also received No dues certificate from the bank to the effect. 2. The management would like to inform that the interest payable on statutory dues would be verified with individual statutory authorities and all the provisions relating to the same shall be made in the financial year 2022-23. 3. The management has agreed with the directors that keeping in mind the financial positions and future operations of the company, interest will not be provided on the unsecured loans. 4. The management would like to inform that in an attempt to obtain confirmation from, company has written and sent intimations to all the debtors and creditors, most of them have not yet responded and hence the workings for financials have been completed as per the available balances in the company's books.

Analysis of Modified Opinions — Other Textile Products

Company 59.21	
Basis for Qualified opinion	The Company's net worth has been completely eroded. The accumulated losses in the reporting year amounts to ₹ 3,113.11 Lakhs (Previous Year ₹ 3,549.18 Lakhs). The turnover during the period ended 31st March 2022, is ₹ 15,013.70 Lakhs (Previous Year ₹ 8,601.65 Lakhs) as per the books of accounts maintained. In the absence of external confirmation of balance, in a few cases of advances to suppliers, we are unable to comment on the quality of the specified assets. A sum of ₹ 7,85,000 incurred under staff welfare expenses and ₹ 1,50,000 incurred under selling expenses have not been supported by proper documents.
Management Response	Not Available

Company 59.22	
Basis for Qualified opinion	1. The company has not created provision for interest on loan taken from bank and financial institutions for the year ending 31.03.2022 on ₹ 62.42 Crore (₹ 438.84 – ₹ 376.42) Crore being other than proposed continuing sustainable debt. The same will result in overstatement of profit. 2. The company has not created provision for Interest amounting to ₹ 30,69,475/- on delayed payment of MSME dues resulting in overstatement of profit.
Management Response	1. In the meeting held on 19th February 2022 of Joint Consortium Lenders, it was proposed that on continuing sustainable debts of ₹ 376.42 Crores, interest to be charged as per rate proposed in the meeting from 01.04.2021. Accordingly, the company has booked interest amount of ₹ 23.00 Crores in the books of accounts shown under Finance cost on the basis of interest proposed as per plan approved in JLM meeting. The Interest is not provided on balance amount of unsustainable debts as mentioned in the audit qualification. 2. Provision for Interest on delayed payment to MSME has not been provided because most of payment is delayed due to disputes standing with parties in terms of quality issue, rate differences, discounts etc which were remained unresolved from the parties. Management is taking clarification from the department concerned and instructed to clear the dues to concerned MSME parties after settle the issues.

Company 59.23	
Basis for Qualified opinion	1. During the year under review, the company has provided ₹ 79.73 Lakhs as interest on working capital loans and term loans with NPK Bank as per Terms of Onetime Settlement proposal submitted with the Banks. However as per the Revised terms of Sanction by RST Bank vide their letter dt 29/03/2022 the total Liability of Interest for the entire OTS period is ₹ 2,82,19,441.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. During the year under review, the company has provided ₹ 8.20 Lakhs as interest on loan from RRR finance Ltd, whereas per the statement provided by lender the interest amount was ₹ 30 lakhs in the absence of statement of account/confirmation from the Banks and financial institutions the above amount has been arrived at as per calculation made by the Company. 3. Confirmation of balances was not obtained from Debtors, Creditors, loans and advances and other current assets. The management has not made any provision in the books of accounts. 4. The company did not provide the interest on unsecured loans received from directors and related parties. Consequent to the above, profit for the year ended 31st March 2022 was overstated and Shareholders funds are overstated to this extent. 5. According to the information and explanations given to us and based on our audit, the following weaknesses has been identified as at March 31,2022. a) The Company did not obtain comparative quotes for the prices paid/ received relating to the transactions with related parties to ensures that those transactions were entered into at armlength prices. b) As stated in Note no. 44 and 46 Pending confirmations/ reconciliation of balances of secured borrowings, balances with banks including, trade receivables, trade payables (including micro and small) and receivables/ payables from/ to related parties. In this regard as stated in the note, internal control is being strengthen. The management is confident that on confirmation/ reconciliation there will not be any material impact on the financial statements for the year ended March 31, 2022.
Management Response	1. The management would like to bring to your notice that per the revised OTS sanctions terms vide the letter received from RST Bank dated 29th March 2022 the total amount of interest to be paid under the entire scheme was ₹ 282.19 lakhs to be paid before 30th June 2022. The company has settled the OTS scheme after payment of the outstanding sum and has also received No dues certificate from the bank to the effect. 2. The management would like to inform that the interest payable on statutory dues would be verified with individual statutory authorities and all the provisions relating to the same shall be made in the financial year 2022-23. 3. The management would like to inform that in an attempt to obtain confirmation from, company has written and sent intimations to all the debtors and creditors, most of them have not yet responded and hence the workings for financials have been completed as per the available balances in the company's books. 4. Though the company has not obtained any formal quotes from third parties, but company has paid / received payment relating to transaction of related party according to the prevailing market prices.

	5. The management have agreed with the directors keeping in mind the financial position and future operation of the company the interest is not provided on secured loans.

Company 59.24	
Basis for Qualified opinion	Note No. 48 of the Standalone Ind AS financial statements regarding crediting a profit of ₹ 396.44 lakhs due on payment of FCCB liability to the statement of profit & loss during the year ended March 31,2017 which should have been credited in the statement of profit & loss on payment of FCCB liability which is still outstanding to the tune of 554,160 USD as on March 31,2022 is not in compliance with the requirements of para 27 of the Ind AS 1- Presentation of Financial Statements w.r.t. preparation of financial statements on accrual basis. Consequently, the profit and loss has been overstated by the above-mentioned amount. We further report that, had the impact of our observations made in para above been considered, the net loss and the net worth, for the period ended, would have increased, and decreased respectively by ₹ 396.44 lakhs.
Management Response	The Management hereby states that the company had credited the amount on the basis of settlement of FCCB liability and out of the settled amount a major part has already been paid till the year ended on 31st March 2017. The company is undergoing debt resolution plan with the entire of its lenders including KSL Bank Ltd which is holder of FCCB and the issue will be addressed at the time of settlement with KSL Bank.

Company 59.25	
Basis for Qualified opinion	Point no "L" of Significant Accounting Policies: Employee Benefits, the company has not made the provision of employee cost with reference to the retirement benefits of the employees.
Management Response	The Statutory Auditor has mentioned in the Point no "L" of Significant Accounting Policies: Employee Benefits, that the Company has not made the provision of employee cost with reference to the retirement benefits of the employees. Since most of the employees are on contract basis, Company has not provided retirement benefits.

Company 59.26	
Basis for Qualified opinion	The Company's trade receivables as at balance sheet date amounts to ₹ 152.81 crores wherein the debtors receivable overdue for period exceeding three years amounts to ₹ 108.42 crores. We draw attention to Note number 5A to the financial statements providing details with respect to actions implemented by management with respect to overdue trade receivables. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
Management Response	We draw attention to Note number 8A of financial statements regarding loans

WWW.TAXSCAN.IN - Simplifying Tax Laws

	obtained from Financial Institutions wherein the term loan accounts and the CC accounts with KSL Bank Limited and XYZ Bank have been declared as NPA. The total outstanding amount is ₹ 77.41 Crores. The Company has put up a proposal for regularization as well as upgradation of its accounts to standard asset to the banks and same was approved and further course of action was implemented in line with the said plan, details of which are provided by the management in the said note.

WWW.TAXSCAN.IN - Simplifying Tax Laws

60. Packaged Foods

Company 60.1	
Basis for Qualified opinion	1) We draw your attention to "Note 33 (iii)" to the Standalone Ind AS Financial Statements, which indicates that certain companies, to whom the Company had given significant loans and/or advances amounting in total to ₹ 1,94,57,091 (₹ 1,94,57,091), whose name have been struck-off from the list of registered companies by the Registrar of Companies of Gujarat and Mumbai. These conditions indicate the existence of a material uncertainty of realizing such loans/advances. Management has not provided for the losses arising out of non-realization of such loans/advances and these loans are stated at their carrying amounts, which constitutes a departure from the Accounting Standards prescribed under section 133 of the Companies Act, 2013. The Company's records indicate that had management recognized and made provision for such losses in the statement of profit and loss for the year, the carrying amounts of the loans/advances in the balance sheet would have been reduced by the said amount at 31st March, 2022, the net income and shareholders' equity would have been reduced by the same amounts respectively. However, the amount of provision for loss is not quantified by the management. 2) We draw your attention to "Note 2 (j)" to the Standalone Ind AS Financial Statements, which indicates that the company has Investments of ₹ 3,44,665 at carrying value. On the basis of audit procedures carried out the company failed to produces any document supporting the ownership of the Investments as at the date of balance sheet. Had management recognized such losses in the statement of profit and loss for the year, the carrying amounts of the Investments in the balance sheet would have been reduced by the said amount at 31st March, 2022, the net income and shareholders' equity would have been reduced by the same amounts, respectively.
Management Response	1) The Company is intending to initiate the process of recovering loans and advances granted to Companies whose names have been struck off from the list of registered companies by the Registrar of Companies, Gujarat and Mumbai. 2) The Company has not recognised such losses due to its uncertainty. Upon attention drawn by auditors, your Company will recognise the loss in the current financial year and thereby the investment will be reduced accordingly.

WWW.TAXSCAN.IN - Simplifying Tax Laws

61. Packaging

Company 61.1	
Basis for Qualified opinion	1) Company has defaulted in repayment of principal and Interest of various loan from bank and NBFC during the year. It includes default in repayment of term loan, a/c a/c, car loan . Unsecured loan from NBFC. 2) Company has defaulted in payment of statutory dues like TDS liability of the year of ₹ 72654. 3) Income tax liability (excluding interest u/s 234 A, 234 B and 234 C of Income-tax Act of ₹ 4733219/- for the year 2018-19 and liability of ₹ 398149/-for the financial year 2019 and liability of ₹ 185000/- for the financial year 2020-21 is also pending to pay as on reporting date. 4) We have not provided statement of loan and Statement from all NBFC for unsecured loan during the year for verification and we have relied upon management certificate for the same.
Management Response	1) Company has defaulted in repayment of principal and interest of various loans from banks and NBFC during the year. It includes defaults in repayment of term loan, CC A/c, car loan, all unsecured loan from various NBFCs. We are unable to mention amount of overdue in absence of details and information provided to us for the verification. 2) Company has defaulted in payment of statutory dues like TDS liability of the year of ₹ 72,654/- 3) Income tax liability (excluding interest u/s 234A, 234B and 234 C of Income-tax act) of ₹ 4733219/- for the year 2018-19 and liability of ₹ 398149/- for the financial year 2019-20 and liability of ₹ 185000/- for the financial year 2020-21 is also pending to pay as on reporting date. 4) We have not been provided statements of XYZ Bank loan, JKL Bank car loan, Hero Fincorp term loan, BCD Bank (closed), GHI Bank (closed), XYZ Bank current account (closed) and Statement from all NBFCs for unsecured loan during the year for verification and we have relied upon management certificates for the same.

Company 61.2	
Basis for Qualified opinion	1) Refer to Note No 2(j) of the annual financial statements, the company has defaulted in repayment of certain loans and interest to the banks and other financial institutions during the year and such banks or financial institutions have categorised dues form the company as a Non-performing Assets. Consequently, the company has not recognized interest expense on borrowing from such banks and other financial institutions. We are unable to comment on amount of interest as exact information is not available. As a result, finance cost, liabilities on account of interest and total comprehensive loss are understated.

Analysis of Modified Opinions — Packaging

	2) The company has continued to incur losses resulting in reduction in Net worth, and severe Liquidity Constraints; Some Banks or financial institutions have recalled their loans. i. That the Company cannot be categorised as a Going Concern in view of the accounting standards generally accepted in India. ii. However, considering the Ongoing Operations with improved business prospects, continue to execute orders in hand, and obtaining new orders despite adversities and efforts to control costs, the Management is positive about the viability of Company's operation. In view of the above, the financial results have been prepared by the Management on a "Going Concern" basis and no adjustment is considered necessary, except for the provisions made in the Books of Account, to the recorded assets, recorded liabilities, contingent liabilities and other commitments. iii. The accounts of trade receivable, trade payables and advances are subject to reconciliation /confirmation. The statement of financial results regarding recoverability of trade receivables, advances and impairment of assets other than those provided for during the year, which has been considered good by the management. iv. The inventory consists of many slow-moving items which is resulted to cash liquidity problem to the company. v. Majority of the lenders of the Company have not charged interest on outstanding loan dues, since the dues from the Company were categorised as a Non-performing Asset with certain Banks and financial institutions during the year. Accordingly, the Company has not provided for accrued interest on outstanding Loans of such Banks and financial institutions for the full year ended on 31st March 2022 and we are unable to quantify the amount of interest to be provided on such borrowing due to non-availability of confirmation of balances form such banks and other financial institutions. vi. The Company's Management is of opinion that the Company shall continue its operations considering the Orders in hand the, whereby the Company's operations will be viable and can be termed as Going Concern and accordingly we have prepared our report with observation stated above.
Management Response	The Auditors' Report for the financial year ended March 31, 2022 does not contain any qualification, reservation, adverse remark or disclaimer.

Company 61.3	
Basis for Qualified opinion	a) Refer Note no. 2.13.5 (D) of the financial statements, regarding appropriation of payments made by the company during March, 2019 to September, 2021 by the Lead Banker against outstanding loans and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	adjustment by the management and interest calculations thereon. In absence of any balance confirmation from the lenders and consequent reconciliation with the outstanding balances and impact thereof if any, on the reported figures cannot be ascertained. Also, Refer Note No. 2.45 of the financial statements regarding the pending reconciliations of admitted claims of financial creditors, operational creditors and others with the books of accounts, impact if that may arise has not been considered in the preparation of the financial results for the year ended 31st March, 2022. b) As stated in the Note no. 2.21.1 of the financial statements regarding the non-accounting of interest of ₹ 8,775 lakhs as calculated by the company on outstanding borrowings (including Non-Convertible Debentures) post initiation of Corporate Insolvency Resolution Process ('CIRP') with effect from October 21, 2021 under Section 14 of Insolvency and Bankruptcy Code, 2016 ('IBC'). c) As stated in the Note no. 2.13.7 of the financial statements, the company has restated the ECB borrowings of USD 641.27 lakhs at foreign currency exchange rate of ₹ 74.7635 per USD as on October 21, 2021 (date of initiation of CIRP) as against exchange rate of ₹ 75.8071 per USD as on March 31, 2022 resulting in short booking of exchange loss of ₹ 669 lakhs in the books of accounts which has consequent impact on the result for the quarter and year ended March 31, 2022. d) Refer Note no. 2.38 of the financial statements which indicates that the company has accumulated losses and its net worth has completely eroded, the company has incurred net loss during the current year and in the earlier year(s), the company's current liabilities exceeds its current assets and the company is having a high debt-equity ratio (debt being ₹ 2,26,319 lakhs and equity being ₹ (76,636) lakhs) as at March 31, 2022 realizable value of assets is lower than the amount payable to secured creditors, earnings per share is negative. In our opinion, based on the above, the company does not appear to be a going concern. e) The members of the lenders consortium set aside ₹ 1,238 lakhs in FY 2019-20 towards corpus fund for meeting legal expenses, out of which, claim amounting to ₹ 131 lakhs have been accounted for based on the details submitted by the bank during the current financial year, however no proper documents from the bank is available for the same. The remaining amount of ₹ 1,107 lakhs are lying unadjusted in the books of accounts as on 31.03.2022 which is subject to confirmation from the bank.
Management Response	1. The clarification of the same is provided in Note no. 2.13.5 of the financial statements. 2. The clarification of the same is provided in Note no. 2.21.1 of the financial statements. Refer Page no. 118 Interest accrued on borrowings includes finance cost on Non-Convertible Debentures issued by company for the year ended has been calculated till October 21, 2021 (CIRP admission date). Under the Code, the treatment of creditors under the resolution plan is as per debts due as on insolvency commencement date and therefore

WWW.TAXSCAN.IN - Simplifying Tax Laws

	no interest are accrued and payable after this date. 3. The clarification of the same is provided in Note no. 2.13.6 of the financial statements. Refer Page No. 109–114. 4. The clarification of the same is provided in Note no. 2.38 of the financial statements. Refer Page No. 126 The Company had reported losses during previous quarters/years. Hence, the net worth of the Company has substantially eroded. There is strain on the working capital and operations of the company and its undergoing significant financial stress. As stated in Note No. 1, CIRP was initiated in respect of the Company w.e.f October 21, 2021. The Company has assessed that the use of the going concern assumption is appropriate in the circumstances and hence, these financial statements have been prepared on a going concern assumption basis as per below: a) The Code requires the RP to, among other things, run the Company as a going concern during CIRP. b) The RP, in consultation with the Committee of Creditors ('CoC') of the Company, in accordance with the provisions of the IBC, is making all endeavours to run the 'Company as a going concern along with the assistance of the management of the company basis the future business outlook and the continuity in the operations of the company. Pending the completion of the CIRP process, these financial statements have been prepared on a going concern basis. 5. The clarification of the same is provided in Note no. 2.13 of the financial statements.

Company 61.4	
Basis for Adverse opinion	a) The Company's financial statements have been prepared using the going concern basis of accounting. The use of the going concern basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. As per our audit, we found that there is a rapidly decline in the turnover during the year which leads to significant losses in the current financial year and company has also diluted its plant and machinery in FY 2020-21 which indicates that the company has ceased to operate. Hence these are the significant events or conditions which cast the material uncertainty on the Company's ability to continue as a going concern. We extended our audit procedure to mitigate the uncertainty and found that - • management has not yet performed an assessment of the entity's ability to continue as a going concern despite requesting management to make its assessment. • management has not provided any plans for future actions in relation to its going concern assessment hence we are unable to conclude whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances. • The entity has not prepared a cash flow forecast to evaluation of management's plans for future actions. Hence there is also no realistic

WWW.TAXSCAN.IN - Simplifying Tax Laws

	alternative to justify the management ability to continue as a going concern. b) We draw attention to Note 3 & Note 5 of Financial Statement which describe that Loan and Advances given amounting to ₹ 554.73 lakhs include balances which are outstanding for substantial period of time. We have not received confirmations for these balances and were unable to perform alternate audit procedures in respect of the same and accordingly, we are unable to comment on such balances. c) As per the previous auditor's opinion on the audited financial statements for the year ended March 31, 2021 was modified in respect of the following matters: "We have not been provided with the sufficient and appropriate evidence to support the reasonableness of the power and fuel expenses amounting to ₹ 150.02 Lakhs corresponding to the Sales of ₹ 728,34 Lakhs for the period ended March 31, 2021 respectively. The matter is still unresolved as at 31st March' 2022 ii. We have not been provided with the rationale for paying additional security deposit amounting ₹ 7.50 Lakhs to the electricity department despite no increase in the production as compared to the earlier year which is transferred under Slump Sale. The matter is still unresolved as at 31st March 2022. d) We did not audit the financial statements of its Subsidiary "XYZ Limited" whose financial statements reflect total assets of ₹ 367.22 Lakhs as at 31st March, 2022 for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are material to the Group.
Management Response	Not available

Company 61.5	
Basis for Qualified opinion	1. The interest payable u/s 16 of MSMED Act, 2006 and other disclosures of trade payable to micro enterprises and small enterprises has not been ascertained and not provided for. 2. Balances of trade payables, trade receivables, Loans given, and Unsecured Loans taken are subject to confirmation and consequential adjustments, if any.
Management Response	1. Payment to Creditors are being done as per contractual terms & conditions, hence no interest has been paid to MSME creditors on late payment. 2. The company is in process of obtaining confirmation of trade payable, trade receivables, loans given, and unsecured loans taken.

Analysis of Modified Opinions — Packaging

Company 61.6	
Basis for Qualified opinion	1. The Company has made borrowings in the form of loans, debentures, etc. in earlier years which are under settlement. During the year the Company has not provided interest of ₹ 854.72 Lakhs on such outstanding borrowings. The accumulated interest on such borrowings not provided for past several years up to 31/3/2022 is ₹ 17,247.37 Lakhs. If the provision for interest is made, the loss for the current year would have increased by ₹ 854.72 Lakhs and accumulated losses up to 31/3/2022 would have increased by ₹ 854.72 Lakhs and accordingly net loss for the current year would have been ₹ 1330.37 Lakhs and accumulated losses up to 31/3/2022 would have been ₹ 47213.82 Lakhs (Refer Note No. 49.6 of financial statements). 2. Non-consolidation of accounts of ABC Limited (Wholly Owned Subsidiary) as per Section 129 of the Act & Ind AS 110 issued by the Institute of Chartered Accountants of India for the reasons specified in Note No. 39 of the financial results.
Management Response	1. The management has already initiated settlement with the lenders of the loan and debentures as per the Scheme of Arrangement and Compromise long back. The lenders specified in the scheme have given their consent for settlement as per the terms of the scheme and in the opinion of the management, the amount of dues payable to lenders have been specified under the definition of "Settled Debt" under clause (r) of Part 1 of the scheme, therefore no further liability on account of interest will arise. The Hon'ble High Court of Gujarat has passed an order on 20th February, 2020, whereby the O.J, Appeal has been dismissed. The Company has filed Review Application on 02/11/2020 before the Hon'ble High Court of Gujarat. In case the scheme is not approved or approved with different terms, the company will give necessary accounting effect on final ascertainment of the same. 2. Regarding Non consolidation of accounts of ABC Limited : In respect of the investment made in ABC Limited, its Wholly-Owned Subsidiary (WOS), the resident directors & key managerial personnel of the said WOS had resigned in the year 2005-06 and audited accounts for the year ended 30th September 2003 and onwards could not be prepared and provided. Its present status is shown as 'defunct' under respective laws. The Company has accordingly provided for diminution in the value of investments in the earlier years. In view of the above, it was not possible to prepare consolidated financial statements as required by Ind AS 110 issued by ICAI and other provisions of the Companies Act, 2013.

Company 61.7	
Basis for Qualified opinion	1. The Restated Financial Information or Restated Summary Financial Statement have been made after incorporating adjustments for the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	changes in accounting policies retrospectively in respective financial period/years to reflect the same accounting treatment as per the changed accounting policy for all reporting periods, if any. 2. The Restated Financial Information or Restated Summary Financial Statement have been made after incorporating adjustments for prior period and other material amounts in the respective financial years/period to which they relate and there are no qualifications which require adjustments. 3. Extra-ordinary items that needs to be disclosed separately in the accounts has been disclosed wherever required. 4. There were no qualifications in the Audit Reports issued by CCC & Associates for the Stub period ended September 30, 2022 and for the Financial Year Ended March 31, 2022, March 31, 2021 and 2020 which would require adjustments in this Restated Financial Statements of the Company; 5. Profits and losses have been arrived at after charging all expenses including depreciation and after making such adjustments /restatements and regroupings as in our opinion are appropriate and are to be read in accordance with the Significant Accounting Polices and Notes to Accounts as set out in ANNEXURE – D to this report; 6. Adjustments in Restated Financial Information or Restated Summary Financial Statement have been made in accordance with the correct accounting policies, 7. There was no change in accounting policies, which needs to be adjusted in the Restated Financial Information or Restated Summary Financial Statement. 8. There are no revaluation reserves, which need to be disclosed separately in the Restated Financial Information or Restated Summary Financial Statement. 9. The related party transaction for purchase & sales of services entered by the company are at arm's length. 10. The Company has not paid any dividend since its incorporation.
Management Response	Not available

Company 61.8	
Basis for Qualified opinion	1. No Confirmation has been received from the closing balances of Creditors. And also, some of the creditors had filed cases before NCLT against the company which are pending for disposal by NCLT. In the absence of such Confirmations from the Creditors and Pending cases with the NCLT, we are not in a position to determine its impact on the Financial Statements and also the Final Liability towards Such Creditors of the company.

Analysis of Modified Opinions — Packaging

	2. In our opinion the internal controls in respect of inventory management and valuation of inventory were not properly placed. In the absence of proper internal controls, we are unable to comment on the requirement of Ind AS-2 with reference to valuation of inventory at lower of cost or net realizable value. 3. No Provision has been made in the books of accounts for gratuity for the year under Consideration. The Management stated that new provision for gratuity for the year is not required as the previous year provision is Sufficient. Basis the aforesaid points and owing to their materiality, we are unable to determine any adjustment that may be required in the financial statements of the Company.
Management Response	1. We have sent request letters, but we are yet to receive confirmations from certain creditors. 2. Management has taken the suggestions of Auditors and will re-work the valuation and will report in coming quarters. 3. The Management is of the view that new provision for gratuity for the year is not required as the previous year provision is Sufficient.

Company 61.9	
Basis for Qualified opinion	The company is in the process of getting its liabilities restructured through One Time Settlement with its lender. On account of litigation with the lender and lack of balance confirmation from lenders the company has not provided for the overdue /penal interest. Had the interest provision been made, the net profit after tax, total comprehensive income, other equity would have been lower ₹ 645.32 lakhs for the year ended on March 31, 2022 and other financial current liability would have been higher by ₹ 645.32 lakhs as on March 31, 2022.
Management Response	The Audit Report does not contain any Qualification or adverse remark. The Report read with the notes of Accounts are self-explanatory requiring no further clarification.

WWW.TAXSCAN.IN - Simplifying Tax Laws

62. Paper & Paper Products

Company 62.1	
Basis for Qualified opinion	i. In our opinion, the following accounting standards are not complied by the company: a. Indian Accounting Standard (Ind AS-19) on "Employee Benefits"; regarding non-provisioning of employee benefits b. Indian Accounting Standard (Ind AS-105) on "Non-current Assets Held for Sale and Discontinued Operations" c. Indian Accounting Standard (Ind AS-12) on "Income taxes". The effect of the above on assets and liabilities, as well as loss and reserves is not ascertainable. ii. We are unable to form an opinion about the obligations of: a. ₹ 47,48,076/- is Long term borrowings from inter corporate which is subject to confirmations. b. Balance of ₹ 10,59,605/- of long-term trade payables are subject to confirmation and adjustment, if any, required upon such confirmations are not determinable. c. Gratuity Expense of ₹ 1,55,089 during the year are recorded on cash basis and no provisions were done for the same. The Gratuity expense are recorded on cash basis. d. Balance of ₹ 10,463/- of long-term Trade receivables are subject to confirmation and adjustment, if any, required upon such confirmations are not determinable. The effects of the matters referred to Para above on assets and liabilities, as well as Losses and reserves could not be ascertainable
Management Response	The Auditors' Report does not contain any qualification. Notes to Accounts and Auditors remarks in their report are self-explanatory and do not call for any further comments. Refer Notes to Accounts from Page no. 50

WWW.TAXSCAN.IN - Simplifying Tax Laws

63. Petrochemicals

Company 63.1	
Basis for Qualified opinion	The Company owes the amount of ₹ 35,00,000, as the Bank has declared the Company as Non-Performing Asset, the Company was not able to give the confirmation to the Auditor about the cash credit loan statement. The Bank account no. having the balance of ₹ 1,994/- has been deactivated and hence, the Company was not able to provide the bank statement or balance confirmation to the Auditor.
Management Response	Not available

WWW.TAXSCAN.IN - Simplifying Tax Laws

64. Pharmaceuticals

Company 64.1	
Basis for Qualified opinion	1. No fixed assets register was made available to us for verification. Only quantitative physical verification report of the fixed assets, conducted by company's own staff, was provided, which do not have any financial figures which can be matched with the financial statement. Further many assets which were marked as "Damaged Condition" or "Not Found" in the previous Physical Verification Report are removed from the list of current physical verification report but no adjustment of the same is provided in the books. Financial effect of the same is not quantifiable. 2. The depreciation chart / calculations / deprecation rate provided to us are incorrect and not correlating with the figures in Financial Statements. Financial effect of the same is not quantifiable. 3. Capital Work in progress amounting to ₹ 3190.00 Lacs pertains to incomplete structure pertaining to housing complex building pending for more than 26 years and due to time leg incomplete structure cannot be used now and needs demolition. During last year company made revaluation of the Capital Work in progress and booked a revaluation profit of ₹ 3168.07 Lacs. Here, more than 26 years old incomplete temporary structure and land having costing ₹ 21.93 Lacs has been valued at ₹ 65.00 Lac for construction and ₹ 3124.95 Lacs for Land. Further company do not have records which established that the value of land is a part of capital work in progress. During the year under consideration, company re-valued it's another fixed asset i.e. Land and Site Development at Village Chola and booked a revaluation profit of ₹ 8006.51 Lacs. The Ind AS-16 requires that "All the items within a class should be re-valued at the same time, to prevent elective revaluation of the certain assets and to avoid disclosing a mixture of costs and values from different dates in the financial statements." Thus, the company has grossly violated the provisions of Ind AS-16. Further the company do not have any board approved policy w.r.t revaluation of its assets. 4. As per the Ind AS-16, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized as other comprehensive income and accumulated/entered on the liabilities side in Equity under the heading – Revaluation Reserve, but the company failed to show the same under comprehensive income in Profit & Loss statement and wrongly entered it as retained earnings, in violation of provisions of Ind AS-16. 5. As per Ind AS-36, the Impairment testing of PPE at the end of each reporting period is required but no impairment testing was conducted by the company. Financial effect of the same is not quantifiable. 6. In the statement of profit and loss, the company has shown Income Tax Expenses at ₹ 93.38 Lacs but as per Note 30 Income Tax Liability is calculated at ₹ 269.50 Lacs. No provision for Income Tax has been made

WWW.TAXSCAN.IN - Simplifying Tax Laws

	in the books of accounts and as such the same is wrongly clubbed / displayed as retained earnings in Balance Sheet. However actual tax liability should be NIL as no tax is payable on revaluation gains. 7. Company has installed solar plant in the premises and net metering was started from February 2019. Although all elements for identification of leased assets are satisfied but the company has not recognized the Lease assets, Lease liability, depreciation, interest and cash flow for principal lease payment & interest payment. Financial effect of the same is not quantifiable. 8. Inventory movement registers and cost records are not made available to us for our audit and inventory valuation. Financial effect of the same is not quantifiable. 9. Sundry debtors include an amount of ₹ 645.42 Lacs as appearing in Note 31 (h) of the financial statement represent the late delivery charges, pertains to financial year 2013-14 and 2014-15, deducted by the Ministry of Health and Family Welfare (Debtor) which are doubtful about its recoverability and required suitable provision. Further, no details of any late delivery charges / other deductions were made available from financial year 2015- 16 onwards. No balance confirmation / party statement and reconciliation are provided for our verification. Further advances received from Ministry of Health and Family Welfare in earlier years has been adjusted against receivables. No balance confirmation / party statement and reconciliation are provided for our verification. Financial effect of the same is not quantifiable. 10. As stated in Note No.31 (d) of the financial statements, the company has provided but defaulted in payment of Gratuity liability amounting of ₹ 450.00 Lacs as demanded by the LIC of India on ad-hoc basis in the absence of employee details. No actuarial valuation of gratuity as at year end is made. Financial effect of the same is not quantifiable. 11. An amount of ₹ 78.06 Lacs appearing in notes no 7 of noncurrent tax assets out of which ₹ 68.76 Lacs pertain to the TDS deducted from the F.Y. 2005-06 to 2020-21 for which no assessment details were available with company and as such recoverability of the same is unverifiable. Financial effect of the same is not quantifiable. 12. Second release of Grant-in-Aid of ₹ 273.91 Lacs is received during the FY 2021-22 to the company from AZY for earmarked project. No details for previously received grants were made available to us and as such we are unable to comment on the utilization of the same. Again, the company has violated the disclosure requirements for Grants provided in Ind AS-20. In note 2.10, company disclosed that Grants are to be routed through profit and loss. However, no such policy has been followed by the company. Grants are neither routed through profit and loss nor considered while preparing cash flow statement. Further no separate project account is prepared and presented for our audit. Financial effect of the same is not

WWW.TAXSCAN.IN - Simplifying Tax Laws

	quantifiable. 13. Company shows ₹ 3,21,106/- as the recoverable from the Mr. XX while company has accepted the liability to pay of ₹ 99,000/- before the Hon'ble High Court. Hence profit of the company is overstated by ₹ 4,20,106. 14. No provision for known liabilities or disclosure for contingent liability has been made for pending legal cases. Financial effect of the same is not quantifiable. 15. In note 13, company shows ₹ 1087.30 Lacs as Balance with Revenue Authority, which consists of the amount of GST credit and GST TDS. Recoverability of the full amount is doubtful as the same are not matching with the balances appearing on the GST website and no reconciliation exercise has been done. Financial effect of the same is not quantifiable. 16. The company have booked GST input on the provisions made, for which Invoices are still not issued, thus company making short payment of the GST by wrong / illegal booking of Input. Financial effect of the same is not quantifiable. 17. Company follows segment reporting based on its various final products. However, no policy w.r.t to identification of reportable segments along with the basis of allocation of profit/loss or asset/ liabilities is made available to us by the company. Further previous year figures reported in segment reporting do not tally/ reconcile with figures reported in the Balance sheet of the company. No calculation of figures reported has been provided to us for our verification. 18. As per note 6, company has security deposits amounting to ₹ 44.84 Lacs, but no details of the same is available with the company as such these amounts are doubtful of recovery. Thus, needs necessary provision for the same. Thus, the profits of the company are overstated by ₹ 44.84 Lacs. 19. Many figures have been differently grouped in comparison to the last year, but corresponding figures are not regrouped accordingly. Further no reason for doing so has been disclosed. Even payments to auditor are merged with professional & legal expenses in the previous year grouping. 20. No calculation of figures reported in financial risk framework (Note-32) has been provided to us for our verification. 21. The recoverability / calculations of Deferred Tax Assets and MAT credit are not verifiable due to non-availability of Income Tax Calculations / assessment order of past years. Financial effect of the same is not quantifiable. 22. Financial Statements are not prepared / presented / displaying the requisite details in compliance of provisions of the Companies Act, 2013 and applicable accounting standards. No minutes of Board and various committees were provided to us for our review / verification of various decisions. Further even the published and printed financial statements (Annual Report) for the year ended 31.03.2021, audited by us, are different from the actual statements audited and signed by us.

Analysis of Modified Opinions — Pharmaceuticals

Management Response	1. Physical Verification of Fixed Assets engaged in STU Limited has been done by Internal Committee of the company and the fixed assets sheet has already been provided to the Statutory Auditor. We have Fixed Assets Register However the advice has been noted for correction and updation in fixed assets register as required. 2. Depreciation has been calculated as per Ind AS and same has been presented during the course of audit. 3. The Land situated at Village Gangerwa along with construction has been leased to NIPGR (National Institute of Plant Genome & Research) by STU Limited under the same administrative ministry i.e. Department of Biotechnology. NIPGR has decided to demolish the construction and have to make the auction for the same demolished material through CPWD (Central Public Works Department). Accordingly, the adjustment will be made in the books of accounts. However, the revaluation has been made only as per the observation of the C&AG. 4. According to Ind AS-16, The revaluation gain has to be recognized as other comprehensive income or revaluation reserve both. And for the wrongly entered in retained earnings in the Note – Other Equity, it has been noted for compliance. 5. It has been noted for further compliance. 6. There is Loss in the Profit & Loss Accounts for the year 2021-2022 and calculated ₹ 93.38 Lacs as deferred tax which has already been shown in the Profit & Loss A/c as Current Year Deferred Tax. Hence, the liability is not payable so no provision has been made towards it. 7. Company is not authorized for any kind of treatment regarding to the Solar Plant installed under the premises of the STU Limited as it is on lease 8. The cost records of the company is being made and cost audit report thereon is regularly filed at MCA. The Inventories are managed in the company and it can be verified. 9. The matter pertains for wrong imposition of Liquidated Damaged (L.D.) by the Ministry of Health & Family Welfare. STU Limited is pursuing the case with the Ministry of Health & Family Welfare for getting this payment. In this regard a letter from Secretary of our Ministry had been written to the Secretary of Law Ministry to refer the matter to Administrative Mechanism for Resolution of the CPSEs dispute (AMRCD) Committee for resolution of the dispute vide letter number BT/04/2009-IFD, Dated 16.05.2019. Thereafter it is waiting for any information in this regard from our ministry. Balance confirmations have already been sent to the vendors & debtors vide email within due time out of which some confirmations were received which was already presented during the course of audit. 10. The Gratuity is being maintained by company with LIC. The liability of Gratuity amounting to ₹ 450.00 Lacs has been booked on the basis of demand letter received from Life Insurance Corporation of India. This demand is in the nature of ad-hoc. However, the detailed information for

WWW.TAXSCAN.IN - Simplifying Tax Laws

	shortage of fund amount has been requested from LIC. 11. The TDS receivable for preceding financial years 2005-06 to 2020-21 has been booked as the TDS & Intimation from Income Tax Department is not received yet and the Cases are pending at Income Tax Department. 12. The copy of Grant-in-Aid Letter Agreement has been provided in the course of audit with all release amounts mentioned there along with utilization certificates. We have maintained separate projects books in tally software. The details of grants/projects are appearing in notes of accounts in the Annual Accounts 2021-2022. 13. The hearing procedures are pending before the Hon'ble High Court, Allahabad, U.P. since last three years. 14. There is no case of contingent liability pending as per the records of the company. 15. The GST reconciliation has already been provided during the course of audit. The difference appearing in Input Tax Credit & Input Tax claimed is due to late filing of returns by the parties & No Bill of Entries data on GST portal within due time. 16. The company has not claimed any Input Tax Credit towards provisions booked for the year end. 17. The company has presently single product of Oral Polio Vaccine which constitute the almost hundred percent of revenue. However, there are separate heading of its products in the Books of Accounts 18. The security deposit by the STU Limited amounting to ₹ 44.84 Lacs, under which major portion is of UPPCL amounting to ₹ 38.30 Lacs and the rest amounts are paid against some other securities like gas cylinder & other nominal value for services of telephone, etc and all are recoverable. 19. It has been noted for compliance. 20. The Calculation of the Deferred Tax Assets has been made as per the provisions of Income-tax Act, 1961 and made available in the course of audit. 21. The financial statement has been prepared as per the provisions of the Companies Act, 2013 and applicable Ind AS. No visit of Auditor held in the company and nor it was requisitioned for the same. The Extract of the meeting of the Board of Directors has been provided in the course of audit. There is no difference in audited financial statements and printed financial statements (Annual Report).

Company 64.2	
Basis for Qualified opinion	i. The revocation order of Telangana State Pollution Control Board (TSPCB) dated 4th February 2022 in connection with the closure order dated 22nd Dec 2020, stipulates that, the company cannot exceed its production capacity indicated in it's order No. TSPCB/RCP/SRD/CFO& HWA/ HO/

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2017- 2714, Dt. 22-11-2017. However, the company is operating at a substantially enhanced level of actual production without necessary approvals from TSPCB in the form of Consent For Establishment (CFE) for starting the establishment, followed by the consequent Consent For Operation (CFO). Such non-compliance could impact the going concern status of the company in the form of Closure Order from TSPCB. According to the explanations given to us, the management of the Company is in the process of addressing the issue. Refer note no.25(C)(xii). ii. During the period under report, the turnover recognized by the Company includes ₹ 478.48 Lakhs for which, the control over the goods have not been passed on to the respective customers though dispatches were made on or before 31.03.2022. As the same is not in accordance with Ind AS 115 on Income Recognition, the same should not have been considered as turnover. Accordingly, the total Turnover has been overstated during the quarter by ₹ 478.48 Lakhs. Consequently, net profits for the year and the reserves under the balance sheet as at the end of the year have been overstated by ₹ 22.48 Lakhs. iii. As stated in the note no.25(C) (xvii) (a)(2) to the financial statements of the company as at March,31st 2022 under report, the liability for payment of gratuity stands at ₹ 148.75 Lakhs calculated as per the management assessment, but not as per actuarial valuation as required under the Indian Accounting Standard. As against the said liability of ₹ 148.75 Lakhs the company has deposited ₹ 141.37 Lakhs. As per the requirement of Ind AS-19 on Employee Benefits, such liability should have been deposited in total as against a partial sum. Further, the company has not obtained any confirmation from the Life Insurance Corporation of India in this regard during the past one year. Hence the impact on the profit for the year and the consequential impact on the Reserves and Surplus of the company as on the balance Sheet date are not ascertainable. iv. The sundry debtors outstanding as at 31st March 2022 is ₹ 6856.83 Lakhs. Against such outstanding balance of Sundry Debtors confirmation of balance were received only for ₹ 1480.98 lakhs as on date. Refer note no.6 on Trade Receivables and note no.25(C) (xxv) detailing information stated as per section 248 of the Companies Act, 2013. v. The company has adopted cash basis of accounting, as regards sales Commission payable to the sales agents. Hence the impact on the profit for the year and the consequential impact on the Reserves and Surplus of the company as on the balance Sheet date are not ascertainable. vi. The Company has replaced certain plant and equipment during the year under report. The resultant deletion of the replaced assets / equipment has not been carried out. The revision of the Fixed Assets Register and the codification of assets are in progress. The disclosure requirements as regards the assets kept aside for sale are being ascertained and recorded. We were explained that these issues shall be dealt upon sale of such assets and has no impact on the profit for the year and the consequential

WWW.TAXSCAN.IN - Simplifying Tax Laws

	impact on the Reserves and Surplus of the company as on the balance Sheet date.
Management Response	1. During the year under review, the Management is in process of receiving approvals for such enhanced capacity of production. The Company has made application for necessary approvals and upon payment of appropriate fees the approvals will be granted. Hence effect on going concern of the Company would not arise. 2. During the year under review, the sales made at the year-end were subsequently shipped and control over goods has been transferred to the respective customers. Management is of the opinion that, as the control has been transferred and sale is completed. Accordingly, the revenue and profitability are certain of realisation and do not have any impact of revenue and profit of the Company. 3. During the year under review, the Company has made adequate provision for the gratuity liability. However, the management will take up the Actuarial valuation soon and will review. 4. During the year under review, the Company has sent communication to all the debtors for confirmation of balances and accounts, and the information from a majority has been received; however, response from few of them is awaited. The matter is being followed up. 5. During the year under review, the liability for Sales Commission arises only after realisation of amount from sales made and on receipt of the bill from the agent. Realisation happens only after sales made. Sales made through agency referrals is very less. In the view of management, there are no bills which are pending for accounting the liability thereon. 6. During the year under review, the Company has taken up the expansion activity of the production facilities and in the process, some of the existing assets are relocated and new assets are also installed. The Company accounts for deletions when the management is of the opinion that, the asset is no longer reusable and is sold. Further, the updation of the Fixed Assets Register and the codification of assets is an ongoing process.

Company 64.3	
Basis for Qualified opinion	The Balances of Current Assets, Other Non-Current Assets, Non-Current Liabilities, Other Non-Current Liabilities, Current Liabilities & Other Current Liability are subject to Confirmation/reconciliations. The Impact of the same is, unascertained.
Management Response	As pointed out by the Statutory Auditors, the company has not obtained confirmation of The Balances of Current Assets, Other Non-Current Assets, Non-Current Liabilities, Other Non-Current Liabilities Current Liabilities & other Current Liabilities. The Company has made best of its efforts to obtain the same before signing the accounts for current financial year as well as for last financial year. Further, the Management of the Company confirms that balances shown in the Books are true and correct as per their knowledge.

Analysis of Modified Opinions — Pharmaceuticals

Company 64.4	
Basis for Qualified opinion	The Company has capitalised two vehicles amounting to ₹ 132 lakhs during the year ended 31 March, 2021 in the names of Individual Directors and has also disclosed the corresponding secured loans availed from banks as its liabilities, One of the Non - Executive Director has resigned during the year ended on 31 March, 2021. Ownership of the vehicles are not yet transferred in the name of the Company, hence the assets of the Company are overstated to the extent of ₹ 108.80 lakhs net of Depreciation. Liabilities are overstated to the extent of ₹ 67.92 lakhs. Since the ownership of the vehicles are not in the name of the Company, the expenses are overstated for the year ended on March 31, 2022 by ₹ 22.01 lakhs to that extent Profit for the year ended has been understated. We have been informed that the Company has taken possession of these vehicles as on March 29, 2022.
Management Response	Company has acquired two vehicles for the purpose of business and registered under Motor Vehicle Act 1988 in the name of the Director. These Vehicles are used for the purpose of business only. The purchase of the vehicles is as per the contractual obligation of the Company with the directors. Hence, it has been capitalized in the books of accounts. The payments are made by the company being the beneficial owner of the Asset hence depreciation has been charged by the Company in its book of Accounts. The report of the Statutory Auditors forms part of the financial statements.

