



प्रगति के पथप्रदर्शक
PIONEERS IN PROGRESS
CS-CO-6768

दि फर्टिलाइजर्स एण्ड केमिकल्स ट्रावन्कोर लिमिटेड THE FERTILISERS AND CHEMICALS TRAVANCORE LTD.

(भारत सरकार का उद्यम) (A Government of India Enterprise)

पंजीकृत कार्यालय: एलूर, उद्योगमंडल, कोची - 683501, केरल राज्य, भारत

Regd. Office: Eloor, Udyogamandal, Kochi - 683501, Kerala State, India. Website: www.fact.co.in CIN: L24129KL1943GOI000371

5th August, 2020

The Manager (Listing Department),
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051.

Dear Sir/Madam,

Sub: Clarifications for financial results - FACT.

Ref : E-mail dated 04.08.2020.

With reference to the above, we give below the UDIN for Standalone and Consolidated Independent Auditors Report.

1. UDIN for Standalone report --- **2018177AAAAAU3202**
2. UDIN for Consolidated report --- **2018177AAAAAV1758**

Scanned copy of the Auditors Reports with UDIN is enclosed.

The inconvenience is regretted.

Thanking you,

Very truly yours,
For The Fertilisers And Chemicals
Travancore Limited,

K. V. Balakrishnan
Company Secretary & ED(Fin)



BABU A. KALLIVAYALIL & CO.
CHARTERED ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

To the Members of the FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Report on the Audit of the Standalone Financial Statements

Qualified Opinion

1. We have audited the accompanying **standalone financial statements of the FERTILISERS AND CHEMICALS TRAVANCORE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flows Statement and the Statement of Changes in Equity for the year then ended on that date, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, 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 and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act, read with 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 March 31, 2020, the profit and total comprehensive income, cash flows and its changes in equity for the year ended on that date.

Basis for Qualified Opinion

3. As explained in note number 1.2.2 and 34 regarding sale of land and conversion of leasehold to freehold land to the Company, though the Government of Kerala (GoK) has accorded freehold right to the Company over 143.22 acres of land, the Company is yet to receive freehold title. According to the Company, the fair value of the non-monetary asset of freehold title of the land converted as required under Ind AS 16-Property Plant and Equipment and the consequent revenue cannot be recognised at this stage, not quantified. In view of this, we are unable to comment on the compliance of the said Ind AS and the impact thereof on the financial statements. (Refer note # 1.2.2 and 34)

1 | Page

4. We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the standalone financial statements.

Going Concern

5. We draw attention to Note # 54 of standalone financial statements. The Company has accumulated loss amounting to ₹1,21,353 lakhs (previous year ₹2,18,532 lakhs) with a negative net worth of ₹49,143 lakhs (previous year ₹1,47,226 lakhs). However, the Company has reported net profit of ₹97,552 lakhs during the year and in previous year of ₹16,269 lakhs. The Company has a balance under current assets of Cash and Cash Equivalents and Other Bank balances of ₹ 66,717 lakhs (previous year ₹7,467 lakhs) as at year end. The net current assets as at year end is ₹13,234 lakhs (previous year ₹ 11,026 lakhs). These conditions indicate that there is no uncertainty which may cast doubt as to the Company's ability to continue as a going concern. The standalone financial statements of the Company have been prepared on going concern basis.

Our opinion is not modified in respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

6.1. Accounting of subsidy income from Government of India under DBT Scheme

Under Direct Benefit Transfer (DBT) scheme of Government of India (GoI), the Company is entitled to receive subsidy only upon sale of fertilizer by the dealer to the ultimate beneficiary through Point of Sale (PoS) devices. However, the Company continues to account subsidy as income at the time of sale to dealers as in the earlier



scheme, considering the reasonable certainty that the sale will take place and subsidy will be received based on the industry practice and past experience. Refer Note #26 to the standalone financial statements.

Auditors' Response

Our principal audit procedures included the following:

- Analysed the scheme framed by the Department of Fertilisers (DoF), notified through Notification F. No. D(FA)/2016/DBT dated March 17, 2017.
- Reviewed the agreement with dealers.
- Performed analytical review procedures on the subsidy claim lodged by the Company from the inception of the DBT scheme and subsidy accounted by the Company.
- Analysed post Balance Sheet sales through PoS devices in Integrated Fertiliser Management System (iFMS) to assess the sales trend.
- Verified industry practise for accounting of subsidy income in post-DBT period.
- Compliance with Ind AS 20 on 'Accounting for Government Grants and Disclosure of Government Assistance'.

6.2. Purchase of raw material from single vendor without tender

The Company has been importing raw materials from a single vendor without inviting tender. During the year, the Company has purchased Rock Phosphate for ₹10,943 lakhs (previous year ₹16,906 lakhs) and Phosphoric Acid for ₹67,398 lakhs (previous year ₹53,692 lakhs). There is no inter-governmental agreement or memorandum of understanding by the Company with the supplier. According to the Company, the party is providing the materials of required quality at the price for the Indian Market and the Company can procure entire quantity only from the present supplier.

Auditors' Response

Our principal audit procedures on the transaction included the following:

- Evaluated the internal controls relating to import of raw materials.
- Verified the purchase documents, receipt of material and consumption thereof on the selected sample.
- Ensured there is no major rejection of material.
- Compared the import price with indigenous price during the previous year in the absence of any indigenous purchase during the year.
- Compared the price in the international market with that of Company's purchase price.
- Import purchase is from a foreign government owned Company.



- Verified the pattern of purchase in earlier years.
- Company's efforts to enter into a government to government agreement for sourcing the material.
- Brought to the notice of those charged with governance.

Emphasis of Matter

7.

- i. We draw attention to Note # 18.1 of the standalone financial statements regarding variance in interest provision of ₹28,178 lakhs (previous year ₹28,178 lakhs) on the GoI loans in the Company's books as at the end of the previous year, which is higher as compared to the provisional working of the DoF, GoI which is pending for reconciliation and confirmation and consequent adjustments, if any, thereof.
- ii. We draw attention to Note # 39 of the standalone financial statements regarding non-compliance of Ind AS 116 on 'Leases' applicable from the year under audit in the absences of agreed tenure and other terms of lease in writing, continuing the practice as in earlier years.

Our opinion is not modified in respect of this matter.

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

8. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance, including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the standalone financial statements by the Directors of the Company, as aforesaid.
9. In preparing the standalone financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as



applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

10. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future



events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
11. We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

14. We did not audit the financial statements of four areas comprising marketing offices of the Company included in the financial statements of the Company, whose financial statements reflect total revenue of ₹2,02,286 lakhs (previous year ₹1,37,953 lakhs) for the year ended on that date, as considered in the standalone financial statements and total assets not quantifiable in the absence of certified trial balance of the areas as at March 31, 2020. The Company has submitted certain "financial schedules" only which have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the standalone financial statements, in so far as it relates to the amounts and disclosures included in respect of these areas and our report, in so far as it relates to the aforesaid areas, is based solely on the reports of other auditors.

Our opinion on the standalone financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters, with respect to our reliance on the work done and the reports of the other auditors and the



financial statements / financial information certified by the Management, except on the scope limitation reported by other auditors due to non-provision of the trial balance of the area audited by them and their inability to ensure the correctness of the financial schedules due to this.

Report on Other Legal and Regulatory Requirements

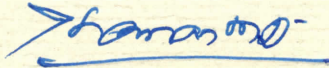
15. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
16. Based on the verification of books of account of the Company and according to information and explanations given to us, we give in "**Annexure B**" a report on the directions/ additional sub-directions issued by the Comptroller and Auditor General of India in terms of section 143(5) of the Act.
17. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and returns generally adequate for the purpose of our audit have been received from the units/ marketing offices not audited by us.
 - c. The reports on the accounts of the four areas of the Company audited under Section 143(8) of the Act by other auditors have been given to us and have been properly dealt with by us in preparing this report.
 - d. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flows Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account and with the returns received from four areas not audited by us, subject to the scope limitation by other auditors.
 - e. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015.