Company 64.5	
Basis for Qualified opinion	We draw attention to the fact that the Consolidated Financial Statements for the year ended March 31, 2022 include the financial statements for the year ended March 31, 2022, of the following subsidiary companies OOO Inc., UBP Inc., UOE Limited, DDD Pharmaceuticals, Inc. USA. The consolidated financial results also include the results of M/s OP Private Limited, an associate company accounted under equity method. We did not audit the standalone financial statements of the above subsidiaries that reflect total assets of ₹ 2,229.87 lakhs and net assets of (-) ₹ 6,955.67 lakhs as at March 31, 2022, total revenue of ₹ 992.64 lakhs, total comprehensive loss (comprising of loss and other comprehensive income) of ₹ 414.39 lakhs and net cash flows amounting to ₹ 291.29 lakhs for the year ended on that date, as considered in the Consolidated Financial Statements. We did not audit the financial statements of the above associate company included in the consolidated financial statement for the year ended March 31, 2022, whose financial statements reflect the Group's share of total loss of ₹ 352.27 Lakhs for the year ended March 31,2022. The standalone financial statements of the subsidiaries and associate are unaudited and have been furnished to us by the management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiaries and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	associate, is based solely on such unaudited financial statements. Accordingly, we do not express any opinion on the completeness and true and fair view of the financial statements, including adjustments, if any, required on the carrying amount of assets and liabilities of the above subsidiaries and associate as at March 31, 2022 included in the Consolidated Financial Statements. This is a matter of qualification in our earlier years' audit reports also.
Management Response	The subsidiaries of the Company are located in USA, UK and South Africa. Audit is not compulsory for companies in USA, if they are not publicly traded. The audit for the UK subsidiary is being done during fourth quarter of the Financial year and the subsidiary at South Africa does not have any operations. The cost of getting Financials audited is also higher in USA. Hence the management has used unaudited financials for the purpose of consolidation. The associate is a new company and is in the process getting its accounted audited. To meet the timelines for reporting to stock exchanges, the Company used the unaudited accounts of the associate.

Company 64.6	
Basis for Qualified opinion	1. The company had made interest free loans and advances to related parties during the year. In our opinion and according to the information and explanations provided to us, the terms and conditions of the grant of such loans are not prima facie prejudicial to the Company's interest. 2. The company had not paid the dividend distribution tax for the dividend declared during the earlier year.
Management Response	There are no Observation made by the Statutory Auditors in their Report and therefore, do not call for any further comments under section 134(3)(f) of the Companies Act, 2013.

Company 64.7	
Basis for Qualified opinion	1. We draw attention to note 38 of standalone financial statements regarding the EU fine matter and the Company financial exposure of ₹ 12,267.33 lakhs in the subsidiary (NN Limited, UK) in respect of which no provision for impairment is made in view of uncertainty as regards the EU fine matter. The impact on the standalone financial statements of including the above provision would be that the Company would show loss for the year of ₹ 12,273.09 lakhs and balance in other equity of ₹ 253,528.64 lakhs as at balance sheet date as against the reported figures of loss for the year of ₹ 5.76 lakhs and other equity of ₹ 265,795.97lakhs. 2. We draw your attention to the following qualification to the audit opinion of the financial statements of NN Limited, a subsidiary of the Holding Company issued by an independent firm of Chartered Accountants vide its Report dated 20th May, 2022 reproduced by us as under: "We draw attention to note 18 of the financial statements [of NN Limited] which sets

WWW.TAXSCAN.IN - Simplifying Tax Laws

	out the current on-going litigation the subsidiary is facing. Whilst previously the outcome of the appeal was sufficiently uncertain that a contingent liability was deemed sufficient, following the hearing in October 2021, and our review of the available documentation, our opinion is that it is more likely than not that the Company will be liable for the Euro 13.96 million fine (worth approximately GBP 11.8 million at the balance sheet date). Accordingly, we believe that this should be provided for in the financial statement. The Directors' opinion is that there remains an inherent uncertainty as to the outcome of the appeal and therefore the directors are of the opinion that no provision should be made at this point in time. The impact on the financial statements of including the provision would be that the Company would show a loss for the year of approximately GBP 12.2 million and have net liabilities of approximately GBP 11.7 million at the balance sheet date." Accordingly, the impact on the consolidated financial statements of including the above provision would be that the Holding Company would show consolidated total comprehensive loss for the year of ₹ 3,137.40 lakhs and balance in other equity of ₹ 248,614.36 lakhs as at balance sheet date as against the reported figures of consolidated total comprehensive income for the year of ₹ 8,681.22 lakhs and other equity of ₹ 260,432.98 lakhs. Also, refer note 39 of consolidated financial statements.
Management Response	1. In this regard, the statutory auditors of NN have given qualified audit opinion on the financial statement of NN for the year ended 31st March, 2022. They have stated that previously the outcome of the appeal was sufficiently uncertain that a contingent liability was deemed sufficient, however following the hearing in October 2021, and their review of the available documentation, their opinion is that it is more likely than not that NN will be liable for the fine of Euro 13.96 million (equivalent to ₹ 11,818.62 lakhs) and hence they believe that this should be provided for in the financial statements of NN. As per the Board of Directors of NN, there remains an inherent uncertainty as to the outcome of the appeal and therefore the Directors are of the opinion that no provision should be made at this point of time. The management has obtained the counsel view on this matter and they have stated that there has not been any formal change in position after the last hearing and the uncertainty as in the past continues. Considering the status quo, in view of the management, no provision for the aforesaid fine is considered necessary and continued to disclose the matter under contingent liability. As at Balance Sheet date, the Company has aggregate financial exposure of ₹ 12,267.33 lakhs in NN comprising of investment, trade receivable and corporate guarantee given to bank for loan availed by NN. Considering the impact of on-going litigation as elaborated in the above para and accumulated losses in NN as at Balance Sheet date, the statutory auditor of the Company are of the view that the Company would need to provide for impairment on the exposure involved of ₹ 12,267.33 lakhs. However, the Company is of the view that such provision for impairment on

WWW.TAXSCAN.IN - Simplifying Tax Laws

	exposure would be required only in the event of unfavourable outcome of the appeal which itself is uncertain. On the above matter, the auditors of the Company have given qualified opinion in their audit report on standalone financial statement for the year ended 31st March, 2022. Further, as per the management the future business outlook and projections of the subsidiary are sufficient so as not to warrant any impairment on the investments in subsidiary (NN) unless the outcome of EU matter is not in favour of the subsidiary. 2. The management has obtained the counsel view on this matter, and they have stated that there has not been any formal change in position after the last hearing and the uncertainty as in the past continues. Considering the status quo, in view of the management, no provision for the aforesaid fine is considered necessary and fine imposed by the EU of Euro 13.96 million (equivalent to ₹ 11,818.62 lakhs) is continued to disclose the matter under contingent liability. On the above matter, the auditors of the NN have given qualified opinion in their audit report and the statutory auditor of Company have reported the said qualification in their audit report on consolidated financial statement for the year ended 31st March, 2022.

WWW.TAXSCAN.IN - Simplifying Tax Laws

65. Pig Iron

Company 65.1	
Basis for Disclaimer of Opinion	1. As mentioned in note no. 33 to the Ind AS financial statements the company has been referred to the company has been referred to National company Law Tribunal under the insolvency and Bankruptcy code, 2016 (code) and the company obligation towards current borrowing was ₹ 1,74,714.10 lakhs significantly exceeded its available cash and cash equivalents and other financial assets as on the date of Balance sheet. The Company's financial results and funds availability were adversely affected due to continuing shut down of the ferrous plant since 12th June 2017 very limited operations in the coke oven plant and power plant resulted in a net loss of ₹ 12,267 .10 Lakhs for the year ended resulting into accumulated losses of ₹ 1,18,316.26 lakhs and erosion of its net worth as at 31st March 2022. These Conditions give rise to materiality uncertainty over the ability of the Company to continue as a going concern. Since Corporate Insolvency Resolution Process (CIRP) is currently in progress, as per the code. It is required that the Company be Managed as a going concern during CIRP code. It is required that the company ne managed as going concern basis. However there exists a material uncertainty about the ability of the company to continue as a going concern. The same is dependent upon the resolution plan to be approved by NCLT. The appropriateness of the preparation of financial statements on going concern basis is critically dependent upon CIRP as specified in the Code. Necessary adjustments required on the carrying amount of assets and liabilities are not ascertainable in this stage. The Financial Statements have been prepared on going concern basis based on the reason as described above. In the absence of forecast plan made available to us presently not ascertainable about the company ability to repay its borrowing trade payable statutory liabilities other payables and arrangement of funds to resume its operation. we are unable to obtain sufficient and appropriate audit evidence to conclude the company will remain in operation into the foreseeable future and whether the use of the going concern assumption to prepare the financial statement is appropriate. 2. We have been informed by the Resolution Professional that certain information including the minutes of the meetings of the committee of creditors and the outcome of certain procedure carried out as per the CIRP are confidential in nature and could not be shared with anyone other than the committee of creditors and NCLT. Accordingly, we are unable to comment on the possible financial impact presentation and disclosure if any that may arise if we have been provided access to those information. 3. Impairment of Property plan and equipment, capital work in progress .We draw your attention to note no.42 to the Ind AS financial Statement, As per Indian Accounting Standard 36 on Impairment in respect of Property,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Plant and equipment and capital work in progress as per the methodology prescribed under the said Standard on account of shut down of the ferrous plant and very limited operations in coke over plant since 12th June 2017. However, the Management of the Company has not done impairment testing for the reason explained in the above note. However in the absence of documents related to working for impairment of the Property, Plant and equipment and capital work in progress as per Ind AS 36, the impact of impairment if any on the Ind AS financial statements is not ascertainable. This matter was also qualified in our report on the financial statements for the year ended March 31,2021. 4. Inventories: a) Management has not performed the stock verification during the year end due to the reasons described in the said note 8(ii). In the absence of physical verification of stock, we have not able to obtain sufficient appropriate audit evidence over the existence of inventory of ₹ 1555.82 lakhs as at March 31, 2022. b) We draw attention to note 40. to the Ind AS Financial Statements regarding non-moving inventories since shut down of the operations at factory located at Haresamudram amounting to ₹ 1458.67 lakhs (as at 31st March 2021: ₹ 1985.95 lakhs). Management believes that no adjustments to the carrying values of the inventories is required to those are regularly monitored maintained abed in usable/saleable condition. As per Indian Accounting Standards 2 Inventories are to be valued at the lower of cost and net realisable value. Pending corroborative evidence to assess the net realisable value we are unable to comment on the realisable value of these Inventories together with consequential impact. This matter we also qualified in our report on the financial statements for the year ended March 31, 2021. 5. a) We draw your attention to note no 44. to Ind AS financial instruments pursuant to commencement of CIRP under the code there are various claims submitted by the financial creditor operational creditors employee abed other creditors to the RP. The books balances appears will be recasted upon successful implementation of resolution plan. Pending final; outcome of the CIRP no accounting impact in the books of accounts has been recognised in respect of excess or short claims or non-receipts of claims for above mentioned creditors. b) We draw attention to note 30 to the financial statements where in dues to the micro and small enterprises was disclosed as ₹ Nil. We are unable to verify the accuracy of the same sue to the lack if related information with the company. 6. a. We draw attention to note 37 to the Ind AS financial statements where in management has considered outstanding trade receivables of ₹ 3486.76 Lakhs (March 31,2021 ₹ 3481.82 lakhs) capital advances of ₹ 174.01 lakhs (March 2021 -174.01 Lakhs) supplier advances ₹ 607.63 lakhs (march 2021 ₹ 595.27 lakhs) and other financial assets ₹ 156.42 lakhs (march 2021 ₹ 157.02 lakhs) respectively due for a periods of more than

WWW.TAXSCAN.IN - Simplifying Tax Laws

	one year as good and of recoverable as at march 31, 2022 for which no provision has been made in the books of account, for reason said in the aforesaid note and due to confirmations being not available and pending reconciliation adjustments we are unable to comment on the recoverability of these receivables and its consequential effect on these financial statements. b. We draw attention to Note no 24(C) to the Ind AS financial Statements where in management in written of ₹1163.77 lakhs during the year as bad debts. We are unable to get sufficient time explanation and appropriate evidence to comment about the amount written off as bad debts. 7. We draw attention to No.38 to the Ind AS financial Statements, Statutory due related to Income Tax, Employee's provident fund, Employee State Insurance act and professional; tax amounting to ₹ 1460.92 lakhs (March 31,2021 ₹ 1105.80 lakhs) have becomes overdue and remain unpaid, interest penalty if any in respect of the same has remained unascertained and counted for. This matter was also qualified in our report on the financial statements for the year ended March 31,2021 8. Noncompliance with Companies Act 2013- a) The Company has not taken approval for related part transactions related to pre CIRP period which are required as per section 177 and 188 of the Act due to the reason specified in note 31(a) to Ind AS Financial Statements. b) The company had paid donations to charitable trust amounting to ₹ 11.02 lakhs without obtaining prior permission in general meeting as required under section 181 of the Companies Act 2013. c) During the year Internal Audit was not carried out as per the requirement of section 138 of the Act Penalty if any in respect of above noncompliance has remained ascertained and accounted for. 9. Un Accounted expenditure- As per the recognition principles mentioned in Ind AS 37 provisions shall be recognised when company has present obligation as a result of a past events which is to be measured by the best estimates of the expenditure required to settle the present obligation at the end of the reporting period. on 20 September 2021 the company entered in to a contract for Repairs & maintenance of manufacturing facilities at a contract price of ₹ 26600 lakhs abed related work was commenced by the contractor. The company has not accounted any provision for expenses till date balance sheet due to reasons described in note no 24(d). In absence of any best estimates of the provision to be accounted, we are unable to comment about its consequential effect if any on these financial results. The same is not in compliance with requirements of Ind AS 37 appropriate recognition measurement and disclosure of provisions. 10. Non-Recognitions of interest as borrowings - As mentioned in note no 13(i) to the Ind AS financial Statements all borrowings were assigned by the banks and financial institutions to 3 c JKL Asset Reconstructions

WWW.TAXSCAN.IN - Simplifying Tax Laws

	company limited along with all rights and privileges. The company has not accounted for accrued interest amounting ₹ 21091.71 lakhs from August 2021 to date of balance sheet which is noncompliance of Indian Accounting Standards (Ind AS)109 Financial Instruments.
Management Response	1. As of March 31, 2022, the Company, LMN Limited is currently undergoing corporate insolvency resolution process ("CIRP") pursuant to the order dated July 28, 2021, passed by the Hon'ble National Company Law Tribunal, Hyderabad Bench ("NCLT"), in C.P. No.17 /9/ HDB/ 2020 filed by one M/s TTT Logistics, an operational creditor of the Company. Vide the same order, one Mr. ABC, an Insolvency Professional, was appointed as the Interim Resolution Professional. Pursuant to order dated September 08, 2021, passed by the Hon'ble NCLT, Mr. XYZ, an Insolvency Professional, was appointed as the Resolution Professional to conduct the CIRP and to manage the affairs of the Company. The copy of the said order was received by Mr. XYZ, the Resolution Professional on September 15, 2021. As such, since September 15, 2021, has been under the control and management of Mr. XYZ, the Resolution Professional. The CIRP of the Company is at advanced stage with the Resolution Plans being under consideration of the COC. Though, the Resolution Plans have been voted upon by the Committee of Creditors of the Company in their meeting held on March 17, 2021 which continued on March 20, 2022, however, pursuant to the order dated March 07, 2022, passed in I.A. No.791 of 2021 filed by one Operational Creditor, the outcome of the voting on the Resolution Plans has been put on hold. Accordingly, the Company continues to be under CIRP under the aegis of Mr. XYZ, the Resolution Professional. Since Corporate Insolvency Resolution Process (CIRP) is currently in progress, as per the Code, it is required that the Company be managed as going concern during CIRP and Resolution plan was considered by COC which was put on hold on account of reasons specified in above. Accordingly, the financial statements are continued to be prepared on going concern basis. 2. That certain information relating to CIRP including the minutes of meetings of the Committee of Creditors and the outcome of certain procedures carried out as a part of the CIRP are confidential in nature and could not be shared with anyone other than the Committee of Creditors (CoC) and NCLT. However, the stock exchange continues to remain informed about key outcomes of the meetings of the CoC. 3. The Company's current level of operations in Metallurgical Coke division at Nineteen percent capacity and no operations at Ferrous division, may not be an indication of the future performance of the Company. As the company has awarded Repair and Maintenance Contract to JJJ Limited to upkeep the Property plant and Equipment. Accordingly, Impairment testing under Ind AS has not been performed while presenting these results. 4. Resolution Professional has taken control over both plants and reviewed the position of inventory before handing over the same to XX Limited for Repair and Maintained work. Management regularly monitored,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	maintained and ensured same in usable/ saleable condition and assessed the stated value was fully recoverable and no provision is required as on the date of balance sheet. 5. Resolution Professional has invited the Claims through the Public Announcement and Various Creditors such as financial, operational and other have submitted and reconciled the same with Books of accounts based on the documents provided by the claimant which has been verified. And the Final version of claims summary has been uploaded on the company website. The above point is self-explanatory. 6. The management assess the recoverability of trade receivables and other balances on regular basis and believes there was no uncertainty at present on recoverability these receivables and legal cases were preferred where required to ensure recoverability. Provision will be based on outcome of the legal cases until then the dues are considered good. ₹ 1163.77 lakhs written off as bad debts during Q4 2021-22, after due deliberations with customer and assessment of the recoverability. 7. Claims have been received from various governments authorities admitted / partial admitted or rejected based upon the verification conducted by Resolution Professional and can be settled in accordance with Resolution plan approved by NCLT. 8. The Company is required to obtain approvals from consent authorities to condone such delay in payment of foreign currencies, which is presently not obtained and the Company intends to take the necessary approvals in this regard, pending which any penalties that may be levied by consent authorities and impact in the aforesaid liabilities in the financial statements are not presently ascertainable 13. As per the recognition principles mentioned in Indian Accounting Standard (Ind AS) 37, provision shall be recognised when company has a present obligation (legal or constructive) as a result of a past event, which is to be measured by the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. On 20 September 2021 the company entered into a contract for 'Repairs & Maintenance of Manufacturing Facilities' at a contract Price of ₹ 26600 lakhs and related work was commenced by the contractor. The company has not accounted any provision for expenses till date of Balance sheet due to the reasons described in note no.24(d) In the absence of any best estimate of the provision to be accounted, we are unable to comment about its consequential effect if any on these financial results. 9. Related Party transactions occurred during April 01, 2021 to July 28, 2021 were not obtained approval form Board due to post initiation of CIRP. 10. The above remark is self-explanatory. 11. Pursuant to the public announcement, financial creditor have filed their claim of ₹ 174714.00 Lakhs as on insolvency commencement date which has been duly verified and reconciled for the purpose of admission of claims on account of provisions of IBC. Hence no provisions for interest was created.

WWW.TAXSCAN.IN - Simplifying Tax Laws

66. Plastic Products - Industrial

Company 66.1	
Basis for Qualified opinion	The outstanding trade payables consists of ₹ 115.52 Lakhs which are payable in foreign currency for more than three years as at March 31, 2022 to its foreign suppliers. As explained to us, Currently Management is in the process of evaluating appropriate course of action for compliance with Foreign Exchange Management Act, 1999 and any other applicable law on account of delay in payment of above dues. However, we are unable to comment on the likely outcome and its consequential impact on the financial statements for the year ended March 31, 2022, for non-compliance with any provisions under FEMA Act, 1999 or any other law applicable. (Refer Note No. 41 of Standalone Ind AS Financial Statement.)
Management Response	In respect of outstanding trade payables in foreign currency, the Management state that the Company is in the process of evaluating appropriate course of action for compliance with Foreign Exchange Management Act, 1999 and any other applicable law on account of delay in payment of above dues.

Company 66.2	
Basis for Qualified opinion	1. We draw attention to note 23.1 & 23.2 to the standalone financial Statement, which states that the Company has defaulted in repayment of loans and interest in respect of Term Loan and Cash Credit of BPL Bank, RST Bank, MNO Bank and AOS Bank due to which the accounts are considered as Non-Performing Asset (NPA) by all the banks. 2. We draw attention to note 26.1 of the standalone financial statement, which states that the Company is in default w.r.t. payment of statutory dues to government authorities and filing of periodic returns thereof, which may entail penalty which is not ascertainable and hence not provided for.
Management Response	1. In light of the over dues to financial creditors, the Company has submitted a Comprehensive Debt Resolution Plan to the banks and the same is under consideration and approval. 2. The Company is in the process of analysing and regularising the dues. The interest as applicable on these delays is already provided for.

WWW.TAXSCAN.IN - Simplifying Tax Laws

67. Plywood Boards/ Laminates

Company 67.1	
Basis for Qualified opinion	We do not express an opinion due to the fraud conducted by the officer of the company which is discovered on 24th June, 2022 after the signing of the audited financial statement dated 30th May, 2022, we are not able to generate necessary and appropriate audit evidences regarding the value of stock, balance of sundry debtors & creditors and Input Tax Credit of Goods & Services Tax lying as on 31st March, 2022 in the financial statement, whether, the aforesaid standalone annual financial results: a. Are presented in accordance with the requirements of the Companies Act, 2013 (the 'Act') in the manner so required; and b. Give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, Standards ('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, of the net profit and other comprehensive income and other financial information for the year ended 31st March, 2022 and its loss and total comprehensive income, changes inequity and its cash flows for the year ended on that date.
Management Response	The Board has approached legal consultants and statutory auditors of the company, discussing and deliberating on implications thereof on the financial results of the company. Based on the opinions of professionals, the Board of Directors had decided to revise the financial statements, in order to reflect the actual financial position of the company. Consequent to which the Annual Financial results and statements were revised by the auditors and disclaimed the opinion. The Board of Directors have initiated legal action against the CFO of the company, who were involved in the fraud. The litigations were filed on behalf of the company, which are sub-judice in court of law.

WWW.TAXSCAN.IN - Simplifying Tax Laws

68. Port & Port services

Company 68.1	
Basis for Qualified opinion	1. In relation to Going Concern assumption we refer to Note 40 of the Statement where it is mentioned that the Company's current liabilities are in excess of its current assets by ₹ 18,364.59 lakhs which is largely on account of current maturities of its long-term debts. Further, as mentioned in Note 33 of the Statement, the Company has contingent liabilities regarding EPCG Obligations of ₹ 1,294.67 lakhs, demands from sales tax / MVAT department of ₹ 10,068 lakhs (plus applicable interest & penalty) and invocation of the Shortfall Undertaking by a lender of a subsidiary of ₹ 6,627.20 lakhs. There has also been a substantial reduction in the net worth of the Company due to current year losses. Further the outbreak of the pandemic has led to majority of the cranes of the Company being non-operational. Majority of the cranes have been idle with values deteriorating due to corrosion and being stationed unused and remote locations. These situations indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, however the Company has prepared its standalone financial statements as a going concern. The impact of the same on the standalone financial statements of the Company is unascertainable. 2. Outbreak of the pandemic has led to majority of the cranes of the Company being de-hired. Nonoperation is causing deterioration in life of the assets. However, the Company has not conducted an impairment study under Ind AS 36. As mentioned in Note 45, the Company has continued to carry its PPE at book value. The impact of the same on the standalone financial statements of the Company is unascertainable. 3. As mentioned in the Note 44 of the statement, we have not received balance confirmation from KSL Bank Ltd (Lender) as on March 31, 2022 and have been unable to confirm the balances through any alternate means. The impact on the result of the Company is unascertainable. 4. As mentioned in the Note no 43 of the Statement, in respect of Trade Receivables, trade payables, Loans & Advances (Assets) and Advances Liabilities are subject to confirmation/ reconciliation from respective parties. Hence, any material impact on the financial statement due to the same cannot be ascertained. 5. As fully explained in Note 47 to the consolidated financial statement, the Company has not received financial statements of a subsidiary and joint venture for year ended 31st March, 2022. It has continued with the same balances for the joint venture as appearing in consolidated financial statements for year ended 31st March, 2018. Further, for the purpose of preparation of consolidated financial statements for year ended 31st March, 2018, the Company had relied on unaudited financial statements, which were unapproved by the management of the said entity. The financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	impact of the losses on the carrying value could vary based on the final audited financial statements of the joint venture and the consequent impact on the consolidated other equity and the consolidated profit and loss is presently unascertainable. 6. As fully explained in Note 48 to the consolidated financial statement, the company has consolidated three subsidiaries based on unaudited financial statements and management account that are yet to be approved by the board of those companies. The financial impact of the losses on the carrying value could vary based on the final audited financial statements of the subsidiaries and the consequent impact on the consolidated other equity and the consolidated profit and loss is presently unascertainable. 7. As fully explained in Note 49 to the consolidated financial statement, the Company has not received financial statements of Associate for year ended 31st March, 2022. The financial impact of the losses on the carrying value of investment could vary based audited financial statements of the associates and the consequent impact on the carrying value of investment and the consolidated profit and loss is presently unascertainable. 8. As more fully explained in Note 43 to the Consolidated Financial Statements, XYZ Limited one of the step-down subsidiaries of the Company, is a Non- Banking Financial Company (NBFC). However, IPL has not complied with the requirements of the Reserve Bank of India Act, 1934, in respect of NBFC including registering as an NBFC as under Section 45-IA of the Reserve Bank of India Act, 1934. Liabilities/ penalties, if any, on account of the above non-compliance are presently not ascertainable and therefore have not been provided for in the financial statements of IPL. Further, the preparation and presentation of the financial statements of IPL applicable to the companies registered under the aforesaid act have also not been complied with. 9. As more fully explained in Note 42 (b) to the Consolidated Financial Statements, PQ & XYZ Limited has not complied with sections 149,177 and 178 of the Act with respect to appointment of independent directors, constitution of audit committee and remuneration committee during the year ended 31 March 2022. Pending regularization of the aforementioned defaults, Liabilities/penalties, if any, on account of the above non-compliance are presently not ascertainable and therefore have not been provided for in the consolidated financial statement. 10. As more fully explained in Note 42 (a) to the Consolidated Financial Statements, XYZ Limited has not complied with section 138, 149, 177, 178 and 203 of the Act with respect to appointment of Internal Auditor, Independent directors, constitution of audit committee, nomination and remuneration committee and appointment of key managerial personnel during the year ended 31st March 2022. Pending regularization of the aforementioned defaults, we are unable to comment on the extent of adjustments, if any, that may be required in these financial statements on account of such defaults.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	11. As more fully explained in Note 42 (c) to the Consolidated Financial Statements, XYZ Limited has not complied with section 149, 177 and 178 of the Act with respect to appointment of independent directors, constitution of audit committee and nomination and remuneration committee during the year ended. Pending regularization of the aforementioned defaults, we are unable to comment on the extent of adjustments, if any, that may be required in this financial statement on account of such defaults.
Management Response	The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

WWW.TAXSCAN.IN - Simplifying Tax Laws

69. Power Generation

Company 69.1	
Basis for Adverse opinion	1. Note no. 8.1 regarding investments and loans aggregating to ₹ 1,819.54 Lakhs in Arunachal Pradesh and Uttarakhand Undertaking transferred pursuant to the agreement dated 9th November, 2015 and consideration of ₹ 4,994.52 Lakhs recoverable in this respect. In view of the uncertainty and non-fulfilment of the conditions precedent to the agreement, amount recoverable thereagainst is doubtful of recovery and considering the progress of underlying projects, value of investments and loans in these companies have been significantly impaired. Impact in this respect have not been ascertained by the management and recognised in the consolidated financial statements; 2. Note no. 14.5 and 17.2 regarding outstanding amount of ₹ 3,407.60 Lakhs in respect of trade receivables and loan amounting to ₹ 586.50 Lakhs (including interest accrued thereon) respectively given to certain companies which are doubtful of recovery and considering recoverability etc. are prejudicial to the interest of the Group. In absence of the provision there against, the profit for the year is understated to that extent. Impact in this respect have not been ascertained by the management and recognised in the consolidated financial statements. 3. Note no. 27.2 regarding non-provision of interest, pending finalisation of terms and conditions of the loan and determination of amount thereof, in respect of loan of ₹ 2,000.00 Lakhs taken from a body corporate by a subsidiary company; 4. Note no. 56 regarding non-reconciliation of certain debit and credit balances including loans, advances, creditors, with confirmation thereof. Adjustments/ impact with respect to these are currently not ascertainable and as such cannot be commented upon by us; 5. Note no. 6.2 regarding capital projects pertaining to Uttarakhand undertaking undertaken by two subsidiary companies carried forward as capital work-in-progress amounting to ₹ 2,971.24 Lakhs, where no progress as such has taken place since a considerable period of time and status and prospects thereof and resultant impact as such cannot be commented upon by us;
Management Response	1. In respect of investments and loans in Arunachal Pradesh and Uttarakhand undertakings, pending fulfilment of conditions and approvals etc. in terms of the agreements and pending recovery thereof, the said amount and other receivables pertaining to Arunachal Pradesh undertaking has been considered good and recoverable. The management is in the process of recovery of outstanding balances of trade receivables and loans and pending recovery thereof; the said amounts have been considered good of recovery. Reconciliation of outstanding balances with vendors and / or suppliers is under process and consequential impact, if any, will be given

WWW.TAXSCAN.IN - Simplifying Tax Laws

	effect to as and when determinable. Project survey, geological investigation and formulation of detailed project report and other allied works in respect of projects undertaken by Uttarakhand undertaking are under process and based on physical verification of assets carried out during previous financial year, no adjustments in carrying value of capital work in progress has been considered necessary by the Board. 2. Pg no .153-Trade receivables include balances of ₹ 3,407.60 Lakhs which are outstanding for a considerable period of time. Pending recovery of the said amount, no provision against this has been considered necessary. 17.2 Loan of ₹ 586.50 lakhs (including interest accrued thereon) recoverable from a company is lying outstanding as on 31st March, 2022. Pending recovery of the said amount, no provision against this have been considered necessary. 3. Terms and conditions including interest in respect of loan of ₹ 2,000.00 Lakhs taken from a body corporate by a subsidiary company have not been renewed by the said subsidiary company. No interest, pending determination of amount thereof has been recognised during the year. 4. Various debit and credit balances including in respect of loans, advances, creditors are subject to confirmation and consequential reconciliation thereof. 5. Capital work-in-progress amounting to ₹ 2,971.24 Lakhs as on 31st March, 2022, relates to two subsidiary companies, namely ABC Limited and PQR Limited. There has been no progress in the projects undertaken in earlier years. As per physical verification of the assets carried out on 31st March, 2021, no adjustments in the carrying value has been considered necessary by the management of the said subsidiary companies.

Company 69.2	
Basis for Qualified opinion	1. We refer to Note 17 & 26 to the accompanying Statement, there is a legal dispute between the Company and the Exim Bank on non-release of the balance loan of $12.11 million as per the initial agreed terms and the matter is pending before Honourable High Court of Bombay. Exim Bank had filed application in NCLT, Chennai on 7th September 2020 under section 7 of the Insolvency and Bankruptcy Code 2016 which was admitted vide the Order passed on 21st March 2022 initiating the Corporate Insolvency Resolution Process(CIRP) against which the Company has filed an appeal in NCLAT at Chennai which has passed an interim order stating that the impugned order dated 21.03.2022 passed by NCLT, Chennai shall remain stayed and directed to list the matter on 26th August 2022. Further, the Company has submitted proposal for settlement under OTS or restructure vide their letter dated 24th November 2021 for which the bank confirmed their acceptance for OTS for settlement amount of ₹ 4800 lakhs vide their letter dated 21st April 2022 subject to the terms and conditions mentioned in the letter. The Company has made an upfront payment of ₹ 480 lakhs on

WWW.TAXSCAN.IN - Simplifying Tax Laws

	May 06,2022 as per the stipulated terms and conditions of the OTS sanction. The Company has not provided for the interest (including penal and additional interest) during the year on the EXIM loan. Further, the total loan outstanding (principal and interest dues) of EXIM bank reflected under the Long-term borrowings in the Statement is ₹ 4113.57 lakhs as at March 31,2022. In the absence of closing confirmation on the outstanding principal and interest including penal and additional interest as at March 31,2022 from the EXIM bank, we are unable to quantify the impact of the same on the profit for the quarter and year ended March 31,2022 and also the understatement of non-current liabilities in the Statement as at March 31,2022. Our audit report dated July 09,2021 on the standalone financial statements for the year ended March 31,2021 was also qualified in respect of this matter. 2. We refer to Note 22 to the accompanying Statement, the Company has recognised Other Income to the tune of ₹ 201.01 lakhs during the quarter related to the compensation claim of generation losses from XYZ Limited which will be adjusted and dependent upon the execution of the new project to be explored by both the parties as per the memorandum of settlement agreement. The recognition of income is not appropriate as per the provisions of Ind AS 37. Accordingly, had the Other Income not been recognised in the standalone financial statements, the profit before exceptional items and tax for the year ended March 31,2022 would have been lower by ₹ 201.01 lakhs. 3. We refer to Note 8 to the accompanying Statement, the Company has not recorded for the expenses of operations and maintenance to the tune of ₹ 200 lakhs paid to resume the operations and maintenance as per Court order and repairs and maintenance to the tune of ₹ 200 lakhs paid towards restoration and repairs for breakdown of the wind turbines to ABC Limited based on which the relevant repairs have been already carried out and the machines are in running condition and the nature of payments made is clearly evident from the Memorandum of Settlement Agreement entered by the Company on January 21,2022 with XYZ Limited and ABC Limited. Further, the Company has not recognised the provision to the tune of ₹ 147 lakhs payable to XXL towards operations and maintenance charges pertaining to Sep 2021 to March 2022 period where the company has present obligation, and it is probable that an outflow of resources will be required to settle the obligation which is not in accordance with the provisions of Ind AS 37. Accordingly, had the relevant expenses and provision been recognised in the standalone financial statements, the profit before exceptional items and tax for the year ended March 31,2022 would have been lower by ₹ 547 lakhs. 4. We refer to Note 8 to the accompanying Statement, the Company's other non-current assets include balance amounting to ₹ 102 lakhs excluding interest as per Ombudsman order recoverable from ABC Bank in respect of the bank guarantee issued by GHI Bank (merged with ABC Bank) for advance payment by the company to ABC Limited .The Company has filed a suit bearing no.5 of 2007 and the matter is pending before Honourable

WWW.TAXSCAN.IN - Simplifying Tax Laws

	High Court of Bombay. In view of the uncertainty associated with the outcome of the case, the recognition of the claim as an asset is not in accordance of the provisions of Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets' and Ind AS 109 'Financial Instruments' and in the absence of such confirmation from the bank or sufficient and appropriate alternate audit evidence, we are unable to comment on the adjustments if any, that may be required to the carrying value of the aforementioned balance in the accompanying statement. Our audit report dated July 09,2021 on the standalone financial statements for the year ended March 31,2021 was also qualified in respect of this matter. 5. We refer to Note 10 to the accompanying Statement, the Company has trade receivables to the tune of ₹ 911.56 lakhs out of which ₹ 228.96 lakhs relates to Interest recoverable from XX and YY. The amount is lying as receivable for more than 5 years. As both are the Government entities, the collection of the said amount was expected to be certain. In our opinion the financial asset is credit impaired and accordingly the loss allowance for expected credit losses to be recognised. Accordingly, had the recognition of loss allowance for expected credit losses been made in line with the provisions of Ind AS 109 'Financial instruments' in the standalone financial statements, the profit before exceptional items and tax for the year ended March 31,2022 would have been lower by ₹ 228.96 lakhs and the trade receivables is overstated by ₹ 228.96 lakhs. Our audit report dated July 09,2021 on the standalone financial statements for the year ended March 31,2021 was also qualified in respect of this matter. 6. We refer to Note 28 to the accompanying Statement, the Company has not recognised the provision to the tune of ₹ 10.03 lakhs towards annual maintenance charges for 2 MW pertaining to November 21 to March 2022 period where the company has present obligation, and it is probable that an outflow of resources will be required to settle the obligation which is not in accordance with the provisions of Ind AS 37. Accordingly, had the relevant provision been recognised in the standalone financial statements, the profit before exceptional items and tax for the year ended March 31,2022 would have been lower by ₹ 10.03 lakhs. 7. As more fully described in the Material Uncertainty relating to Going Concern section of our opinion on the standalone financial statements, there is significant doubt about the Company's ability to continue as going concern and the consequential impairment on the carrying value of the financial and non-financial assets of the Company. We are unable to comment on the appropriateness of preparing the Statement on a going concern assumption and the impact, if any, arising out of the related matter is not presently determinable.
Management Response	1. As against the sanctioned term loan limit of Euro 18Mn, equivalent USD 25 Mn, Exim Bank had released only USD 12.7 Mn USD. On account of non-release of balance Loan of USD 12.3 Mn, company could not implement the project as originally envisaged and made claim on the Bank for the loss of operating profit of ₹ 55 Crores till the date of filing of the Commercial suit

WWW.TAXSCAN.IN - Simplifying Tax Laws

	against the Bank, as damages for non-release of the entire Loan amount before the honourable high court of Bombay. The matter is sub-judice. However a settlement is reached with the bank for a amount of ₹ 48 Crore against which the company has paid ₹ 4.80 Crore. In view of settlement arrived at between the parties, the company has not provided any interest or any other charges. (ii) If management is unable to estimate the impact, reasons for the same: In the light of OTS offer, the need for comment/quantification of the interest for the year does not arise. (iii) Auditors' Comments on (i) or (ii) above: 2. The Subject amount of ₹ 201.01 Lakhs has been considered as income based on the Memorandum of Settlement entered into by the Company with the Equipment supplier and O&M operators agreeing for the quantum of compensation for shortfall in generation. 3. These payments were made as part of the court proceedings and directions against shortfall claims made by the Company along with interest claims contained in the Arbitration award. Both the parties have entered into the settlement arrangement which is under implementation. Appropriate treatment for the payments will be made in the subsequent years based on the completion of settlement. 4. The Bank has not made payment for the Bank guarantee amount along with interest as per the order of RBI Ombudsman. The Company has shown the interest claim amount under contingent assets under Note No. 36 of Notes to accounts. 5. The company had provided for interest receipts from HHH at the rate of 12% as per the power purchase agreement. However, HHH offered 6% simple interest which the company agreed to avail on the condition that in case interest rate at higher rate paid at a later date by the HHH to any claimant, AA would become entitled to claim differential interest. In the case of YY also the company is hopeful of collecting the interest dues in the due course. 6. The payment of part of annual AMC amount mentioned in the qualification is subject to performance of the project under maintenance for the FY ending 31st March 2022. This involves compilations of complex data which is time consuming. On completion and consensus the amount payable will be ascertained in the due course. 7.(i) The Company has filed an appeal with the Division Bench of the Honourable High Court of Madras with the Prayer for order of Interim Stay of all further proceedings in pursuance to the Judgment passed on 20.05.2020. (ii) If management is unable to estimate the impact, reasons for the same: NA (iii) Auditors' Comments on (i) or (ii) above:

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 69.3	
Basis for Qualified opinion	1. As stated in note no. 44(e) of standalone financial statements for the year ended 31st March, 2022, the Company has given/provided corporate guarantee of USD 1,500 lakhs (previous year USD 1,500 lakhs) for loans granted by the lender to JJJ Limited (the party to whom the Company is an associate) of amounting to ₹ 70,333 lakhs (previous year ₹ 70,333 lakhs) for which fair valuation has not been done as per the applicable Ind AS as of 31st March, 2022 and also no provision there against has been made in these standalone financial statements (in the absence of fair valuation impact unascertained Having regard to the above, management of the Company has concluded that no provision against diminution in value of investment made, as stated above, in subsidiary companies is necessary at this stage. 2. In the opinion of the Management there will be no material impact of the following guarantee on the financial result/ statement of affairs. Accordingly fair valuation is not being considered and recorded in this financial statement. (Corporate Guarantee of US$ 1,500 Lakhs in favour of XYZ Bank, Hong Kong branch for the credit facilities granted by lenders to JJJ Limited (Party to whom the company is Associate). The principal amount of loan outstanding of US$ 1,300 Lakhs (equivalent to ₹ 70,333 lakhs) has been converted into rupee term loan by XYZ Bank vide sanction letter dated 28th December, 2016. Presently, impact cannot be quantified.
Management Response	No provision for diminution in value against following long-term investments of amounting to ₹ 78,795 lakhs (Book Value) has been made as in the opinion of the management such diminution is temporary in nature considering the intrinsic value of the assets, future prospects and claims as stated in note no.5 (this to be read with note no.6) of accompanying financial results and management is confident that no provision for the same at this stage is considered necessary.

Company 69.4	
Basis for Qualified opinion	1. We draw attention to the matters described in note no.8 (e) of financial statement whereby the company has outstanding bank OD from IMN Bank. During the year, the company not provided the interest of ₹ 62.10 lacs on OD in the books of accounts due to which expenses are understated to that extent. 2. We draw attention to the note no.30(3)(B), whereby out of the total outstanding debtors a few debtors having outstanding debtors of ₹ 1,07,74,102, company has written off ₹ 5,94,245 as bad debts during the year. Since the recovery proceedings are pending before NCLT, in our view provisions amount is shorter than what is required. To the extent of such lower booking of provisions, loss for the year is understated.

Analysis of Modified Opinions — Power Generation

	3. We draw attention to the note no.16 whereas the company has closing stock of ₹ 7.88 crore. As per management, approximate 30% of the inventory are slow moving items. Also management have not carried out physical verification of inventory. We performed alternate audit procedures but the correctness of carrying value could not be derived. We are unable to obtain the sufficient audit evidence to express our audit opinion on its carrying value. The loan recalled by TDB has been not classified as Current Liabilities but shown as Non-Current.
Management Response	1. Since there is a legal dispute wherein the DRT, Pune itself has excluded the interest in one of its orders dated 23.03.2022, the management decided to not include it in the financials. 2. The management is of the opinion that the cases for which provision is not made will be in the favor of the Company and amount will be recoverable. And for the receivables which are not recoverable is already provided for in previous year. 3. Due to COVID there were some Government restrictions in place due to which inventories were moving slow, but in the current year all material movements have been initiated. Hence there is no impact on the Financials of the Company.

Company 69.5	
Basis for Qualified opinion	1. As mentioned in Note 42 & 43 of the Statement, creditors were called upon to submit their claims. Claims submitted by the Financial creditors and operational creditors are subject to reconciliations. Pending reconciliation and final outcome of the CIRP, no accounting impact in the books of accounts has been given in respect of excess, short, or non receipts of claims for operational and financial creditors. Hence consequential impact, if any, on the financial statements is currently unascertainable. 2. We have been informed by Resolution Professional that the certain information including the minutes of the meeting of the Committee of Creditor and the outcome of certain procedures carried out as a part of the CIRP are confidential in nature and could not be shared with anyone other than the Committee of Creditor and NCLT. Accordingly, we are unable to comment on the possible financial impact, presentation and disclosure, if any, that may arise if we have been provided access to those information. 3. As mentioned in Note No 44 of the Statement, no impairment assessment of property plant and equipment and intangible asset in carrying value as at 31st March, 2022 is made. Therefore, we are unable to comment on consequential impairment, if any, that is required to be made in carrying value of property, plant and equipment and intangible assets. 4. Note No. 45 regarding balance confirmations not been received in respect of trade receivables, trade and other payables, and loans and advances as a result of which reconciliation process and consequential adjustments, if any, has not been carried out. The Company has adjusted / provided significant

WWW.TAXSCAN.IN - Simplifying Tax Laws

	amounts basis its internal estimates, against which necessary supporting documentation has not been made available to us. 5. Note 46 of the financial statements with regards to difference in borrowings of ₹ 1398.85 lacs arising with bank balance confirmation due to the interest on borrowings being recognized by the Company based on the sanction terms of borrowing, whereas the lenders has not charged the same. Had the interest not being recognized by the Company, the loss for the year would have reduced by ₹ 723.28 lacs. 6. Note 47 of the financial statement with regards to difference arising in accrued interest on fixed deposit of KSL Bank by ₹ 22.68 lacs due to interest being recognized by the Company on accrual basis, whereas KSL Bank has not provided interest in their statement.
Management Response	1. As mentioned in Note 42 & 43 of the Statement, creditors were called upon to submit their claims. Claims submitted by the Financial creditors and operational creditors are subject to reconciliations. Pending reconciliation and final outcome of the CIRP, no accounting impact in the books of accounts has been given in respect of excess, short, or non-receipts of claims for operational and financial creditors. Hence consequential impact, if any, on the financial statements is currently unascertainable. 2. We have been informed by Resolution Professional that the certain information including the minutes of the meeting of the Committee of Creditor and the outcome of certain procedures carried out as a part of the CIRP are confidential in nature and could not be shared with anyone other than the Committee of Creditor and NCLT. Accordingly, we are unable to comment on the possible financial impact, presentation and disclosure, if any, that may arise if we have been provided access to those information. 3. As mentioned in Note No 44 of the Statement, no impairment assessment of property plant and equipment and intangible asset in carrying value as at 31st March, 2022 is made. Therefore, we are unable to comment on consequential impairment, if any, that is required to be made in carrying value of property, plant and equipment and intangible assets. 4. Note No. 45 regarding balance confirmations not been received in respect of trade receivables, trade and other payables, and loans and advances as a result of which reconciliation process and consequential adjustments, if any, has not been carried out. The Company has adjusted / provided significant amounts basis its internal estimates, against which necessary supporting documentation has not been made available to us. 5. Note 46 of the financial statements with regards to difference in borrowings of ₹ 1398.85 lacs arising with bank balance confirmation due to the interest on borrowings being recognized by the Company based on the sanction terms of borrowing, whereas the lenders has not charged the same. Had the interest not being recognized by the Company, the loss for the year would have reduced by ₹ 723.28 lacs. 6. Note 47 of the financial statement with regards to difference arising in accrued interest on fixed deposit of KSL Bank by ₹ 22.68 lacs due to interest being recognized by the Company on accrual basis, whereas KSL Bank has not provided interest in their statement.