BABU A. KALLIVAYALIL & CO.

- f. Being a government company, the provisions of sub section (2) of Section 164 of the Companies Act, 2013 is not applicable.
 - g. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in “**Annexure C**”.
 - h. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements (Refer Notes #46 to #49)
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company, where applicable.
18. Being a Government Company, the provisions of section 197 of the Act with respect to the matters to be included in the Auditor’s Report is not applicable.

*For Babu A. Kallivayalil & Co.,
Chartered Accountants,
Firm Registration No.05374S*


*M.D. Thomas
Partner, Membership No.018177*

Kochi,
June 25, 2020
UDIN: 20018177AAAAAU3202



BABU A. KALLIVAYALIL & CO.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of the FERTILISERS AND CHEMICALS TRAVANCORE LIMITED.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

1. We have audited the accompanying **Consolidated Financial Statements of the FERTILISERS AND CHEMICALS TRAVANCORE LIMITED** ("the Company") and its jointly controlled entities (the Company and its jointly controlled entities together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flows Statement and the Consolidated Statement of Changes in Equity for the year then ended on that date, 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").
2. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the aforesaid consolidated 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 Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, of the consolidated profit, consolidated total comprehensive income, consolidated cash flows and its consolidated changes in equity, for the year then ended on that date.

Basis for Qualified Opinion

3. As explained in note number 1.2.2 and 34 regarding sale of land and conversion of leasehold to freehold land to the Company, though the Government of Kerala (GoK) has accorded freehold right to the Company over 143.22 acres of land, the Company is yet to receive freehold title. According to the Company, the fair value of the non-monetary asset of freehold title of the land converted as required under Ind AS 16-Property Plant and Equipment and the consequent revenue cannot be recognised at this stage, not quantified.

BABU A. KALLIVAYALIL & CO.

In view of this, we are unable to comment on the compliance of the said Ind AS and the impact thereof on the financial statements.

4. We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 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 (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements.

Going Concern

5. We draw attention to Note # 54 of consolidated financial statements. The Company has accumulated loss amounting to ₹1,21,353 lakhs (previous year ₹2,18,532 lakhs) with a negative net worth of ₹49,143 lakhs (previous year ₹1,47,226 lakhs). However, the Company has reported net profit of ₹97,552 lakhs during the year (previous year of ₹16,269 lakhs). The Company has a balance under current assets of Cash and Cash Equivalents and Other Bank balances of ₹ 66,717 lakhs (previous year ₹7,467 lakhs) as at year end. The net current assets as at the year-end is ₹13,234 lakhs (previous year ₹11,026 lakhs). These conditions indicate that there is no uncertainty which may cast doubt as to the Company's ability to continue as a going concern. The consolidated financial statements of the Company have been prepared on going concern basis.

Our opinion is not modified in respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

6.1. Accounting of subsidy income from Government of India under DBT Scheme

Under Direct Benefit Transfer (DBT) scheme of Government of India (GoI), the Company is entitled to receive subsidy only upon sale of fertilizer by the dealer to the ultimate beneficiary through Point of Sale (PoS) devices. However, the Company continues to account subsidy as income at the time of sale to dealers as in the earlier scheme, considering the reasonable certainty that the sale will take place and subsidy will be received based on the industry practice and past experience. Refer Note #26 to the Consolidated financial statements.

Auditors' Response

Our principal audit procedures included the following:

- Analysed the scheme framed by the Department of Fertilisers (DoF) notified through Notification F. No. D(FA)/2016/DBT dated March 17, 2017.
- Reviewed the agreement with dealers.
- Performed analytical review procedures on the subsidy claim lodged by the Company from the inception of the DBT scheme and subsidy accounted by the Company.
- Analysed post Balance Sheet sales through PoS devices in Integrated Fertiliser Management System (iFMS) to assess the sales trend.
- Verified industry practise for accounting of subsidy income in post-DBT period.
- Compliance with Ind AS 20 on 'Accounting for Government Grants and Disclosure of Government Assistance'.