WWW.TAXSCAN.IN - Simplifying Tax Laws

70. Print Media

Company 70.1	
Basis for Qualified opinion	1. The Company had given corporate guarantees/ Letter of Comfort/ Undertaking in earlier years on behalf of erstwhile subsidiary i.e. ABC Limited of ₹ 10,547 lakhs as at 31st March, 2022 to banks and financial institutions. In view of the recent change in the management ABC Limited the Company got confirmation from the new management, that it is absolved from present and contingent liabilities. The change in the Corporate Guarantor is pending for approval from banks. In respect of erstwhile subsidiary i.e. MNO Limited, the Company has given the letter of comfort / undertaking amounting to ₹ 5,171 lakhs. In respect of the above, the Company has kept the provision made in respect of loss allowances amounting to ₹ 2,149.10 Lakhs as at 31st March, 2022 as required by Ind AS 109 – 'Financial Instruments' (refer note 36 of the Standalone Ind AS Financial Statements. 2. Material uncertainty related to Going Concern Management has prepared the Standalone Ind AS Financial Statements on going concern basis in spite of the following facts and circumstances: a. The Company has reported recurring losses from business activities and potential impact due to lock-down and other restrictions and conditions related to COVID-19 pandemic situation, for which a definitive assessment of the impact in the subsequent period is highly dependent upon circumstances as they evolve. (Refer note 51 of the Standalone Ind AS Financial Statements). b. The guarantees issued by the Company on behalf of erstwhile subsidiaries with expected further losses in addition to the amounts provided up to March 31, 2022. c. The constant and continuing decrease in the operations of the Company. d. The Shareholders of the company vide postal ballot dated December 10, 2021 have approved Sale / Transfer / Dispose of media division as a going concern / on a slump sale basis. Further they have approved Sale / Disposal of 100% shares held by the Company in subsidiaries and Fixed Assets. (refer note 50 of the Standalone Ind AS Financial Statements) These matters, including the status of the Company as at the date of this report, indicate a material uncertainty regarding Company's ability to continue as a going concern. While provisions have been made for asset impairment and liabilities as estimated to be likely to occur, further provisions may arise, if the Company is unable to realize its assets and discharge its liabilities in the normal course of business. The management is working towards finding a workable solution to resolve the financial position by discussions with the lenders and others and to continue its business as going concern. Accordingly, the management considers it appropriate to prepare these standalone

WWW.TAXSCAN.IN - Simplifying Tax Laws

	financial statements on a going concern basis. (refer note 51 of the Standalone Ind AS Financial Statements). Auditor's Report on the Standalone Ind AS Financial Statements for the year ended 31st March 2021 also contained the above material uncertainty related to Going Concern.
Management Response	1. MNO has entered in to a One Time Settlement (OTS) with the Lenders and payments are being made under the sanctioned OTS. MNO has paid about 54% of the OTS principal amount and as per the OTS sanction the balance is payable out of sale of plant and machinery as scrap and other assets including land. Settlement with the balance statutory authorities and government agencies is underway. ABC Limited has consented to meet all the liabilities of the MNO both present and contingent without recourse to your Company. MNO is hopeful that Lenders, Creditors and Authorities will take a measured stand to safeguard interest of all stakeholders. ABC Limited has sufficient assets to meet its borrowings. Considering the same, in the opinion of the management, these are not expected to result into any financial liability of the Company. 2. Pursuant to a separate Scheme of Amalgamation approved by the Hon'ble High Court at Calcutta between WIEL and a step down wholly owned subsidiary of the Company on 18th March 2014, being the Company as a successor to WIEL, the Company has applied AS 30, the Accounting Standard on Financial Instruments: Recognition and Measurement, issued by the Institute of Chartered Accountants of India (ICAI), and pursuant thereto has as on March 31, 2014, being the date of conclusion of the first Accounting Year post the provisions of AS 30 becoming applicable to the Company, classified the investments as "available for sale financial assets" and has accordingly, measured such investments at fair value as on that date. All amount required to be taken as per AS 30 to revenue reserve or to an appropriate equity account shall be aggregated and such aggregate shall be taken to the Business Reorganisation Reserve (BRR). In the event of any conflict between the provision of AS 30 and any other Accounting Standards, the provision of AS 30 will be applied in preference to any other Accounting standard. BRR shall constitute a reserve arising as per this Scheme and shall not for any purpose be considered to be a Reserve created by the Company. During the year, the Institute of Chartered Accountants of India (ICAI) has withdrawn Accounting Standard 30 (Accounting Standard on Financial Instruments: Recognition and Measurement). Consequent to this, the Company, backed by legal opinion, has applied principles of notified Ind AS related to Financial Instruments being new accounting standards applicable instead of AS 30. All equity investment including Investment in Subsidiaries are designated as fair value through profit & loss. Accordingly, all amounts required to be taken as per the Financial Instruments Standards under Ind AS to revenue reserve or to an appropriate equity account / Other Comprehensive Income are aggregated and such aggregate is taken to Business Reorganization Reserve (BRR) in line with the afore-cited court order. This matter has been referred to by the auditors.

WWW.TAXSCAN.IN - Simplifying Tax Laws

71. Printing and Publication

Company 71.1	
Basis for Qualified opinion	As stated in note 62 of the standalone financial statements, the Company has a non-current investment in KLM Limited, a subsidiary of the Company amounting to ₹ 247.78 million (net of impairment of ₹ 55.00 million) and has loans and trade/ other receivables recoverable from such subsidiary company amounting to ₹ 149.56 million and ₹ 48.65 million, respectively, as at 31 March 2022. KLM Limited has been incurring operational losses since earlier years as a result of which the net worth of such subsidiary company has been completely eroded. Management, based on their internal assessment, has assessed that the aforesaid recoverable balances are fully recoverable as at 31 March 2022 and hence, no adjustments are required to be made to the accompanying standalone financial statements. However, in absence of sufficient and appropriate evidence to support management's assessment as above, we are unable to comment on the appropriateness of the carrying value of the aforesaid recoverable balances as at 31 March 2022 and the consequential impact thereof on the accompanying standalone financial statements for the year ended 31 March 2022.
Management Response	The Company has a non-current investment in the KLM Limited, subsidiary of the Company amounting to ₹ 247.78 million (net of impairment of ₹ 55 million) in the form of investment in equity shares and preference shares as at 31st March 2022. Further, there are loans and trade/ other receivables recoverable from KLM Limited amounting to ₹ 149.56 million and ₹ 48.65 million respectively. KLM Limited has been incurring losses since earlier years and have eroded its net worth. The management has filed a composite Scheme of arrangement ("the Scheme") (refer note below) having an appointed date as 1st April 2017 with NCLT. As per the Scheme, KLM Limited would cease to exist, as education business would get demerged into XYZ Limited and the residual business of KLM Limited would get merged into PQR Limited Merger would bring synergies which will help the resulting entity (PQR Limited) to optimize the utilization of resources to exploit the anticipated business opportunities more efficiently leading to financial strengthening. The Scheme has been filed with NCLT and due to the current scenario of COVID-19 and nationwide restrictions, the hearing for this matter has been delayed. Management believes that the aforesaid recoverable balances from KLM Limited are good and recoverable as at 31st March 2022 based upon an independent valuation of the Intellectual Property which the company holds. Note: The Company had filed Draft Composite Scheme of Arrangement on 09th January 2018, amongst ABC Limited, DEF Limited, KLM Limited, PQR Limited and DEF Limited and their respective shareholders and creditors (Composite Scheme) with BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 and Circular no. CFD /DIL3 /CIR/2017/21 dated 10 March 2017. The Scheme inter alia includes amalgamation of ST and UV with and KL Limited,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	demerger of the education business of KLM Limited & PQR Limited with and into KLM Limited and amalgamation of residual business (after demerger) of with and into PQR Limited. The Company had filed the Scheme with NCLT. NCLT vide its order dated 10 February 2020 had directed to convene meetings of shareholders, secured & unsecured creditors of KLM Limited and meeting of secured and unsecured creditors of PQR Limited ("the meetings") for approval of the Scheme. However, due to Covid19 pandemic and nationwide lockdown the meetings were deferred. NCLT vide its order dated 29 May 2020 had directed to convene these meetings through video conferencing in the month of July 2020. These meetings were convened through video conferencing on 17 July 2020 and 18 July 2020. Respective creditors and shareholders have approved the Composite Scheme and thereafter Company has filed a second motion application with NCLT for approval of the Composite Scheme. The approval of NCLT is awaited.

WWW.TAXSCAN.IN - Simplifying Tax Laws

72. Residential, Commercial Projects

Company 72.1	
Basis for Qualified opinion	We draw attention to Note 17.6 to the standalone financial statements which describe that MNO Limited has revoked the restructuring and recalled repayment of outstanding dues amounting to ₹ 11,631.79 Lakh (including interest). The company has not recognized the default interest cost amounting to ₹ 500.58 Lakh & ₹ 805.35 Lakh for the year ended March 31, 2022 & March 31, 2021. The company is in discussion with the lender to resolve the matter in the best possible manner. The Company's records indicate that had management recognized the default interest, an amount of ₹ 500.58 Lakh and ₹ 805.35 Lakh for the year ended March 31, 2022 & March 31, 2021 respectively, would have been required to provide for as finance cost. Accordingly, Finance Cost, Deferred tax assets and Loss after tax would have been increased by "₹ 500.58 Lakh, ₹ 139.26 Lakh, ₹ 361.32 Lakh" and "₹ 805.35 Lakh, ₹ 224.05 Lakh, ₹ 581.30 Lakh" for the year ended March 31, 2022 & March 31, 2021 respectively and shareholder's fund would have been reduced by ₹ 361.32 Lakh and ₹ 581.30 Lakh for the year ending March 31, 2022 & March 31, 2021 respectively. Matter stated above has also been qualified in our report for year ended March 31, 2021.
Management Response	The company had received letter dated 28th January 2021 on "Revocation of settlement of outstanding dues approved vide letter dated 17th November 2017" from MNO Limited ("Lender") and consequently received "Notice for payment of Dues". The outstanding balance as per books is ₹ 57.57 crores & ₹ 58.74 crores as overdue principal and overdue interest respectively as on 31st March 2022. Due to the revocation of restructuring, penal interest liability has been enhanced to the extent of ₹ 13.05 crores till 31st March 2022. This revocation during COVID affected period resulting in levy of additional penal interest is disputed/ denied by the Company in totality particularly when the Company is in proactive discussion with MNO since March 2020 to work out the resolution on this matter. In continuation of above notices, the MNO has moved application with DRT for recovery of dues which is suitably replied by legal department of the Company. The Company is exploring option of One Time Settlement to provide exit to MNO, for which discussions are on with few Financial Institutions. The Company has also appointed a consultant to facilitate closure of the transaction between prospective PQ and MNO.

Company 72.2	
Basis for Qualified opinion	1. We draw attention to note no 42 of the Standalone Financial Statements wherein the Company has purchased properties aggregating to ₹ 16,078 lakh from one of its subsidiary (holding 70.57% equity shares) JKL Limited in the financial year 2011 -12. The Company has not paid ₹ 14,374 lakh out of the above consideration to JKL Limited till date. ABCL is demanding interest

WWW.TAXSCAN.IN - Simplifying Tax Laws

	on delayed payment of the outstanding amount @18% per annum. However, the Company has denied such demand on the basis that there is no such clause in the agreement entered into with JKL Limited and has not provided for any interest on the outstanding amount in its books of account. In view of above, we are unable to ascertain the possible impact it may have on the profit and financial position of the Company and hence not commented upon. 2. We draw attention to note no 42 of the Standalone Financial Statements wherein JKL Limited has not made provision for interest receivable on advance of ₹ 1,140 lakhs given to the Company. One of the minority investor, shareholder of the JKL Limited, "JKL Limited" has objected to granting interest free advance and has demanded that the JKL Limited recover interest @ 18% per annum on the amount so advanced. In view of above, we are unable to ascertain the possible impact it may have on the profit and financial position of the Company and hence not commented upon. 3. We draw attention to note no 46 to the Standalone Financial Statements, wherein the Company has entered into a business transfer agreement (BTA) between PE investor in JKL Limited subsidiary of the Company on the basis of interim arbitration award/ master settlement agreement (MSA). As per MSA, 93% of the equity share capital of the Company is now held by PE investor. As a result, JKL Limited is not a subsidiary of the Company. As per the interim Award, XYZ is conducting audit of JKL Limited to ascertain shortfall amount, if any. The final amount if any, which can't be ascertained as on the 31st March, 2022, will be determined subsequent to the report of XYZ. The adjustment for the same if any will be made after receipt of report from XYZ. 4. We draw attention to note no 44 of the consolidated financial Statements wherein one of the subsidiary has not recorded interest aggregating to ₹ 1,996 Lakh for the year ended March 31, 2022 on debentures issued for ₹ 9,859 Lakh to parties outside the group. This has resulted in understatement of inventory by ₹ 1,996 Lakh and understatement of current liability for interest by ₹ 1,996 Lakh in the financial statements of the Company for the year ended March 31, 2022.We further report that, without considering items mentioned at para (a), (b) and (c) above, the effect of which could not be determined, had the observations made by us in para (d) above been considered, the consolidated loss for the year would have been ₹ 10,181.55 lakh (as against the reported figure of parent's share loss of ₹ 8,185.55 lakh), Other current financial liabilities would have been ₹ 77,842.23 lakh (as against the reported figure of ₹ 75,846.23 lakh).
Management Response	1. The Notes to Accounts (Standalone), forming part of Balance Sheet as at the 31st March, 2022 and Profit & Loss Account for the year ended on that date, referred to in the Auditors' Report, are self-explanatory. The Company has purchased properties aggregating to ₹ 16,078 lakhs from one of its subsidiaries (holding 70.57% equity shares) (ABC Limited) in the financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	year 2011-12. The Company has not paid ₹ 14,374 lakhs out of the above consideration to ABCL till date. ABCL is demanding interest on delayed payment of the outstanding amount @18% per annum. Further, ABCL has not made provision for interest receivable on advance of ₹ 1,140 lakhs, outstanding on 31.03.2019, given to the Company. One of the minority investor shareholders of the ABCL, "ABC Limited" has objected to granting interest free advance and has demanded that the ABC recover interest @ 18% per annum on the amount so advanced. However, the Company has denied such demand on the basis that there is no such clause in the agreement entered into with ABC and has not provided for any interest in its books of account. 2. The Company has purchased properties aggregating to ₹ 16,078 lakhs from one of its subsidiaries (holding 70.57% equity shares) ABC Limited in the financial year 2011-12. The Company has not paid ₹ 14,374 lakhs out of the above consideration to ABCL till date. ABC is demanding interest on delayed payment of the outstanding amount @18% per annum. Further, ATIL has not made provision for interest receivable on advance of ₹ 1,140 lakhs, outstanding on 31.03.2019, given to the Company. One of the minority investor shareholders of the ABC, "ABC Limited" has objected to granting interest free advance and has demanded that the ATIL recover interest @ 18% per annum on the amount so advanced. However, the Company has denied such demand on the basis that there is no such clause in the agreement entered into with ABC and has not provided for any interest in its books of account. 3. STU Limited and XYZ Limited as equity investors along with PQR Limited and JKL Limited as debenture investors ("investors") which have invested in ABC Limited (Now known as PQR Limited had referred the matter to an Arbitrator on their dispute with ABC. The Company had given corporate guarantee (to the tune of ₹ 100 Crore) to the investors for their investment in DDL. In the meanwhile, both the parties, (i.e., the company and the Investors) had entered into master settlement agreement, which was jointly submitted to the arbitrator. Based on master settlement agreement filed with the arbitrator, interim arbitration award was pronounced. As per the interim Award, XYZ is conducting audit of APIPL to ascertain shortfall amount, if any. The final amount if any, can't be ascertained as on the 31st March, 2022, will be determined subsequent to the report of XYZ. The adjustment for the same if any will be made after receipt of report from XYZ. 4. EFG Limited, one of the subsidiary, has issued debenture aggregating to ₹ 20,000 lakh. EFG is in the process of arriving at the settlement with Debenture holders. In view of this, EFG has not provided interest aggregating to ₹ 1,996 lakhs (previous year ₹ 2,793 lakhs) for the year ended March 31, 2022 on debentures issued for ₹ 9,859 lakhs (Previous year ₹ 13,791 lakhs) issued to parties outside the group. This has resulted in understatement of inventory by ₹ 1,996 lakhs (previous year ₹ 2,793 lakhs) and understatement of liability for interest by ₹ 1,996 lakhs (previous year ₹ 2,793 lakhs) in the financials of EFG for the year ended March 31, 2022.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 72.3	
Basis for Qualified opinion	We draw attention to Note 41 to the accompanying Statement, the 62 XX Distillery Unit, RR has been taken over by the Company with effect from 09.10.2021 as an on-going concern basis. The Operational results of the Distillery Division for the period from 09.10.2021 to 31.03.2022 was provisionally arrived at ₹ 425.06 Lakhs. However, pending approval for transfer of license in the name of the Company and finalisation of accounts of MNO, the necessary entries for taking into account the operational results of the Distillery Unit are not yet passed in the books. Hence the profit of the Company for the year ended 31 March 2022 are understated by ₹ 425.06 Lakhs. Besides, consequent to the takeover of the Distillery Unit, the corresponding changes in the assets and liabilities of the Company are not yet ascertained.
Management Response	The Company is in process of getting approval from Excise Department, Government of Tamil Nadu for transfer of License in its name. Once the transfer license is approved, the necessary entries for taking into account the Operational Results of the Distillery Unit will be passed and the corresponding changes in the Assets and Liabilities of the Company will be ascertained.

Company 72.4	
Basis for Qualified opinion	1. We draw attention to Note 48 to the standalone financial statements, in respect of preparation of financial statements of the Company on a going concern basis, which states that the Company has negative net worth of ₹ 52,696.44 lakhs as at 31.03.2022. Further, the working capital of the Company continues to be negative. The Company has obligations towards fund based borrowings aggregating to ₹ 1,38,560.32 lakhs and non-fund-based exposure aggregating to ₹ 9,237.68 lakhs and further obligations pertaining to operations including unpaid creditors and statutory dues as at March 31, 2022.Since Corporate Insolvency Resolution Process (CIRP) is currently in progress, as per the Code, it is required that the Company be managed as a going concern during CIRP. Accordingly, the standalone financial statements are continued to be prepared on going concern basis for the reasons stated in the said note. However, there exists a material uncertainty about the ability of the Company to continue as a "Going Concern" and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal basis. The appropriateness of the preparation of standalone financial statements on going concern basis is critically dependent upon CIRP as specified in the Code and the ultimate outcome of which is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying standalone financial statements. 2. We have been informed by the RP that certain information including the minutes of the meetings of the Committee of Creditors and the outcome of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	certain procedures carried out as a part of the CIRP are confidential in nature and could not be shared with anyone other than the Committee of Creditors and NCLT. Accordingly, we are unable to comment on the possible financial impact, presentation and disclosures, if any, that may arise if we have been provided access to those information. 3. Trade receivables include a sum of ₹ 49,469.40 lakhs against which the Company carries a provision of ₹ 488.25 lakhs that are under arbitration, which according to the Management will be awarded fully in Company's favour on the basis of the contractual tenability, progress of arbitration and legal advice and hence no additional provision for impairment loss has been considered necessary by the management as disclosed in footnote (a) to. Note No 9 of the Standalone Financial Statements. However, considering the significant time involved in the arbitration process and delays in the realisation of amounts in the recent years in respect of the claims awarded in favour of the Company, we are unable to comment on the carrying value of the above referred claims and the shortfall, if any, on the amount that would be ultimately realized by the Company. 4. Trade receivables include overdue amounts outstanding for a period of more than three years aggregating to ₹ 3,895.62 lakhs receivable from certain customers in respect of completed projects against which the Company carries a provision of ₹ 1,036.56 lakhs. The Management for the reasons stated in footnote (a) to Note No. 15 feels that no additional provisions would be required. In the absence of sufficient appropriate audit evidence to corroborate management's assessment of recoverability of these balances and having regard to the age of these balances, we are unable to comment on the carrying value of above receivables and the shortfall, if any, on the amount that would be ultimately realizable from the said customers. 5. We refer to Note 49(a) to the standalone financial statements regarding various claims submitted by the financial creditors, operational creditors, other creditors and employees of the Company, as at the Insolvency Commencement Date, to the Resolution Professional pursuant to the Insolvency and Bankruptcy Code, 2016 are currently under verification /reconciliation. In aggregate, claims submitted by the financial creditors, operational creditors, other creditors and employees of the Company exceeded the amount as appearing in the books of account. To the extent the process for verification and reconciliation of claims as on the Insolvency Commencement Date remains an ongoing process, and pending final outcome of CIRP, we are unable to comment on the consequential impact, if any, on the standalone financial statements 6. As mentioned in Note 49(b)read with 46(4), the Company had given corporate financial guarantees to the lender of WXY Limited and ABC Limited, wholly owned subsidiaries. These subsidiaries have defaulted in repayment of their loan obligations and the lenders subsequent to the financial year have invoked corporate guarantee. On account of invocation

WWW.TAXSCAN.IN - Simplifying Tax Laws

	of guarantee, the Company has received claims from such lenders exceeding the liabilities recognised by those subsidiaries. As the Company is currently under CIRP, the Company is unable to assess the changes in risk/expected cash shortfall to determine expected credit loss allowance to be recognised in respect of these financial guarantees. Therefore, we are unable to comment on the possible impact thereof on the loss for the year ended March 31, 2022 and on the carrying value of provisions and equity as at March 31, 2022. 7. As mentioned in Note 46(7) to the standalone financial statements, the Company has not computed and provided for additional and penal interest on defaults under borrowings as per the contractual terms of the underlying agreements up to the period ended March 31, 2022. As mentioned in Note 49(c), we have neither received bank statements nor have been able to obtain confirmations for restructured term loans including working capital loans from banks and financial institutions amounting to ₹ 74,711.28 lakhs as at March 31, 2022. In the absence of sufficient appropriate audit evidence, we are unable to determine the possible impact thereof on the loss for the year ended March 31, 2022 and on the carrying value of borrowings and equity as on that date. Further, given the expiry of restructuring package with the lenders on account of continuing default, we are unable to comment on the status and carrying value of Optionally Convertible Debentures (OCD) and Non- Convertible Debentures (NCD) aggregating to ₹ 58,791.00 lakhs and the adequacy of borrowings cost recognised as the Company continues to recognise the borrowing cost on OCDs and NCDs as per the expired restructuring package. 8. As stated in 49(c), we have not received the bank statement and confirmation of balance for the balance lying in current account amounting to ₹ 4.80 lakhs and no confirmation is available for Margin money accounts amounting to ₹ 109.78 lakhs and no confirmation of balance is available for balance lying in current account to the tune of ₹ 571.80 lakhs and for the outstanding bank guarantees amounting to ₹ 9,237.68 lakhs. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year ended March 31, 2022 and on the carrying value of cash and cash equivalents / other bank balances and equity and verify the appropriateness of disclosures made for outstanding bank guarantees under contingent liabilities as on that date. 9. We refer to Note 49(c) to the standalone financial statements regarding balance confirmations not been received in respect of trade receivables including retention, unbilled receivables, trade and other payables and advances to vendors. Pending reconciliation process, we are unable to comment on the consequential impact, if any, on the standalone financial statements. Further, the Company is still in the process of identifying dues to micro, small and medium enterprises (MSME), as specified by the new guidelines. Pending completion of the process, the Company has made

WWW.TAXSCAN.IN - Simplifying Tax Laws

	disclosures to the extent of details available and hence we are unable to comment on the completeness of such disclosures made in the standalone financial statements. 10. As stated in Note 49(d) to the standalone Financial Statements, the Company has not carried out physical verification with respect to certain inventories aggregating to ₹ 761.67 lakhs which is lying in various sites. Further, with respect to certain inventories aggregating to ₹ 439.94 lakhs, the Company has carried out physical verification and reconciliation with the books is said to be in progress. Pending physical verification and reconciliation with books and availability of valuation report to ascertain the net realisable value of certain inventories, we are unable to comment on consequential impairment, if any, that is required to be made in the carrying value of inventories. 11. As mentioned in Note 49(e)of the Standalone Financial Statements, during the year, the property plant and equipment (other than immovable properties) have not been physically verified by the Company and pending final outcome of CIRP, no impairment assessment of tangible assets (including capital work-in-progress) as at 31st March 2022 is made. Therefore, we are unable to comment on consequential impairment, if any, that is required to be made in carrying value of property, plant and equipment, and capital work-in-progress. 12. We refer to Note 49(f)to the standalone financial statements regarding delay in remittance and non-remittance of statutory dues (including GST/Service Tax/ VAT/ PF/TDS). The Company has not estimated and provided for interest and penalty on defaults under provisions of respective statutes. Therefore, we are unable to comment on the possible impact thereof on the loss for the year ended March 31, 2022 and on the carrying value of liabilities as at March 31, 2022. 13. We refer to Note 49(g) to the standalone financial statements, in respect of investments held in subsidiary of ₹ 1,841.64 lakhs and loans and advances of ₹ 1,768.35 lakhs in subsidiaries as at March 31, 2022, business continuity of such subsidiaries is significantly dependent upon the final outcome of the CIRP of the Company as the tangible assets held by those subsidiaries are provided as security for the loans taken by the Company. No impairment assessment was carried out on the Investments held in subsidiary and loans and advances given to subsidiary. Therefore, we are unable to comment upon the carrying value of these investments and loans and advances. The above matters (described in Point Nos 1 to 13) have been qualified in our audit report for the year ended March 31, 2021.
Management Response	1. As per Section 17 of IBC the Company's affairs, business, operations are being conducted by RP to sustain the continuity as a going concern. 2. According to the Management, claims under arbitration will be awarded fully in Company's favour on the basis of the contractual tenability, progress of arbitration and legal advice. The management estimates that

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the actual recoverability will be higher than the carrying value. 3. These receivables are periodically reviewed by the company and considering the commercial/contractual terms and ongoing discussions with the clients, the management is confident of recovering the entire dues and that no further provision against these dues needs to be considered. 4. Bank statement and Confirmation of balance: To the extent the process for submission and reconciliation of claims as on the Insolvency Commencement Date remains an on-going process, no accounting impact in the books of accounts has been made in respect of excess, short or non-receipts of claims for operational and financial creditors. 5. Corporate Guarantee given to the Lenders of Group companies: The claims made by the lenders by invoking the Corporate Guarantee are admitted by the Resolution Professional as like other claims. 6. Borrowings from Banks and Financial Institutions: Management believes that no material adjustments would be required in books of account upon receipt of these confirmations and that there will not be any material impact on loss for the year and also on state of affairs as at 31st March 2022. 7. Bank statement and Confirmation of balance: The Management feels that the liabilities are shown at its fair value and levy of additional interest or penal interest is not warranted due to ongoing CIRP. 8. Confirmation of Balances for various account balances: Reconciliation with debtors and creditors is a continuous process. We have received confirmation balances from very few vendors, and the reconciliation is in process. Management believes that no material adjustments would be required in books of account upon receipt of these confirmations and that there will not be any material impact on loss for the year and also on state of affairs as at 31st March 2022. With respect to MSME categorization, the company has initiated the process of identifying the MSME vendor and based on the information collected, necessary disclosures are made. 9. Physical Verification of Inventories: In view of strong internal controls, the management doesn't expect any material differences on final reconciliation with books/records. Further, management believe that no item of inventory has a net realizable value in the ordinary course of business which is less than the amount at which it is included in the inventories. Accordingly, no provision is required in respect of such inventories. 10. Physical Verification of PPE and Impairment Testing: In view of security arrangement, the management doesn't expect any material differences on final reconciliation with books/records. Further, as the Company is currently under CIRP, the Company has also not made full assessment of impairment as required by Ind AS 36 on Impairment of Assets, if any, as at 31st March 2022 in the value of tangible assets and Capital work in progress. Further, management believe that no item of PPE has a net realizable value in the ordinary course of business which is less than the amount at which it is included in the PPE

Analysis of Modified Opinions — Residential, Commercial Projects

	11. Pending Statutory Liabilities and Penalty, Interest thereon: Delayed payment charges (including penalties amount unascertainable), will be accounted for as and when settled / paid. 12. In the opinion of the management, resolution and revival of the Company is possible in foreseeable future and hence the management doesn't foresee any threat to the business continuity of such subsidiaries. Further, since the Company is currently in CIRP, no impairment assessment was carried on the Investments held in subsidiary and loans and advances given to subsidiary and accordingly no provision has been considered necessary by the management in respect of impairment in the value of investment / loans and advances beyond what has been recognised in the books.

Company 72.5	
Basis for Qualified opinion	1. As stated in Note 58 to the standalone Ind AS financial statements regarding financial guarantees and securities given by the Company on behalf of certain entities who have defaulted in their principal payment obligations to the lenders aggregating to ₹ 46,488.15 lacs (excluding interest, penal interest and other charges). The loans taken by these entities have also been secured by charge on the underlying assets of the said entities. As per management view, value of primary / underlying assets provided as security is greater than the outstanding loans and hence additional liability will not devolve on the Company. In the absence of valuation reports of the underlying securities and the financial guarantees, we are unable to comment on the adequacy of the underlying securities and potential impact on the loss for the year (excluding other comprehensive income) ended March 31, 2022 and consequently on the total equity as at March 31, 2022. 2. As stated in Note 49 to the standalone Ind AS financial statements and considering the non-evaluation of impairment provision in accordance with Ind AS 109 – Financial Instruments and Ind AS 36 – Impairment of Assets, towards expected credit losses in respect of the loans and advances / deposits totalling to ₹ 123,966.06 lacs and towards diminution in the value of the Company's investments totalling to ₹ 34,685.37 lacs respectively as on March 31, 2022, that were invested in / advanced to certain subsidiaries and other parties which have incurred significant losses and / or have negative net worth as at March 31, 2022 and / or have pending legal disputes with respect to the underlying projects / properties of respective entities. We are unable to comment on the consequential impact of non-provision of impairment on the loss (excluding other comprehensive income) for the year ended March 31, 2022 and consequently on the total equity as at March 31, 2022. 3. Attention is invited to Note 26.7 to the standalone Ind AS financial statements, which mentions that consequent to the ongoing negotiations as regards one-time settlement, the Company has not provided for interest on loan from financial institutions amounting to ₹ 4,213.17 lacs pertaining to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	current year. Had this provision been made, interest on loan, loss for the year (excluding other comprehensive income) would have been higher by the said amounts and the balance in other equity would have been lower by the said amounts. The above is not in accordance with Ind AS 23 - Borrowing Costs.
Management Response	1. Para 2(a) of the Audit Report on the Standalone Financial Statements (SFS) and para 2(1) of Consolidated Financial Statements (CFS) read with Note Nos. 58 of SFS and 49C(2) of CFS, refers to financial guarantees and securities given by the Company on behalf of certain entities, who have defaulted in their principal payment obligations to the lenders aggregating to ₹ 464.88 Crores and ₹ 287.52 Crores respectively (excluding interest, penal, interest and other charges) and in the absence of valuation reports of the underlying securities and the financial guarantees, Auditors are unable to comment on the adequacy of the underlying securities and potential impact on the profit/loss for the year for the year ended 31st March, 2022 and consequently on the total equity as at March 31, 2022. In reply thereto, as already explained in detail in Note Nos. 58 and 49C(2) of SFS and CFS, the Company carries out its business ventures through various entities. The funds required for projects in those entities are secured through financial guarantees and securities of the Company. Further, the loans taken by these entities have also been secured by primary charge on the underlying assets of the said entities. Further, your directors state that value of primary / underlying assets provided as security by the said borrower entities to the Lenders is greater than the outstanding loans obligation and hence no additional liability will devolve on the Company in spite of the financial guarantee and security provided by the Company. In the above amounts, interest and other charges are not included as the same cannot be quantified as per management since settlement proposal is in discussion by the respective borrowers with their lenders. The notes referred to in the Report are self-explanatory. 2. Para 2(b) of the Audit Report on the SFS and Para 2(2) of CFS read with Note No.49 of SFS and 49C(3) of CFS refer to non-evaluation of impairment provision, towards expected credit losses in respect of the loans and advances / deposits and towards diminution in the value on the Company's/ Group's investments, that were invested in /advanced to certain subsidiaries and other parties which have incurred significant losses and/or have negative net worth as at 31st March, 2022 and/or have pending legal disputes with respect to the underlying projects/ properties of respective entities. In reply thereto, as already explained in detail in Note Nos. 49 and 49C(C) of SFS and CFS, your directors state that the underlying projects in such entities are in the early stages of real estate development and are expected to achieve adequate profitability on substantial completion and/ or have current market values of certain properties which are in excess of the carrying values. The Company considers its investments and loans in such entities as long term and strategic in nature. Accordingly, no provision is considered necessary towards diminution in the value of the Company's investments in such

	entities and for expected credit losses in respect of loans and advances given to such entities, which are considered good and fully recoverable. 3. Para 2(c) of the Audit Report on the SFS and Para 2(3) of the CFS read with Note No.26.7 of SFS and 25.11 & 25.12 of CFS mention that consequent to the ongoing negotiations as regards one-time settlement the Company/ Group has not provided for interest on loan from financial institutions. Had this provision been made, interest on loan, loss for the year would have been higher by the said amounts and the balance in other equity would have been lower by the said amounts. In addition to the above one of the wholly owned subsidiary (WOS) has not recognized interest liability (including overdue interest and penalty) on borrowings as per terms and conditions is not ascertained by the WOS as the lender is in liquidation / stress. Further, the WOS has not received any confirmation from lender on interest liabilities. In reply thereto, as already explained in detail in Note Nos. 26.7 and 25.11 of SFS and CFS, your directors state that the Company has not provided for interest on loan from financial institutions considering the ongoing discussions/ negotiations with lenders as regards to one time settlement. Further, the said WOS is under discussion with the lender and will recognize its interest liability at the time of settlement.

Company 72.6	
Basis for Qualified opinion	As stated in Footnote (a) to Note 29 to the standalone financial statements of the Company for the year, with regards the Company not having provided for Interest expense amounting to ₹ 43,939.90 lakhs on certain Inter-corporate deposits. Consequent to above, finance cost for the year ended 31st March, 2022 has been understated by ₹ 43,939.90 lakhs resulting in a consequential decrease in the losses for the year ended 31st March, 2022 to that extent. Opinion on the Standalone financial statements for the year ended March 2021 was also modified in respect of this matter by predecessor auditor.
Management Response	The Notes to the Financial Statements forming part of the Balance Sheet as at March 31, 2022 and the Statement of Profit and Loss for the year ended on that date, referred to in the Auditor's Report, are self explanatory and do not call for any further clarification /elaboration.

Company 72.7	
Basis for Qualified opinion	1. As stated in Note No 28 b(iv) a jointly controlled entity (the Firm) referred to therein has not provided for interest of ₹ 2,97,30,175/- for the year on unsecured loan taken by the firm. As a result the company share of profit from the firm and other current assets are over stated by ₹ 40,07,700/- and consequently the profit for the year is over stated and reserve and surplus at the year end is also over stated by an equal amount. 2. As stated in Note No 28 c(ii) a jointly controlled entity (the Firm) referred to therein has not provided for interest of ₹ 95,78,588/- for the period from

WWW.TAXSCAN.IN - Simplifying Tax Laws

	01.10.2021 to 31.03.2022 on unsecured loan taken by the firm. As a result the company share of loss from the firm and other current liabilities are under stated by ₹ 47,89,294/- and consequently the loss for the year is under stated and reserve and surplus at the yearend is also under stated by an equal amount.
Management Response	1. The two projects, XX and YY are in NCR Region. As per the NCR region, real estate scenario apparently has over 1 lakh units of unsold inventories as on March 2022. Due to COVID -19 and also increase in raw material cost, coupled with slow sales in these projects. The cash flows of these two firms have been adversely affected. Given the unsold stock in hand, the cost of individual flats are not being realized as the market realizable value is lesser than the holding cost. In the light of the above due to liquidity issue, the firms have not been able to provide the interest due on the loan. They have approached the lender for One Time Settlement. The firm is pursuing settlement with the lender and is hopeful the matter shall be resolved during the current financial year.

Company 72.8	
Basis for Qualified opinion	The company's non- current assets and current assets include interest receivable balances amounting to ₹ 39.30, million and ₹ 6.50 million, respectively, in respect of which direct confirmations from the respective parties have not been provided to us by the management of the Company. In the absence of such direct confirmations from the parties or sufficient and appropriate alternate audit evidence, we are unable to comment on the adjustments and changes in accordance with the principles of Ind AS 1, Presentation of financial statements, if any, that may be required to the carrying value of the aforementioned balances in the accompanying Financial Statements.
Management Response	The Management will try to get the confirmation from the concerned parties in future so as to avoid such qualified opinion in audit report in future. Notes to the Accounts are self explanatory to comments/ observations made by the Statutory Auditors in their report. Hence, no separate explanation is given.

Company 72.9	
Basis for Qualified opinion	We draw your attention to note no. 5 Other Financial Assets (Non Current Assets) in which the company has given interest free unsecured loans to certain parties which includes an amount of ₹ 19.37 lakhs to ABC Limited which is having a negative net worth as on 31st March, 2021 and hence recoverability of the amount outstanding cannot be determined. Further, the company has not made any provision for expected credit loss in respect of loans and advances provided as stated above. As such the effect of the same on current year's profit is not ascertainable.

Analysis of Modified Opinions — Residential, Commercial Projects

Management Response	The Auditors' Report on Financial Statements for the year ended 31st March, 2022 forms part of this Annual Report. Notes to the Financial Statements are self-explanatory and do not call for any further comments.

Company 72.10	
Basis for Qualified opinion	The company has not done the reversal of GST input of ₹ 20, 13, 891 (excluding interest as payable thereon) for the tax period 2018-19 to 2020-21 due to non-payment to creditors within a stipulated time as prescribed in terms of 2nd proviso to section 16(2) of CGST Act, 2017 and a pending GST demand of ₹ 3, 55, 636 /- excluding interest as per GST assessment order dt. 26/10/2010 for tax period 2017-18 towards differential tax on ITC claim under GST Accordingly, the statutory liability would have been increased by ₹ 23,69, 527/- and the Net worth would have been reduced by ₹ 23,69,527/- respectively. This matter is also disclosed in our report on other legal and regulatory requirement in paragraph below.
Management Response	The Management has noted this and will take steps to comply this in current year.

Company 72.11	
Basis for Qualified opinion	I. Balance confirmation certificates were not obtained by the Company from creditors, loans and advances given/received, house/shop security depositors, in-operative current accounts with banks and loan account with BPL Bank (BPL). Consequent adjustments required, if any, has not been carried out in the financial results. II. During the quarter ended 30th June 2019, the Company has transferred amount of ₹ 8.85/- Lakhs to Statement of Profit or Loss, which represents administration & consultancy expenses pertaining to the financial year ended as on 31st March 2019. The Company has not re-stated the comparative figures for prior periods items to correct the materiality of prior period errors retrospectively as required as per Ind AS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Due to the same, Loss of current financial year is being overstated by ₹ 8.85/- Lakhs. III. (a) The Company has not provided interest of ₹ 1000.54 Lakhs up to March 31, 2008 on overdue amounts payable to a supplier resulting in understatement of liabilities and debit balance of reserve and surplus by ₹ 1000.54 Lakhs each; and (b) The amount of interest to be provided for in the books of account for the period April 1, 2008 to March 31st, 2022 has not been ascertained. IV. The amount of interest to be provided for in the books of account, if any, for the period April 1, 2007 to March 31st, 2022 to Small and Micro Enterprise has not been ascertained.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	V. During the year ended March 31, 2009, the Company has sold 65,743 sq. yds of its vacant land at Modinagar for ₹ 1021.15 Lakhs (original cost ₹ 1.95 Lakhs) for which the approval of bank is pending. VI. During the year 2011-12, the Company has given physical possession of its vacant 59 (46 as on March 31, 2015) houses located at Modinagar, Uttar Pradesh to a lender i.e., AB Limited (ABL), a related party, (balance outstanding of loan taken from ABL as on March 31, 2015 as per books of account: secured loan ₹ 882.29 Lakhs and unsecured loan ₹ 1125.57 Lakhs) for use without any charges /rent / security deposit and no lease rent agreement has been entered into with ABL. The Company contends that the temporary possession of houses for use without charges was given to ABL as security only as the Company was unable to repay the loans taken from ABL. VII. The BPL Bank (BPL) had approved one time settlement of its outstanding dues of ₹ 1900 lakhs vide its approval letters dated April 02, 2014 and April 12, 2014 respectively. In terms of the settlement, OTS amount of ₹ 1710 lakhs (Net of upfront payment of ₹ 190 lakhs) was to be paid by the company in four quarterly instalments with interest during financial year 2014-15. However, the company was able to manage the payment of ₹ 630 lakhs up to March 31, 2015 and at the request of the Company, BPL Bank condone the delay and revived the OTS vide its letter dated July 02, 2015 requiring the Company to make payment of residual OTS amount of ₹ 1270 lakhs by March 31, 2016 and total interest on OTS payment @ 10.25% (simple) by June 30, 2016. The Company has paid ₹ 1270 lakhs up to December 31st, 2018 along with interest of ₹ 2,59,62,100 /-. The company has already made provision of interest on account of delayed payment of OTS of ₹ 94,43,358/- in their books up to 30th September 2018 and booked balance amount of interest in the quarter ending 31st December 2018. VIII. (a) The BPL Bank has initiated the proceeding against the company under section 7 of the Insolvency and Bankruptcy Code, 2016 before the NCLT, Allahabad Bench and other Proceeding before DRT-II and recovery Officer, DRT- II, New Delhi due to non-fulfilment of OTS Terms/conditions vide OTS letter dated July 02, 2015 issued by BPL Bank. Further as per Debts Recovery Tribunal-II, Delhi an order dated 30 July, 2018, has been passed in favor of the company and directed BPL Bank to accept ₹ 65 lakhs as outstanding principal of OTS plus ₹ 2,59,62,100/- as interest @10.25% as per revived OTS vide its letter dated July 02, 2015 on delayed payment up to 15 March, 2018 which was later on accepted and paid by the company in terms of the DRAT order. During the pendency of the appeal, BPL Bank has encashed the said amount of ₹ 65 Lacs towards principal OTS and ₹ 2,59,62,100/- towards interest in term of the order of Debts Recovery Appellate Tribunal (DRAT), New Delhi. Further, the DRAT has reserved the order on 27.12.2018 in the said matter and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	not pronounced till the date of our reporting, as a result the company has not considered any liability in its books in addition to the dues already settled as per DRT order dated 30th July 2018. During the pendency of order before DRAT, the BPL Bank has revived OTS vide letter dated 25.03.2019 against payment of ₹ 459.62 lacs on the following terms & conditions: Terms & conditions: 1) The proceeds of FDRs amounting to ₹ 65 lacs and ₹ 259.62 lacs kept with us will be appropriated simultaneously on conveying approval of revival of OTS. 2) ₹ 135 lacs will be deposited within one week of receipt of this sanction letter. 3) The party to undertake to pay commercial tax liability as demanded by the Commercial Tax Authority. 4) No Dues Certificate will be issued, Bank's charge on the security/tittle deeds will be released only after receipt of OTS amount in full and on clearance of commercial tax liability as stated above. (Satisfactory proof / letter from the competent authority in this regard to be submitted). The company has already deposited balance of OTS amount of ₹ 65 lacs plus delayed period interest of ₹ 259.62 lacs with the bank in terms of DRT & DRAT orders and further ₹ 135 lacs over and above original OTS amount deposited by the company in terms of revived OTS vide letter dated 25.03.2019 within one week of receipt of letter. In respect of commercial tax liability the company has filed an appeal against the order of Commissioner of Commercial Tax before Hon'ble High Court of Allahabad through BPL Bank and the Court has directed vide order dated 26.11.2018 that the operation and effect of the impugned order dated 08.08.2018 passed by the Commercial Tax Tribunal, Ghaziabad in Appeal no 1353 of 2013, shall remain stayed subject to the applicant depositing 50% of the commercial tax liability imposed on it and furnish security for the balance amount other than cash or bank guarantee to the satisfaction of the tribunal within a period of three weeks from the date of direction. The company deposited Commercial Tax of ₹ 54.94 lacs out of Commercial Tax liability of ₹ 183.90 lacs along with interest of ₹ 3.07 lacs for the period starting from 18.12.2018 to 02.05.2019 as on 03.05.2019 in compliance with order dated 26.11.2018 of the Hon'ble High Court of Allahabad and communicated the same to BPL Bank vide letter dated 03.05.2019. Further, BPL Bank vide letter dated 04.05.2019 requested the company to submit No Dues Certificate from tax authorities after paying the commercial tax liability to bank for compliance of OTS Sanction within 3 days else OTS will be declared as failed. Since the company failed to reply to the same, BPL Bank vide letter dated 04.07.2019 informed that the tax authorities have declared OTS revival as failed and BPL Bank is resuming all recoveries as usual. Further, DRAT allowed appeal of BPL Bank on 20.08.2019. The Company filed Writ Petition in the Delhi High Court against order of the DRAT. The Hon'ble Delhi High Court vide its order dated 24.10.2019, stayed the DRAT and NCLT proceedings filed by the BPL Bank till the next date of hearing which was listed on 19th

WWW.TAXSCAN.IN - Simplifying Tax Laws

	February 2020. On 19th February 2020 interim order dated 24th October 2019 was made absolute during the pendency of the writ petition. The matter was again listed for 10th May 2022 in which counsel for the BPL Bank granted further four weeks' time to file counter affidavit in the matter and for rejoinder thereto, if any, will be filed before the next date of hearing i.e. 18.11.2022. (b) The outstanding liability in the books of the company is higher than the OTS amount by ₹ 183.90 lakhs and in the absence of any documentary evidence from the management as well as BPL Bank, we are unable to quantify the amount of interest on the amount of ₹ 183.90 lakhs; the amount of ₹ 183.90 lakhs is over and above the loan amount on account of the sales tax liability on BPL Bank on account of the auction held by the bank for old plant and machinery of the company. The above matter is sub judice before Hon'ble High Court of Allahabad for further hearing. IX. The Commissioner Central Excise & Service Tax, Kamla Nehru Nagar CGO, Complex 2 Ghaziabad vide its memorandum order No.31/COMM/ CX/GZB/2017-18 dated 31.01.2018 had ordered for payment of a. Amount of central excise duty of ₹ 44,92,663/- b. Amount of interest of ₹ 6,56,116/- c. Amount of penalty of ₹ 6,56,116/- for the period from 1994 to 1997. The company has not made provision of the said amount & further interest thereon in its books till 31st March,2022, due to which profit is understated by ₹ 58,04,895 plus interest. Further the company has filed appeal against the order of Commissioner Central Excise & Service Tax, Kamla Nehru Nagar CGO, Complex 2 Ghaziabad before custom excise & service tax appellate tribunal, Allahabad. X. (a). The amounts paid by the ABL Limited), a related party, to SER Bank (SERB) on account of One Time Settlement (OTS) of dues of the bank was accounted for in the books of the Company to the extent of OTS amount paid to the SERB Bank by ABL and the balance amount of ₹ 153.92 Lakhs is still lying unallocated under unsecured loans in view of pending successful implementation of OTS of the dues of BPL Bank as the settlement of assigned dues with ABL is linked to the OTS of dues with BPL Bank. (b) The amount paid to TOS Bank by ABL, a related party, during the year ended March 31, 2012, on account of OTS of dues of the bank was accounted for in the books of the Company to the extent of OTS amount paid to the TOS Bank by ABL and the balance amount of ₹ 339.20 Lakhs is still lying unallocated under unsecured loans in view of pending successful implementation of OTS of the dues of BPL Bank as the settlement of dues with ABL is linked to the OTS of dues with BPL Bank. (c) The part payment made to ABC Bank by ABL, a related party, during the year ended March 31, 2013 on account of OTS of dues of the bank was accounted for in the books of the company to the extent of OTS amount paid to the ABC Bank by ABL and the Company and the balance amount of ₹ 232.04 Lakhs is still lying unallocated under unsecured loans

	in view of pending successful implementation of OTS of the dues of BPL Bank as the settlement of dues with ABL is linked to the OTS of dues with BPL Bank. The effect if any, on the income/expenditure of the company on final OTS with BPL Bank cannot be ascertained. XI. The company has 15% redeemable cumulative preference shares of ₹ 100 each. Preference shares due for redemption since 31st March 1996.
Management Response	With reference to the qualifications contained in the Auditors' Report, the Directors wish to state that the Notes on Accounts and Significant Accounting Policies referred to by the Auditors in their Report are self-explanatory and hence do not call for any further comment. Refer Notes to Account from Pg. 30.

Company 72.12	
Basis for Qualified opinion	1. The Company has mortgaged its land situated at PP, Chennai as a security and also furnished corporate guarantee to a bank for the borrowings made by ABC Limited, Chennai (i.e., wholly owned step-down subsidiary company) amounting to ₹ 10,000 Lakhs. The outstanding amount as per the books of accounts as on March 31, 2022 including interest due is ₹ 23,856.85 Lakhs. The loanee i.e., ABC Limited has not adhered to repayment schedule of principal and interest dues to its bank, consequent to which the bank led for recovery of its dues before the Debt Recovery Tribunal (DRT) and also initiated recovery proceedings against the company under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act, 2002). Further, the lender bank has taken possession of mortgaged lands and issued sale notice for e-auction of the property given by the ultimate holding company as corporate guarantee, but there were no bidders. We were informed by the Board that the subsidiary viz. ABC Limited has negotiated with the lender bank for one time settlement (OTS) and the lender Bank has also agreed for OTS of ₹ 9500 Lakhs as full and final settlement vide letter from the Bank dated March 15, 2022. ABC Limited has to remit the said sum of ₹ 9500 Lakhs on or before September 14, 2022. ABC Limited has deposited a sum of ₹ 900 Lakhs in an earmarked bank account as on date. The Board of ABC Ltd also asserts that no provision is required to be made to the carrying value as it is con dent that the payment obligation on ABC Limited will be met on or before September 14, 2022 as stipulated by the lender Bank. However, in our view the carrying value of the relevant mortgaged assets is dependent on the repayment of the loan by the ABC Limited. Under these circumstances, we are unable to express our view whether the company is justified in carrying the assets that have been mortgaged where the loanee has already defaulted and similarly whether the company is justified in not taking cognizance of financial obligation that may devolve on the company in case the corporate guarantee is invoked. Accordingly, the company should have considered reduced carrying value

WWW.TAXSCAN.IN - Simplifying Tax Laws

	of the said asset and / or guarantee furnished as an obligation as per Ind AS 109 while preparing the financial statements. 2. Attention is invited to note no. 49 to the Consolidated Financial Statement, in relation to advances made for film production (including interest accrued of ₹ 509.94 lakhs) amounting to ₹ 1633.14 lakhs, by one of its subsidiaries whose realisability is significantly dependent on timely completion of production of films and the commercial viability of the films under production etc. The holding company's Board is of the view that advances can be realised at the time of release of the movies and accordingly, the company is con dent of realizing the entire amount of loans with interest and does not foresee any erosion in carrying value. We are not provided with any documentary evidence as regards Board's assertion that the carrying amount of loans made have not suffered any erosion as on March 31, 2022. No evidence was adduced regarding the status of production of films nor was confirmation produced from the loan debtors. Hence, we are not in a position to concur with the view of the Board. Consequently, in our opinion loss is understated to the extent of ₹ 1633.14 lakhs. 3. Attention is invited to note no. 50 to the Consolidated Financial Statement, in relation to inventory i.e., films production expenses amounting to ₹ 3,861.90 lakhs, mainly consists of advances granted to artists and co-producers As represented by the Board of the Holding company the film production is under progress with respect to production of 3 movies costing ₹ 1009.78 lakhs. In respect of the balance inventory of ₹ 2852.12 lakhs the Board is con dent of recovering the amount from the production houses. In the absence of documentary evidence as well as the confirmation of balance from the parties relating to the status of the inventory amounting to ₹ 2852.12 lakhs, we are unable to agree with the views of the Board. We are of the opinion that realization of inventories is doubtful, but we are also unable to decide the quantum of loss that may arise on account of write down of inventory. 4. Note No. 16.6 in the financial statements which indicates that the Company has not adhered to the repayment schedule for the principal and interest dues to the Bank, consequent to which the Bank has led for recovery of its dues before the Debt Recovery Tribunal (DRT) and also initiated recovery proceedings under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFESI Act, 2002). Further the Bank has taken over symbolic possession of the immovable property and issued sale notice for e-auction of the property given by the ultimate holding company as corporate guarantee. The outstanding amount is ₹ 238.56 crores as per the books of account as at March 31, 2022. 5. The company proposed to the bank for OTS and the same is accepted and agreed by the bank letter dated 15th March 2022 giving option for one time settlement (OTS) as full and final for ₹ 95.00 crore Out of which the company had already made payment ₹ 9.00 crore and the balance OTS amount ₹ 86.00 crore should be payable on or before 14th September

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2022. 6. Further the Company is currently pursuing the realization of dues to the Company and created provisions for unrealizable amounts. Apart from this the Company is not carrying any business activity. The regulatory authority may cancel the registration to carry the principal business activity as a Non-Banking Finance Company due to non-maintenance of minimum net owned fund of ₹ 2 crores as stated in the said note to the financial statement. The Company`s inability to meets its financial statements, non-payment of statutory dues and in absence of visual cash flows, doubts are cast on the ability of the Company to continue as a going concern to achieve its future business plans. Taking into consideration the pending legal outcomes of the legal proceedings as well as liquidity constraints, we are unable to express our view whether it is appropriate to treat the Company as a going concern. However, based on the management`s assertions the Company`s financial statements have been prepared on the basis of going concern and the impact, if any, if it were to be treated as a going concern, is not ascertainable at this stage. 7. The independent auditor of subsidiary company viz. ABC Limited has drawn Qualified conclusion which is reproduced below. We invite attention to Note No. 11.2 regarding advance of ₹ 10,366.39 lakhs (PY: ₹ 10,366.39 lakhs) given for acquisition of land. The long duration of outstanding of these advance and other factors like low probability of availability of a big chunk of land indicate the existence of uncertainty on the eventual realizability of these advances.
Management Response	1. ABC Limited had already paid ₹ 9.00 crores upfront as per the One Time Settlement ("OTS") letter dated March 15, 2022, and it is mobilizing the funds to make the balance repayment. Thus, there is no understatement of loss in the books of the holding company. 2. Realisability is significantly dependent on timely completion of production of films and the commercial viability of the films under production etc. Management is of the view that loans and advances can be realised at the time of release of the movies and accordingly, the company is con dent of realizing the entire amount of loans with interest and does not foresee any erosion in carrying value. The management is con dent of realising the value at which they are carried notwithstanding the period outstanding. 3. The films under production expenses mainly comprising payments to artists and co-producers the company is evaluating options for optimal utilization of these payments in production and release of films. The management does not foresee any erosion in carrying value. 4. ABC Limited had applied for One Time Settlement (OTS) to the bank and the same was agreed by the bank vide letter dated March 15, 2022. The lender Bank has agreed for ₹ 9500 lakhs as OTS. PVPCL has remitted ₹ 900 lakhs and the balance of ₹ 8600 lakhs would be remitted on or before September 14, 2022. Further, PVPCAL has remitted ₹ 8600 lakhs

WWW.TAXSCAN.IN - Simplifying Tax Laws

	on June 30, 2022 5. The Company internally evaluating and providing in the books for any possible financial loss. Also, various option is being pursued for exiting the investment to other suitors or recovering from the parties who took advances.

Company 72.13	
Basis for Qualified opinion	As per Ind AS 109 "Financial Instruments" the investment in equity shares (other than subsidiary, associates and joint ventures) are recognized at fair value through Profit and Loss Account or Fair Value through Other Comprehensive Income, However, the company has recognized the Non-current Investments in equity shares (other than subsidiary, associates and joint ventures) at Cost amounting ₹ 12,13,13,510/- only as appearing in the Standalone Ind As Balance Sheet as at March 31, 2022, and March 31, 2021 which constitutes a departure from the AS-109 "Financial Instruments". Therefore, financial impact on account of the difference between the fair value and the cost of non-Current investment in the "Non-Current Investment", "Other Equity" and "Other Comprehensive Income" and "Deferred Tax" are not ascertainable. This matter was also reported in the previous year.
Management Response	As per Management estimate, present cost of Financial Instruments represents the value close to fair market value. However, Company is in the process to get fair market valuation done in due course, being a very tedious and lengthy work due to delayed availability of input material/ Information/financial resources.

Company 72.14	
Basis for Qualified opinion	1. The Company has incurred losses over the years resulting in negative net worth, negative working capital and negative cash flows. The default in payment of dues to banks and financial institutions and creditors etc. are the identified events that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern. The Statement does not adequately disclose this fact. The Company is in the process of exiting the projects and settling the loans from banks, financial institutions and creditors etc. Although these transactions have reduced the liability of the Company to banks and financial institutions, the ability of the Company to continue as a going concern remains uncertain in view of the above. As the Company has not recognized this fact and has prepared the standalone financial statements on a going concern assumption basis without carrying out any adjustments, in our opinion, the standalone financial statements may not give a true and fair view. 2. The Company has accounted for Principal of ₹ 34,495 Lakhs, Accrued Interest of ₹ 8,230 Lakhs and Disputed Liability of ₹ 16,574 in its books of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	account as total outstanding to banks and financial institutions as on 31st March, 2022. All the banks and financial institutions have declared the outstanding loan accounts of the Company as Non-Performing Accounts (NPA) in the earlier years. Pending confirmation and correspondence, the outstanding balance and status of demand raised by the respective banks and financial institutions could not be verified by us. Further, penal interest on default on the payment to banks and financial institutions has neither been ascertained nor provided for in the books of account of the Company. (Refer to notes no. 13 (i) (b) and (c) and note no. 14(i) of the standalone financial statements) In relation to a loan taken from ASB Bank for the Commissariat Road (Soho) Project, it was explained to us that the Bank has principally agreed for settlement of the loan for ₹ 3,000 Lakhs. The Company has not provided any further interest on this loan since the previous financial year. Further, the Company has classified accrued interest amounting to ₹ 1,443 Lakhs as Disputed Liability without any confirmation from the Bank in this regard. (Refer to note no. 13 (i) (g) and note no. 14 (i) of the standalone financial statements). During the year, the Company has not provided interest for the loan outstanding from ASB Bank against the PP Project. Further, the Company has classified the interest outstanding as on March 31, 2022, amounting to ₹ 3,728 Lakhs, to the extent allocated to the project, as a disputed liability without any confirmation from the Bank in this regard. The basis and documentation for such non provision of interest and classification as a disputed liability were not made available for our verification. (Refer to note no. 13 (i) (f) and note no. 14 (i) of the standalone financial statements). During the previous year, the Company has sold/disposed of two projects viz, KK bridge and VV Island. The remaining balance of the term loan related to these projects amounting to ₹ 11,402 Lakhs in respect of the borrowing from JKL Bank Limited, has been classified as Disputed Liability instead of "Borrowings" without adequate documentation as per the requirements of Schedule III to the Companies Act, without any correspondence from the bank. (Refer note no. 13 (i) (e) and note no. 14 (i) of the standalone financial statements). As explained to us, the Bank is legally pursuing the recovery through the Debt Recovery Tribunal against which the Company has filed defence appeal on 23.08.2021 against which the final order is still pending. 3. The outstanding balance of advances collected from customers in earlier years pertaining to closed/suspended residential projects, amount to ₹ 421 Lakhs as on the reporting date. Such receipts are in the nature of deemed deposits under Rule 2(c) (xii) (b) of the Companies Acceptance of Deposit (Rules) 2014 and is within the purview of the provisions of sections 73 to 76 of the Companies Act, 2013. (Refer to note no. 39 of the standalone financial statements) 4. In spite of the negative net worth of the subsidiaries, the Company has not accounted for impairment loss of ₹ 5,389 Lakhs against advance given to them, resulting in the understatement of loss and overstatement of net worth by the said amount. The Company has further disbursed fresh advance

WWW.TAXSCAN.IN - Simplifying Tax Laws

	amounting ₹ 651 Lakhs during the year for which no document has been provided to us for our verification and which in our opinion is a matter of concern and is prejudicial to the interest of the Company. 5. The Company has not tested impairment of its projects' CWIP and Inventories amounting to ₹ 8,835 lakhs and ₹ 5,181 lakhs (Net of "Payable to landowner for land under JDA" and other reclassification) respectively, for ascertaining the realizable value as on 31st March, 2022. To the extent of any possible diminution of value not accounted for, the standalone financial statements may not give a true and fair view as per the requirement of Ind AS 2. 6. Year-end balance confirmation certificates in respect of trade receivables, trade payables, vendor advances, advance from customers and other advances have not been provided for our verification and record. In absence of adequate audit evidence, we are unable to ascertain as to whether any further provision may be necessary with respect to the carrying amounts of these balances as on the reporting date. Further, Trade Receivable amounting to ₹ 1,838 lakhs as on 31st March, 2022 has not been considered for impairment loss based on expected credit loss method as per requirement of Ind AS 109. 7. As per the records of the Company and information and explanations provided to us, the Company has been irregular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, Goods and Services tax, cess. The GST department has suo moto cancelled the GST registration of the Company on and from October 31, 2020. The Company also has a receivable balance of ₹ 1,199 Lakhs and payable balance of ₹ 9,186 Lakhs from/ to various government authorities. Due to such statutory non compliances, we are unable to comment on the actual recoverability and payment of the dues against such balances. a) The Company did not have an appropriate internal control system relating to granting of unsecured advances for acquiring various immovable properties. The credit worthiness of the parties, exposure and experience in handling land procurement by third parties, asset base for providing security and guarantee, establishing segregation of duties, determining credentials of the counterparties and sufficient documentation regarding such transactions etc. should be verified at the time of authorization and disbursement of said advances. b) The Company did not have an adequate internal control system to ensure necessary compliance with the provision of the Companies Act, with respect to refund of advances collected from customers for closed/suspended residential projects which have been abandoned. c) The Company did not have complete system of obtaining year-end balance confirmation certificates in respect of trade receivables, trade payables, vendor advances, advance from customers and other advances. d) The Company did not have an adequate internal control system to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	manage the utilization of loans and facilities obtained from the banks and other financial institutions as per the terms governing such loans and facilities and also the disclosure requirements against such loans and advances received from the banks and the financial institutions. e) The Company did not have an appropriate internal control system to ascertain the realizable value of Inventory and also does not have a documented system of regular inventory verification. f) The Company did not have adequate internal control for ascertaining tax assets/liabilities and payments of statutory dues including Income Tax and Goods and Service Tax and other relevant Taxes. g) The Company did not have appropriate internal control system to ascertain the net realizable value of financial assets and the system for conducting impairment testing to ascertain the actual value of the asset to be carried in the books of accounts. h) The Company did not have an adequate internal control system to maintain the details of pending litigations and to ascertain corresponding financial impact to report on the contingent liability of the Company. i) The Company did not have an appropriate internal control system to ascertain and maintain employee wise ageing details of the salary payable and other employee benefit expenses like gratuity payable. j) The Company should introduce appropriate internal controls system to ascertain the customer wise balance for billing in excess of revenue, unbilled revenue. k) The Group did not have a proper internal control system and the approval control structure to determine the necessity, appropriateness and adequacy of utilization of the sinking fund and to ascertain the criteria and timing of recognition of revenue for one subsidiary company. l) The Company did not have adequate internal control system relating to the preparation and presentation of financial statements as per the requirements of the relevant Accounting Standards (Ind AS). m) The Group did not have an appropriate internal control system regarding ascertainment of related parties to ensure compliance with the requirements of the Companies Act, 2013 and the applicable Indian Accounting Standards (Ind AS). 8. The Group incurred a net loss of ₹ 6,608 lakhs for the year ended 31st March, 2022 and the Group's current liabilities exceeded its current assets by ₹ 111,471 lakhs as on that date. The Group has incurred losses over the years resulting in negative net worth, negative working capital and negative cash flows. During the year, the Group has transferred three projects through a memorandum of understanding or Business Transfer Agreement (BTA) to repay some portion of the bank loan. Although the above transactions have reduced the liability of the Group to banks and financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	institutions, the ability of the Group to continue as a going concern remains uncertain in view of the above. The default in payment of dues to banks and financial institutions and creditors etc. are the identified events that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. As the Group has not recognized this fact and has prepared the consolidated financial statements on a going concern assumption basis without carrying out any adjustments, in our opinion, the consolidated financial statements may not give a true and fair view. 9. On default in repayment of the principal amount of ₹ 50,000 lakhs and interest of ₹ 3,283 lakhs for credit facilities availed by two subsidiaries, the ASB Bank Ltd. has invoked the guarantees furnished by the Holding Company on behalf of its subsidiaries and has demanded payment of the outstanding dues. As informed to us by the management, no additional demand has been received by the Group during the year. 10. The Group has accounted for the Principal amount of ₹ 61,696 lakhs, Accrued Interest of ₹ 22,353 lakhs and Disputed Liability of ₹ 40,641 lakhs (refer note no. 14 of the consolidated financial statements) in its books of account as total outstanding to a bank and financial institution as on 31st March, 2022. Pending confirmations and correspondence, the outstanding balance and status of demand raised by the respective bank and financial institution have not been verified by us. Further, penal interest on default on payment to bank and financial institution has not been provided for in the books of account of the Group. Included in the above figures, with respect to borrowings from ASB Bank Ltd, the bank has called upon the entire loan amount of ₹ 75,894 lakhs. As explained to us, the Bank is legally pursuing the recovery through the Debt Recovery Tribunal against which the Company has filed Défense appeals on 23.08.2021 against which the final order is still pending. (Refer note no. 14(i)(b) of the consolidated financial statements). In relation to a loan taken by the Holding Company from ASB Bank for the Commissariat Road (Soho) Project, the Bank has principally agreed for settlement of the loan amount for ₹ 3,000 lakhs. The Group has not provided any further interest on this loan since the previous year. Further, the Group has classified accrued interest amounting to ₹ 1,443 lakhs as Disputed Liability without any confirmation from the Bank in this regard. (Refer to Note 14 (i)(g) and 15(i) of the consolidated financial statements). The Group has not provided interest for the loan outstanding from ASB Bank against the PP Project. Further, the Group has classified the interest outstanding as on March 31, 2022 amounting to ₹ 3,728 Lakhs, to the extent allocated to the project, as a disputed liability without any confirmation from the Bank in this regard. The basis and documentation for such non provision of interest and classification as a disputed liability were not made available for our verification. (Refer to Note 14 (i)(f) and 15(i) of the consolidated financial statements). 11. As reported earlier, the Group has borrowed funds from JKL Bank Limited and ASB Bank for various projects including "KK Bridge", "VV Island", and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	"NN Valley". During the previous year, the Group has sold/disposed of these three projects. As per the terms of BTA with the third party, an amount of ₹ 800 lakhs have been paid to ABC Limited for release of charge on KK project and an amount of ₹ 3,600 lakhs had been paid to ASB Bank for release of charge on Napa Valley. Further, the charge/mortgage of the project VV Island was released by ABC Limited upon the condition that the same shall not be construed as settlement of any kind. Basis the above, the Group has considered the remaining balance of the term loan, for these three projects viz, KK Island and NN Valley amounting to ₹ 23,823 lakhs taken from ASB Bank and ABC Limited, as a "Disputed liability" instead of "Borrowings" without adequate documentation as per the requirements of Schedule III to the Companies Act, without any correspondence from the bank (refer note no 14(i)(e) and 15(i) of the consolidated financial statements) 12. The Group has exited 'XX, during the year on an ongoing basis through a Memorandum of Understanding. As explained to us, the sale consideration of the project has been fixed by the Group on the basis of market realizable value. However, no document could be provided to us in this respect. Further, the Company is still under the process for execution of certain documents for the disposal of the project. During the financial year, charge created for the project 'XX' was released by ASB Bank Limited on a condition that the same shall not be construed as settlement of any kind. Consequently, the Group has accounted for ₹ 6500 Lakhs and ₹ 5,147 Lakhs respectively, being the estimated carrying value of borrowings and interest accrued thereon in the books of account of the Group has been treated as a disputed liability in the consolidated financial statements. (Refer to notes 14 (ii) and15(i) of the consolidated financial statements). 13. The Group has transferred the project "YY", on an ongoing basis during the current year through an unregistered Business Transfer Agreement. In this respect, the Group had borrowed ₹ 18,500 Lakhs from ASB Bank for various projects including YY. As per the terms of the unregistered Business Transfer Agreement with the third party, an amount of ₹ 8,500 Lakhs (lender liability) was payable to ASB Bank within a specified date for the release of charge on YY. However, the third party has failed to make such payment within the stipulated date and the 'No Objection Certificate' (NOC) earlier issued by the Bank for release of the charge against such transfer has expired. (Refer note 43 of the consolidated financial statements) Further, it is noted that such third party has challenged the RERA order approving such transfer and has appealed to the appellate tribunal for modification of certain clauses in the above-mentioned order. No documentation pertaining to such appeal has been made available for our verification. 14. As stated in Note no. 40 of the consolidated financial statements, the outstanding balance of advances collected from customers in earlier years pertaining to closed/ suspended residential projects, which have now been abandoned, amounts to ₹ 421 lakhs as on the reporting date. Such receipts

WWW.TAXSCAN.IN - Simplifying Tax Laws

	are now in the nature of deemed deposits under rule 2(c) (xii) (b) of the Companies. Acceptance of Deposit (Rules) 2014 and is within the purview of the provisions of sections 73 to 76 of the Companies Act, 2013. Proper disclosure has not been made in the consolidated financial statements in this respect. 15. The Group has not tested impairment of its projects' CWIP and Inventories amounting to ₹ 8,835 lakhs and ₹ 24,300 lakhs (Net of "Payable to land owner for land under Joint Development Agreement") respectively, for ascertaining the realizable value as on 31st March, 2022. To the extent of any possible diminution of value not accounted for, the consolidated financial statements may not give a true and fair view as per the requirement of Ind AS 2. 16. Year-end balance confirmation certificates in respect of trade receivables, trade payables, vendor advances, advances from customers and a few other advances have not been provided for our verification and record. In absence of adequate audit evidence, we are unable to ascertain as to whether any further provision is required with respect to the carrying amounts of these balances as on the reporting date. Further, Trade Receivable amounting to ₹ 1,953 lakhs as on 31st March, 2021 has not been considered for impairment loss based on the expected credit loss method as the per requirement of Ind AS 109. (Refer to note 9 of the consolidated financial statements) 17. As per the records of the Group and information and explanations provided to us, the Company has been irregular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, Goods and Services tax, cess. The GST department has suo moto cancelled the GST registration of the Company on October 31, 2020. The Company also has a receivable balance of ₹ 1,753 Lakhs and payable balance of ₹ 9,439 Lakhs (excluding interest) from various government authorities. Due to such statutory non-compliances, we are unable to comment on the actual recoverability and payment dues against such balances. (Refer to notes 10 and 16 of the consolidated financial statements). 18. As stated in note 8a of the consolidated financial statements, the Group has neither ascertained nor accounted for Deferred Tax Assets/ Liabilities during the year. Further, the Group has written off the Deferred Tax Liability (Net of Assets) amounting to ₹ 119 Lakhs during the year for the uncertainty of the taxable profit against which the deferred tax assets can be adjusted/utilized in near future. 19. The other auditor of the subsidiary company LMN Private Limited, has qualified their audit report as noted below: a. The Company has been irregular in depositing undisputed dues with respect to TDS, ESI, PF, PT, Service Tax and GST and outstanding of such statutory liabilities as at 31st March 2022 as given below:

WWW.TAXSCAN.IN - Simplifying Tax Laws

Nature of Dues	Amount (Figures in ₹)
Tax Deducted at Source	1,82,872
Service Tax	70,95,481
Goods and Service Tax	38,16,590
Provident Fund	3,69,724
Professional Tax	5,400

b. The Company has not accrued for penalty/ late / Interest on defaults u/s 201 of Income-tax Act, 1016 for TDS liabilities (details in table above). As per details available on the website maintained by the Income Tax Department, this amount is approximately ₹ 1,226 thousands till the financial year end 31st March 2022.

Summary of table give below: Amount (Figures in Rs.)

Financial Year	Short Payment	Short Deduction	Interest on Payments default u/s 201	Interest on deduction u/s 201	Late filing fee u/s 234E	Interest u/s 220(2)	Total Defaults
2021-22			4,241		31,800		36,041
2020-21			13,857		80,770		94,627
2019-20			1,677		14,995		16,672
2018-19			27,747		2,41,889	6,528	2,76,164
Prior Years	6,306	83,528	1,37,280	3,830	5,40,626	31,399	8,02,969
Total	**6,306**	**83,528**	**1,84,802**	**3,830**	**9,10,080**	**37,927**	**12,26,472**

c. The Company has accrued a provision of ₹ 13,399 thousands towards doubtful trade receivables, on the basis of its estimates. As per para 5 of Ind AS 109, such provision for the doubtful trade receivables balances is required to provided for under the Expected Credit Loss (ECL) Method. In the absence of estimates under ECL method, we are unable to comment on the adequacy or otherwise, of such provision in the books of account towards Trade Receivables.

d. Trade Receivables includes amount pertaining to amounts paid on behalf customers towards general expenses such as electricity charges. In the absence of adequate information, we are unable to quantity and comment on the recoverability of this balance.

e. We have not received confirmation of balances with respect to Trade Payables, advance from customers or other balances received from Customers towards sinking fund, most of which has been outstanding from prior years. In the absence of adequate audit evidence, we are unable to determine the adequacy or inadequacy of such liabilities.

f. The advance received from customers which includes ₹ 32,777 thousands which pertains to maintenance charges collected in advance for first year of maintenance as a part of the maintenance agreement. These amounts are to be recognized as revenue on the completion of such year period as per the maintenance agreements. Based on the information reviewed by us, all the projects for which such advances have been received have been completed and hence the entire amount of ₹ 33,107 thousands may be required to be recognized as income in the previous years. In the absence of supporting evidence, we are

WWW.TAXSCAN.IN - Simplifying Tax Laws

	unable to comment on the amount that needs to be recognized as income and therefore the balance that needs to be carried as liability. g. Company has amounts received from customers for approved capital expenditures for projects under maintenance and accounted as sinking fund balance of ₹ 47,649 thousands. Over the years, the company has been utilizing this balance towards miscellaneous expenses pertaining to such projects, without adequate approvals and authorizations from customers. The Company does not have details of how much of this sinking fund balance is payable to customers or to be maintained towards future capital expenses. Hence the adequacy of this liability cannot be ascertained.
Management Response	1. The Company is actively focusing on reviving the financial position in areas of debt reduction and liquidation of its existing dues. The Company is also looking at liquidating its major obligation for which existing liability will be liquidated. 2. The Company has made significant progress in deleveraging its balance sheet and currently reduced its consolidated liability in the last two years from ₹ 1100 Crores to ₹ 616 Crores currently. The Company is also working on a one-time settlement with the remaining lenders for the outstanding dues. In course of project exits, Company has also obtained NOCs from Banks and have exited from its various residential projects. 3. The Company is in process of reduction of its old outstanding dues from its customers and is hopeful of substantial reduction in the current year. 4. The Company is in the process of accessing the impact of impairment and is also trying to find an alternative means settling the advances by raising funds through further equity in the Company which shall be discussed and decided in due course of time. 5. The Company is confident of realisation on amounts in excess of carrying amount hence no impairment has been provided. 6. Year-end balance confirmation certificates in respect of trade receivables, trade payables, vendor advances, advance from customers and a few other advances, have not been provided for our verification and record. In absence of adequate audit evidence, we are unable to ascertain as to whether any provision is required with respect to the Boards' Report carrying amounts of these balances as at reporting date. Further, Trade Receivable amounting to ₹ 1,838 Lakhs receivable from customer as on 31st March 2022 has not been considered for impairment loss based on expected credit loss method as per requirement of Ind AS 109. 7. The Company is hopeful of liquidation of substantial amount of statutory liabilities in the current year.

Analysis of Modified Opinions — Residential, Commercial Projects

Company 72.15	
Basis for Adverse Opinion	1. As stated in Note 31(16) and 31(18) to the Standalone Financial Statements regarding ABC Limited & PQR Limited, a step-down subsidiary of the Company has been admitted under the Insolvency and Bankruptcy Code, 2016 (IBC) at National Company Law Board, Kolkata ("NCLT") on 29th April, 2022. In view of admission of above step down subsidiary in NCLT, we are unable to express an opinion on the extent of realisability of its investment of ₹ 195.00 lakhs in and interest free loan of ₹ 1,865.07 lakhs given to the above step down subsidiary and the consequent impact on the realisability of investment of ₹ 300.00 lakhs in and loan of ₹ 678.30 lakhs (including interest receivable thereon) given to RST Limited, a subsidiary of the Company (which is the holding company of PQR Limited. The consequential effect of the above, on the standalone financial statements for the year ended 31st March, 2022 is not ascertainable. 2. As stated in Note 31(1)(C) to the Standalone Financial Statements regarding corporate guarantee of ₹ 72,522.05 lakhs given by the Company for loan granted by the lenders to its Subsidiary, PQR Limited and ₹ 25,355.63 lakhs for loan granted by the lenders to its erstwhile associate, STU Limited. In view of admission of both the above companies in NCLT, the consequential effect due to probable invocation of the above guarantees on the standalone financial statements for the year ended 31st March, 2022 is not ascertainable. 3. As stated in Note 31(16) to the Standalone Financial Statements regarding investment of ₹ 1,050.00 lakhs in and loan of ₹ 140.61 lakhs given to AAA Limited, an associate of the Company. As the said associate has not commenced any business operation since its incorporation in the year 2004 and has reported accumulated losses of ₹ 213.35 lakhs, there is an apparent indication of impairment in value of these investments. However, in the absence of valuation report of an Independent Valuer, we are unable to comment whether any provision for impairment in the value of this investment is required. 4. We did not audit the financial statements / information of a joint venture namely, PQR Limited whose financial statements / financial information reflect Group's share of total net loss after tax of ₹ 2,069.18 lakhs and ₹ 2,065.54 lakhs and total comprehensive loss of ₹ 2,071.67 lakhs and ₹ 2,068.03 lakhs for the quarter and year ended 31st March, 2022 respectively, as considered in the Statement. The financial statement/ information of this joint venture is pending for audit by its auditors whose reports have not yet been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of this joint venture, is based solely on the unaudited accounts provided by the Management of the Company. 5. The following has been reported by the statutory auditors of a material subsidiary namely, PQR Limited vide their report dated 26th May, 2022: (i) Corporate insolvency Resolution Process ("CIRP"): Hon'ble National

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Company Law Appellate Tribunal (NCLAT), New Delhi vide its order dated 27th August, 2021 has set aside the previous Corporate insolvency Resolution Process ("CIRP") and released the Company from moratorium to resume its normal course of business. The previous CIRP was initiated by Hon'ble National Company Law Tribunal Kolkata ("NCLT") by an order dated 12th August, 2020 which was admitted consequent upon an application filed by STU Limited u/s 9 of IBC Code. The CIRP was however reinitiated w.e.f. 11th February, 2022 on a petition filed by ASB Bank Limited, one of the financial creditors of the Company, by NCLT under the provisions of the Insolvency and Bankruptcy Code, 2016 and Mr. AAA (IP Registration No. IBBI/IPA-003/IP -N000135/2017-2018/11499) was appointed as the Interim Resolution Professional ("RP") to manage affairs of the Company in accordance with the provisions of the Code. (ii) Non recognition of deferred tax assets and reversal of all deferred tax assets/liabilities due to uncertainty of profitability in view of the initiation of CIRP. The same has impact on the profit attributable to the shareholders of the Company and also on the retained earnings. (iii) Provision of interest claimed by the financials creditors of the Company which is accepted as payable by the RP and the provisions for the current year and the previous years have been provided altogether during the current year. The same has impact on profitability and retained earnings of the Company. 6. According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of Company's internal financial controls over financial reporting as at 31st March, 2022: a) The Company has not made any assessment of impairment of Investment in certain subsidiary and an associate as at the balance sheet date. b) There are delays in payment of statutory dues. The Company needs to strengthen internal control system in this regard. 7. The financial statement of a joint venture namely, STU Limited is pending for audit by its auditor whose report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting have not been furnished to us, and hence not considered in our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Group.
Management Response	The notes to financial statements referred to in the Auditors' Report issued for the financial year ended 31st March 2022, are self-explanatory and do not call for any further comments. The Auditors have not reported any matter under Section 143(12) of the Act; therefore, no detail is required to be disclosed under Section 134(3)(ca) of the Act.

Analysis of Modified Opinions — Residential, Commercial Projects

Company 72.16	
Basis for Qualified opinion	Attention is drawn to note no. 13 which states that in respect of company's borrowing from RTE Bank aggregating to ₹ 281,83.33 lakhs (inclusive of interest accrued of ₹ 173,47.53 lakhs and net of payment made pursuant to One Time Settlement Scheme of ₹ 600.00 lakhs), the Company is in the process of further restructuring of its liability with its lender. However, pending settlement of the same and non-receipt of the balance confirmation, the Company has continued to recognise the liabilities in the books of account and provide interest thereon without giving any impact of OTS and continued to classify the same as non-current. Hence, consequential impact, if any, is currently not ascertainable and we are unable to comment on possible financial impacts of the same.
Management Response	The Notes and Remarks on the Financial Statement referred to in the Auditors Report are self-explanatory.

Company 72.17	
Basis for Qualified opinion	1. Cash and cash equivalents include cheques in hand aggregating to ₹ 598.41 lakhs collected from customers towards advances / booking amount. As stated by the management, these are yet to be presented for encashment at the request of customers. We are, therefore, unable to comment on the effect of such advances / booking amount on the revenue recognition under the percentage completion method. 2. The Consolidated Statement of Profit and Loss does not include the financial statements of one subsidiary along with its four subsidiaries while the Consolidated Balance Sheet and Consolidated Statement of Cash Flow for the year ended 31st March 2022 and 31st March 2021 includes the consolidated Balance Sheet of the said subsidiary for the year ended 31st March 2019. The consolidated financial statements for the year ended 31st March 2022, 31st March 2021 and 31st March 2020 of the said subsidiary is not available with the Parent's Management. The auditor who had audited the consolidated financial statements of the said subsidiary had expressed a modified opinion on the consolidated financial statements for the year ended March 31, 2019. In the absence of audited consolidated financial statements for the year ended March 31, 2020, March 31, 2021, and March 31, 2022, we are unable to comment on whether the circumstances which resulted in the modified opinion still exist. 3. In an associate not audited by us and whose audit report for the financial year ended 31st March 2022 has been provided to us, the concerned auditor who has audited the associate has reported that Capital Work-in-progress includes a leasehold property. As a result of disruptions and adverse market conditions, there has been no development activity on the leasehold land and consequently, the Company has not recognized Right-of-use assets and Lease Obligations in accordance with the provisions of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Ind AS-116 "Leases". The impact of such deviation on the profits for the year and the yearend shareholders fund is currently not ascertainable.
Management Response	1. As stated by the management, these are yet to be presented for encashment at the request of customers. However, in Consolidated Financial Statements of the Company for the financial year ended March31, 2022, the auditors have made qualified opinion in respect of the Financial Statements of VVV Pvt. Ltd, subsidiary company of VW Limited. Further, the Consolidated Audited Financial Results for the financial year ended March 31, 2022, inter-alia comprises of financial data as of March 31, 2019, of VVV Private Limited & its subsidiaries. 2. Pending audit, the consolidated financial statement (including its four subsidiaries) of the said company, the Company has used last audited consolidated assets and liability of the said company i.e., of 31.03.2019 for the purpose of consolidation. 3. As a result of disruptions and adverse market conditions, there has been no development activity on the leasehold land and the project was kept on hold since long and consequently, the Company has not recognized Right-of-use assets and Lease Obligations in accordance with the provisions of Ind AS-116 “Leases”.

WWW.TAXSCAN.IN - Simplifying Tax Laws

73. Restaurants

Company 73.1	
Basis for Disclaimer of Opinion	1. We have not been provided with sufficient evidence with respect to recoverability of dues from group companies amounting to ₹ 1,676 Crores (refer Note 7B of the standalone financial statement). Further, we have not been provided appropriate evidence about the recognition of fair value of the estimated loss allowance on corporate guarantee given to its subsidiary as required by Ind AS 109, 'Financial Instruments'. We are therefore unable to comment on the recoverability of the stated balance from group companies, fair value of estimated loss allowance on corporate guarantee given to a subsidiary, and the impact on the standalone financial statement. 2. It is observed that there has been a change in the percentage of shares held by the Company in two of its subsidiaries as of March 31, 2022, vis-à-vis March 31, 2019, due to the invocation of shares by the lenders of the subsidiaries. However, while considering the amount invested in the subsidiaries, the Management of the Company has considered the erstwhile shareholding pattern prior to dilution as the Management believes that the change in shareholding is temporary in nature and the shares pledged will be redeemed back by the Company (refer to Note 6 of the standalone financial statement). However, these shares have been transferred to such lenders before March 31, 2022. We have been informed that the lenders have not sold any of the shares invoked and consequently have not made any adjustments to the loan outstanding. Accordingly, the Management believes that it is not possible to attribute any sale value to the invoked shares. Consequently, the impact of the said transfer on the book value of invoked shares of ₹ 156 Crores on the standalone financial statements cannot be ascertained. 3. The Management of the Company has determined that no impairment is required to be recognized on its investments in subsidiaries, associates and joint ventures with a carrying value of ₹ 1,865 Crore as at March 31, 2022, as required by Ind AS 36, 'Impairment of Assets', particularly consequent to developments during this period (as detailed in Note 41 of the standalone financial statement) Consequently, the value of investments held by the Company in a subsidiary, which is the holding company of this step subsidiary, is required to be assessed for impairment. We have not been provided with the indicators used and the assessment performed by the Management in not considering impairment in respect of its subsidiaries, associates and joint ventures. We are therefore unable to comment on whether the value of investments recognized in the standalone financial statement is appropriate. 4. Attention is drawn to Note 14 of the standalone financial statement, wherein instances of noncompliance with certain debt covenants including interest & principal repayment defaults have been described. We also draw

WWW.TAXSCAN.IN - Simplifying Tax Laws

	attention to the fact that the Company has not obtained the balance confirmations on loans from lenders. In the absence of adequate and sufficient audit evidence to establish the amounts payable to the lenders, we are unable to provide our opinion on the correctness of these amounts reflected in the standalone financial statement and also on their consequential impact including potential tax liabilities. We have been informed that during the year certain lenders have exercised their right to recall the loan and some lenders have initiated legal action to recover dues. However, in the absence of the adequate evidence, we are unable to comment on the consequential adjustments that might impact this Statement on account of non-compliance with debt covenants. Further, in view of the loan recall notices, legal disputes and pending one-time settlement with the lenders of the Company, the Management has not recognised interest on the loans outstanding as of March 31, 2022 aggregated to ₹ 68.30 Crores. As the loan recall letters provided by the lenders requires payment of interest and penal interest, non-provision of such interest is not in line with the accrual concept of accounting. 5. The Statement has been prepared by the Management and Board of Directors using the going concern assumption (Refer Note 39 of the standalone financial statement). The matters detailed in the above paragraphs may have a consequential implication on the Company's ability to continue as a going concern. We are therefore unable to comment on whether the going concern basis for preparation of the standalone financial statement is appropriate. 6. We draw attention to Note No.34 of the Consolidated Financial Statements which describe the details in respect of amounts due from ABC Limited to the extent of ₹ 1,038.85 Crores. As explained to us the company is in the process of recovery of the dues from related parties and taken necessary action as stated in the said notes. However, there is no material recovery during the year. In the absence of any conclusive evidence demonstrated by the company for recoverability of the same, we are unable to comment on there coverability, requirement or otherwise of provision on those receivables and consequential impact on these financial statements.
Management Response	1. The subsidiaries of CDEL are in the process of disinvestment of their assets. The company is confident that the subsidiaries will repay these advances in due course. 2. Management believes that the change in shareholding is temporary in nature and the shares pledged will be released back to the Company. Since there is no marketability for the shares invoked management is unable to estimate the impact. 3. The valuation of these investments for assessing impairment remains to be done. 4. Due to default in repayment of interest and principal to the lenders, the lenders have sent "loan recall" notices to the Company as well as initiated legal disputes. In view of the loan recall notices, legal disputes and pending

WWW.TAXSCAN.IN - Simplifying Tax Laws

	onetime settlement with the lenders, company has not recognised interest of ₹ 68.30 crores during the financial year. Management is following up with lenders to get the balance confirmations. This will be taken care of during one time settlement process. There have been certain covenant breaches with respect to borrowings taken by the Company from various lenders. Such covenant breaches entitle the lenders to recall the loan. Some of the lenders have exercised their right to recall the loan and one of the lenders has initiated legal process to recover the dues. 5. These standalone financial statements for year ended 31 March 2022 have been prepared on a going concern basis in view of the positive net worth of the Company amounting to ₹ 30,673 million as of 31 March 2022, significant value in diversified portfolio of investments held in subsidiaries / joint ventures / associates, established track record of the Company to monetize the group assets as demonstrated by sale of stake in ABC Limited, sale of XYZ Limited, sale of stake MNO Group entities profitable resorts operations and consequential ability to service the obligations.

WWW.TAXSCAN.IN - Simplifying Tax Laws

74. Road Transport

Company 74.1	
Basis for Qualified opinion	1. Notes to the standalone financial results, regarding Non provision of interest of ₹ 442.26 Lacs on NPA accounts for the year under consideration The exact amounts of the said non provisions of interest are not determined and accounted for by the Company and to that extent Bankers loan liabilities are under stated and profit is overstated to the extent of non-provisions of interest. 2. Due to uncertain consequence in this matter we are unable to identify impact if any on standalone financial statement, our audit opinion is qualified.
Management Response	The interest provision on NPA bank accounts has not been accounted due to legal dispute between company and lender as Double Bench of Hon'ble Calcutta High Court issued order in favour of the company. The Bank filed a Special Leave Petition against the said order of the Double Bench of Hon'ble Calcutta High Court in Hon'ble Supreme Court.

WWW.TAXSCAN.IN - Simplifying Tax Laws

75. Software Products

Company 75.1	
Basis for Qualified Opinion	1. The attached Balance Sheet as at 31st March, 2022 is drawn on the basis of the Principle of 'Going Concern'. We opine as follows in this connection: i. Attention of the members is invited to Note 5 of the Financial Statements regarding recognition of deferred tax credit on account of unabsorbed losses and allowances aggregating to ₹ 20,234.69 lakhs (year ended March 31, 2021 ₹ 24,585.77 lakhs). This does not satisfy the virtual certainty test for recognition of deferred tax credit as laid down in Ind AS-12. ii. The appropriateness of the 'Going Concern' concept based on which the accounts have been prepared is interalia dependent on the Company's ability to infuse requisite funds for meeting its obligations, rescheduling of debt and resuming normal operations. We further report that, had the observation made in paragraph 1(i) above been considered, the loss after tax for the year ended March 31, 2022 would have been higher by ₹ 20,234.69 lakhs. 2. We draw attention to Note No. 32 of the standalone Ind AS Financial Statements regarding the Redemption of Foreign currency convertible bonds. Redemption of Foreign currency convertible bond amounting to ₹ 29,085 lakhs (42 million Euros) to the holders of the bonds have fallen due during April 2011 and is yet to be redeemed as on the date of Balance Sheet. On a petition filed by the Foreign currency convertible bond holders, The Hon'ble High Court of Karnataka issued a winding up order against the company, which indicates the existence of material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. 3. The Company had received an intimation from the "Ministry of Corporate affairs" during August 2019, stating that a wounding up order is issued against the Company by the Hon'ble High Court of Karnataka vide order dated 28th November 2017. Further, based on the plea submitted by the Company, the Hon'ble High Court of Karnataka had granted a stay during June 22 directing the official liquidator not to precipitate the process of the winding up order and the matter is extended till the next date of hearing as the petitioner and the company are exploring the possibility of amicable settlement However, the accounts have been prepared on a going concern basis.
Management Response	1. Responding to ongoing difficult business and financial conditions, the Company has made, and continues to make, significant adjustments to its business strategy and operations plans, as well as improvements in its solutions and product offerings. Based on these changes, the Company remains confident of future taxable income to take advantage of the deferred tax credit as a 'recognized' asset Despite the business

WWW.TAXSCAN.IN - Simplifying Tax Laws

	instability and disruptions faced across the country and world for the year under review, the management has diligently continued serious efforts toward resumption of normal operations. We are confident that the concept of 'Going Concern' continues to apply. 2. The Company has remained actively engaged with the FCCB holders toward a mutually favourable resolution - the parties expect a settlement soon which satisfies bondholders' interests and also sustains the company business by withdrawal of the winding-up petitions.

Company 75.2	
Basis for Qualified Opinion	The financial statements have been prepared by the management on a going concern basis, notwithstanding the fact that the company's net worth is eroded (Net Worth as on 31st March 2022 is minus ₹ 9,14,39,705/- Moreover, the company is continuously suffering heavy losses. These events cast significant doubt on the ability of the Company to continue as a going concern. Further, the management of the Company is showing investment in the subsidiary at cost whereas the subsidiary is continuously in heavy losses and also has negative net worth.
Management Response	There was no qualifications, reservations or adverse remakes made by either by the Auditors or by the Practicing Company Secretary in their respective reports.

WWW.TAXSCAN.IN - Simplifying Tax Laws

76. Speciality Chemicals

Company 76.1	
Basis for Disclaimer of Opinion	Disclaimer of Opinion. We have audited the accompanying Ind AS financial statements of XYZ Limited which comprise the Balance Sheet as at 31 March 2022, the Statement of Profit & Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of the Significant Accounting Policies and other explanatory information. In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in the "Basis for Disclaimer of Opinion" section below, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2022, the Profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.
Management Response	The comments on statement of accounts referred to in the report of the Auditors are self-explanatory. Auditor's Report does not contain any qualification, reservation, or adverse remark.

Company 76.2	
Basis for Qualified Opinion	1. The Company has not made any provision for old receivables outstanding for than 1 year as the management is putting efforts for recovery or settlement with the parties. 2. No/ Less Interest is charged on some of the Loan given, being financial inability of the borrowing party as per the Management.
Management Response	1. The Company has discussed with the parties for the old receivables for recovery and settlement. 2. Since the Financial position XYZ on of the borrowing party is not good, some of the parties had not given interest or less interest.

Company 76.3	
Basis for Qualified Opinion	1. The company is accounting for Gratuity and Leave encashment on cash basis. This is not in according with Ind AS-1 on "Presentation of Financial Statements" and Ind AS-19 on "Employee Benefits" prescribed by the Institute of Chartered Accounting of India and contrary to provision contained in Section 133 of The Companies Act, 2013. The extent of non-compliance in terms of value is not ascertainable.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	2. Ind AS-2 for "Inventories" has not been followed. The measurement and valuation methods followed by the Company as regards to inventory are not in accordance with accepted methodology. We are not in a position XYZ on to quantify the effect of this discrepancy on the profitability and Balance Sheet. 3. According to the information and explanation given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2022: a) The Company did not have appropriate internal financial control system for Valuation of Inventories (As disclosed in basis for qualified opinion in our independent audit report).
Management Response	The Board of Directors has undertaken to take the corrective steps for the above-mentioned qualifications in current financial year.

Company 76.4	
Basis for Qualified Opinion	The Company has opted for Vivaad Se Vishwas Settlement Scheme as appropriately described in note no. 33(3) of the standalone financial statements. Consequently, the tax expenses of ₹ 556.51 lakhs arising due to above Scheme has been directly written off in other equity through retained earnings instead of charging it to the statement of profit and loss. Therefore, the profit after tax for the year is overstated by ₹ 556.51 lakhs due to above.
Management Response	A few observations from the Auditors Report as pointed out by Secretarial Auditors are mentioned.

WWW.TAXSCAN.IN - Simplifying Tax Laws

77. Speciality Retail

Company 77.1	
Basis for Qualified Opinion	The balances of trade receivables, trade payables, loans and advances are subject to confirmations, reconciliation, and consequential adjustments if any. In view of above, we are unable to comment upon the resultant impact of the above on the profit for the year, reserve and surplus, investment, loans and advances, trade receivables, trade payables, current and non-current assets, and Liabilities, as at balance sheet date.
Management Response	The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors Report contain qualifications, reservations or adverse remarks which are self-explanatory in nature.

Company 77.2	
Basis for Qualified Opinion	1. Note No. 17.1 of the accompanying consolidated Financial Statement, stating therein that the Impairment of Assets/ Liabilities has been worked out on the Basis of Valuation Report certified by registered valuer. We have relied upon the valuations of assets and impairment workings as per the Certificate provided to us by the RP pertaining to valuations of assets and its impairment as Certificate of Valuation Certificate could not be provided to us as per the terms of Insolvency regulation 35(2) and other relevant provisions of IBC, 2016. Also, calculation of Deferred Tax has been done accordingly on the basis of aforesaid mentioned values. 2. Note No. 17.2 of the accompanying consolidated Financial Statement which states that the Company has recognized Non-Sustainable Debt pursuant to CIRP as part of Reserves on the basis of the decision taken as part of COC resolution meeting approved by 98.15% COC Members through vote. This adjustment considered to be event after balance sheet date, as per the COC Committee and is recognized in the financial results. However, such transactions are subject to NCLT approval and should have been acknowledged on duly confirmation/ acceptance from the NCLT court. 3. We did not audit financial statements of subsidiary company i.e. ABC Limited and DEF Ltd included in the consolidated financial statements; whose financial statements reflected total assets of ₹ 7.63 lakhs as at 31st March 2022 as well as the total revenue of ₹ Nil for the year ended 31st March 2022. These annual financial statements and other financial information have been unaudited and are provided by the management on the basis of provisional financial statements. Valuation Reports pertaining to these investments are not provided us. Therefore, we are unable to comment and determine any adjustments to be made to this amount. Financial Results are prepared by Management on provisional figures. Our opinion on these financial statements to the extent they have been derived

WWW.TAXSCAN.IN - Simplifying Tax Laws

	from such kind of financial statements is based so XYZ Limited on the information provided by the management.
Management Response	1. Under the CIRP, a resolution plan was submitted for the consideration of Committee (COC), e-voting has taken place after 9th CoC Meeting, the RP has placed on record the results of E-voting and informed the Members and Shareholder that Resolution has been approved with 98.15% votes in favour of resolution plan. The said resolution plan filed for approval of National Company Law Tribunal (NCL), Mumbai Bench for its approval vide dated November 08, 2020. 2. The Audit Qualification (ii) is for adjustment considered to be event after balance sheet date. In Auditors opinion, such transactions are subject to NCLT approval and should have been acknowledged on duly confirmation/acceptance from the NCLT court. Management believes that the aforesaid adjustment is important and could impact the decision of the reader of the Financial Statement. Therefore, the same has been considered as Adjusting event.

Company 77.3	
Basis for Qualified Opinion	1. As stated in Note 16(a) to the accompanying standalone financial statements, the Company's other equity as at 31 March 2022 includes an amount of ₹ 365.36 lakhs in the nature of capital reserve arising out of business restructuring carried out in earlier years, for which the Company's management has not been able to provide necessary reconciliation and information. In the absence of sufficient appropriate audit evidence, we are unable to comment upon the appropriateness and classification of the aforesaid balance, and the consequential impact, if any, on the financial statements. Our opinion on the standalone financial statements for the previous year ended 31 March 2021 was also modified in respect of this matter. 2. As stated in Note 35(a) to the accompanying standalone financial statements, the Company's contingent liabilities as at 31 March 2022 include certain contingent liabilities aggregating to ₹ 747.26 lakhs pertaining to litigations pending with various authorities, for which the Company's management has not been able to provide necessary evidence in relation to probability of outflow of resources embodying economic benefits. In the absence of sufficient appropriate audit evidence, we are unable to comment upon the appropriateness and classification of the aforesaid amounts as provision or contingent liabilities as at 31 March 2022 in accordance with Ind AS 37, "Provisions, Contingent Liabilities and Contingent Assets" and the consequential impact, if any, on the total liabilities and loss as at and for the year then ended. Our opinion on the standalone financial statements for the year ended 31 March 2021 was also qualified in respect of this matter.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Analysis of Modified Opinions — Speciality Retail

	3. As described in Note 47 to the accompanying standalone financial statements, the Company has performed physical verification of property, plant and equipment during the year ended 31 March 2022 in accordance with the phased program of conducting such verification over a period of 3 years. However, the Company is in process of performing related reconciliation of such physical verification with the underlying fixed asset register maintained by the Company in respect of property, plant and equipment with aggregate gross block of ₹ 17,792.30 lakhs and net block of ₹ 9,162.77 lakhs as at 31 March 2022. Pending completion of the said reconciliation, we are unable to comment on any adjustment that may be required to the carrying value of such Property, Plant and Equipment as at 31 March 2022.
Management Response	1. The Company restructured its business in the financial year 2010-11 resulting in creation of capital reserve amounting to ₹ 60,523.24 lakh. The aforementioned reserve has been reconciled except for ₹ 365.36 lakh which the Company is in the process of reconciling. However, the management believes that there is no impact of the same on standalone statement of profit and loss. 2. Out of contingent liabilities existing as at 31 March 2022, certain liabilities aggregating to ₹ 747.26 lakh are under appeal with different authorities at different levels. Whilst the impact of contingent liabilities on these results can only be ascertained on the settlement of such cases / disputes, management has broadly assessed based on available information / documents that based on the merits of such cases, the Company has reasonably good chances on succeeding and accordingly, no provision has been recognised in these standalone financial results. 3. The Company has performed physical verification of property, plant and equipment during the year ended 31 March 2022 in accordance with the phased program of conducting such verification over a period of 3 years. However, the Company is in process of performing related reconciliation of such physical verification with the underlying fixed asset register maintained by the Company in respect of property, plant and equipment with aggregate gross block of ₹ 17,792.30 lakhs and net block of ₹ 9,162.77 lakhs as at 31 March 2022. However, the management does not impact resultant adjustments to be material to the financial statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

78. Sponge Iron

Company 78.1	
Basis for Qualified Opinion	I. Non recognition of liability on account of currency fluctuations on foreign currency loan and interest thereon (as required under Indian Accounting Standard – 21) amounting to ₹ 366,932 thousand as provided in the BIFR Scheme dt. 29.07.2004 and also confirmed by AAIFR/ Single Bench of Jharkhand High Court, Ranchi. The company has filed Letters Patent Appellate Jurisdiction (LPA) before the Divisional Bench of High Court of Jharkhand, Ranchi. It is pertinent to note that IFC (Washington) had filed application for withdrawal in C.A. No. 4075 of 2016 on 27.07.2018. In view of the same interest has not been provided in the books of accounts. (Refer other note no. 3(II) appearing in Annexure 1) II. Non recognition of penalty of ₹ 21,528 thousand recovered by ABC Ltd. on account of short lifting of coal in terms of Fuel Supply Agreement since the matter has been disputed by the Company under writ petition filed before the Hon'ble High Court of Chhattisgarh (refer other note no 5 of Annexure I (iii)). III. The Company has approached its promoters for one time settlement of their loans. The settlement will be subsequent to and on the line as per settlement arrived at with Government of Jharkhand for soft loans. Interest on Soft Loan from Government of Jharkhand under Jharkhand Industrial Rehabilitation Scheme 2003 amounting to ₹ 569,943 thousand not been provided and is subject to representations for waiver. Taking into consideration non provision of likely liabilities mentioned paragraph i, ii & iii above: a. The net result for the year would have been a loss of ₹ 875734 thousand as compared to the disclosed profit of ₹ 82669 thousand. b. Accumulated losses would have been ₹ 3263383 thousands as compared to disclosed losses of ₹ 2304980 thousand. c. The above losses is however subject to ascertainment of liabilities as mentioned in Para iii.
Management Response	1. Notes to accounts referred to in the Auditor's Report are self-explanatory and therefore, do not require call for any further explanation. However, the following has not been recognized as explained below: a. ₹ 3,66,932 thousand against currency fluctuation of foreign currency loan has not been recognized as the Company has filed Letters Patent Appellate Jurisdiction (LPA) before the Divisional Bench of High Court of Jharkhand, Ranchi and it is hopeful that the decision will be in favour of the Company. 2. ₹ 21,528 thousands recovered by ABC Ltd as penalty on account of short lifting of coal quantity in terms of Fuel Supply Agreement as the matter has been disputed by the Company under writ petition filed before the Hon'ble High Court of Chhattisgarh. The Company is hopeful that it would get an order in its favour in the said proceedings.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	3. Interest on unsecured loan taken from Promoters and other parties from 10.08.2013 to 31.03.2022 has not been taken into account as the Company will approach the lenders for the waiver of the interest on unsecured loan. d. Interest on Soft Loan taken from the Government of Jharkhand under the Industrial Rehabilitation Scheme 2003 amounting to ₹ 5,69,943 thousand from 10.08.2013 to 31.03.2022 has not been provided and is subject to representation for waiver.

WWW.TAXSCAN.IN - Simplifying Tax Laws

79. Stationary

Company 79.1	
Basis for Qualified Opinion	The balances of trade receivables, trade payables, loans and advances are subject to confirmations, reconciliation and consequential adjustments if any. Further, no provision has been made for trade receivables, which are outstanding since long and are to be provided for. The effect of same is not ascertainable in absence of complete debtors ageing.
Management Response	Management considers the trade receivables as good and will be able to recover the same in near future hence impact of the same can't be ascertained.

Company 79.2	
Basis for Qualified Opinion	1. We draw attention to Note 35 of the Statement, regarding the expiry of license agreement between ABC Limited ("ABC") and the Company ("AA") during the year due to permanent discontinuance of business operations and activities by Oxford due to Covid-19 impact. Due to expiry of the agreement, all the remaining stock of licensed products has to be disposed of the by Company. 2. Pending impairment review by the Company of all the assets and liabilities as at March 31, 2022, no provision in the books of account has been made by the Company. In the absence of assessment of impairment by the Company & pending confirmation, we are unable to comment on the recoverable/payable amount with regards to said terms and consequential impact, if any, on the Statement.
Management Response	1. Yes, due to COVID-19 impact, ABC Limited has permanently discontinued the Business operation and activities, which result in expiry of license agreement between the Company AA and ABC. During the current year company will be disposed of the remaining stock of license products. 2. During the current financial year, the assessment of impairment shall be carried out by the Company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

80. Stockbroking & Allied

Company 80.1	
Basis for Qualified Opinion	1. The Company had advanced application money towards purchase of shares of ₹ 216.69 lakhs which is outstanding for a period of 240 months as at the end of the year. In the absence of information regarding the status of the allotment or the net worth of the XYZ Ltd in which the company made applications, we are unable to ascertain the extent to which an amount of ₹ 216.69 lakhs is recoverable and accordingly, the effect thereof on the financial statements cannot be ascertained. However, it has been noted and confirmed after looking at relevant documents that at present the said matter is under XYZ Ltd and pending for hearing before the Hon'ble High Court of Mumbai. 2. Long-Term deposits to various companies of ₹ 530.00 lakhs are subject to subsequent adjustments. We are unable to ascertain the recoverability of these amounts, as the Company has not made any provisions for the same in the standalone financial statements.
Management Response	Further, the Statutory Auditor's has given the qualified opinion in their audit reports and the Board has furnished required details/explanation in its note nos. 28 and 29 of notes of accounts to the Standalone Financial Statements and note nos. 30 and 31 of notes of accounts to the Consolidated Financial Statements respectively.

WWW.TAXSCAN.IN - Simplifying Tax Laws

81. Sugar

Company 81.1	
Basis for Qualified Opinion	We draw attention to Note No. 39(I)(d) to the standalone financial statements, regarding the non-provision of contractual obligation related to premium payable on Optionally Convertible Debentures (OCDs) at the time of redemption of OCDs issued to lenders pursuant to the Scheme for Sustainable Structuring of Stressed Assets (S4A Scheme) which stipulates that the yield to maturity (YTM) being the difference between weighted average interest and coupon rate payable as redemption premium at the time of redemption of OCDs redeemable in 13 equal instalments commencing from the Financial year 2024-25. The Company considers such YTM / redemption premium as contingent liability and has not provided for the same in the books of account for the year ended March 31, 2022 amounting to ₹ 394.00 crore. The aggregate liability for such YTM from the date of allotment of OCDs till year ended March 31, 2022 is ₹ 1784.12 crore. Had such interest been provided, the reported net loss for the year ended March 2022 would have been ₹ 612.25 crore and Net worth of the Company would have been ₹ 1,093.27 crore.
Management Response	Explanation to 3rd para of the Audit report regarding qualified opinion. As per the Master Framework Agreement (MFA) executed between the Company and Lenders on December 16, 2017 pursuant to the S4A Scheme, the Company is regularly servicing the coupon rate attached to the Optionally Convertible Debentures (OCD).The difference between weighted average interest and coupon rate being Yield to Maturity (YTM) though, accruing on annual basis from the date of allotment is payable as redemption premium in a phased manner in 13 equal instalments commencing from the financial year 2024-25. The management is of the view that such YTM as redemption premium is payable only in the event of redemption of OCDs and not upon the conversion of the OCDs into the equity shares of the Company, based on the right of conversion as may be exercised by the holders from time to time. Accordingly, the Management considers such YTM as a contingent liability and has not provided the premium in the books of the Company.

Company 81.2	
Basis for Qualified Opinion	1. Note 46 to the Standalone Financial Statements regarding the fact that the all the banks and financial institutions have classified the borrowings of the Company as non-performing assets. All the banks and financial institutions have also issued notice calling back the loans. Considering the above, as in the previous periods, the Company has not (a) provided interest on the outstanding borrowings from banks and financial institutions; and (b) not restated the foreign currency loans. In the opinion of the management, in view of the One Time Settlement ("OTS") of the loans sought by the Company, there will be no further interest liability on the Company from the NPA date. However, the Hon'ble NCLT, Chennai Bench, admitted the CIRP application filed by a financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	creditor of the Company and we were informed by the Interim Resolution Professional that the financial and operating creditors are lodging claims of principal and interest due till the date of admission of CIRP. As more fully explained in Note 46 to the financial statements, we were informed by the management that: (i) the Promoter of the Company had organised and had deposited ₹ 6,453.30 lakhs (including of ₹ 2,500 Lakhs in the earlier year) as on date in the office account of STU Bank No Lien account as stipulated by the consortium of bankers/ financial institutions for the OTS settlement proposal. (ii) as per the arrangement with the Promoter, the money deposited by the Promoter shall remain as the assets of the Promoter or his affiliates until the settlement proposal is duly sanctioned and approved by the lenders. (iii) as per legal advice obtained by the promoters, the entire amount of ₹ 6,453.30 lakhs kept in the office account of STU Bank No Lien account will be recorded as loan from the promoters' group after the withdrawal of CIRP. (iv) in case no settlement proposal gets materialised, the said money is to be refunded to the promoter / his affiliates by the banks. (v) out of the said deposit, the amount of ₹ 2,500.50 Lakhs recorded wrongly in the books of account of the earlier years, was reversed by the Company and necessary entries passed. (vi) consequently, the interest accrued up to December 31, 2021 aggregating to ₹ 338.43 lakhs in respect of the above loans has also been reversed (which resulted in negative finance cost for the current quarter). (vii) as there was a delay in payment of the balance OTS amount by the Promoter, the Hon'ble National Company Law Appellate Tribunal ("NCLAT") has vacated the interim stay for holding of meetings of Committee of Creditors and directed the IRP to commence the CIRP proceedings and the next hearing has been listed for December 22, 2022. 2. As more fully explained in Note 51 to the financial statements, we were also informed by the IRP that: (i) the IRP reconvened the 1st CoC meeting on May 2, 2022 and pursuant to the decision made in the 1st CoC meeting, IRP issued 'Form G' – Public Announcement inviting Expression of Interest (EoI) to submit Resolution Plans. As on last date for receipt of EoI., i.e., June 1, 2022, 7 EoI's were received. As per Regulation 35 of IBC, IRP has appointed two sets of IBBI Registered Valuers to estimate the fair value and the liquidation value, which shall be shared with the members of CoC on receipt of resolution plans. The physical verification of inventory and fixed assets were carried out by the Valuers. (ii) in the 6th CoC meeting held on September 28, 2022, the last date for submission of the final revised resolution plan was decided as October 15, 2022 and 3 revised final resolution plans from the Resolution Applicants were received as on date. (iii) further as per the e-voting results dated September 22, 2022 CoC

WWW.TAXSCAN.IN - Simplifying Tax Laws

	approved the appointment of Mr. XX, Insolvency Professional as Resolution Professional subject to approval by the Adjudicating Authority for which an application is being filed by the CoC members with NCLT. (iv) an application has been filed with NCLT Chennai by the IRP seeking directions to STU Bank and OTR Bank to refund to the Corporate debtor the initial OTS deposit of ₹ 25 Crores and ₹ 1.31 Crores respectively lying with them, as there was no OTS proposal pending with banks. The said Application is numbered as IA(IBC)/701/2022. The matter is pending adjudication by NCLT, Chennai. The next date of hearing is November 15, 2022. We have not received neither direct nor indirect confirmation for the balances in the escrow account aggregating to ₹ 6,453.30 lakhs, except a reference made in the minutes of the consortium banks and we were informed by the management that they are in the process of getting specific confirmation for this. We were not provided the bank statement supporting the basis for reversal of ₹ 2,500.50 lakhs, which was previously recorded as bank balances in the books of account. The Company has also reversed the interest accrued up to December 31, 2021 aggregating to ₹ 338.43 lakhs in respect of the above loans. We are unable to comment on the appropriateness of the aforesaid reversal of the loans and the interest accrued, in the absence of sufficient appropriate audit evidence. Several uncertainties exist due to non-confirmation from the banks/ financial institutions for the outstanding borrowings as on March 31, 2022 amount kept in escrow accounts as per OTS proposal, present developments in CIRP and the expected timing of withdrawal of CIRP by the financial creditors/ final approval of OTS proposal by the consortium banks. Due to the aforesaid uncertainties, we are unable to comment on (a) the appropriateness of the non-accrual of interest on loans; (b) the impact of the non-confirmation of balances in escrow accounts in respect of amounts deposited towards OTS, balances in certain inoperative bank accounts and balances in interim finance provided by consortium bankers for CIRP expenses; (c) non recording of ₹ 6,453.30 lakhs deposited by the promoters in the books of the Company; (d) reversal of previously accounted loans from promoters and interest on borrowings; and (d) consequential adjustments, that may be required, in the carrying amount of the financial and non-financial assets/ liabilities of the Company. 3. Note 50 to the Standalone Financial Statements which explains that during June 2020 quarter, a CIRP was admitted and a resolution professional was appointed in the case of one of the major investees of the Company by the Hon'ble NCLT, Chennai Bench vide its order dated May 5, 2020. The carrying amount of the investments as at March 31, 2022 is ₹ 1,455.53 Lakhs. The Hon'ble NCLT has passed an order approving the resolution plan submitted by one of the resolution applicants. In accordance with the approved resolution plan, no payment will be made towards any amount due to the promoters and their related group companies by the successful resolution applicant. In our opinion, considering the present development,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the entire outstanding due from the above investee is considered to be not recoverable as per the approved resolution. In this regard we were informed by the management that (i) aggrieved by the Order of the Hon'ble NCLT, the investee has filed an application before the Hon'ble National Company Law Appellate Tribunal ("NCLAT") praying for quashing the order of the Hon'ble NCLT. The Hon'ble NCLAT has set aside the resolution plan approved and ordered to recommence the CIRP process, including the consideration of 12A application filed by the promoters of the investee company. On an appeal against the order of the Hon'ble NCLAT, the Hon'ble Supreme Court has heard the arguments of both the sides and reserved the case for judgement as on date; (ii) the Promoter has recently (on October 11, 2022) also given a proposal for settling the entire dues of the CoC members U/S 12A of the IBC code. Required funding has been arranged by way of deposits and Bank Guarantee. The proposal is under the consideration of the CoC members; and (iii) a major part of the assets of the investee comprises of land and commercial buildings (including a well-known brand name in the hotel industry), whose liquidation value is much higher than the total dues to its financial and operating creditors (including that of the Company) and the resolution plan approved is not in line with the actual value of the assets. The management also confirmed that the resolution professional has not followed the due process of CIRP and accordingly, the resolution plan approved is not proper as per law. Accordingly, in the opinion of the management, the Company will still be able to recover the entire carrying amount of the investments, even in the aforesaid CIRP conditions. Based on the above estimate made by the management, no adjustment has been made in the fair value of such investments. Due to uncertainties involved in the CIRP process as detailed above, the impact, if any, on the Statement are not presently determinable in respect of the above matter. 4. As more fully described in the Material Uncertainty Relating to Going Concern section of this report, there is a significant doubt on the Company's ability to continue as a going concern. We are unable to comment on the appropriateness of preparing the Statement on a going concern assumption and the impact, if any, arising out of the above matter is not presently determinable. 5. The Company has provided for certain employee/ other claims relating to earlier years/ periods aggregating to ₹ 468.04 Lakhs during September 2021. In the absence of approval by the IRP, the financial creditors and other competent approving authorities as well as specific demand notices from the concerned departments/ employees/ others, we are unable to comment on the appropriateness of the aforesaid accounting treatment. 6. Ind AS 19 "Employee Benefits" requires provision towards gratuity and compensated absences should be made based on actuarial valuation. However, the Company has not obtained any actuarial report and made provision for the liability on an estimated basis. Accordingly, we are unable

WWW.TAXSCAN.IN - Simplifying Tax Laws

	to comment on the adequacy of the provision made and the compliance with the related disclosure requirements of Ind AS 19. 7. We could not circulate for direct confirmation for bank balances, borrowings, trade receivables, trade payables, advances received/ paid and for deposits received/ paid, as the necessary information was not made available by the Company to us. Accordingly, we are unable to comment on adjustment, if any, that may be required had we circulated and received direct confirmation for the aforesaid balances. 8. The Company has a program of verification to cover all the items of property, plant and equipment in a phased manner over a period of three years. However, no physical verification has been carried on by the management during the year. Accordingly, we were unable to comment on whether any material discrepancies were noticed on such verification and whether they are properly dealt with in the financial statements. 9. The Company has not filed the quarterly/ annual financial results with the stock exchanges within the stipulated time for certain quarters of the last year and the current year. However, no provision has been made in the financial statements towards penalty payable for the aforesaid non compliances. 10. Our audit report on the Standalone financial statements is qualified in respect of matters referred to clauses (a) to (h) above. The matters referred to in clauses (a) to (c) have been qualified in the earlier years as well. 11. We observed significant deficiencies in the internal financial controls relating to maintenance of sufficient, appropriate audit trail/ documentation in respect of (a) physical verification of fixed assets/ related reconciliation with the books of account, (b) obtaining periodical confirmation and reconciliation balances with suppliers, customers, lenders, loans and advances and (c) passing of journal entries.
Management Response	1. Due to continues drought in Tamil Nadu for the years 2016 to 2018, the cane availability and consequent capacity utilisation for the sugar units in Tamil Nadu has drastically come down to around 35%. On account of this, the Company could not service the loans and the loans have slipped into NPA. Subsequently the loans have become NPA in the books of the lenders and the company is not providing interest in the books of the Company. Company is discussing with them for a one-time settlement\ of the principal outstanding as on the NPA date. Company is confident of settling the OTS with bankers. 2. XYZ Limited assets are mainly of lands and well known branded PQR Limited and the realisable value of The Company has not provided the penalty in the Financial Statements. We will provide same in the next Quarter i.e. June 2022 Assets are far in excess of its liabilities XYZ. Hence the Company is confident of realising the value of the investment stated in the books which is ₹ 1455.53 lakhs. Since the CIRP proceedings of the company are yet to come to closure. IRP is unable to make a comment.

	3. The Company has submitted the resolution plans to Banks for OTS and it is still under the consideration of Banks. The Company is confident of settling the current issues with Banks and FIs. XX has also made representation to the Central and State Government for extending necessary support to the XX sugar units for revival of the industry. Normal operations are expected to start shortly. Since the resolution process is nearing completion with four resolution plans under consideration by CoC, there is a significant possibility of the company to continue as going concern. 4. Due to NCLT order dated 29.07.2021 to file the claim with IRP, Company has provided for certain employee/ other claims relating to earlier years/ periods aggregating to ₹ 468.04 Lakhs during September 2021. 5. The Company has not obtained any actuarial report due to earlier year payment was not paid to the actuarial report valuer and provision for the current year was made only on an estimated basis. 6. Company loan accounts have become NPA, therefore no change in the bank balances, borrowings, trade receivables, trade payables, advances received/ paid and for deposits received/ paid. 7. No physical verification has been carried on by the management during the year due to shortage of staffs at factory also there is no operation in the factory. 8. The Company has not provided the penalty in the Financial Statements. We will provide same in the next Quarter i.e. June 2022.

Company 81.3	
Basis for Qualified Opinion	As stated in note 26.16 to the accompanying Financial Statements, regarding the High Court dismissing the writing petition XX on filed by the Company challenging the levy of electricity duty by the State Government on consumption of electricity by captive generating units, the subsequent dismissal of special leave petition XX on by the Honourable Supreme Court and the pending matter before the Board for Industrial and Financial Reconstruction being abated. As stated in the said note, the Company has treated the estimated duty amount aggregating to ₹ 283.99 Lakhs as a contingent liability and no provision has been made in respect of the same. In view of the above, we are unable to comment on the ultimate outcome of the matter and the consequential impact if any on these Financial Statements.
Management Response	The Auditors Report to the members of the Company on the financial statements for the financial Year ended March 31, 2022 forming part of this report contains a qualified opinion on estimating the Electricity duty amounting to ₹ 283.99 Lakhs as a Contingent Liability.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 81.4	
Basis for Qualified Opinion	The company is holding investment in unquoted equity shares of companies. As per Ind AS -32 "Financial Instruments: Presentation" these financial Instruments should be presented at fair value which is presently not available. Accordingly, the same has been presented at the carrying cost of such shares based on their audited accounts as on 31/03/2021.
Management Response	Fair Valuation of investment is not available because financial statement of the respective Companies could not be prepared within the stipulated time due to less availability of staff effected through Covid.

Company 81.5	
Basis for Qualified Opinion	No provision has been made for the present value of the accrued Gratuity Liability and valued actuarially by an independent actuary as at March 31, 2022 amounting to ₹ 276.6 lakhs (Previous year ₹ 276 lakhs) which constitutes a departure from the Indian Accounting Standards on Employee Benefits (Ind. AS 19) referred to in Section 133 of the Act (refer note no. 26.1 of the financial statements). This liability is after accounting for provision made during the year under audit of ₹ 4,81,999 (Previous year is Nil). In our opinion, this has a corresponding effect on the loss and Reserves and Surplus of the Company as at March 31, 2022.
Management Response	The Company expects to meet this liability in due course with enhanced funding of the Contribution to L.I.C. or upon actual payment to employees as has been done in earlier years. The Company makes the provision as the liability falls due in the subsequent year.

Company 81.6	
Basis for Qualified Opinion	1. No provision for the expected credit loss/ impairment on interest receivable from an erstwhile associate company of ₹ 25219.69 lakhs has been recognized as per the requirement of Ind AS 109 "Financial Instruments". In view of no recoveries, non-confirmations/ reconciliation from the debtor company, initiation of legal action against the interest claim of the company and in absence of clear forward looking information regarding outcome of pending legal actions initiated and time frame and quantum of realisability of the interest receivable, we are unable to determine the amount of expected credit loss/ impairment as per the requirements of Ind AS 109 "Financial Instruments" and its consequential impact on the loss for the year/ accumulated loss. This matter has been also qualified in our audit report for the year ended March 31, 2021. 2. MNO Limited has invoked the pledge of 6,38,59,394 Equity shares of LMK Limited held by the Company during the year ended March 31, 2021. Pending valuation, disposal of shares by the XXIL and based on the legal

Analysis of Modified Opinions — Sugar

	opinion obtained, the investment continues to be shown as part of assets classified as held for sale by the company. Since the shares have been transferred to XXIL and related OTS agreement is expired, we are unable to determine on the extent of adjustments if any required to be made on the value of investments, loan balances, impairment, and its impact on the financial statements.
Management Response	1. Directors wish to state that the Company is confident of obtaining favourable award and considers the full amount as recoverable. 2. As regards transfer of the equity shares held by the company in MNO Limited to XXIL, XXIL has not valued the shares and appropriated such value amongst the lenders. In view of non-appropriation of the value of the shares by XXIL and as per legal opinion obtained, the equity shares are continued to be shown as asset classified as held for sale. The Statement of impact on Audit Qualifications is attached as Annexure-E page No. 29.

Company 81.7	
Basis for Qualified Opinion	1. During the year ended 31st March 2022, the company has not made provision for interest on late payment of cane dues amounting to ₹ 656.34 lacs for the sugar season 2021-22, ₹ 3637.75 lacs for the sugar season 2020-21 and ₹ 15.35 lacs for the sugar season 2019-20, had the company made provisions the loss for the year would have been higher by ₹ 4309.44 lacs respectively and its consequential impact on EPS. 2. The company has taken the debt of MNO Bank, BPL Bank & APL Bank in DEF Limited. As at 31st March, 2022 the company has net exposure of ₹ 14685.98 lacs. No Interest on the said amount has been provided as there is no reasonable certainty of its collection since the net worth of XX Limited has been completely eroded. Recoverability of the above balance is also doubtful. However, no provisions for doubtful debts were made in the financial statements of the company and consequently we are unable to opine on the appropriateness of the same and its consequential impact on the financial statements. 3. The company has valued the closing stock at NRV instead of "the lower of cost and net realisable value" as required under Ind AS-2 "Inventories". Since the NRV is higher than cost this has resultant in overstatement of Inventories (Finished Goods and WIP-Sugar) by ₹ 719.29 lacs, understatement of losses for the year by ₹ 719.29 lacs and its consequential impact on EPS.
Management Response	1. Under the power vested with the Cane Commissioner (U.P) for waiver of interest under U.P. Sugar Cane (Regulation of Supply and Purchase) Act, 1953 in respect of loss making/ sick companies, the Company had made an application to Cane Commissioner (U.P.) for waiver of interest on Cane Dues. Pending receipt of the Cane Commissioner's decision, no interest has been provided on the cane dues. The Company has decided to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	account for the same on actual payment basis. 2. The management is of the opinion that no provision for doubtful debts is required as the company is the major secured creditor of DEF Limited which owns substantial properties which are quite sufficient to take care of its entire liabilities. In view of that, the management is confident for recovery of whole amount. 3. The Company has valued closing stock at NRV of ₹ 3304.13 considering the current market price of around ₹ 3370.00 per quintal. The same is still lower than the Market price. Since the market price is much higher than NRV, it has been thought expedient to value Closing Stock at NRV.

Company 81.8	
Basis for Qualified Opinion	1. Non-Compliance of sections 192,194A, 194J of The Income-tax Act,1961 with respect to TDS on salary; TDS on interest other than interest on securities; TDS on fees for professional & technical services respectively; the company has neither deducted tax nor deposited to the credit of the Central Government. 2. Company has not complied with Ind AS 19 for accounting of Gratuity, Leave Liabilities and other retirement benefits towards employees in preparation of the financial statements. 3. The company has not provided for depreciation on Fixed Assets since 2014, including the period covered under this audit. 4. The company has not provided for interest expense on borrowings and advances received from parties. This has resulted in non-compliance of Sec 73 to Sec 76 of Companies Act 2013. The management has not been able to provide confirmation statements regarding certain parties. 5. The balance of Other Current Assets; Trade Payables and Other Current Liabilities are taken as appearing in the books of accounts. In view of non-reconciliation/confirmation and also in view of pending dispute with some of the parties (as informed by the management), we are not in a position XX on to comment on the correctness of the outstanding balances and resultant impact on the financial statements for the period under audit.
Management Response	1. The Sugar factory has not been in operation since long, hence the normal working and availability of data is affected. 2. Due to non-working in the factory there has been no access to the records of the employees. Initiative has been taken for the updating of the records and thereafter the estimation can be made. 3. The Sugar factory has not been in operation since long, hence the normal working and availability of data is affected. Due to no access of data, company has been unable to ascertain exact amount of depreciation. 4. The figure are reflected in the corresponding heads; confirmation is yet to be awaited.

Analysis of Modified Opinions — Sugar

Company 81.9	
Basis for Qualified Opinion	1. ABC Limited a subsidiary company had been incurring losses on account of reduction in power tariff applicable to bagasse-based generation plant operating in the State of Uttar Pradesh w.e.f. April 1, 2019. The auditors of XXL, on the latest available audited financial statement for the year ended March 31, 2021, reported for the existence of material uncertainty that might cast significant doubt about XXL's ability to continue as a Going Concern and also reported for existence of conditions for the impairment in the value of property, plant and equipment, which the management of XXL had not determined. The total carrying amount of investments in XXL and, of receivables and other dues, in the books of the company aggregates to ₹ 5493.59 Lakhs and ₹ 6906.84 Lakhs respectively as at March 31, 2022. The management of the company has not carried out appropriate impairment assessment to determine impairment in the carrying amount of investments in and other recoverable from ABC and had made a provision of ₹ 125.00 Lakhs as credit loss allowance against the various dues. Due to non-availability of information with regard to appropriate impairment assessment carried out by the management of the company and financial and other information from the management of ABC, we are unable to comment on the same, including compliance with Ind AS-36 ('Impairment of Assets') and any consequential adjustments that may arise in this regard in these standalone financial statements. 2. We draw attention to Note No.4 of the Standalone financial statements regarding non provisions for impairment in the carrying value of property, plant and equipment. We are not made available of appropriate impairment assessment carried out by the management and accordingly, we are unable to comment on the same including compliance with the Ind AS-36 ('Impairment of Assets') and any consequential adjustments that may arise in this regard in these standalone financial statements. 3. We draw attention to Note No 6 of the Standalone financial statements regarding non- provision of interest liability in respect of delayed payment of sugarcane price for the reasons stated in the said note. The amount of interest not provided for in the books has not been ascertained. 4. We draw attention to Note No.10 of the Standalone financial statements regarding non-provision of interest expense amounting ₹ 17,013.85 Lakhs (Previous year ₹ 15,461.02 Lakhs) on certain borrowings for the year ended March 31, 2022 for the reasons stated in the said note. The total amount of interest expense not provided for in the accounts aggregates to ₹ 69,929.48 Lakhs till March 31, 2022 (Previous year ₹ 52,915.64 Lakhs). Had the aforesaid interest expense been provided for, the Finance Cost, Net Loss after tax and Total Comprehensive Loss for the year ended March 31, 2022 would have been increased by ₹ 17,013.85 Lakhs (Previous year ₹ 15,461.02 Lakhs), the Current Financial Liability as at March 31, 2022

WWW.TAXSCAN.IN - Simplifying Tax Laws

	would have been increased and shareholder's funds as at March 31, 2022 would have been decreased by ₹ 69,929.48 Lakhs (Previous year ₹ 52,915.64 Lakhs). 5. We draw attention to Note No.23 of the Standalone financial statements regarding non provision of difference in the value of bagasse sold to and of certain claims made by ABC Limited, a subsidiary company for the year ended March 31, 2022 amounting to ₹ 577.41 Lakhs (Previous year ₹ 716.33 lakhs) for the reasons stated in the said note. The aggregate amount of non-provision of difference in the value of bagasse sold to and of certain claims not provided for in the accounts aggregates to ₹ 1,547.15 Lakhs till March 31, 2022 (Previous year ₹ 969.46 Lakhs). Consequently, the Revenue for the year has been overstated and Net Loss after tax and Total Comprehensive Loss for the year has been understated by ₹ 577.41 Lakhs (Previous year ₹ 716.33 lakhs), Receivables and Total Equity as at March 31, 2022 has been overstated by ₹ 1,547.15 Lakhs (Previous year ₹ 969.46). 6. As explained in Note No. 4 of the Consolidated financial statements, these consolidated financial statements have been prepared without consolidation of financial statements of material subsidiary viz. ABC Limited for the year ended March 31, 2022 but prepared after consolidation of financial statement of ABC for the year ended March, 31, 2021, because financial statements of ABC for the year ended March 31, 2022 have not been yet finalized and approved till date. Under the accounting principles generally accepted in India, the material subsidiary should have been consolidated because it is controlled by the Company. Had the financial statement of ABC for the year ended March 31, 2022 been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements due to the failure to consolidate the same have not been determined. 7. As stated in Note No.23 of the Consolidated financial statements, MNO Limited had recognized revenue of ₹ 462.57 Lacs as unbilled revenue in the financial year 2020-21, which had been in disputes with the counter parties and pending final settlement of disputes, the same is continued to be carried on at the same amount without making any provision for credit loss and probable estimated loss on account of disputes. We are not made available of appropriate impairment assessment carried out by the management of ABC and accordingly, we are unable to comment on the same, including the compliance of the Ind AS 36 and any consequential adjustments that may arise in this regard in the consolidated financial statements. 8. As stated in Note No.5.a of the Consolidated financial statements, ABC had recorded revenue from operations for the period April to September, 2019 at or basis pre CRE Regulation 2019 Tariff Rate instead at the reduced tariff as per CRE Regulation 2019. Management's computation, as

WWW.TAXSCAN.IN - Simplifying Tax Laws

	reviewed by the statutory auditors of ABC, showed that revenue from operations for the year ended March 31, 2020 would have been lower and loss for the year would have been higher by ₹ 683 Lakhs, if accounted for at or basis reduced tariff as per CRE Regulations 2019. Consequently, 'other equity' and 'non-controlling interest' as at March 31, 2022 is overstated by ₹ 348 Lakhs and ₹ 335 Lakhs respectively.
Management Response	1. Explanation or comments on qualifications, reservations or adverse remarks or disclaimers made by the Statutory Auditors in their reports are self-explanatory and explained in details in notes to the accounts and at other appropriate sections in the Annual Report. The qualifications along with management comments are annexed as Annexure 6. The detailed statement of Impact of Audit Qualifications was submitted to the stock exchange along with the Financial Results for the year ended March 31, 2022 and available at the website of the Company. 2. The impact of COVID 19 as well as negative outlook of sugar sector on the carrying amount of its Property, Plant and Equipment's and consequential impairment could not be ascertained and provided for due to non-availability of requisite information on account of lockdown restrictions. Please refer Note No.5 and 5a of the Consolidated financial statements. 3. Considering that no notice of demand has been served upon the Company and the amount has not been ascertained, no provision has been made in this regards. Based on the past industry practices, the management are confident that no interest liability will arise for these periods. Please refer Note No. 6, of the Consolidated financial statements. 4. The Company has submitted comprehensive debt resolution proposals with all the lenders to commensurate with its future cash flows including infusion by strategic investor, promoters and internal accruals, which contemplates the total waiver of interest. The majority of commercial lenders have accepted the Earnest Money Deposit (EMD) offered in consonance with the Debt Resolution Proposal. Accordingly, the Interest expenses on credit facilities pertaining to commercial lenders, for the year ended March 31, 2022 has not been recognized in profit and loss account. An accumulated amount towards accrued interest has not been provided for in the books of accounts as on March 31, 2022. Please refer Note No. 9 of the Consolidated financial statements. 5. Writ petition has been filed with Hon'ble High Court of Allahabad, Lucknow bench against the reduction of tariff by UPERC w.e.f. April 1, 2019. As the matter is sub-judice, ABC has accounted for sale of power to Uttar Pradesh Power Corporation Ltd. (UPPCL), the customer at reduced tariff rate. Please refer Note No. 5a of consolidated financial statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

82. Tea & Coffee

Company 82.1	
Basis for Qualified Opinion	1 In absence of balance confirmation certificates and sufficient and appropriate audit evidence from Debtors and Creditors, we are unable to form an opinion regarding correctness of the balances of Debtors and Creditors and actual provision required to be made. Effect of the above, if any, on profit and loss of the Company is not ascertainable. The company has no policy to provide for receivables on the basis of age. 2 Pursuant to the closure of Electrical Division, Kolkata, The Audit Committee and the Board had approved writing off the entire amount standing in the books of Electrical division, Kolkata as sundry debtors amounting to ₹ 58.33 crores plus other advances and receivables of ₹ 13.78 crores totalling ₹ 72.11 crores, while existing provisions amounting to ₹ 34.47 crores and other liabilities no longer required held in the books-amounting to ₹ 36.37 crores totalling ₹ 70.84 crores were approved for write back. 3 The above write offs/write backs were approved by the Audit Committee and passed by The Board of Directors in the meeting of the Board held on 12th November, 2021. Actual amount written off was ₹ 114.29 Crores and provisions written back was ₹ 115.91 crores respectively. However, these items being quite old, the individual details of the same like bill/invoices, copies of correspondence with customers, copy of notice of recovery including legal notices, copies of legal cases filed against them for recovery if any, were not made available for our verification. No copy of any Court order or decree regarding settlement of pending dues, and no evidence of any suits or cases filed against these customers were made available for our verification. Copies of balance confirmation letters sent to these parties were also not made available. Some or all of the debts as of now may also be barred by the statute of limitation. Furthermore, in our opinion, the system of linking provisions made against individual doubtful debts and advances is not adequate. The Company makes overall provision and there is no system of linking of provisions customer wise. There is scope for improvement in this respect. Any fresh provision made henceforth should be linked to the original debt or advance. In view of the above, we are unable to comment whether the write offs/write backs were made with due diligence. The effect on profits or losses of the Company due to the above, if any is not ascertainable. 4 It was also resolved in the meeting referred to above that the entire unused stock and machinery (including any unaccounted for old goods not in stores/asset register), scrap of Brentford Unit as well as switchgear unit of Electrical division is to be sold through MSTC. However, the unaccounted for goods, if any, detected, should be accounted for. It is not clear to us how such goods would have escaped physical verification and remained unaccounted for. The stock of inventories lying in Switchgear Unit and Brentford Unit were physically verified at the time of closure of Electrical

WWW.TAXSCAN.IN - Simplifying Tax Laws

	division and an amount of ₹ 0.06 crore was written off from the value of stock. The remaining balance lying in stock amounting to ₹ 4.75 crore was fully provided for. Any amount which may be received subsequently on sale/disposal of the stock will be taken to profit and loss account. The physical verification report as referred to above was not made available for our verification. As informed, the fixed assets of Electrical division are to be sold by tender/auction. Any shortfall/excess between the net realisable value and the book value would be put up before the board for write off/writeback. The written down value of Property, Plant & Equipment amounting to ₹ 684.39 lakhs are appearing under "Assets held for Disposal" in the Balance Sheet of the Company as on 31st March, 2022. The above proposal has been agreed to by the audit committee and approved by the Board. However, the Audit Committee was informed that the amounts mentioned in the proposals were above the existing limits of DOP of CMD and Committee of Directors. Hence the DOP of CMD and the Committee of Directors needs to be revised to give effect to these proposals. Such revision of DOP is pending as on date of report. In view of the above, we are unable to comment whether there existed adequate internal controls over the above transactions. The effect on profits or losses of the Company due to the above, if any is not ascertainable.
	5 Based on our audit and the information and explanations given to us, we are of the opinion that: (a) The flow of financial data from divisions, units and gardens are not seamlessly integrated with Head office accounts. It involves manual interventions at various stages of accounting. (b) Absence of guidelines of IT general controls and segregation of duties does not give reasonable assurance regarding fair maintenance and accurate reflection of records with reasonable details for transactions and disposition of assets of the Company. (c) Since the inception of computerization, IT systems audit has not been carried out. (d) IT disaster recovery plan has not been defined. (e) The company has not obtained balance confirmation certificates from sundry debtors and creditors. (f) At the time of payment of medical bills, providing a doctors prescription as per Company's rule no. 6 is not followed in some cases. (g) Brokerage of sale of tea is charged at 1% of the sale value before taxes. The program for recording sales of tea division (Crop book) gives a misleading picture in the crop book and is ignored for the purpose of brokerage payment. We were informed that the brokerage and other charges is uploaded online through Tea Board portal which results in the brokerage amount being shown separately. (h) In tea division, the system of recording and creating provisions on expenses and liabilities should be improved upon. (i) There are old outstanding advances lying in all divisions of the Company which should be adjusted after scrutiny. This indicates weakness in internal financial control (j) Presence of a few negative balances in stores ledger of Tea Division indicates weakness in Internal control. (k) In the fixed asset register, in majority of cases the situation of each asset is not mentioned and nature of some items of Plant & Machinery and Furniture & Fixtures are not being mentioned.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	1. Para 2.9: As per Company's accounting policy, trade receivables are recognized initially at transaction price and subsequently measured at cost less provision on the basis of internal analysis of credit risk by the Company. Based on the above, the Company, after due analysis have made provisions in respect of such situations where risk of recovery is comparatively on higher side. Further in Note No 59: The Company has system of seeking year ending balance confirmation certificates from debtors and creditors. However, the Company has maintained the figures available in accounts for cases wherein, no response from debtors/creditors is received. From F.Y 2022-23, Internal Auditors have been assigned for analysis of old debtors. 2. During the year ended 31/03/2022, the Company has written off old unrealisable debtors and advances amounting to ₹ 11366.33 lakh, since in the opinion of the management, the realisability of very old debtors is remote. On an analysis of the above amount of ₹ 11366.33 lakh, it is seen that majority of the amount written off is outstanding for more than 10 years mainly from various state undertakings and provisions against the same were already made in earlier year's accounts in a phased manner based on the internal assessment of the management. Also, it may be noted that most of debtors which are state undertakings did not respond to our confirmations. Accordingly, the corresponding provisions made in current year and earlier year's account in respect of such old sundry debtors and advances of ₹ 7573.42 lakh has been written back this year. Further, liability no longer required written back includes a sum of ₹ 442.38 lakh being old sundry creditors of AA unit of Electrical - Kolkata Operations and ₹ 603.38 lakh being certain other old liabilities of Electrical-Kolkata Operations. Future claims if any against this will be accounted for as and when they arise. 3. Electrical-Kolkata Operations has been closed w.e.f. 25/11/2021 as per the decision of the competent authority. Accordingly, amount paid on account of VRS to the eligible employees of Electrical-Kolkata Operations of ₹ 1852.56 lakh and other related closure costs arising out of the said decision has been disclosed under exceptional items (Note-36). Gratuity and other retiral benefits paid to the VRS Optees has been either charged in the accounts or recovered from YY Group Gratuity Fund. Further, the stocks, plant and machinery as per the decision of the competent authority has been decided to be monetised through e-auction conducted by MSTC for liquidation of bank dues and payment to creditors. Effects are being given as and when they are being sold. Final approval for disposal of land and building is pending before the Government of India. Expenditure incurred post closure in respect of Electrical-Kolkata unit has been disclosed under discontinued operation under note no. 37. Further, the entire stock has been provided in the accounts and the said provisions is reflected in note no.36. Also, necessary modification in DOP is under process.

Analysis of Modified Opinions — Tea & Coffee

Company 81.2	
Basis for Adverse Opinion	1. Note no. 56(a) dealing with Inter Corporate Deposits (ICDs) aggregating ₹ 2,77,094.87 lakhs and outstanding as on March 31, 2022 (including Interest of ₹ 1,933.92 lakhs accrued till March 31, 2019) from certain companies, which are doubtful of recovery and considering recoverability etc. are prejudicial to the interest of the company. In absence of provision there against, the loss for the year is understated to that extent. Impacts in this respect have not been ascertained by the management and recognised in the financial statements. 2. The Company had given advance in earlier year to a body corporate aggregating to ₹ 1,400.00 lakhs (included under "Advances to Suppliers, Service Providers etc. under Note no. 17") which are outstanding as on March 31, 2022. In absence of appropriate audit evidence and status thereof, we are unable to comment on the validity and recoverability of such advances. 3. Note No. 35.2 regarding non-recognition of Interest of ₹ 6,716.79 lakhs (Including ₹ 2,101.32 lakhs for the year) on Inter Corporate Deposits taken by the company and thereby the loss for the year is understated to that extent and non-determination of interest and other consequential adjustments/ disclosures in absence of relevant terms and conditions and details in respect of short term borrowings and certain outstanding advances being so claimed by customer included in said note and Note no. 24.5 for basis of settlement arrived at in case of one such borrowing and details, adjustments whereof as stated in Note no. 24.4 are currently not available/determinable. Further, as stated in Note no. 57(b), penal/ compound interest and other adjustments in respect of borrowings from lenders /banks/financial institution have not been recognised and amount payable to lenders, banks and financial institutions as recognised in the financial statement are subject to confirmation from respective parties and consequential reconciliation. Pending final determination of amounts with respect to these, adjustments and impacts arising therefrom have not been ascertained and as such cannot be commented upon by us; 4. Note no.58 regarding non reconciliation/ disclosure of certain debit and credit balances with individual details and confirmations etc. including borrowings and interest thereupon dealt with in Note no. 57 and 35. Adjustments/ Impacts/disclosures with respect to these are currently not ascertainable and as such cannot be commented upon by us; and 5. As stated in Note no. 56(b) of the financial statements, the predecessor auditor in respect of loans included under paragraph (a) above have reported that it includes amount given to group companies whereby applicability of Section 185 could not be ascertained and commented upon by them. They have not been able to ascertain if the aforesaid promoter companies could, in substance, be deemed to be related parties to the Company in accordance with paragraph 10 of Ind AS-24 "Related Party

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Disclosures". Further certain ICDs as reported were in nature of book entries and/or are prejudicial to the interest of the company. These amounts are outstanding as on this date and status thereof have remained unchanged and uncertainty and related concerns including being prejudicial to the interest of the company are valid for current year also. The promoter companies have not been considered as related parties and therefore transactions and outstanding from them have not been disclosed separately in the financial statements. As represented by the management, the parties involved are not related parties requiring disclosure in terms of said accounting standard and provisions of Companies Act 2013 and concerns expressed as above are not relevant and as such inconsequential to the company. The matter as reported is under examination and pending before regulatory Authorities. Pending final outcome of the matter under examination we are unable to ascertain the impact of non-compliances and comment on the consequential impact thereof.
Management Response	1. The management believes that the outstanding dues, net of provision for amount considered doubtful, as mentioned in the report, shall be recovered/adjusted and/or restructured considering the outcome of the Resolution Plan under consideration and proceedings for recovery pending as stated above, as on this date, no further provision /adjustment is required at this stage. Some of the ICD's of around ₹ 7235.13 Lakhs Lacs has been recovered during the financial year. The Debt Resolution Plan of the company has progressed and currently under review by the Rating Agencies appointed by the lenders. 2. The Company had extended certain advances during the financial year 2018-19 to a body corporate aggregating to ₹ 1,400 lakhs towards acquisition of certain land parcels on behalf of the Company in Assam for setting up a blending unit for the Company's business purposes. In case the said body corporate was unable to fulfil the objective for this advance, then the same would be refunded to the Company. The Company is in the process of recovering such advance. 3. There are disputes regarding the interest on Inter-corporate borrowings. Therefore interest- expenditure has not been accounted on inter-corporate borrowings pending resolution of the same. Penal interest / compound interest has not been confirmed by banks. Further, interest would be restructured under Resolution-Plan and amount payable will be ascertained and given effect to in the accounts. The Debt Resolution Plan of the company has progressed and currently under review by the Rating Agencies appointed by the lenders. Pending conclusion of Debt Resolution Plan where the interest is also a factor for consideration, interest has been provided at the simple interest rate as stipulated in the facility letter of each of the loan. The interest for both bank borrowings and other borrowings are likely to be framed in the Resolution Plan and will be accordingly accounted. 4. Out of the unreconciled debit and credit balances as on previous year-

WWW.TAXSCAN.IN - Simplifying Tax Laws

	end (31st March 2021), the most significant amounts pertaining to operations of the company were the inter-unit balances with tea estates. During FY 2021-22, such inter-unit balances were fully reconciled and accounted. Also, the amounts of tea- receivables were majorly reconciled and accounted. Regarding borrowings and interest thereon, full reconciliation /confirmations would be achieved upon implementation of debt- resolution-plan for which progress is being made. Regarding the remaining unreconciled balances, the reconciliation-process is continuing and the management is making all efforts to reconcile / obtain confirmations within FY 2022-23. Impact will become ascertainable only upon reconciliations and confirmations. 5. The Company would like to clarify that none of the promoter group companies to whom capital advances were provided are companies whose board of directors are accustomed to act in accordance with the directions of any director of the Company. Existence of common directors does not automatically result in any legal presumption, affirmative or negative, regarding the accustomed to act's test. The common directors between the Company and the entities to whom capital advances have been provided, act in separate and distinct capacities while acting as directors of the concerned companies. Thus, the provisions of Section 185 of the Companies Act 2013 were not applicable to the aforesaid capital advances. Further the non-compliance under Section 186 of the Companies Act 2013 has been rectified and requisite approval from the shareholders of the Company has been obtained. The matter as reported is pending before regulatory authorities. The impact is not quantified.

WWW.TAXSCAN.IN - Simplifying Tax Laws

83. Telecom - Cellular & Fixed line Services

Company 83.1	
Basis for Qualified Opinion	1. The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the year ended March 31st 2022 as well as in the previous year and the current liabilities exceeded the current assets substantially. Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014- Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DoT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II. However, the standalone financial statement of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India. Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL. Further, the Company had implemented the Voluntary Retirement Scheme in FY 2019-20 resulted into reduction in Employees Cost and also raised funds by issuing Bonds for ₹ 6,500 crore in FY 2020-21 in line with cabinet note. (Also refer note no. 78 to the standalone Ind AS financial statements) 2. a) The Company has certain balances receivables from and payables to ABC Limited. The net amount recoverable of ₹ 3521.50 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position ITI on to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone financial statement of the Company. b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to ₹ 115.97 Crores has not been carried forward resulting in overstatement of Current Assets and understatement of loss to that extent. 3. The Company has certain balances receivables from and payables to Department of Telecommunication (DoT). The net amount recoverable of ₹ 181.34 Crores, Out of which ₹ 181.19 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation, we are not in a position ITI on to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone financial statement of the Company. (Also refer point no. (a) of note no. 70 to the standalone Ind AS financial statements). 4. Up to financial year 2011-12 License Fee payable to the DoT on IUC

WWW.TAXSCAN.IN - Simplifying Tax Laws

	charges to ABC Limited was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DoT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 83 to the standalone Ind AS financial statements) 5. The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard-16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone financial statement for year is not ascertained and quantified. (Also refer note no. 38, 39 and 41 to the standalone Ind AS financial statements). 6. Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard-36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year ended March 31st, 2022, accumulated balance of other equity and also the carrying value of the cash generating units. (Also refer note no. 72 to the standalone Ind AS financial statements). 7. The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone financial statement are not ascertainable and quantifiable. (Also refer note no. 67 to the standalone Ind AS financial statements). 8. Unlinked credit of ₹ 71.08 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. Pending reconciliations, the impact thereof on the standalone financial

WWW.TAXSCAN.IN - Simplifying Tax Laws

	statement are not ascertainable and quantifiable. (Also refer note no. 66 and 77 to the standalone Ind AS financial statements). 9. Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. We are unable to comment whether the Capital Work-in-progress (CWIP) shown in books in the current year are actually part of CWIP or have already been commissioned. The resultant impact of the same on the standalone financial statement by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified. 10. Department of Telecommunication (DoT) had raised a demand of ₹ 3313.15 Crores in 2012- 13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis. As explained the demand for spectrum usage for CDMA for ₹ 107.44 Crores has been withdrawn by DoT on account of rectification of actual usage. Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DoT in view of the claim being contested by private operators and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DoT on this account and ₹ 3205. 71 Crores has been disclosed as contingent liability till FY 2018-19 although no further demand is there from DoT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum allotted beyond 6.2 Mhz, directed Govt. to review the demand for spectrum allotted after 1-7 2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was allotted before 1-1-2013. As explained, as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand, if any, cannot be more than ₹ 455.15 crores the same is considered as contingent liability. In view of the above we are not in a position ITI on to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial statement of the Company. (Also refer note no. 61 to the standalone Ind AS financial statements). 11. The company has recovered Electricity Charges from the tenants, on which liability for Goods and Services Tax (GST) has not been considered, as the expenses recovered without installing sub meter in some of the cases. The actual impact of the same on the standalone financial Statement for the year ended March 31st, 2022 has not been= ascertained and quantified.

	12. The TDS on provision for Expenses (Accrued Liability) has not been deducted under chapter XVII- B of Income-tax Act, 1961. The actual impact of the same on the standalone financial statement for the year ended March 31st, 2022 has not been ascertained and quantified. 13. The Company is making the provision for interest for late/non-payment to MSME vendors which is subject to deduction of tax under section 194A of Income-tax Act, 1961.The actual impact of the same on the standalone financial statement for the year ended March 31st, 2022 is not ascertained and quantified. 14. The income arising on account of rental income in respect of property occupied by the BSNL amounting to ₹ 33.52 Crores accrued during the year ended March 31st, 2022, has not been recognized in Delhi unit in the Standalone financial statement. Further, the Goods and Services Tax (GST) has also not been considered in respect of income arising on account of rented property occupied by the BSNL for both Delhi and Mumbai unit. The accumulated impact on the standalone financial statement of such income and liability under Goods and Services Tax (GST) for the current year and preceding years is not ascertained and quantified.
Management Response	1. As per Ind AS-I, paras 25 & 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules, support being given by govt. as promoter as per cabinet approval for various measures for revival of MTNL and prepared the accounts on going concern basis since the revival process has already been approved by govt. As per approval of govt. 14387 numbers of employees were retired under VRS scheme which reduced staff cost from ₹ 2400 crores to ₹ 500 crores since 2020-21 onwards and sovereign guarantee bonds worth ₹ 6500 crores issued in F.Y. 2020-21 helped MTNL to restructure the debts. Apart from that the monetisation process through XX is also going on. Besides 4G launching and handling of mobile services of MTNL by BSNL to improve the quality is being handled by ABC. MTNL became EBIDTA position since last financial year. Recently, As per F.NO.20-28/2022-PR dated 2nd August, 2022, the Union Cabinet in its meeting held on 27.07.2022 has approved the raising of Sovereign Guarantee bonds for MTNL with a tenure of 10 years or more for an amount of ₹ 17,571 crores for the next two financial years i.e. 2022-23 with waiver of guarantee fee to repay its high cost debt and restructure it with new sustainable loan. Also in view of such unsustainable debts of MTNL, a committee of Secretaries will be constituted by the Govt. to examine matters such as asset monetization, AGR dues, debt restructuring etc. for further course of action for merger of MTNL & BSNL. The govt. will provide the budgetary support of ₹ 1600 crores for this restructuring and operational integration. Also ABC will provide all telecom services in Delhi & Mumbai through leasing of operational assets or other appropriate model. Once operations are fully taken over by ABC in Delhi & Mumbai, MTNL would be left with

WWW.TAXSCAN.IN - Simplifying Tax Laws

	land/building assets which it will continue to monetize through NLMC to discharge its loan liabilities. As such considering all these aspects at the time of closing of accounts including the advanced stage of the process for cabinet approval, management has assessed the company as a going concern. 2. Management has taken up the matter of reconciliation of receivables from and payables to ABC through a standing committee constituted by DoT. and also with DoT. In addition on to the request to DoT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of all such claims. In case of AFNET the dues of ₹ 22.07 crore up to 2021-22 were settled by intervention at the highest level of DoT earlier. As such, in the current year also, ABC settled the service connection issues and also certain other claims of telecom revenue as well as AFNET of 2021-22. Besides IUC and roaming charges payable between STUV & ABC were already settled after BSNL & MTNL agreeing to the applicable rates in the year under report. All such issues now are under settlement mode, since both being PSUs under DoT, and management of both being common and also operations of STUV being taken over by ABC. In view of above, no impact is anticipated at this stage and, besides in view of ongoing synergy no such ascertainable impact is likely to crop up in future also. b) The major portion of ₹ 107 crs out of ₹ 115.97 crores pertains to ABC. The amount of ₹ 51.65 crores pertains to CENVAT credit of pre POTR regime which allowed payment by BSNL to service tax dept. only when it is paid by STUV for the invoices raised. In pre POTR regime MTNL accounted for the liability on BSNL on credit side and also the CENVAT on debit side, which in case of inability to take CENVAT by MTNL, can be mutually decided for settlement with ABC. The remaining amount pertains to post POTR regime, when payment of service tax was to be made while raising invoice itself. The service tax credits including Pre & Post POTR credits were lapsed, due to non-settlement, on inception of GST regime in July 2017. As such management has considered the issue in its entirety and the matter is under mutual deliberations between ABC& STUV for arriving at mutually acceptable and tenable resolution to the issue. On conclusions of the same, appropriate action will be taken in 2022-23 on this issue. 3. Management has taken up the matter of reconciliation and settlement of amounts which are not confirmed with the administrative ministry. However, there are recoverable amounts particularly claims on account of old bonds and other miscellaneous claims which are clearly identified and processed for settlement with DoT. The matter has been taken up with highest level of officers of DoT for reconciliation and confirmation. The issue of settlement of earlier period bonds related claims is also in progress in DoT through high level committee and Member (Fin.) had directed to send the claim papers duly certified by Director (Fin) of STUV, which is also under review. DoT settled MTNL claims including service connections, CGESIS etc. in

WWW.TAXSCAN.IN - Simplifying Tax Laws

	the year under report and it is also expected that similar action will be taken by DoT in respect of other claims also. In view of above the balances of DoT both receivables and payables are constantly under review and are being settled also. Besides DoT, as administrative ministry has been striving extraordinarily for revival of STUV and settlement of issues. Therefore, due to all these acts, the reconciliation being an ongoing process which is on and accordingly the management does not perceive any impact on this account. 4. The issue of license fee payable to DoT up to financial year 2011-12 on IUC charges to ABC is already taken up with DoT. As per the accounts of STUV the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per STUV. However, pending reconciliation and resolution of the issue by DoT. and as a conservative accounting principle STUV has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition, it is to apprise that DoT has initiated process of reconciliation and assessment and also contemplating an early settlement to all license fee related issues in a phased manner and with the approval of govt. On review and obtaining the reconciled figures from DoT the issue will attain finality. As such there is no effective or ascertainable impact at this stage. 5. As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act; the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However, all the units were again instructed in current year also to allocate only directly allocable costs. The issue is already addressed by Mumbai unit of STUV and Delhi Unit also has prepared the plan of action which will be in place in current year. As overheads are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured the present practice will be reviewed after Delhi unit of STUV also implement its plan of action on lines of Mumbai unit of STUV . In view of above the impact is not ascertainable. Besides since there is no capital investment the overhead allocation is also very nominal as well as the impact if any due to it. 6. As a whole as CGU and the same is carried out at the end of every year and as per test carried for the period ending 31.3.2022, there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable

WWW.TAXSCAN.IN - Simplifying Tax Laws

	to the efficiency of assets earning capacity or impairment of the value in use of the related assets. In view of above according to management there may not be any impact on this count. 7. Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However, the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and accordingly final amount is paid unless there is any dispute in which case the same is either referred for resolution through arbitration or courts. NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed from them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter, there is no impact otherwise and wherever it is required, necessary adjustments are done and either provisions or disclosures in contingent liability are being made. As such there is no impact other than that disclosed in financial statements. 8. The non matching is basically due to the non-identification of the subscribers for want of their customer account, numbers not available due to wrong or non-provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is constantly under process and same will be completed in due course of time and amount will be booked to correct head of account. Since this is purely accounting classification matter, no impact will be there. 9. Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years. However further efforts will be mopped up in 2022-23 also. In view of above and also the ongoing process of capitalisation of old to oldest WIP, management does not expect that there could be any impact and thereby the same is also not ascertainable at this stage. 10. Dept. of Telecom has levied onetime spectrum charges for the GSM and CDMA spectrum on STUV and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in the demand raised earlier on STUV. As regards CDMA, STUV has surrendered spectrum allotted on trial basis in respect of GSM and does not require to pay for CDMA spectrum as the allotment was within allotted quantum and D.O.T. was apprised of the same and the demand of ₹ 107.44 crores of CDMA was withdrawn on 28.10.2013. For GSM no notice or demand was

WWW.TAXSCAN.IN - Simplifying Tax Laws

	raised for 2G(GSM) spectrum till date after initial demand dated 8/1/2013. Besides, ab-inability, the very policy of levy of one time spectrum charges by DoT itself has been challenged by private operators TDSAT directed vide judgment dated 4/7/2019 to review the OTSC, while setting aside the demands raised by DoT directed govt review the demand for spectrum allotted after 1/7/2008 and that too w.e.f 1/1/2013 in case the spectrum beyond 6.2 Mhz was allotted before 1/1/2013. Since STUV spectrum was allotted much before 1/7/2018 as per TDSAT judgement dated 4/7/2019, the demand if any cannot be more than 415 crores. As no demand is raised by DoT after 4/7/2019 the contingent liability of ₹ 455 crores is disclosed although same is not expected to arise. However, the contingent liability of ₹ 455.15 crores is estimated on the basis of TDSAT judgement in this regard given in case filed by private operators. DOT will finalise the case on disposal of this legislation and action for STUV will also be made clear by DoT on the same lines. As such only contingent liability on the basis of the legal verdict available on estimation basis is made. Hence this issue gets resolved once final decision of govt. is taken. In view of above there is no impact expected in this regard. 11. It is already instructed to charge GST vide IM36 in all cases where there is no sub-meter. However, in cases where GST is not charged also, there will be not be any loss or gain to the govt, as the charges of GST by STUV and claim of ITC by tenants firms/company will be having neutralising and nil effect. However, IM 36 is reiterated in the year 2021-22 also and further IM 36A is issued directing units to comply and further action will be taken on confirmation of not having meter in current year, if such instances, are found. 12. TDS is being deducted on vendors bills as and when credited when invoice are received. However if the liability provision is made on estimated basis at closing date of accounts, in the absence of any invoice or possibility of accurately assessing liability, provisional liability is being created in lump sum manner and not specifically to party account and the same is reviewed and reversed, if necessary, in the next year or quarter from accrued liability and credited to the vendor account as per actual transaction or invoice or confirmation. TDS will be deducted accordingly on receipt of invoice or at the time of credit to party account. This practice is being followed in STUV consistently. The expert opinion from tax consultant also was obtained in this regard and the consultant also opined that as no credit is given to vendor/ party in books and liability is being created on estimation basis no TDS is required to be deducted. Management does not perceive any impact on account of it and further review, if necessary, will be made in 2022-23. 13. As per section 2(28) of Income-tax Act, 1961 interest is defined as interest accrued on account of any debt, deposit or any claim and the interest on delayed payments for purchases is not contemplated to be falling in the definition of interest on account of debt or deposit. Hence no such liability

WWW.TAXSCAN.IN - Simplifying Tax Laws

	to deduct TDS in this regard arises. The expert opinion on this is received and is under review. In view of various judgements on this subject pronouncing that interest on delayed payments on purchases is not falling in the deifying of section 2(28) of Income-tax Act 1961, and as opinion of consultant is under review, any further action if necessary will be considered by management in current financial year. However as per the settled law on the subject, TDS liability is not to arise as per the view of management and accordingly no impact is anticipated at this stage. 14. Rental income against BSNL is booked only if acceptance of BSNL is available after joint inspections by both teams of STUV and ABC. However, where there is any dispute about building and or area or regarding title etc. between both companies, no income is booked due to uncertainty of realisation as per Ind AS. However, all such cases will be reviewed and the charging of rental will be done if no issues are there. Otherwise the issue will be referred to DoT for further guidance as the occupation of the space by ABC (NOW) in most of the cases was under DoT regime i.e. before the period when BSNL was not formed so that the issue can be decided once and for all.

Company 83.2	
Basis for Qualified Opinion	a) We draw attention to Note no. 2.14, 2.31 and 2.39.2 (b) of the standalone financial statements regarding, "Assets Held for Sale (AHS)" regarding Wireless Spectrum, Towers, Fibre and Media Convergence Nodes (MCNs) along with liabilities continues to be classified as held for sale at the value ascertained at the end of March 31, 2018, for the reasons referred to in the aforesaid note and impact of the non-payment of spectrum instalments due to Department of Telecommunication (DoT). Non determination of fair value of Asset Held for Sale as on the reporting date is not in compliance with Ind AS 105 "Non-Current Assets Held for Sale and Discontinued Operations". Accordingly, we are unable to comment on the consequential impact, if any, on the carrying amount of Assets Held for Sale and on the reported losses for the year ended March 31, 2022. b) We draw attention to Note no. 2.31 and 2.48 of the standalone financial statements regarding admission of the Company and its four subsidiaries into Corporate Insolvency Resolution Process ("CIRP") and pending determination of obligations and liabilities with regard to various claims submitted by the Operational/financial/other creditors and employees including interest payable on loans during CIRP. We are unable to comment the accounting impact thereof pending reconciliation and determination of final obligation. The Company, accordingly, has not provided interest on borrowings amounting to ₹ 4,491 crore for the year ended March 31, 2022 and ₹ 15,090 crore up to March 31, 2021 calculated based on the basic rate of interest as per the terms of the loan. The Company further has not provided net foreign exchange loss amounting to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	₹ 541 crore for the year ended March 31, 2022 and net foreign exchange loss of ₹ 1,601 crore up to the previous financial year. Had such interest and foreign exchange variation as mentioned above been provided, the reported loss for the year ended March 31, 2022 would have been higher by ₹ 5,032 crore and Net worth of the Company would have been lower by ₹ 21,723 crore and ₹ 16,691 crore as on March 31, 2022 and March 31, 2021 respectively. Non provision of interest and non-recognition of foreign exchange variation is not in compliance with Ind AS 23 "Borrowing Costs" and Ind AS 21 "The Effects of Changes in Foreign Exchange Rates". c) We draw attention to Note no. 2.31 of the standalone financial statements, regarding pending comprehensive review of carrying amount of all assets (including investments and balances lying under Goods & Service Tax) & liabilities and non-provision for impairment of carrying value of the assets and write back of liabilities if any, pending implementation of the approved resolution plan. In the absence of comprehensive review as mentioned above for the carrying value of all the assets and liabilities, we are unable to comment that whether any adjustment is required in the carrying amount of such assets and liabilities and consequential impact, if any, on the reported losses for the year ended March 31, 2022. Non determination of fair value of financial assets & liabilities and impairment in carrying amount for other assets and liabilities are not in compliance with Ind AS 109 "Financial Instruments", Ind AS 36 "Impairment of Assets" and Ind AS 37 "Provisions, Contingent Liabilities & Contingent Assets". d) We draw attention to Note no. 2.53 of the standalone financial statements regarding non adoption of Ind AS 116 "Leases" effective from April 01, 2019 and the consequent impact thereof. The aforesaid accounting treatment is not in accordance with the relevant Ind AS 116. e) We draw attention to Note no 2.31 of the standalone financial statements, regarding continuous losses incurred by the Company, current liabilities exceeding its current assets, default in repayment of borrowings and default in payment of regulatory and statutory dues and pending application of renewal of telecom licenses. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The accounts however have been prepared by the management on a going concern basis for the reason stated in the aforesaid note. We however are unable to obtain sufficient and appropriate audit evidence regarding management's use of the going concern basis of accounting in the preparation of the standalone financial statements, in view of ongoing CIRP and matters pending before regulatory authorities, the outcome of which cannot be presently ascertained. The Net worth of the Company excludes the effect of qualification under (a), (c), (d) and (e) above which are non-quantifiable as referred therein. f) We draw attention to Note no 2.35 &2.43.2(a) of the consolidated financial statements regarding termination of definition binding agreement for monetization of assets of the Holding Company and two of its subsidiaries

WWW.TAXSCAN.IN - Simplifying Tax Laws

	namely ATL & AITL and the ongoing CIRP, the outcome of which cannot be presently ascertained. Holding Company's subsidiary namely ABC Communication Infrastructure Limited (ACIL) and ABC Tech Services Limited (ATSL) has also been admitted under Code with effect from September 25, 2019 and August 4, 2020 respectively. The Group has continued to incur losses, it's current liabilities exceed current assets and has defaulted in repayment of it borrowings and payment of statutory dues and pending renewal of telecom licenses. Further, auditors of material subsidiaries of the Holding Company have qualified their reports with respect to Going Concern of the company's on account of reasons mentioned above. This situation indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The accounts, however, has been prepared by the management on a going concern basis for the reason stated in the aforesaid note. However we are unable to obtain sufficient and appropriate audit evidence regarding management's use of the going concern basis of accounting in the preparation of the consolidated financial statements, in view of ongoing CIRP, the outcome of which cannot be presently ascertained. g) We draw attention to Note no. 2.60 of the consolidated financial statements regarding unbilled revenue recognized by one of the Holding Company's subsidiary amounting to ₹ 1021 crore with respect to services provided, which has not been billed by the subsidiary for the reasons mentioned in the aforesaid note. We are unable to comment on the ultimate outcome of reconciliation and its realizability and it's impact on the revenue recognized during the year and in earlier years. h) We draw attention to Note no 2.59 of the consolidated financial statements regarding non receipt of balance confirmation from balance with Industrial and MKO Bank of China in Fixed Deposit account amounting to ₹ 31.62 crore as at March 31, 2022 in respect of one of the Holding Company's Subsidiary. Pending receipt of balance confirmation as on reporting date, we are unable to comment on the consequential impact if any, on the consolidated financial statements of the Group. The Net Worth of the Group excludes the effect of qualification under (a), (c), (d), (e), (f) and (g) above, which are nonquantifiable as referred therein. According to the information and explanations given to us and based on our audit, the following material weaknesses has been identified in the operating effectiveness of the Company's internal financial controls with reference to standalone financial statements as at March 31, 2022: i. The Company's internal process with regard to confirmation and reconciliation of Balances of trade receivable, trade payables & other liabilities and loan & advances which are not providing for adjustments, which are required to be made to the carrying values of such assets and liabilities. (Read with Note no. 2.31). ii. The Company's internal control process in respect of closure of outstanding entries in Bank Reconciliation Statements which are pending to be reconciled. iii. In respect of delays in payment of certain

Analysis of Modified Opinions — Telecom - Cellular & Fixed line Services

	statutory dues and filing of certain statutory returns during the year with the respective authorities. iv. The Company's internal financial control with regard to the compliance with the applicable Indian Accounting Standards and evaluation of carrying values of assets and liabilities and other matters, as fully explained in basis for qualified opinion paragraph of our main report, resulting in the Company not providing for adjustments, which are required to be made, to the standalone financial statements.
Management Response	Auditors are unable to obtain sufficient and appropriate audit evidence regarding management's use of the going concern basis of accounting in the preparation of the standalone financial statement, in view of ongoing CIRP and matters pending before regulatory authorities, the outcome of which cannot be presently ascertained. Attention is drawn on the consolidated financial statement regarding unbilled revenue recognized by one of the Holding Company's subsidiaries amounting to ₹ 1,021 Crore with respect to services provided during the period and earlier years, which has not yet billed by the subsidiary for the reasons mentioned in the aforesaid note. Auditors are unable to comment on the ultimate outcome of reconciliation and its realizability and its impact on the revenue recognized during the year and in earlier years. Attention is drawn on the consolidated financial statement regarding non receipt of balance confirmation from balance with Industrial and MKO bank of China in Fixed Deposit account amounting to ₹ 31.62 crore as at March 31, 2022 in respect of one of the subsidiary. Pending receipt of balance confirmation as on reporting date, auditors are unable to comment on the consequential impact if any, on the consolidated financial statement. The observations and comments given by the Auditors in their report read together with notes on financial statements are self-explanatory particularly Note No. 2.14, 2.31, 2.47, 2.48 and 2.53 (standalone financials) and Note No. 2.15, 2.35, 2.40, 2.51, 2.52, 2.59 and 2.60 (consolidated financials) and hence the same to be treated as explanation provided under Section 134 of the Act. The audited financial statements are drawn up both on standalone and consolidated basis for the financial year ended March 31, 2022, in accordance with the requirements of the Ind AS Rules. As per the provisions of Clause (ca) of Sub-section (3) of Section 134 of the Act, the auditors of the Company have not reported any fraud under sub-section (12) of Section 143 of the Act.

WWW.TAXSCAN.IN - Simplifying Tax Laws

84. Telecom-Equipment and Accessories

Company 84.1	
Basis for Qualified Opinion	1. We draw your attention to note 52A to the standalone financial statement, which states, the Subsidiary Company namely ABC Limited, Dubai has Capital work in progress as on 31st March 2022 amounting to ₹ 9,294.38 lakhs in respect of Optical Fibre Manufacturing Plant. Presently the project has been suspended due to paucity of funds and no impairment testing has been carried out by the management of Subsidiary Company. In the absence of assessment of impairment, we are unable to comment on the recoverable amount with regard to said investment. 2. We draw your attention to note 52B to the standalone financial statement, which states, the Subsidiary Company namely ABC Limited Dubai has been incurring losses from last few years, resulting in erosion of net worth. The Company is also in default with the Banks towards repayment of its borrowing obligation. Presently operations of subsidiary are suspended due to paucity of funds, however all value in financial statement have been taken at cost and impairment testing has not been carried out by the management of Subsidiary Company. In the absence of assessment of impairment, we are unable to comment on the recoverable amount with regard to said investment.
Management Response	1. The Auditor's report read with the relevant Notes to Accounts are self explanatory and therefore do not require further explanation. However, with regards to the observation raised by the Statutory Auditors, Company wish to report that considering continuing positively evolving market of Optical fibre Industry and improving pandemic situation, the management considers it appropriate to carry out Impairment testing at later stage to provide fair & accurate picture. The statement on impact of Audit qualification has been disseminated to the stock exchanges and can be referred. Note 52-A The Foreign Subsidiary Company namely ABC Limited, Dubai (wholly owned subsidiary company) has Capital work in progress as on 31st March 2022 amounting to ₹ 9,294.38 lakhs in respect of Optical Fibre Manufacturing Plant. Presently the project has been suspended due to paucity of funds and no impairment testing has been carried out by the management of Subsidiary Company due to pandemic of COVID-19 situation. In absence of impairment assessment, Impact of impairment on the recoverable amount of investment is uncertain. 2. The Foreign Subsidiary Company namely ABC Limited, Dubai (wholly owned subsidiary company) has been incurring losses from last few years, resulting in erosion of net worth. The Company is also in default with the Banks towards repayment of its borrowing obligation. Further at presently operations of above mentioned subsidiary are suspended due to various reason, however no impairment testing has been carried out by the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	management of Subsidiary Company due to pandemic of COVID-19 situation. In absence of impairment assessment, Impact of impairment on the recoverable amount of investment is uncertain.

Company 84.2	
Basis for Qualified Opinion	1. The Company has not made provision for bad and doubtful debts (expected credit losses) in respect of the following items included under Current Financial Assets, which are also doubtful of recovery: a) ₹ 5,847.90 lakhs as receivable from C-DoT towards rent from premises leased out to them up to the period ended 31-3-2011. b) Recoverable from MNO Infosystems Limited of ₹ 1,690.20 lakhs as compensation on account of excess amount spent by the Mankapur Unit of the Company based on the agreement between PQR, MNO and LMN Limited. c) Recoverable from DEF Futuristic Communications Ltd of ₹ 1,049.41 lakhs towards Liquidated Damages. d) Receivable from PQR Ltd towards encashment of letter of credit of ₹ 1,023.00 lakhs. e) Accordingly, if provision for credit losses were made by the Company, the profit for the year and the net current assets would have been reduced by ₹ 9,610.51 lakhs 2. The Company does not have confirmations and reconciliation of balances from sundry debtors. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss which may arise on account of non-recovery or partial recovery of such dues is not ascertained. We are unable to comment on the impact of non-provisioning for such loss on the result or financial position of the Company. 3. The company is in the process of an assessment on ageing, usefulness, and serviceability of the inventories held at various units to ascertain the provision for obsolete inventory. At the Raebareli unit, the branch auditor has emphasised that the valuation of inventory is not as per the applicable accounting standard. As these amounts are unascertained, we are unable to comment on the impact of the same on the result or financial position of the Company. 4. The company's process for identifying suppliers covered by the Micro, Small and Medium Enterprises Development Act of 2006 and the payment of interest in cases of delays in payment, appears to be inadequate and unverifiable. As a result, we are unable to comment on MSMED Act 2006 compliance or disclosure requirements under Schedule III of the Companies Act 2013. 5. The Company has not reversed the wrong GST input tax credit of ₹ 889 lakhs taken during 2019-20 at the Palakkad Unit of the Company.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Accordingly, cost of sales would have been increased by ₹ 889 lakhs, and the net profit and shareholders' funds would have been reduced by the same amount. 6. Regarding Goods & Services Tax, in certain cases, entries/ balances as per the books of accounts do not match with the returns filed and input tax credit reflected in the portal. Adjustment entries and reversal of ineligible input tax credit are pending. In the absence of quantification, we are unable to comment on the impact of the same on the result or financial position of the Company.
Management Response	1. The Company has been rigorously following on with the C-DoT for resolving the pending issue of the rent due from C-DoT. Subsequently, DoT has informed ABC to present the subject matter to ABC Board for perusal for the further course of action. Company is of the view that provision for ₹ 5847.90 Lakhs at this juncture is not required till the issue is finally settled. During the year 2019-20, BSNL reversed/rejected some of the supplies for various reasons and in Smart Energy Meter project due to consignee address issue, for which Palakkad Unit had issued the credit notes against already issued sales invoices. While accounting these in GST portal for the credit notes values were reduced from output liability (GSTR3B) and added back to ITC claim (GSTR3B). This resulted in difference between ITC claimed and ITC available (GSTR2A). Necessary rectification will be carried out in the year 2022-23 after verification of all the documents. The Contract entered into between M/s ABC Ltd and PQR Limited) for supply of Integrated Fixed Wireless Telephone (IFWT) sets and there were disputes between the parties as such the PQR Limited has invoked the arbitration clause. The award was passed in favour of PQR. However, PQR has filed the present case for enhancement of award. Case was last listed on 25.03.2022 and is posted for disposal on 24.08.2022. Company will try to represent its views and will try to get the decision in favour of the Company and hence it is proposed not to make provision at this juncture For criminal complaint: As per the Police report- B Report, there is no need for further investigation. ABC Limited filed a complaint in the Magistrate Civil Court dated 18/05/2022 in furtherance of acting upon the Police B-Report. For Civil suit: The Court directed both the parties to go for mediation upon which ABC Limited was present in all the mediation sessions. The opposite party, however, was not present due to which the mediation process was deemed to be failed. We have to file a civil suit for the next step. 2. During the year 2019-20, BSNL reversed/rejected some of the supplies for various reasons and in Smart Energy Meter project due to consignee address issue, for which Palakkad Unit had issued the credit notes against already issued sales invoices. While accounting these in GST portal for the credit notes values were reduced from output liability (GSTR3B) and added back to ITC claim (GSTR3B). This resulted in difference between ITC claimed and ITC available (GSTR2A). Necessary rectification will be carried out in the year 2022-23 after verification of all the documents.

Analysis of Modified Opinions — Telecom-Equipment and Accessories

Company 84.3	
Basis for Qualified Opinion	1. Material uncertainty related to Going Concern: During the year the company has incurred a Net Loss of ₹ 1,732.75 Lakhs resulting into accumulated losses of ₹ 12,220.52 Lakhs. The Company has obligations towards fund based borrowings from banks aggregating to ₹ 20,734.23 Lakhs. There is significant decrease in revenue over the past few years. These conditions indicate the existence of a material uncertainty that may cast a significant doubt on the Company's ability to continue as going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly we are unable to comment on the consequential impact, if any, on the accompanying standalone financial statements. 2. In relation to carrying value of investments held in by the company to its subsidiaries, which have been incurring losses and in some of these companies, net worth was fully or substantially eroded. Taking into account the management internal assessment and initiatives to be implemented to improve the profitability in the medium to long term, the management of the company is of the view that carrying value of investments are realizable at the value stated in the books. In the absence of fair valuation of these investments, we are unable to comment upon the carrying value and thus, we are unable to comment whether any provision for impairment in the value of investments is required. 3. The Company has defaulted in repayment of dues to Banks and all the loans outstanding were classified as NPA by the Banks. The balance outstanding as at 31.03.2022 is ₹ 20,734.23 Lakhs (Including Principal and Interest Provisions on the loans but excluding Penal Interest if any) as per books of account. Also Refer Note no. 50 to Financial Statements. 4. In the absence of proof of physical verification of inventories during the year by the management, we are unable to comment on the discrepancies, if any, between the book records and physical stocks of inventories (Value of inventories as per books of account as at 31.03.2022 is ₹ 5609.63 Lakhs). 5. In the absence of proof of physical verification of Property, Plant and Equipment during the year by the management, we are unable to comment on the discrepancies, if any, between the book records and physical stocks (Net Block of PPE of ₹ 442.56 lakhs as per books of account as at 31.03.2022). 6. The Company has long pending undisputed statutory dues towards ESI, PF & TDS (Net Payable of ₹ 157.53 Lakhs as per books of account as at 31.03.2022). 7. In the absence of confirmations of Trade Receivables and various advances, we are unable to comment on the extent to which such balances are recoverable.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	8. In the absence of confirmations of Trade Payables and various advances/borrowings, we are unable to comment on the extent to which such balances are payable. 9. The company has recognised deferred tax assets on account of carried forward unused tax losses and other taxable temporary differences for the year amounting to ₹ 1,722.29 Lakhs. The management of the company is confident that sufficient future taxable income will be available against which such deferred tax assets would get adjusted. However, in our opinion, in absence of convincing evidence that sufficient future taxable income will be available against which such deferred tax assets would get adjusted, such recognition is not in accordance with Indian Accounting Standard 12 “Income Taxes” (Ind AS 12). 10. In respect of preparation of financial statements of "the group" on going concern basis, during the Year ended, "the group" has incurred a Net Loss (after tax) of ₹ 1,809.10 Lakhs resulting into accumulated losses of ₹ 13,459.20 Lakhs. "The group" has obligations towards fund-based borrowings and significant decrease in revenue over the years. These conditions indicate the existence of a material uncertainty that may cast significant doubt on "the group's" ability to continue as going concern and "the group" may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these matters is at present not ascertainable. Accordingly, we are unable to comment on the consequential impact, if any, on the accompanying consolidated financial statements. 11. As the financial information of the above-mentioned subsidiaries are not considered in consolidation for the year ended 31.03.2022, the current year figures are not comparable to last year.
Management Response	1. Management stated that, in respect of qualification 1 above, In the opinion of the management, resolution and revival of the Company is possible in foreseeable future. Rapid increase of competitors in the telecommunication business effects the operations of the company during the previous years. The management of the company is taking steps to improve the business in the year 2022-23 and will improve the operations of the group companies in the coming years. Hence the company's management is of the opinion that the company is 'Going Concern' only and the accounts have been prepared accordingly. 2. Management stated that, the management of the Company is in communication with such subsidiaries engaged in the other projects to recover the dues and cost incurred by the Company and taking necessary steps to turnaround the loss-making subsidiary Companies. Considering the long-term nature of investments and in view of ongoing discussion, no provision has been considered necessary by the management in respect of impairment in the value of investment. Further, depending upon the future the management of the company shall take the necessary modifications if required. 3. Management stated that, The Company has approached ARC for One

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Time Settlement (OTS) Proposal in 21st November, 2021 for settlement of loans availed by the company, the settlement proposal had been accepted by the ARC vide it's letter dated 8th December, 2021. As per terms of aforesaid settlement, KTPL was required to pay ARC a sum of ₹ 2.5 Crores on or before 25th March, 2022. The company has paid the ₹ 2.5 Crores to ARC in consonance with the timeline detailed under the acceptance letter. Later, the ARC has issued No Dues Certificate to KTPL on 24th March, 2022 and released the personal guarantees of Mr. ABC and Mrs. XYZ. However, the company has not filed the satisfaction of charge with Registrar of Companies (ROC). 4. Management stated that, generally the management conducts the physical verification of Inventories at the end of the financial year, but this time due to some unavoidable circumstances, we couldn't conduct the physical verification before the balance sheet date. The management believes that there are no discrepancies between the book records and physical stocks of Inventories. Further the Management ensures to conduct the physical verification of Inventories of all the group companies in the coming financial years. 5. Management stated that, generally the management conducts the physical verification of Property, Plant and Equipment, but this time due to some unavoidable circumstances, we couldn't conduct the physical verification before the balance sheet date. The Management took note of the above qualification and ensures to conduct the physical verification of Property, Plant and Equipment of all the group companies in the coming financial years. 6. Management stated that Management took the note on the same and the same will be taken care in the coming financial years. 7. The management confirms that, the Trade Receivables and various advances as mentioned in the Balance Sheet are true and correct as per the best knowledge of the Management. 8. The management confirms that, the Trade Payables and various advances/ borrowings as mentioned in the Balance Sheet are true and correct as per the best knowledge of the Management. 9. Management stated that, in the future income the same tax liability will be taken care. 10. Management stated that, the Management of the Company is in communication with such subsidiaries engaged in the other projects to recover the dues and cost incurred by the company and taking necessary steps to turnaround the loss-making subsidiary Companies. Considering the long-term nature of investments and in view of ongoing discussion, no provision has been considered necessary by the management in respect of impairment in the value of investment. 11. Management stated that, in respect of qualification 1 above, in the option of the management, resolution and revival of the company is possible in foreseeable future. Rapid increase of competitors in the telecommunication business effects the operations of the company during the previous years. The management of the company is taking steps to improve the business

WWW.TAXSCAN.IN - Simplifying Tax Laws

	in the year 2022-23 and will improve the operations in the coming years. Hence the company's management is of the opinion that the company is 'Going Concern' only and the accounts have been prepared accordingly.

Company 84.4	
Basis for Adverse Opinion	1. The Company's financial statements have been prepared using the going concern assumption of accounting. However, the Company's accumulated losses of ₹ 1,82,81,21,320/- (including a loss of ₹ 10,49,54,686/- incurred during the FY 2021-22) has eroded the Net Worth of the Company, indicating the existence of material uncertainty that may cast a doubt about the Company's ability to continue as a Going Concern. The Company has not operated its factory since 2017 and no sales effected for more than three years. It is also pertinent to note that power connections in the factory are disabled. Further, as represented by the company, the machineries would involve major overhauling cost to resume operations and the company is also unable to obtain support for supply of major raw material required for manufacture from its supplier. Also, the company has not bagged any new orders to substantiate the going concern assumption. As per Standard on Auditing (SA) 570, "If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgment, management's use of the going concern basis of accounting in the financial statements is inappropriate, the requirement in paragraph 21 for the auditor to express an adverse opinion applies regardless of whether or not the financial statements include disclosure of the inappropriateness of management's use of the going concern basis of accounting." Hence, considering the cumulative effect of the factors detailed in the above paragraph in the revival of the company, we conclude that the Going Concern assumption of the management in preparation of financial statements is inappropriate. 2. The Company has not recognized the following financial liability/asset at Fair Value in terms of Ind AS 109 (including comparative figures as of 31st March 2021) and impact of the same on the financial Statements is not ascertainable. i) Amounts due to M/s XX Limited amounting to ₹ 2,00,30,600/ (Previous Year- ₹ 1,98,07,090/-) ii) Trade Receivables (considered good amounting to ₹ 7,06,65,510/- (Previous Year- ₹ 7,13,62,110/-) iii) Unsecured Trade Payables amounting to ₹ 3,37,04,875/- (Previous Year –₹ 3,41,14,712/-).
Management Response	Not available

WWW.TAXSCAN.IN - Simplifying Tax Laws

85. Telecom - Infrastructure

Company 85.1	
Basis for Qualified Opinion	Attention is drawn to Note No. 40 to the financial statements which inter alia states that, the Hon'ble Supreme Court of India held that "PQR Limited" is a building and State can levy property tax on the same. Pending petitions of the Company before the appropriate Courts, non-receipt of demand notices for property tax in respect of majority of the Telecommunication Towers and also due to Company's right to recover such property tax amount from certain customers, the Company is unable to quantify the amount of property tax to be borne by it and accordingly the Company has not made any provision for the same. We are unable to quantify the amount of the property tax, if any, to be accounted for and its consequential effects on the financial statements.
Management Response	For the FY 2021-22, the Auditor of the Company have issued modified opinion w.r.t. the Company's inability to quantify the amount of property tax on its telecom towers to be ultimately borne by it due to petition pending before the appropriate Courts, non-receipt of property tax demands in respect of majority of telecom towers and Company's contractual rights to recover such property tax from its customers. In this regard, the Company has given appropriate explanation in its Note no. 40 of Notes to the Financial Statements. Further, as regards the Auditors opinion regarding material uncertainty related to Going Concern, the Company has furnished required details / explanations in Note no. 60 of Notes to the Financial Statements.

WWW.TAXSCAN.IN - Simplifying Tax Laws

86. Trading - Metals

Company 86.1	
Basis for Disclaimer of Opinion	a) During the year, the Company has incurred a Net loss of ₹ 2,611.01 lakhs resulting into negative net worth of ₹ 3,13,506.31 lakhs as at March 31, 2022. The net current liabilities stand at ₹ 3,21,731.37 lakhs as at the year end. Further we refer to Note 3 to the financial statements regarding a Corporate Insolvency Resolution Process (CIRP) initiated against the Company vide an order of the Mumbai Bench of National Company Law Tribunal (NCLT) dated May 14, 2018 under the provisions of Insolvency and Bankruptcy Code, 2016 ('Code'). Under the CIRP, Committee of Creditors (COC) in their meeting on June 24, 2021 voted in favour of Resolution Plan. NCLT vide its order dated February 3, 2022 approved the resolution plan, which was subsequently approved by National Company Law Appellate Tribunal (NCLAT) vide its order dated March 11, 2022. As required under paragraph 1 of Schedule V read with paragraph 14 of Schedule I of the Resolution plan, the Company has applied for various approvals from various governing bodies viz. Reserve Bank of India (RBI) and Bombay Stock Exchange (BSE) as conditions precedent to the implementation of the resolution plan. The approvals from these authorities are yet to be received by the Company. In view of the pending approvals from the above authorities, the resolution plan is yet to be fully implemented and accordingly, balances in the financial statements are carried at values without giving effect of the resolution plan and recording the assets and liabilities at its fair values as per the resolution plan. The Company has prepared the financial statements on a going concern basis. However, in view of the negative net worth and negative net current liabilities as at the year end and pending approvals from the governing bodies viz. RBI and BSE as above, we are unable to comment on the ability of the Company to continue as a going concern for the foreseeable future. The Ind AS financial statements, however, do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. b) We refer to Note 41 to the financial statements of the Company regarding balances in respect of trade receivables, advance for purchase of steel given, trade payables including MSME, various claims submitted to Resolution Professional pursuant to the CIRP against the Company, borrowings, loans & advances, advance from customers, book overdraft, bank balances and fixed deposits with banks, other deposits, taxes recoverable being subject to adequate documentation, confirmations and / or reconciliations and in the absence of alternative corroborative evidences, we are unable to comment on such balances.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	c) We refer to Note 40 to the revised financial statements of the Company regarding non revaluation of trade receivables and advances to trade payables denominated in foreign currency as required under Ind AS 21 'the Effects of changes in Foreign Exchange rates', consequent impact on Expected Credit Loss as required under Ind AS 109 'Financial Instruments' and taxation, if any, thereon. According to the information and explanations given to us, since the corporate insolvency resolution process has been initiated in respect of the Company under the provisions of the Insolvency and Bankruptcy Code, 2016 ('the code') by the Mumbai bench of National Company Law Tribunal vide its order dated May 14, 2018, the Company has not established its internal financial control over financial reporting on criteria based on or 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.
Management Response	1. On 24th of June, 2021, the Revised Resolution Plan was approved by the Committee of Creditors (CoC) and subsequently by NCLT, Mumbai vide an order dated 3rd February 2022 to be read with NCLAT order dated 11th March, 2022. Pursuant to the order, IMA was formed on 15th March, 2022 to implement the Resolution Plan. As part of the implementation of resolution process and conditions precedent thereto, Company has applied for various approvals to various authorities mainly Reserve Bank of India (RBI). Pending approval, the financial statements have been prepared on going concern basis. 2. The management believes that no material adjustments would be required in books of accounts upon receipt of these confirmations. The claims received all the parties are validated/ verified by the Resolution Professional.

WWW.TAXSCAN.IN - Simplifying Tax Laws

87. Trading - Textile Products

Company 87.1	
Basis for Disclaimer of Opinion	We draw attention to Note No. 37 of the standalone financial statements regarding preparation of the financial statements on going concern basis. Although, a company has registered a new brand "MNO" under its name, developed wide range of sample merchandises and is in the process of commercial launch of the brand but these plans are yet to be materialized. Hence, there still exists uncertainty regarding the future prospects of the business and the company's ability to continue as going concern. However, the Company has cash surplus and positive net worth. The Management and the Board of Directors believes that the Company will be able to meet all its contractual obligations and liabilities as they fall due in near future and therefore these standalone financial statements are prepared based on going concern basis. As we are unable to obtain sufficient and appropriate audit evidence about the commercial launch of the brand and business transaction thereof. Accordingly, we are unable to conclude whether the Company will be able to continue as a going concern and the consequential implications arising therefrom on the standalone financial statements of the Company.
Management Response	The Statutory Auditor has given a disclaimer opinion on the financial statements of the Company for the financial year 2021-2022 for the going concern status of the Company due to termination of the Company's License Agreement, which was the core asset of the Company, with ABC Foundation ('the Foundation') in the financial year 2019-2020, which was coincided with the COVID 19 pandemic that has disrupted the economy in general and retail in particularly. As the economic activities had started again to gain to some momentum post releasing unlock norms by the Central and State Governments, the company had resumed business development activities in line with its proposed business plans prepared by the Management and Board of Directors of the company. However, uncertainties do exist till date as caused by the cancellation of the license with the Foundation and exogenous global disruption due to the pandemic. Your Company, however, is reasonably confident of reviving Company's business given its rework strategy of launching new brand supported by the core team that is in place and positive net worth and liquidity at hand. The Company has acquired and registered brands/ trademarks – MNO and Device of Turtle, and is in process of transferring in its name these Trademarks. Further, the company has developed its new range of products and made some progress in that direction. The commercial launch would be started somewhere in second quarter of the current financial year i.e. FY 2022-2023 as it was expected in third quarter of FY 2021-2022. The future business operations of the Company has certainty However, future cash flows and projected growth plans are critically dependent upon the materialization of the viability of these event. Your Company has not shown any intention to liquidate the Company and is quite confident that the Company will launch the new brand in AW 22 and the developments will materialize in near future. Accordingly, the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	financial results continue to be prepared on going concern basis which contemplates realization of assets and settlement of liabilities in the normal course of business and continuation of operations of the company under the brand The Notes to the financial statements referred in the Auditors Report are self-explanatory and therefore do not call for any comments under Section 134 of the Companies Act, 2013. The Auditors' Report is enclosed with the financial statements in this Annual Report.

WWW.TAXSCAN.IN - Simplifying Tax Laws

88. Trading & Distributors

Company 88.1	
Basis for Qualified Opinion	1. Non-Current Investments includes: Shares held, quoted and in physical form having market worth ₹ 0.41 lacs are not held in the name of the company. This is in contravention to section 187 of the Companies Act, 2013. 2. The interest payable under MSMED Act, 2006 and other disclosures of trade payable to micro enterprises and small enterprises has not been ascertained and not provided for by associate Company PQR Limited.
Management Response	The Company is in the process of Converting theses shares in the name of the Company at its earliest and then proceed to demat these shares.

Company 88.2	
Basis for Qualified Opinion	1. Amount shown under Non-Current Financial Assets in the Balance Sheet includes an amount of ₹ 69.04 Lakhs (Amount Sanctioned during the year – ₹ Nil), being outstanding of amount of loan given to one of the former directors without obtaining prior approval of Central Government as required under section 185 of the Companies Act 2013. No provision for the said amount due has been made in the accounts. In our opinion, the said amount of ₹ 69.04 Lakhs needs to be fully provided for since the amount is outstanding for more than five years. Had the company made provision for the said sum of ₹ 69.04 Lakhs, the results of the operations of the company for the current financial year would have resulted in a loss of ₹ 51.56 Lakhs instead of profit of ₹ 17.48 Lakhs and the amount under loans under non-current assets would be lower by ₹ 69.04 Lakhs. 2. Note 8 to the standalone financial statements wherein, the cash balance of ₹ 12.03 Lakhs shown under the Current Assets in the Balance sheet includes ₹ 5.87 Lakhs being the amount seized by an Investigating Agency relating to investigation not pertaining to activity. Had the provision of the ₹ 5.87 Lakhs been made, the profit for the year ended 31st March 2022 would have been ₹ 11.61 lakhs instead of profit of ₹ 17.48 Lakhs.
Management Response	1. The Loan granted by the Company to its Director belongs to period prior to April, 2014. The Board of Directors is taking necessary steps to comply with the provisions of the Act. The Company has initiated necessary steps to recover the amount from the Former Director and hence the provision has not been made for the current financial. 2. The cash balance of ₹ 12.03 Lakhs shown under the Current Assets in the Balance Sheet includes ₹ 5.87 Lakhs being the amount seized by an Investigating Agency relating to investigation not pertaining to company's business activity. The said amount will be realized after completion of investigation by the Investigation Agency.

Company 88.3	
Basis for Qualified Opinion	During the course of our audit, we have examined that the Company's principal business activity is buying and selling of quoted shares in an active market. In our opinion, the Company fulfils the criteria for qualifying to be registered as Investment NBFC as its Financial assets constitutes more than 50% of its total assets and income from such financial assets constitutes more than 50% of gross income.
Management Response	Observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments under Section 134 (1) of the Companies Act, 2013.

Company 88.4	
Basis for Qualified Opinion	Refer to standalone financial statements, all the value with regards to financial assets and financial liabilities in the financial statements has been stated at historical cost only irrespective of the fair value of the same which is departure from requirement of Ind AS 113 (Fair Value Measurement) and Ind AS 109 (Financial Instruments).
Management Response	The observations of the Auditors in their Report and Notes Attached to the Accounts to the Accounts are Self-Explanatory and do not require any Further Clarifications.

Company 88.5	
Basis for Qualified Opinion	1. We have not been provided with the balance confirmation or any other details for the trade receivable and trade payable shown in the books of accounts. 2. We have not been able to verify the transactional documents relating bank statements. Four out of five account are not shown to us for verification. According to the management, the other accounts are dormant and therefore the same have not been collected from bank.
Management Response	1. The Company has already started process of obtaining the balance confirmation from trade receivable and trade payable and once received, the same will be provided to the Auditor. 2. Further, since some of the accounts of the Company are dormant and accordingly, the same have not been collected from the Bank.

Company 88.6	
Basis for Qualified Opinion	The Company has not adopted and complied with the requirements of Ind AS-19 'Employee Benefits' in respect of the Gratuity liability which constitute a departure from the Accounting standards mentioned in the Companies (Indian

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Accounting Standards) Rules 2015 referred in section 133 of the Act. In view of this the liability of the company in this regard could not be ascertained. Consequently, we are unable to comment about the impact of the same on the profit for the year, income tax and shareholder's funds.
Management Response	In view of very limited strength of employees, presently working with the Company, the requirements of Ind AS-19 Employee Benefits in respect of gratuity could not be complied with. However, provision for gratuity as required under Payment of Gratuity Act has been provided.

Company 88.7	
Basis for Qualified Opinion	The Investments of the company includes shares held private limited company, which have been designated at Fair Value through Profit and loss, have not been fair valued as on the date of the balance sheet as required by Ind AS 109 on Financial Instruments prescribed under section 133 of the Companies Act, 2013. As stated in note no. 4.12 to the financial statement, such investments have been sold subsequent to the date of the balance sheet at a value significantly higher than the carrying value of ₹ Nil as at March 31, 2022. In absence of the fair value determined as on the balance sheet date, we are unable to ascertain the extent at which profit for the year and investment have been understated.
Management Response	Note on financial statement referred to in the Auditor's Report are self-explanatory and do not call for any further comments. The Auditor's Report does not contain any qualification, reservation or adverse remark.

Company 88.8	
Basis for Qualified Opinion	1. We draw attention to note no 17 of the accompanying financial statements which states that the quarterly returns or statements of current assets are filed by the company with banks on the basis of provisional monthly information statement prepared for internal purpose. As per Notification of Ministry of corporate affairs MCA dated 24 March 2021 in regards with amendment schedule III of division II the company is required to disclose the quarterly reconciliation of statements in agreement with the books. As informed by the management give the volume and nature of business the reconciliation of these statements could not be performed and material discrepancy if any could not be determined. Thus, the required disclosure has not been presented in the financial statements. 2. We draw attention to note no 36(k) of the accompanying financial statement which states that there are several provisions for doubtful recoverable amounting to ₹ 1.13 crore. The recoverability assessment of these balances could not be performed due to non-availability of sufficient information. The company has initiated an internal note to prepare a guideline to assess the recoverability of such balances. As per the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	management these provisions made relates to balances outstanding for a significant period of time and no sufficient evidence is available for recovery of these accounts but due non availability of any internal guidelines these provisions have not been written off. Accordingly, the provision and respective recoverable balances would have been reduced by ₹ 1.13 crore. 3. We draw attention to note no 40(f)(a) of the accompanying financial statements which states that the liability @1.5% of profit before tax ("PBT) for the year in respect of scheme for reference prior to 01.01.2007 (closed group) affordability. Also, the company has not provided form XX (open group) @ 4.5% basic and DA for serving employees. During the year provision in respect of retirees after 01.01.2007 pertaining to FY 2019-20 and 2020-21 has been withdrawn due to loss during these previous years. The management will review the above in the next financial year. The non-recognition of provision according to the schemes above constitutes a departure from the ₹ 3.29 Crore (4.5% of Basic and DA) estimated by the management should have been provided as per the accounting standards. Accordingly, the provision of SS would have been increased by ₹ 5.10 Crore and net income and shareholders fund would have been reduced by the given amount.
Management Response	1. PQR has entered into one time loan restructuring with the banks. After NINL divestment bank liabilities have been discharged. Accordingly, there may not been further as PQR business has been severally downsized / stopped as per MOC directions and there may not be requirement of bank credit at this stage. Further DDD has received NIL comments from CAG for 2021-22. 2. These cases are more than two decades old and requires documents are not available. Matter will be taken to BOD in the current F.Y. PQR has received NIL comments for CAG for 2021-22. 3. DPE guidelines provides for contribution based on profit (PBT) keeping in view affordability and sustainability as guiding principle. Accordingly, it has been decided by the company that in view of complete downsize/stoppage of business activities not to make any negative comments on this issue.

Company 88.9	
Basis for Qualified Opinion	1. We draw your attention to note no. 39 of Financial Statements regarding the Company's account being declared as Non-Performing Asset (NPA) and received a notice under Section 13(4) of Securitization and Reconstruction of Financial assets and Enforcement of Security Interest Act, 2002 ('the Act') for symbolic attachment of properties. The Company has incurred net losses in the current period as well as in the past years. The Company has accumulated losses which exceeds its net worth at the balance sheet date resulting in negative net worth and due to blockage of bank accounts, revenue from operation during the current year is negligible. During the preceding year, the Company has also closed down

WWW.TAXSCAN.IN - Simplifying Tax Laws

	all its branches except Mumbai branch, has written off/ sold fixed assets located at such branches and has also laid off maximum employees across all branches since the business operations are minimum. As informed by the Management of the Company, the company had approached a consortium of three banks for one-time settlement in the last year out of which one bank had communicated its acceptance for one-time settlement during the year, however due to differences identified by the company in the sanction terms and conditions mentioned in the OTS letter, the company had requested for revised terms and conditions. Thus, the bank has cancelled the OTS sanction as on date. The company is awaiting revised OTS letter. Further, the Company has also received summons from Debts Recovery Tribunal (DRT) Mumbai applied by one of the lender banks. Based on the facts mentioned above and in the absence of the information regarding future business plan of the Company, we are unable to comment on the going concern of the Company. 2. The Company had made aggregate provision of ₹ 3,271.77 lakhs for doubtful debts (expected credit loss) as at March 31, 2022 relating to export sales. The Management has not approached RBI for approval of writing off the said amount from books of accounts. In the absence of any information regarding penal consequences, we are unable to comment on the impact of the same on the Loss / net worth of the Company.
Management Response	1. There is no activity/ operation during the financial year. The RST Bank have filed a case at DRT, for the recovery of their dues. Our OTS proposal is already pending with the Banks. We have appointed Jay XX/ YY Legal., Mumbai as our Advocate who representing our case at DRT. 2. OTS is still pending & we are availing sanction of the same.

Company 88.10	
Basis for Qualified Opinion	We draw attention to Note No. 25 of the financial statements, the Company has not complied with the Ind AS requirements, regarding reversal of provision for diminution of a current quoted investment aggregating to ₹ 737.06 Lacs. Had the company reversed the existing provision as per Ind AS requirements the loss for the quarter would have been lower by an even amount and its consequent impact on EPS.
Management Response	Non reversal of diminution of current quoted investment, it is hereby clarified that the company is holding 1,42,30,884 Equity Shares of XYZ Limited and the Company is not intending to sell/ transfer/ otherwise dispose off these shares, the management has decided not to make any provision of diminution or reversal thereof.

Analysis of Modified Opinions — Trading & Distributors

Company 88.11	
Basis for Qualified Opinion	1. Regarding admission of the Company into Corporate Insolvency Resolution Process ("CIRP") and pending determination of obligations and liabilities including various claims submitted by the Operational / financial /other creditors and employees including interest payable on loans during CIRP. We are unable to comment the accounting impact and disclosure there of pending reconciliation and determination of final obligation. The Company accordingly has not provided interest on borrowings amounting to ₹ 69.31 Lakhs for the CIRP period for year ended March 31, 2022 as per the terms of borrowings. Had such interest as mentioned above has been provided, the reported loss for the year ended March 31, 2021 would have been ₹ 147.04 Lakhs and total Equity of the Company would have been ₹ (1,079.39) Lakhs. Non provision of interest on borrowings is not in compliance with Ind AS 23 "Borrowing Costs". 2. Regarding the pending comprehensive review of carrying amount of all the assets and liabilities as at March 31, 2022, hence no provision in the books of account has been made by the Company. In the absence of assessment of impairment by the Company & pending confirmation, we are unable to comment on the recoverable/payable amount with regards to said terms and consequential impact, if any, on the Statement. Non determination of fair value of financial assets & liabilities and carrying amount for other assets and liabilities are not in compliance with Ind AS 109 - Financial Instruments and Ind AS 37 - Provisions, Contingent Liabilities & Contingent Assets. 3. Regarding non adoption of Ind AS 116 "Leases" effective from April 01, 2019 and the consequent impact thereof. The aforesaid accounting treatment is not in accordance with the relevant Indian Accounting Standard Ind AS 116. 4. Regarding continuous losses incurred by the Company, current liabilities exceeding its current assets, default in repayment of borrowings and default in payment of regulatory and statutory dues. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The accounts, however, has been prepared by the management on a going concern basis for the reason stated in the aforesaid note. We however are unable to obtain sufficient and appropriate audit evidence regarding management's use of the going concern basis of accounting in the preparation of the financial statements, in view of on-going Corporate Insolvency Resolution Process, the outcome of which cannot be presently ascertained.
Management Response	The Auditor's Report do not contain any qualifications, reservations, adverse remarks or disclaimer.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Company 88.12	
Basis for Qualified Opinion	1. We draw your attention to Note No. 2(ii) regarding management decision to continue the company as non-operating company for the time being and to prepare the accounts from the financial year 2021-22 onwards as per non-going concern basis. Thus, there has been change in the significant accounting policies of the Company and the presentation of financial statements. As per Note No. 3.1 (e) in the Notes to accounts it is further stated that the financial statements for the year 2021-22 have been prepared on realization basis (non- going concern assumption) and the non-current assets have been classified as held for sale. Therefore, all the assets held for sale have been carried at their estimated realizable values. However, all the non-current assets held for sale i.e. Property, Plant and Equipment in absence of any report for realizable value have been stated at their respective historical values/carrying values as per books of accounts as on 31.03.2022 and not on realization basis. This is non-compliance of the accounting policy No. 3(e) of the Company and we are unable to comment upon the impact of the same on the financial statements. Further there is also non-compliance of requirements of Ind AS-105. As per Ind AS-105, "Non -Current Assets held for Sale and Discontinued Operations", it requires that asset that meet the criteria to be held for sale should be measured at lower of carrying amount and fair value less costs to sell and to be separately presented in the Balance Sheet and also result of discontinued operations to be presented separately in the Statement of Profit and Loss. However, no fair value estimation of the non-current assets held for sale have been carried out as on 31 March, 2022 but is said to be under process. Thus, there is also non-compliance of Ind AS 105 applicable to the Company. 2. Refer to Note No.4(a) of Standalone Financial Statements, non-availability of title deeds in the name of the company in respect of following properties namely: a) Leasehold Building i. Leasehold land at XX Bhawan valued at ₹ 55,929 lacs ii. Leasehold land at Housing Colony at AA Marg valued at ₹ 12,394 lacs iii. Plot at BB, Mumbai Port Trust valued at ₹ 1167 lacs b) Freehold Building i. 8 Residential Flats at GG Complex, allotted by DDA amounting to ₹ 2720 lacs. ii. 7 apartments in different locations of Mumbai amounting to ₹ 1918 lacs. 3. Further, lease period for plot at GG, FF Port Trust has already expired and the land has been handed over to FF Port Trust. Surrender certificate has been executed on 12.11.2021. But this still continues to be shown as non-

WWW.TAXSCAN.IN - Simplifying Tax Laws

	current assets held for sale. Thus, noncurrent assets held for sale has been overstated by ₹ 1167 lacs. It will also have consequential impact on the Statement of Profit and Loss account resulting into understatement of loss by ₹ 1167 lacs. Further the farm tanks installed at GG amounting to ₹ 14.84 lacs have also been handed over on as is where is basis. The company has not raised any debit note for the same and thus non-current assets are being overstated by ₹ 14.84 lacs. Further, company has not amortised the value of the leasehold properties according to the Ind AS 116 for the period expired till 31.03.2022 resulting into overstatement of non-current assets held for sale and consequential impact on loss of the company, the amount whereof could not be quantified in absence of complete data from the Company. 4. Refer Note No. 4, for non-adjustment of value/area in Fixed Assets Register against areas acquired by Delhi Metro Rail Corporation (DMRC) for construction of Metro Station & by RRR for widening of the Road during Asian Games, as well as the flats/area of land sold by the company to The DDD India Limited (DDD) for its Housing colony. Management is in correspondence with DMRC and concerned departments. This has resulted into overstatement of non-current assets held for sale and consequential impact on loss of the company, the amount whereof could not be quantified in absence of complete data from the Company. 5. All trade receivables amounting to ₹ 1,69,419.41 lacs as per Note No. 9 have been outstanding for more than 3 years. The Company has made provision for bad and doubtful debts amounting to ₹ 62,727.62 lacs and another sum of ₹ 67,833.68 lacs have been shown as "Having Significant increase in credit risk" since the same is under litigation. As per Note No.9, it is explained that no provision has been made for the same since the relevant creditors will be paid only after recovery of these trade receivables, though in most of the cases agreements are not tripartite. Further there has been no recovery during the Financial Year 2021-22 and there is no major update of legal cases which are pending at various forums. Thus, trade receivable does not seem to be stated at realisable value less cost to be incurred to recover these trade receivables. There is also no balance confirmation available for these trade receivables as on 31.03.2022 and hence we are unable to comment upon the genuineness and effect of the same on the financial statements, if any. We are of the view that all trade receivables amounting to ₹ 1,69,419.41 lacs are considered doubtful of recovery resulting into short provision for doubtful debts amounting to ₹ 1,06,691.79 lacs. Thus, the provision for bad and doubtful debts has been understated by ₹ 1,06,691.79 lacs and consequential impact on the statement of profit and loss account resulting into understatement of loss by ₹ 1,06,691.79 lacs. Further in case of XYZ Limited, under note no.39, who drew bills of exchange on STC which were

WWW.TAXSCAN.IN - Simplifying Tax Laws

	accepted upon receipt of overseas buyer's pre-acceptance to STC's bills of exchange. However, the foreign buyers defaulted in making payments against the export bills and have gone into liquidation. A sum of ₹ 527.86 crores has been admitted by the liquidator of one of the foreign buyer's i.e. TT Trading Co. MNO Limited Singapore. A Decree of ₹ 62.47 crores approx. has been passed by Hon'ble Bombay High Court in favour of STC against the dues from another foreign buyer i.e. MNO Limited, Singapore. As of current date, RPL has gone into liquidation and official liquidator is appointed by Hon'ble High Court of Bombay. The matter is also under investigation by CBI. Banks & Financial institutions have filed legal suit against RPL before DRT making STC also a party to the case claiming ₹ 476.47 Crore. Also refer to Note No. 39, for matters other than XXL, as all these matters are sub-judice and/or under investigation of CBI and we are unable to comment upon the genuineness and effect of the same on the Financial Statements. 6. Borrowings i. Refer to Note No. 20 & 55, the view of the default by the company in paying due to interest amount to the banks, STC was declared NPA. The lender banks have initiated DRT proceedings against the company. The memorandum of the OTS (MOTS) proposal with lender banks is still in progress and is in line with the minutes of the high-level meeting held in 29.08.2019 and the further clarificatory letter dated 13.10.2020 of the Administrative Ministry. The liability towards banks is proposed to be settled by the way of transfer of title of identified property worth ₹ 300 crores on “as is where is basis” as a full and final settlement. However, as per the recent correspondence between RTE Bank (lead bank) and STC dated 22.04.2022, the lender bank has given two options to the latter: - 1. Execution of equitable mortgage in favour of the lead bank at Delhi so that lenders can legally proceed for sale of properties mentioned in the Settlement Agreement with the authority to sell and realise the sale amount. 2. As joint suit is pending before the DRT-II, Delhi, the lenders shall proceed before DRT in execution of the consent decree for the accepted OTS amount of ₹ 300 cr. The decision making is pending with STC to convey their acceptance of suitable option for moving the MOTS ahead subject to seeking opinion from senior Government advocate. Pending settlement of OTS, the company has not provided any interest further in its financial statements during 2021-22. ii. Considering the fact that correspondence has been made by RTE Bank and STC in respect of the MOTS of Borrowings, the Borrowings have been crystallized at ₹ 30,000 lacs on as is where is basis. However, contrary to this, borrowings have been reflected at ₹ 80,623.24 lacs as against 30000 lacs, thereby overstating the borrowings to the extent of ₹ 50,623.24 lacs. The management is of the opinion that the matter is still in discussion stage. This is also non-compliance of Ind AS-109 as well as Ind AS-10

WWW.TAXSCAN.IN - Simplifying Tax Laws

	(regarding events occurring after the reporting period) by not taking into consideration the accounting effects of the events occurring after the balance sheet date regarding crystallization of bank loan amount at ₹ 30,000 lacs. 7. Foreign Currency Receivables and Payables: Currently, as per books of accounts, USD 3,149.35 lacs and Euros 20.90 lacs is receivable from its foreign buyers and USD 1665.41 lacs and Pound 0.04 lacs is payable to its foreign suppliers. In nutshell, there are foreign buyers and creditors standing in the financials of STC which have not been revalued in the FY 21-22, the potential impact of which is huge. Thus, the Company has not complied with Ind AS 21 (regarding the Effects of Changes in Foreign Exchange Rates) by not revaluing the carrying amounts, in most cases, of foreign currency receivables and payables which are under litigation/disputed. Therefore, we are unable to ascertain the potential impact on the financial statements, if any. 8. Deferred tax Assets (Net): Refer Note No. 12 & 55, the Company has MAT credit of ₹ 1347.81 lacs. However, there is no virtual certainty of profits in the future considering the high value of contingent liabilities, significant decrease in the sales value, negative net worth of the Company and decision of the board of directors regarding Non operative status of the Company dated 05.04.2021. This observation was also raised by the CAG auditors for the FY 2020-21. But still the MAT credit has not been reversed and this has resulted into understatement of loss by ₹ 1347.81 lacs and overstatement of Current assets by ₹ 1347.81 lacs. 9. Other Current Assets: i. Refer Note No. 14 – "Other Current Assets for non-provisioning in respect of Duties and taxes recoverable, XX (coal) amounting to ₹ 6.89 lacs which is non recoverable and still not written off. ii. Refer Note No. 11- Other Financial Assets -Claims Recoverable for non-provisioning in respect of Claims Recoverable o/s since last many financial years amounting to ₹ 1613.43 lacs where no present status could be ascertained by the management of the Company and still not written off. This is non-compliance of Ind AS -36 as no provision has been made for impaired assets. All these current assets are being reflected at their carrying amounts instead of on realization values. This has resulted into overstatement of Current assets by ₹ 1769.15 lacs and understatement of loss by ₹ 1769.15 lacs. 10. Provisions: Refer Note No. 38, for non-provision of a demand of ₹ 4,743 lacs out of total demand received from Land and Development Office - New Delhi amounting to ₹ 13,283 lacs (for the period March, 2004 to July 2018) which has resulted in understatement of loss by ₹ 4,743 lacs and understatement of liabilities. However, it has been shown as contingent liability. Also, company has not provided for interest accruing on the said demand amount (to be calculated at the rate of 10%) approx. The matter is under correspondence with RR office and no provision is made for the year 2021-22 in the accounts.

WWW.TAXSCAN.IN - Simplifying Tax Laws

11. Trade Payables: All the trade payables amounting to ₹ 1,11,960 lacs are without any balance confirmation and are outstanding for more than 3 financial years. No amount is payable to these parties as these are suppliers who have entered into legal agreement with STC wherein no amount is payable to them until and unless the amount is recovered from the foreign buyer. Thus, the management has not accorded any treatment to these trade payables and to that extent, liabilities are overstated.
12. Statutory Dues GST: The GST input receivable and payable balances are not reconciled by the Company as on March 31, 2022. No satisfactory data/explanation has not been furnished to us till the date of finalization of audit. Tax Deducted at Source In respect of the TDS deducted by the tenants, Company has not accounted for the TDS reconciled with

Financial Year	Amount.
2021-22	₹ 14,680
2020-21	₹ 59,067
2019-20	₹ 1765
2018-19	₹ 17000
Prior years	₹ 8,39,824
Total	₹ 9,32,925

We are, therefore, unable to comment upon the effect of the above in the Financial Statements relating to GST and TDS reconciliations not carried out.

13. It has been observed from the Form 26AS -downloaded from the Income tax portal that Interest income from RTE Bank amounting to ₹ 4,15,593 on which TDS amounting to ₹ 41,559 has been deducted by the RTE Bank is appearing in the AIS. However, neither the Income nor the TDS Receivable is booked in the books of accounts as the management does not have any details regarding this fixed deposit. RTE Bank has however informed on 26-05-2022 that this FDR does not belong to DD Limited. The matter is under correspondence and correction at the Bank level. Therefore, we are not able to comment upon the effect of this non accounting of Interest received and TDS thereof on the financial statement in the absence of complete details regarding this fixed deposit.
14. Refer Note No. 24, customer at credit includes amount payable to U.P. Government amounting to ₹ 603 lacs. As informed by the management, Branch has made various other claims on U.P Government and accordingly dues of ₹ 3911 lacs is recoverable from U.P. Government for which debit note dated March 10, 2014 was raised. However, the said claim was not recognized in the standalone financial statements of the branch till date, as its ultimate collection was not certain. In absence of information on acceptability of the said claim by the UP Government, we are unable to ascertain its possible impact, if any, on the standalone financial statements of the Company. It seems that the financial statements have not been prepared on realization basis as mentioned in the accounting policies. All

WWW.TAXSCAN.IN - Simplifying Tax Laws

	non-current assets held for Sale and other current assets have been stated at their carrying amounts as appearing in the books of accounts without making any exercise by the management to determine the realizable value of each current asset. 15. The impact of the following observations is not ascertainable: i. Refer to Cases and Disputes and matters under Litigation and amounts covered under Contingent Assets and Contingent Liabilities, since majority of the matters are subjudice, it is not possible to quantify the liabilities and the interest obligation if any on these cases. ii. Refer to Claims recoverable from XX, co-owner to the property at ZZ Bhawan, who have not paid their share of expenses to VV since last many years amounting to ₹ 728.31 lacs as on March 31, 2022. The matter is said to be under correspondence with XX. 16. We did not audit the financial statements of subsidiary namely PQR Limited included in the financials of the Company where financial statements reflect total assets of ₹ 987.97 lacs as at March 31, 2022, total revenue of ₹ 813.56 lacs and net cash inflows amounting to ₹ 673.25 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by another auditor whose Signed Auditor's Reports have not been furnished to us by the Management. There are no full time Directors in the said Subsidiary and for this reason Audited Financial Statements cannot be adopted and signed. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary and our report in terms of subsection (3) of section 143 of the Act, in so far as it relates to the aforesaid subsidiary, is qualified.
Management Response	1. In the year 2019-20, the valuation effect was taken into account on a conservative basis. Further, consequent to the adoption of accounting policy on non-going concern basis in FY 2021-22, Valuation for immovable assets will be conducted during FY-2022-23. Further there is also non-compliance of requirements of Ind AS-105. As per Ind AS-105, "Non-Current Assets held for Sale and Discontinued Operations", it requires that asset that meet the criteria to be held for sale should be measured at lower of carrying amount and fair value less costs to sell and to be separately presented in the Balance Sheet and also result of discontinued operations to be presented separately in the Statement of Profit and Loss. However, no fair value estimation of the noncurrent assets held for sale have been carried out as on 31st March,2022 but is said to be under process. Thus, there is also noncompliance of Ind AS 105 applicable to the Group. 2. SS Bhawan & VV Housing Colony, Malviya Nagar: Since there are some dues payable to DD and DDA, efforts are being made to settle the same under the directions of CCC. Moreover, CCC is also taking up the matter directly with DD. Title deeds when received shall be made available. STC got a plot of land at XX belonging to NN on lease for a period of 30 years. On the land leased there were three constructed oil storage tanks along

WWW.TAXSCAN.IN - Simplifying Tax Laws

	with other required infrastructure. The lease period had already expired on 17.10.2016. On expiry initially VV was seeking extension of lease of plots with NN and consequent upon decision to stop trading activities by STC, we have written to NN on 10.07.2020 for surrendering of said plots. Subsequently, the surrender certificate was executed on 12.11.2021. 3. With regard to QQ and Mumbai R.O. are leasehold properties and the title deeds are not available. VV got a plot land at FF belonging to NN on lease for a period of 30 years. On the land leased there were three constructed oil storage tanks along with other required infrastructure. The lease period had already expired on 17.10.2016. On expiry initially VV was seeking extension of lease of plots with NN and consequent upon decision to stop trading activities by VV, we have written to NN on 10.07.2020 for surrendering of said plots. Subsequently, the surrender certificate was executed on 12.11.2021. The tanks installed at NN has been surveyed by the NN and three tank farms, Machinery way leave, Pipelines and other assets as per inventory (handed over on as is where is basis) with an understanding that the value of the same shall be adjusted and paid to VV. The valuation report is still pending, hence, appropriate treatment will be effected upon arrival of the report. 4. This observation has been repeated since previous years. 325.685 square meters taken by PP for widening of roads during Asian Games and 388.91 square meters taken by DMRC for construction of Metro / Metro Station out of the total leasehold land allotted by BB to VV for construction of office building at (SS Bhawan) TT Marg, Janpath, New Delhi. The Company has taken up the matter with BB for reduction of both the area and the records will be updated in Fixed Assets register/ Schedule in respect of its area & after receipt of response. The response of BB is still awaited. Further, the matter is being followed up with BB. Division is taking requisite action through regular follow-up. If matter is not resolved, VV may have to take AA/ legal measures. As per VV's Board's decision dated 31.01.1975, 64 nos. of flats were sold to MMM. The necessary accounting treatment was done in the year 1975-76 itself. 5. Balances of trade receivables, trade payables and liabilities are being reconciled after completion of each transaction and the accounts are settled with the party. However, confirmation in respect of trade receivables and trade payables under litigation is not available at this stage, as it may be used against VV by the other party. Out of the total trade receivable of ₹ 1,69,419.41 lacs include ₹ 67,833.68 lacs "having significant increase in credit risk" being under dispute/litigation. The company feels that even if no amount would eventually be recovered, no credit impairment is required for the credit risk since the creditor will be paid by the company only to the extent the amount is realized from the debtors. Further, this is a trading arrangement continuing since last many years. Since VV has already lodged its claim in the court and the matter are sub-judice, required provision shall be made after decision of the court. This observation has

WWW.TAXSCAN.IN - Simplifying Tax Laws

	been repeated since previous years. Trade receivables include ₹ 56,844 Lacs (approx.) on account of export of pharma products to foreign buyers purchase from PQR Limited). XXL drew bills of exchange on VV which were also accepted upon receipt of overseas buyers pre-acceptance to VV's bills of exchange. The foreign buyers i.e. ABC Limited and PQC Limited defaulted in making payment against the export bills. A claim of ₹ 52,786 Lacs has been admitted by the liquidator of one of the foreign buyers i.e. RR Trading, XYZ Limited Ltd, Singapore. A Decree of ₹ 6,247 Lacs has been passed by Hon'ble Mumbai High Court in favour of VV against the dues from foreign buyer i.e. MNO Limited. However, one of them has gone into liquidation and official liquidator is appointed by Hon'ble High Court Mumbai. The matter is also under investigation by CBI. No provision is required against the same. Banks & Financial institutions have filed legal suit against RPL before DRT making VV also a party to the case claiming ₹ 47,647 Lacs. 6. In this connection, VV has obtained a legal opinion from Mr. JJ, Advocate Supreme Court of India wherein he has opined as under: "VV can issue a Board Resolution in favour of the banks authorizing the banks to negotiate the aspect of sale / auction of the identified properties on behalf of VV. On the strength of the Board Resolution, the identified properties can be put to sale / auction immediately. The sale consideration so received would stand to the credit of the banks. The language of the Resolution would need to be drafted with consent of all parties to secure respective interests and avoid any confusion at any point of time." Further, VV has also obtained another legal opinion from Ms. AA, Ld. AAA who has further endorsed the opinion of Adv. JJ, stating that Board Resolution, would be best suited to protect the interests of both parties and also to have an amicable closure to a longstanding dispute. In reply the lead banker RTE Bank has vide letter dated 27.07.2022 concurred with he opinion by M/s JJ & Associates along with two modifications in the draft MOTS, which are as under: (1). That the account of VV will continue as settled account in their books till the sale proceeds of the entire identified properties are recovered and adjusted and balance written off. That banks will withdraw the pending DRT suit after realization of the balance OTS amount as agreed. Matter has been forwarded to our legal counsel Mr. JJ for his opinion on the above letter from RTE Bank and reply is still awaited and matter also forwarded to OTS committee of VV. 7. This observation has been repeated since previous years. The company has complied the requirements of Ind AS 21, regarding the Effects of changes in foreign exchange rates as on balance sheet dated. However, this pertains to cases under litigation and had been fully provided in earlier years and the carrying amounts are under dispute. The company has filed legal cases for such outstanding balances for both receivables and payables. 8. The credit of MAT can be utilized by the company in the subsequent

WWW.TAXSCAN.IN - Simplifying Tax Laws

	year(s) as mentioned in the table below.: A.Y. in which MAT credit was created — Amount (₹ Lacs) 2014-15 (Credit available up to Financial Year 31.03.2025) — 401.08 2016-17 (Credit available up to Financial Year 31.03.2027) — 758.82 2017-18 (Credit available up to Financial Year 31.03.2028) — 187.91 Total — 1347.81 The MAT credit of ₹ 13.48 crore can be adjusted against the tax liability as per normal provisions of the Income-tax Act, 1961 which may arise in coming years on account of increased rental income and the pending OTS. 9. The matter pertains to AY 2014-15. The order for refund has been issued, and the same is being followed up by R.O. Out of the claims recoverable of ₹ 1613.43 lacs, major components are ₹ 547.75 lacs pertain to MMMN (co-owner) and ₹ 728.32 lacs pertain to ABC (co-owner) for which regular follow up is being done by concerned division on a regular basis. Provision of ₹ 33.04 lacs & ₹ 476.47 lacs has been earlier provided for MMMN & ABC respectively. ₹ 118.43 lacs pertain to XYZ-IFB, Overseas, CAG & GF, said amount was attached by honourable court in the matter of VV, of which ₹ 24.17 lacs have been provided for against XYZ GF. ₹ 94.56 lacs pertain to TRAI which is fully provided for ₹ 87.14 lacs pertain to BIFR and against this provision of ₹ 31.80 lacs has already been provided. The same shall be followed up at ABBBA / legal platform. 10. With a view to obtain updated demand as on date, VV officials visited XX on 18.05.2022 in connection with outstanding demand of ₹ 132.83 crore raised by XX, wherein, XX asked to send written request seeking the same. In addition, XX stated that assessment with regard to raising such demand they have their own parameters. VV vide letter dated 20.05.2022 and 22.06.2022, has requested XX to give the updated liability as on date towards BB, the reply from XX is yet to be received. In addition, department of commerce vide letter dated 13.07.2022, has also taken up the issue with XX. The reply from XX is yet to be received. 11. This observation has been repeated since previous years. Balances of trade receivables, trade payables and liabilities are being reconciled after completion of each transaction and the accounts are settled with the party. However, confirmation in respect of trade receivables and trade payables under litigation is not available at this stage, as it may be used against VV by the other party. 12. Reconciliation of GST Input and Output balances carried out for the F.Y. 2021-22 to certain extent and accordingly, adjustment entries were passed. Reconciliation pertaining to prior years is under process and will be carried out in the current year i.e. FY 2022-23.

WWW.TAXSCAN.IN - Simplifying Tax Laws

	13. As per past practice, the TDS on rent receipts is considered as and when the same is realized. However, there is no financial implication, as the total amount recoverable from tenant is appearing under claims. When the amount is realized, the corresponding TDS shall be recognized and shown separately in books. The same is expected by the time of filing ITR. The TDS defaults are being taken up by the tax consultant for revising respective returns. 14. This observation has been repeated since previous years. An amount of ₹ 603 lacs payable to U.P Government is adjustable against outstanding claims from UUU on account of - (i) differential of import price and amount realized on risk sale of 9555.285 MTs AAA. (ii) interest and carrying charges, amounting to ₹ 3,911 lacs which is under dispute and shown as contingent assets. Further, VV has been continuously following up the recovery matter with Government of Uttar Pradesh and has now filed its petition on 28.01.2022 for resolution of its dispute through DEF mechanism. Department of Commerce has informed that the DEF committee has been constituted and the First meeting of the DEF committee will be scheduled in due course. 15. The same shall be reviewed in the F.Y. 2022-23. The issue is being followed up regularly with XX. 16. The review of Annual Accounts of PQR Limited for the period ending 31.03.2022 by its Statutory Auditor was completed on 06.05.2022. As per practice the reviewed accounts are placed before XXL's Board and on approval/adoption of accounts by Board, the signed copies of accounts are submitted to XX for consolidation purpose. However, in view of incomplete Board of XXL, duly reviewed accounts of PQR Limited instead of Board approved accounts were shared with VV for facilitating the consolidation of XXL's accounts with VV's accounts.

WWW.TAXSCAN.IN - Simplifying Tax Laws

89. Transport Related Services

Company 89.1	
Basis for Qualified Opinion	We have audited the accompanying consolidated financial statements of PQR Limited (hereinafter referred to as the "Holding Company") its subsidiaries and Joint venture (Controlled Entity) (Holding Company its subsidiary and Joint venture (Controlled Entity) together referred to as "The Group"), which comprise consolidated balance sheet as at 31 March 2022, and the consolidated statement of Profit and Loss (including Other Comprehensive Income), consolidated statement of changes in equity and 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") In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the group as at 31 March 2022, and their consolidated loss including other comprehensive income, their consolidated statement of changes in equity and their consolidated cashflows for the year ended on that date.
Management Response	The financial statements have been audited by ABC, Chartered Accountants, Statutory Auditors of the Company and no qualifications / comments have been made. Frauds reported by the Auditor There has been no such instance during the period.

WWW.TAXSCAN.IN - Simplifying Tax Laws

90. TV Broadcasting & Software Production

Company 90.1	
Basis for Qualified Opinion	1. The Company's management has not complied with Section 185, Section 186 and Section 189 of Companies Act, 2013 as all loans and advances granted and taken by the Company does not bear the interest and is detrimental to the interest of the Company. The Company's management has not taken ESI (Employee's State Insurance) and EPF (Employer's Provident Fund) registration and has accordingly defaulted on its payment. 2. The Company's management has taken loan from individuals amounting to ₹ 66.07 lakhs which will be treated as public deposits as per Section 76 read with Companies (Acceptance of Public Deposits) Rules, 2014 of the Companies Act, 2013.
Management Response	All Observations made in the Independent Auditors' Report and Notes forming part of the Financial Statements are self-explanatory and qualifications, reservations or adverse remarks related to deposits have been made by the Statutory Auditors in the said Report.

Company 90.2	
Basis for Qualified Opinion	The company has not provided for interest on overdue loans from bank & unsecured loans from directors in financial statements since 01.04.2017 amounting to ₹ 6224.21 Lacs (including ₹ 1562.29 Lacs for F.Y. 2021-22). Had the company provided for interest, the loss of the company for the year ended 31.03.2022 would have been higher by ₹ 1562.29 Lacs and negative balance of other equity would have increased by ₹ 6224.21 Lacs.
Management Response	The Board has duly examined the Report issued by the Statutory Auditors of the Company on the Accounts for the financial year ended March 31st, 2022. The notes on Accounts, as presented in this Annual Report, are self-explanatory in this regard and hence do not call for any further clarification. Further, the report of the Statutory Auditors along with notes to Schedule is enclosed to this report. The Auditor's Report does not contain any qualification, reservation or adverse remark.

Company 90.3	
Basis for Qualified Opinion	1. As described in note 46 to the accompanying standalone financial statements, the Company's 'Revenue from operations' includes broadcasters' share in subscription income from pay channels, which has correspondingly been presented as an expense which is not in accordance with the requirements of Ind AS-115, 'Revenue from Contracts with Customers'. Had the management disclosed the same on net basis, the 'Revenue from operations' and the 'Pay channel costs' each would have

WWW.TAXSCAN.IN - Simplifying Tax Laws

	been lower by ₹ 3,369.65 million for the year ended March 31, 2022, while there would have been no impact on the net loss for the year ended March 31, 2022. 2. Further, with respect to the above matter, qualifications have been given by other firms of Chartered Accountants vide their audit reports dated 20 May 2022, 24 May 2022, 27 May 2022, 19 May 2022, 13 May 2022, 23 May 2022 and 20 May 2022 on the financial statements of the subsidiaries of the Holding Company, namely, ABC Limited, PQR Limited, MNO Limited and XYZ Private Limited respectively, and is reproduced by us as under, with the aggregate amount pertaining to such subsidiaries, as also included in the above paragraph. The company's / group's 'Revenue from Operations' includes broadcasters' share in subscription income from pay channels, which has correspondingly been presented as an expense which is not in accordance with the requirements of Ind AS-115, 'Revenue from contracts with customers'. Had the management disclosed the same on net basis, the 'Revenue from Operations' and the 'Pay channel costs' each would have been lower by ₹ 7,529.25 million for the year ended March 31, 2022, while there would have been no impact on the net loss for the year ended March 31, 2022. 3. According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls with reference to financial statements as at March 31, 2022. The company's internal financial controls over preparation of financial statements with respect to presentation and disclosure of 'Revenue from operations' in accordance with the requirement of Ind AS 115 'Revenue from contracts with customers', were not operating effectively which has resulted in a material misstatement in the amounts recognised as 'Revenue from operations' and 'pay channel costs' including the relevant disclosures in the standalone financial statements, while there is no impact on the net loss for the year ended March 31, 2022.
Management Response	During the year under review, the Statutory Auditors has reported the following modification(s) in the Audit Report: The Company's 'Revenue from Operations' includes broadcasters' share in subscription income from pay channels, which has correspondingly been presented as an expense which is not in accordance with the requirements of Ind AS-115, 'Revenue from contracts with customers'. Had the management disclosed the same on net basis, the 'Revenue from Operations' and the 'Pay channel costs' each would have been lower by: in case of Standalone Financial Results – ₹ 844.1 million and ₹ 3,369.7 million for the quarter and year ended March 31, 2022, respectively; in case of Consolidated Financial Results – ₹ 1,805.9 million and ₹ 7,529.3 million for the quarter and year ended March 31, 2022, respectively, while there would have been no impact on the net loss for the quarter and year ended March 31, 2022. As explained/clarified by the Management of the Company, the Board is of the view that that as per its interpretation and cable Industry practices of

WWW.TAXSCAN.IN - Simplifying Tax Laws

	recognising revenue under Ind AS 115, the Company has appropriately shown gross revenue and content cost separately. Further, there is no impact on the net loss for the quarter and year ended March 31, 2021.

Company 90.4	
Basis for Adverse Opinion	1. We are not able to judge solicited on the basis of verification of other audit evidences obtained during the course of audit whether the management has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework. Further, we had also requested the management to give a written representation that it has provided us with all the relevant information during the audit and whether all the transactions have been properly recorded and reflected in financial statements, however the management has not provided all such written representations as per Standard on Auditing SA 580, as a result we are unable to obtain sufficient appropriate audit evidence. The possible effects of such inability on the financial statements are not confined to specific elements, any accounts or items of financial statements and hence we conclude this condition to be pervasive, in our professional judgment, due to which we have issued adverse opinion on the financial statements in such circumstances as required by Standard on Auditing SA 705 (Revised). 2. Due to defaults in repayment of loans taken from Bank/s, the Account of the Company has been classified as Non- Performing Asset by Banks in the previous financial years and except two Banks, other Banks have not charged the interest / reversed the unpaid interest charged from the date the account has been classified as non-performing. No provision has been made in the books of accounts maintained by the Company for interest / penal interest, if any, on these term loans amounting to approximately ₹ 23,48,25,319 /- as on March 31, 2022 (exact amount cannot be determined), hence to that extent, finance cost, total loss for the year ended March 31, 2022, Negative "Other Equity" balances (as it includes interest expense of previous financial years) and current financial liabilities are understated by approximately ₹ 23,48,25,319 /- as on March 31, 2022. The said amount of ₹ 23,48,25,319 /- is the difference between Claims amounting to ₹ 2,02,33,93,274/ (including interest) received from banks by RP as on December 20, 2019 and amount of loan outstanding from banks amounting to ₹ 178,85,67,955 /- reflected in books of accounts of the Company as on March 31, 2022. Also, such loan outstanding balances as per books of accounts are subject to confirmation / reconciliation with the balance as per banks as on March 31, 2022. 3. The aggregate carrying value of Business and Commercial rights in the books of the Company as on March 31, 2022 is ₹ 69,29,33,536 /-. There is no revenue generation from monetization of these assets during the year ended March 31, 2022 and in previous financial years, due to which the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	Company has incurred substantial losses during the year ended March 31, 2022 and in previous financial years. There is a strong indication of Impairment in the value of these Business and Commercial rights and therefore we are of the opinion that the Impairment loss of ₹ 69,29,33,536/- should be provided on all such assets in the books of accounts of the Company as on March 31, 2022. The assets of the Company are overstated and net loss for the year ended March 31, 2022 is understated to that extent. 4. The Company has not provided for loss allowances on financial Corporate Guarantee contracts amounting to about ₹ 301,88,23,554/- (exact amount cannot be ascertained) as on March 31, 2022 given by the Company on behalf of its related group companies which is to be recognized as required by Indian Accounting Standard (Ind AS 109) and also not provided for claims amounting to about ₹ 136,07,97,232/- (exact amount cannot be ascertained) as on March 31, 2022 received from banks for security interest on the assets of the Company for Loans availed by the related group companies. The financial liabilities of the Company and net loss for the year ended March 31, 2022 are understated to that extent. 5. The Company's inventories are reflected in the Balance Sheet at ₹ 2,71,01,487/- as on March 31, 2022. The Company has not stated the inventories at the lower of cost and net realizable value but has stated them solicited at cost, which constitutes a departure from Indian Accounting Standard-2- Inventories (Ind AS-2). As the inventories of the Company consist of rights which are returned by the customers due to defect in quality of such rights and it also consist of such inventory which are non-moving for a long period of time, we are of the opinion that the net realizable value of inventories is NIL as on March 31, 2022. The assets of the Company are overstated and net loss for the year ended March 31, 2022 is understated to that extent. 6. The impact of Impairment, if any, of all other Tangible assets in Property, Plant and Equipment amounting to ₹ 37,43,59,951 /- and Capital Work in Progress amounting to ₹ 14,03,44,247 /- should be accounted in the books of accounts by the Company at the year ended March 31, 2022 after conducting the physical verification of all such assets and by ascertaining the Fair Market Value of such assets by appointing a third party expert valuers and by doing a valuation of the same. In the absence of physical verification of Property, Plant and Equipment and valuation report of assets by the third party valuers, we are unable to comment whether that the value of assets as reflected in Property, Plant and Equipment and Capital Work in Progress head is correct or impairment for the same is required as on March 31, 2022. 7. The Company / RP has received claims from some Operational Creditors amounting to ₹ 2,40,190 /- as on December 20, 2019 which has been accepted, however ₹ 1,25,782/- is the balance outstanding as per books as on March 31, 2022 for such operational creditors. The loss for the year

WWW.TAXSCAN.IN - Simplifying Tax Laws

	ended March 31, 2022 and Trade Payables are understated to the extent of ₹ 1,14,408 /- as on March 31, 2022. 8. Inter-Company Related Party outstanding balance with PQR Limited and ABC Limited as on March 31, 2022 is subject to reconciliation. The impact, if any, due to non-reconciliation of Inter-Company accounts on the financial statements of the Company as on March 31, 2022 is unascertainable. 9. The amount of Depreciation and Amortization expenses for the year ended March 31, 2022 is assumed to be proportionate to the Depreciation and Amortization expenses as per the Audited financials of the Company for the year ended March 31, 2022, due to reasons as stated in Note No. 31 forming part of the financial statements for the year ended March 31, 2022. The impact of differences, if any, between actual depreciation as per Fixed Asset Register and as per the books of accounts, on the financial statements of the Company as on March 31, 2022 is unascertainable. 10. No provision for doubtful debts for the sum of ₹ 26,81,000 /- has been made in books of accounts as on March 31, 2022 as required by Indian Accounting Standard (Ind AS 109) for amount recoverable from a debtor which is doubtful of recovery. The loss for the year ended March 31, 2022 is understated and Trade Receivables of the Company are overstated as on March 31, 2022 to the extent of ₹ 26,81,000 /-. 11. Bank Balances totalling to ₹ 2,61,992 /- and unclaimed dividend account amounting to ₹ 1,82,687/- are subject to confirmation / reconciliation due to non-receipt of bank statements/ bank confirmation/external confirmations as on March 31, 2022, as represented to us by the management. The impact, if any, on the financial statements as on March 31, 2022 could not be ascertained.
Management Response	1. The suspended management has not handed over the books of accounts and other accounting records and documents (for the period prior to 31st March, 2017), possession of the corporate office, content library (intangible asset), inventories, other fixed assets, original agreements and documents related to Company. Therefore, the Resolution Professional has filed a non-cooperation petition with Hon'ble NCLT, Mumbai against the suspended management of the Company. Accordingly, the Resolution Professional is not in a position to provide all such written representations, as requested by the Statutory Auditors. 2. Reply from Resolution Professional- Since the Company is under CIRP and a Resolution Plan is under consideration pursuant to Hon'ble NCLAT order, the accounts have been prepared on going concern concept. 3. RP is unable to comment on this qualification as the aforesaid content library (intangible asset) and related records has not been handed over by the Suspended management. 4. RP has made disclosures in the Notes to Financials with respect to the claims that have been received by him. The Corporate Guarantee contracts relates to before the CIRP period which the suspended management failed

WWW.TAXSCAN.IN - Simplifying Tax Laws

	to disclose appropriately in the financials and are now appropriately disclosed in the Notes to the Financials. 5. RP is unable to comment on this qualification as the aforesaid inventory and related records has not been handed over by the Suspended management. 6. RP is unable to comment on this qualification as he has not been provided access to the Fixed Assets Register or related records by the suspended management. 7. RP has made disclosures in the Notes to Financials with respect to the claims that have been received by him. 8. The RP does not have any control over the books of accounts of the related parties. 9. The suspended management has not handed over the books of accounts and other accounting records and documents (for the period prior to 31 March, 2017), and also the Fixed asset Register. Therefore, the Resolution Professional has filed a non-cooperation petition with Hon'ble NCLT, Mumbai against the suspended management of the Company under Code. Since the RP does not have access to the Fixed Asset Register, the depreciation for FY 2021-22 is calculated based on depreciation expense for FY 2020-21 (as explained in Notes to Financials). 10. RP is unable to comment on this qualification as he has not been provided access to the books of accounts (for the period prior to 31st March, 2017) by the Suspended Management. 11. Due to non-receipt of the bank statement even after repeated reminders made to the respective bank, the RP is unable to comment on the same.

Company 90.5	
Basis for Qualified Opinion	1. Due to defaults in repayment of loans taken from the Banks, the Account of the Company has been classified as Non- Performing Asset by the banks in the previous financial years and the banks have not charged the interest / reversed the unpaid interest charged from the date the account has been classified as non-Performing. No provision has been made in the books of accounts maintained by the Company for interest / penal interest, if any, on these term loans amounting to about ₹ 13,86,81,636/- (exact amount cannot be ascertained) for the year ending March 31, 2022, hence to that extent, finance cost, total loss and current financial liabilities is estimated to be understated by about ₹ 13,86,81,636 /- (exact amount cannot be ascertained) for the year ending March 31, 2022. Further, no provision for interest / penal interest, if any, on such term loans has been made in books of accounts, from the date the account of the Company has been classified as non-performing in the books of those banks. Also, such loan outstanding balances as per books of accounts are subject to confirmation / reconciliation with the balance as per banks as on March 31, 2022. Also,

WWW.TAXSCAN.IN - Simplifying Tax Laws

	bank balances totalling to ₹ 39,875 /- are subject to confirmation / reconciliation as on March 31, 2022 due to non-availability of bank statements /balance confirmation received from such banks, as represented to us by the Company. 2. No provision for diminution in value of investment is made in the books of accounts as on March 31, 2022 even though the fair value of Investment of the Company of ₹ 3,00,00,000/- in Equity Shares of the Company's Subsidiary Companies i.e. ABC Limited, MNO Limited, PQR Limited and ₹ 30,12,00,000/- in Company's Associate Company i.e. STU Limited, is lower than their cost of acquisition. The loss for the year ended March 31, 2022 is understated and non-current investments of the Company as on March 31, 2022 are overstated to that extent. 3. The aggregate carrying value of Business and Commercial Rights and Channel Development Cost in the books of the Company as on March 31,2022 is ₹ 77,31,21,696 /-. There is no revenue generation from monetization of these assets during the year ended March 31, 2022 due to which the Company has incurred substantial losses during the year ended March 31, 2022 and in previous financial years. There is a strong indication of impairment in the value of these Business and Commercial Rights and Channel Development Cost and therefore we are of the opinion that the impairment loss of ₹ 77,31,21,696 /- should be provided on all such assets in the books of accounts of the Company as on March 31, 2022. The assets of the Company are overstated and net loss for the year ended March 31, 2022 is understated to that extent. The Company has not provided for loss allowances on financial guaranteed contracts amounting to ₹ 11,59,80,252 /- (excluding interest / penalty charges, if any) given by the Company on behalf of its related group companies to its secured lenders which is to be recognized as required by Indian Accounting Standard (Ind AS 109). The financial liabilities of the Company and net loss for the year ended March 31, 2022 is understated to that extent. 4. The Company has not accounted the lease transactions as per requirements of Indian Accounting Standard (Ind AS- 116) which is applicable from April 1, 2020. The impact, if any, of such non-compliance of Ind AS 116 on the financials of the Company for the year ended March 31, 2022 is unascertainable. 5. Inter-Company Related Party outstanding balance with DEF Limited as on March 31, 2022 is subject to confirmation / reconciliation. The impact, if any, due to non-reconciliation of Inter-Company accounts on the financial statements of the Company as on March 31, 2022 is unascertainable. 6. The Company has not provided for Interest expenses on late payment of Carriage Fees and other Operational Cost payable to various vendors whose balances are outstanding as on March 31, 2022 which needs to be accounted as per the applicable Indian Accounting Standards as the same is payable to the vendors as per the agreements entered into with them. Further, the working for such interest expenses on late payment of such expenses has not been made by the Company, due to which the exact

WWW.TAXSCAN.IN - Simplifying Tax Laws

	amount of provision for interest cannot be ascertained as on March 31, 2022. The financial liabilities of the Company and net loss for the year ended March 31, 2022 due to non-accounting of provision for interest, are understated to that extent.
Management Response	1. The documents upon which the Company relies for the purpose of finalisation of accounts doesn't indicate charge of any interest/ penal interest. Accordingly, no provision is made in the Profit and Loss account of the Company. 2. Though the present value of Investment of the Company of ₹ 3,00,00,000/- in Equity Shares of the Company's Subsidiaries i.e. HIJ Limited, ABC Limited, MNO Limited and ₹ 30,12,00,000/- in Company's Associate i.e. ABZ Limited, is lower than their cost of acquisition, management is of the opinion that keeping in view their long term business synergy and potential, no provision for diminution in value of investment is made as on March 31, 2022. 3. Management of the company does not anticipate any impairment in the value of Intangible Business and Commercial Rights and related media assets as management consider that Rights/assets can be commercially exploited in different ways to generate the revenue. Management is in continuous process of generating revenue from exploitation of rights in different ways. Management estimates that decline in revenue in recent past is temporary in nature which have potential to get regularized in near future. Management further estimates that the said assets, during their useful life, will be able to generate discounted cash flow at least equal to the present value of rights/assets in the books. The nature of assets is such that revenue generated from it is unevenly spread during the useful life of assets. The company is in process of forming a technical team of experienced persons to estimate the value in use. 4. The Company is not aware of invocation of its Corporate Guarantee and accordingly, no provisions is made for the same. 5. The impact for adoption for Ind AS 116 in the Company's financial statements is not material as the Company has not entered into a long-term lease agreement with any lessor. However, the management will assess its impact in next financial year and account for the same, if required, as per Ind AS 116. 6. The Company is in the process of the reconciling the outstanding balance with ABC Limited and the impact, if any, on the accounts of the Company will be provided in the next financial year. 7. The Company is having strong relations with its vendors since decades and thus had arrived at an amicable settlement as and when needed and hence not been charged any interest on late payment made to the vendors.

Analysis of Modified Opinions — TV Broadcasting & Software Production

Company 90.6	
Basis for Qualified Opinion	We draw attention to Note 36 of the consolidated financial statements, where the Management has explained reasons for not accounting for the Put Option. As explained in the said Note, the Put Option agreement was initially entered into by XYZ Limited), a wholly owned subsidiary of the Parent on 20th January 2016 and renewed on 29th July 2019 to be valid until 30th December 2026. The Put Option agreement requires XYZ Limited to purchase the issued share capital of PQR Limited, a related party of the Parent to the extent of 64.38% held by ABC Limited, another related party of the Parent [total exercise price of the Put Option $52.50 million (₹ 3,969 million as at 31st March 2022 (₹ 3,848 million as at 31st March 2021))]. In order to secure a borrowing from ASB Bank Limited (Bank), ABC Limited had assigned all its right, title, benefit and interest under the said Put Option agreement in favour of the Bank. As explained in the note, XYZ Limited has rescinded the renewal of the Put Option from the date of its renewal and the validity of the Put Option agreement is sub-judice in the Hon'ble Supreme Court of Mauritius. In view of the above, the auditors of XYZ Limited have been unable to determine whether any adjustments are required to be made in respect of the fair value of the Put Option (including any impact in the prior periods) in the financial statements of XYZ Limited that have been audited and provided for inclusion in the Statement and have modified their audit report on the said financial statements of XYZ Limited on the said matter. Consequently, we are unable to comment if any adjustments are required to these consolidated financial results under Ind AS 109 on 'Financial Instruments' in respect of the said Put Option (including any impact in the prior periods).
Management Response	(XYZ Limited), an overseas wholly owned subsidiary of the Company incorporated in Mauritius, is engaged in broadcasting business. Living Entertainment Limited, Mauritius (ABC Limited), a related party of the Company, is a content provider. During the financial year ended 31 March 2016, XX had entered into a Put Option agreement with ABC Limited to acquire the issued share capital to the extent of 64.38% held by ABC Limited in PQR Limited (another related party of the Group) at an exercise price of $ 105 million. The exercise period of the Put Option was from the agreement date till the expiry date, i.e. 30 July 2019. In order to secure a borrowing, from KSL Bank Limited and ASB Bank Limited (Bank), ABC Limited had assigned all its right, title, benefit and interest under the said Put Option agreement in favour of KSL Bank HHH branch, the security trustee for the benefit of KSL Bank Limited and ASB Bank Limited. The Put Option agreement was amended and renewed by the parties (XYZ Limited and ABC Limited) on 29 July 2019 and extended till 30 December 2026 based on certain representations made by ABC Limited and the exercise price was set at $52.50 million (₹ 39,685 lakhs as at 31 March 2022, ₹ 39,044 lakhs as at 31 December 2021, ₹ 38,483 lakhs as at 31 March 2021) for the same quantum of shares as per the earlier Put Option agreement and ABC Limited extended the assignment of the Put Option to the security trustee During the financial year ended 31 March 2020, the Bank invoked the Put Option pursuant to the assignment and demanded XYZ Limited to pay the

WWW.TAXSCAN.IN - Simplifying Tax Laws

	exercise price. Subsequently, upon inquiry, XYZ Limited became aware of certain misrepresentations by ABC Limited at the time of renewal of the Put Option agreement and consequently, XYZ Limited has rescinded the Put Option from the renewal date of the Put Option agreement and also filed a suit against ABC Limited and the security trustee of the said Bank (security trustee subsequently excluded in the amended plaint fil ed during the quarter ended 30 September 2021) in the Hon'ble Supreme Court of Mauritius for inter-alia declaration that the amended Put Option agreement has been properly rescinded and no longer binding and enforceable. The matter is now sub-judice in Mauritius. XYZ Limited does not consider that any liability will devolve on it and hence has not recognized any liability towards the fair value of the Put Option in its books of account. Further, the Management of XYZ Limited has determined that based on valuation reports of HHH provided by ABC Limited annually for subsequent periods up till 31 March 2019, the value of the underlying shares in VIL was higher than the exercise price and hence no amount was required to be recognized as liability towards the fair value of the Put Option in respect of those financial year ends.

Company 90.7	
Basis for Qualified Opinion	We draw attention to Note 51 to the standalone financial statements, which states that the Company has to recover the corporate guarantee settlement amount of ₹ 2,900.00 million along with other receivables of ₹ 193.03 million aggregating to ₹ 3,093.03 million from ABC Limited. As stated in the note, the Company has had discussions with ABC Limited for the recovery of the said outstanding amount, and ABC Limited, due to its stressed financial position, has expressed its inability to pay the same in cash. As further explained in the said note, ABC Limited, post discussions, agreed to settle the entire outstanding amount by Independent Auditor's Report on the Standalone Financial Statements transfer / assignment of Identified Trademarks of ABC Limited valued at ₹ 1,700.00 million and cash payment of ₹ 120.00 million, aggregating to ₹ 1,820.00 million. Basis the valuation reports received, the said settlement terms were agreed and approved by the Board of Directors of the Company as well as the Board of ABC Limited. The said terms of settlement were also approved by the members of the Company, however, the proposed settlement was not approved by the members of ABC Limited on account of which the settlement has not been effected. Based on the above agreed settlement terms with the Board of ABC Limited, the management has provided for ₹ 1,273.31 million, and basis the internal assessment and the assurance from ABC Limited, the amount of ₹ 1,819.72 million is considered fully recoverable. However, due to non-receipt of the requisite approvals from the members of ABC Limited and considering the current business operations, substantial losses incurred over the years and negative net worth of ABC Limited, and further in the absence of identified source of funding and concrete plan for repayment by ABC Limited to substantiate management's conclusion on the recovery of ₹ 1,819.72 million, in our opinion, it is not certain that the Company will be able to recover the said amount. Had the said amount been provided, the net profit / total

WWW.TAXSCAN.IN - Simplifying Tax Laws

	comprehensive income for the year and other equity as at 31 March 2022 would have been lower by ₹ 1,819.72 million.
Management Response	In order to recover the total due and outstanding amount, the Company has been in discussion with ABC Limited, and ABC Limited has expressed its inability, due to its stressed financial position, to pay the aforesaid amount in cash. Post discussions, ABC Limited agreed to settle the entire outstanding amount by transfer/ assignment of Identified Trademarks of ABC Limited valued at ₹ 1,700.00 million and cash payment of ₹ 120.00 million, aggregating to ₹ 1,819.72 million. Basis the Valuation reports received, the said settlement terms were agreed and approved by the Board of Directors of the Company as well as the Board of ABC Limited. The said terms of settlement were also approved by the members of the Company however the proposed settlement was not approved by the members of ABC Limited on account of which the settlement has not been effected. Based on the above agreed settlement terms with the Board of ABC Limited, the management has provided for ₹ 1,273.31 million and basis the internal assessment and the assurance from ABC Limited, the amount of ₹ 1,819.72 million is considered fully recoverable whereas the auditors have expressed qualification on the same.

WWW.TAXSCAN.IN - Simplifying Tax Laws

91. Tyres & Rubber Products

Company 91.1	
Basis for Qualified Opinion	1. As described in note 2.4(a) to the accompanying standalone financial statements, the company has certain overdue trade receivables as at 31 March 2022 aggregating to ₹ 1,085.13 lakhs, (net of expected credit loss allowance of ₹ 90.64 lakhs). As further stated in the said note, the management has assessed the recoverability of all trade receivables outstanding as at year end and created an additional allowance for expected credit loss amounting to ₹ 318.96 lakhs, including on certain specific debts, during the current year. However, in absence of sufficient appropriate audit evidence to support aforesaid accounting estimate made by the management as required under the principles of expected credit loss enunciated under Ind AS 109, Financial Instruments, we are unable to comment on the adequacy of such allowance made against aforesaid overdue trade receivables as at 31 March 2022 and the consequential impact thereof on the accompanying standalone financial statements for the year ended 31 March 2022. 2. According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls with reference to financial statements as at 31 March 2022. The Company's internal financial control system towards evaluation of provisioning required for expected credit losses on receivables, as explained in note 1.17 to the accompanying standalone financial statements, were not operating effectively, which could potentially result in the Company not providing for adjustments, if any, that may be required to the carrying value of these receivables and its consequential impact on the losses, reserves and related disclosures in the standalone financial statements.
Management Response	1. The Auditors' Qualification has been appropriately dealt with in Note No. 2.4(a) of the Notes to the standalone audited financial statements. The management is following up for recovery all overdue amount and favourable response is expected. Considering the impact of Covid-19 in the normal operations of the Company, including delays in collections from customers, the Company has performed an assessment of recoverable values of its receivables including overdue receivables and an additional allowance for expected credit loss amounting to ₹ 318.96 lakhs (in addition to the existing ECL provision of ₹ 121.79 Lakhs) has been made in the financial statement during the FY 2021- 22 Based on various estimates and assumptions used in business forecast and fund flow projections, the management expects to recover its receivables and confirm that adequate provision has been made in the financial statement. 2. Company has a well-defined and structured internal control mechanism, commensurate with the size and nature of the business and complexity of

	its operations. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. Company has taken steps to review and document the adequacy and operating effectiveness of internal controls. Management confirm that the Internal Financial Controls are adequate with respect to the operations of the Company. Company follows policy driven SOPs for the assessment of provisions required, including provision for expected credit losses (ECL) on receivables. At each reporting date of the financial results, the Company has assessed increases in credit risk on outstanding receivables from its initial recognition and recognised ECL based on the requirements of Ind AS 109. Unsecured debtors over 3 years if any as well as identified unsecured debts with no movement for 1 year has also fully provided.

Company 91.2	
Basis for Qualified Opinion	1. Attention is invited to Note No Z (18) of financial statements, the Company has defaulted in repayment of loan taken from XYZ Bank. Company's accounts have been classified as Non- Performing Assets (NPA) by the Bank as on 6th March 2022. The bank has not charged any interest on the company's borrowing for the month of March 2022 and it has reversed the unrealized interest already charged in accounts. The Company has not made provision for such interest (including unrealized interest already charged) in books of accounts of the company. Amount of Interest including penal interest has not been provided by the Bank, hence could not be quantified. Finance cost and net losses for the year and bank liabilities as on 31st March 2022 are understated to that extent. 2. The Company has received claims from its Operational and Financial Creditors post initiation of Corporate Insolvency Resolution Process. Claims of these creditors are under process of verification with books of accounts and no impact has been taken in books of accounts. Due to pending process of verifications and reconciliations, consequential impact of the same on financial statements of the company cannot be ascertained. 3. We draw attention to the Note no. Z (20) of the financial statements with respect to assessment of impairment of Property, Plant and Equipment, based on internal evidence and in accordance to AS 28 "Impairment of Asset", the Company is required to determine impairment losses in respect of Property, Plant and Equipment as per the methodology prescribed under the said Standard. However, the Management of the Company has not done impairment testing for the reasons explained in note no. Z (20). In the absence of any working for impairment of the Property, Plant and Equipment as per AS, the impact of impairment losses, if any, on the financial statements is not ascertainable. 4. The Company has appointed external agency for internal audit under section 138 of the Companies Act 2013. However no internal audit report has been furnished to us.

WWW.TAXSCAN.IN - Simplifying Tax Laws

Management Response	1. Other observations and opinions of the Statutory Auditors in their report are self-explanatory and they do not call for any further explanation as required under section 134 of the Companies Act, 2013. The Company's bank accounts have been classified as Non-Performing Asset (NPA) by the lenders. The Lenders have not charged any interest for the month of March 2022 and it has reversed unrealised interest already charged in accounts. The Company has not made any provision for interest which has not been charged (including unrealised interest) by the bank on account of NPA on Bank Borrowings and accordingly the loss & finance cost for the half year and year ended 31st March 2022 are understated and not quantifiable. 2. The Company's current level of capacity covering more than 250 plus sizes of tyres across 25 plus countries are an indication of the future performance of the Company. Various Core machineries were installed in recent years. Resolution Professional appointed in terms of Insolvency and Bankruptcy Code has discussed with management for preparation of a viable resolution plan and management has suggested that company will be able to implement a successful resolution plan. The Management is expected to guide to Resolution Professional to propose for strategy and develop a business plan post which reliable projections of availability of future cash flows of the company and these supporting the carrying value of Property, Plant and Equipment will be available. Accordingly, impairment testing under AS 28 has not been performed while preparing financial statements. 3. Due to pandemic and halting of operations and liquidity issue, the Company could not get done its internal audit.

WWW.TAXSCAN.IN - Simplifying Tax Laws

92. Waste Management

Company 92.1	
Basis for Qualified Opinion	1. As explained in Note 46 to the accompanying standalone financial statements, the Company's non-current trade receivables as at 31 March 2022 include certain long outstanding receivables aggregating ₹ 805.13 lakhs due from various municipal corporations, which are under dispute but considered good and recoverable by the management. However, in the absence of sufficient appropriate audit evidence to corroborate the management's assessment of recoverability of these balances, we are unable to comment on adjustments, if any, that may be required to be made to the carrying amounts of such receivables as at 31 March 2022 and the consequential impact, on the accompanying standalone financial statements. Our audit report for the year ended 31 March 2021 was also qualified in respect of this matter. 2. The Company's internal financial control system with respect to determination of expected credit losses on trade receivables, as explained in Note 46 to the standalone financial statements, were not operating effectively, which could lead to a potential material misstatement in the carrying amount of trade receivables, recognition of loss allowances and its consequential impact on the earnings, reserves and related disclosures in the standalone financial statements.
Management Response	Trade receivables (non-current) as at 31 March 2022 include amounts which are due from the Municipal Corporations aggregating ₹ 805.13 lakhs (31 March 2021: ₹ 805.13 lakhs), which are outstanding for a long time. Out of ₹ 805.13 lakhs, amount aggregating ₹ 60.13 lakhs (31 March 2021: ₹ 60.13 lakhs) are presently under arbitration, amounts aggregating ₹ 125.98 lakhs (31 March 2021: ₹ 125.98 lakhs) are presently pending with the dispute resolution committee of the Municipal Corporation, ₹ 55.02 lakhs (31 March 2021: ₹ 55.02 lakhs) are presently disputed and being discussed with the Municipal Corporations and ₹ 564.00 lakhs (31 March 2021: ₹ 564.00 lakhs) are presently disputed and pending with High Court. Owing to the aforesaid, the recoverability of these amounts is expected to take some time. However, the Company is hopeful of recovering these trade receivables in due course and hence, the same are considered as good of recovering amounts as at the balance sheet date.

Company 92.2	
Basis for Qualified Opinion	The Holding company has not adopted Indian Accounting Standard (Ind AS) 116 Leases, which is applicable to all Ind AS financial statements beginning on or after April 01, 2019 to a lease arrangement of a factory premise entered into by the Company in May 2020. Consequently, the company has continued to

WWW.TAXSCAN.IN - Simplifying Tax Laws

	treat the said lease arrangement as an operating lease in accordance with the erstwhile Ind AS 116 Leases and has not recognised a Right Of-Use asset and a lease liability in the statement.
Management Response	The notes forming part of the accounts referred to in the Auditors Report of the Company are self-explanatory and do not call for any further explanation.

WWW.TAXSCAN.IN - Simplifying Tax Laws

93. 2/3 Wheelers

Company 93.1	
Basis for Qualified Opinion	a) Loan of ₹ 65.12 crore (with interest) will be disbursed for closure of the company. Comment: Government of India has disbursed the amount of ₹ 41.00 crore out of sanctioned amount ₹ 65.12 crore (with interest) on 29-03- 2021. As per Point 6 of Sanction Letter No. 3/ (3)/ 2021- PE-VI dated 26th March 2021, The Company has to furnish a certificate of utilization of funds sanctioned via above mentioned letter to the ministry within one year from the date of release of the funds. In Pursuance to the same, no communication has been provided whereby we couldn't be able to verify whether the Certificate of Utilization has been submitted to Government of India or not. b) Monetization of Trademarks & Brands of XXIL Comment: According to Closure Notice of 28-01-2021, the company should monetize the Trademark & Brand and utilise the proceeds for closure process, but if company fails to monetize the brand/ trademark it will be vested to GOI. In pursuance to the same, Board Meeting has been conducted on 14th February 2022 in which it was discussed that a Company has executed a MOU for engagement of XYZ as its auctioning agency for disposal of assets of the Company as per terms of letter no. 3(1)/2020-PE-VI dated 28th January 2021 issued by RRR read with Guidelines issued on 14/06/2018 by Department of Public Enterprises. Thus, it was decided that no fresh MOU is proposed to be executed for sale of Intellectual properties. However, the Company has got the valuation report from two valuers for Trademarks and placed it before the board of members. Based on the recommendations of the Audit Committee, the board considered the matter and desired to thoroughly review the terms and place the same before the next meeting. c) Return of Land about 147.499 acres to UPSIDA at the mutually agreed rates. Comment: The company (lessee) has outstanding Lease Liability amounting to ₹ 3,18,479.65, and company shall made reassessment of Lease Liability. As per Para 39 of Ind AS 116 Leases "After the commencement date, a lessee shall apply paragraphs 40–43 to remeasure the lease liability to reflect changes to the lease payments. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss." We observed that XXIL has taken steps in order to return the land to UPSIDA and initiated the communication via mail dated 02/03/2021 but no response has been received by the XXIL in respect of purchase of land by UPSIDA even after various mails and letters. So we are of the opinion that management of XXIL should seek active response from UPSIDA regarding the same and

WWW.TAXSCAN.IN - Simplifying Tax Laws

	thereafter re-valuation of lease liability according to lease agreement with UPSIDA. d) Delisting of the company shares from listed BSE Stock Exchange Comment: We reviewed the relevant minutes of Board Meeting relating to process of the delisting of shares of the company in accordance and consolation with Department of Heavy Industries. During the audit, while reviewing the relevant minutes of Board Meetings and as per discussion with management we have not got any information relating to initiation of process of delisting from the stock exchange. e) Funds received from the sale proceeds, proceeds of return of land to UPSIDA and sale of Brands & Trademarks shall be utilized to pay back interest free loan of ₹ 16 crore from GOI and the loan with interest of ₹ 65.12 crores. Comment: During the audit, along-with the discussion with management, company has not yet made any communication with UPSIDA relating return of land till the date of our audit. We have observed that Government of India has disbursed the loan of ₹ 41 crore out sanctioned loan of ₹ 65.12 crore (with interest) which is payable from the sale proceeds, proceeds of return of land to UPSIDA along with Brand & Trademarks. We suggest that the company should initiate the process in priority to avoid the unnecessary interest burden on the loan amount i.e., ₹ 41 crore. Further, with the availability of the funds company may also be able to return the said loans to GOI. f) Closure in accordance with the Office Memorandum (OM) dated 14.06.2018 and the timeline as per guidelines of DPE. Comment: During the audit and as per the discussion with management, the company has considered the deviation from timelines as mentioned in above letter due to additional delisting process. In connection to the same, Management of the Company held the meeting on 11/2/2021 and disclosed the fact of the closure during the current Financial Year. In reference to the above company should specify exactly the proposed date for the completion of all the necessary activities for closure operation.
Management Response	Not Available

WWW.TAXSCAN.IN - Simplifying Tax Laws

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
ICAI Bhawan, Indraprashta Marg, New Delhi, Delhi-110002
caq@icai.in @caq_icai
+91 11 30110509