6.2. Purchase of raw material from single vendor without tender

The Company has been importing raw materials from a single vendor without inviting tender. During the year, the Company has purchased Rock Phosphate for ₹10,943 lakhs (previous year ₹16,906 lakhs) and Phosphoric Acid for ₹67,398 lakhs (previous year ₹53,692 lakhs). There is no inter-governmental agreement or memorandum of understanding by the Company with the supplier. According to the Company, the party is providing the materials of required quality at the price for the Indian Market and the Company can procure entire quantity only from the present supplier.

Auditors' Response

Our principal audit procedures on the transaction included the following:

- Evaluated the internal controls relating to import of raw materials.
- Verified the purchase documents, receipt of material and consumption thereof on the selected sample.
- Ensured there is no major rejection of material.
- Compared the import price with indigenous price during the previous year in the absence of any indigenous purchase during the year.
- Compared the price in the international market with that of Company's purchase price.
- Import purchase is from a foreign government owned Company.
- Verified the pattern of purchase in earlier years.
- Company's efforts to enter into a government to government agreement for sourcing the material.
- Brought to the notice of those charged with governance.



Emphasis of Matter

7.

- i. We draw attention to Note # 18.1 of the Consolidated financial statements regarding variance in interest provision of ₹28,178 lakhs (previous year ₹28,178 lakhs) on the GoI loans in the Company's books as at the end of the previous year, which is higher as compared to the provisional working of the DoF, GoI which is pending for reconciliation and confirmation and consequent adjustments, if any, thereof.
- ii. We draw attention to Note # 39 of the Consolidated financial statements regarding non-compliance of Ind AS 116 on 'Leases' applicable from the year under audit in the absences of agreed tenure and other terms of lease in writing, continuing the practice as in earlier years.
- iii. We draw attention to Note # 43 of the consolidated financial statements. In respect of jointly controlled entities, FACT-RCF Building Products Limited and Kerala Enviro Infrastructure Limited, the financial statements considered for consolidation is unaudited and we have relied on the financial statements furnished by the Management.

Our opinion is not modified in respect of these matters.

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

8. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, including consolidated total comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Company, as aforesaid.
9. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to

BABU A. KALLIVAYALIL & CO.

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

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

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated



BABU A. KALLIVAYALIL & CO.

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
11. We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

14. We did not audit the financial statements of four areas comprising marketing offices of the Company included in the consolidated financial statements of the Company, whose financial statements reflect total revenue of ₹2,02,286 lakhs (previous year ₹ 1,37,953 lakhs) for the year ended on that date, as considered in the consolidated financial statements and total assets not quantifiable in the absence of certified trial balance of other areas as at March 31, 2020 . The Company has submitted certain "financial schedules" only which have been audited by other auditors whose reports 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 areas and our report, in so far as it relates to the aforesaid areas, is based solely on the reports of other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters, with



BABU A. KALLIVAYALIL & CO.

respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management, except on the scope limitation reported by other auditors due to non-provision of the trial balance of the area audited by them and their inability to ensure the correctness of the financial schedules due to this.

Report on Other Legal and Regulatory Requirements

15. Based on the verification of books of account of the Company and according to information and explanations given to us, we give in “**Annexure A**” a report on the directions/ additional sub-directions issued by the Comptroller and Auditor General of India (C&AG) in terms of section 143(5) of the Act.
16. As required by Section 143(3) of the Act, based on our audit and our comments on separate financial statements of the jointly controlled entities as noted in the Emphasis of Matter paragraph, we report to the extent applicable that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept, so far as it appears from our examination of those books and the reports of the other auditors.
 - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account and with the returns received from four areas not audited by us, subject to the scope limitation by other auditors.
 - d. In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015.
 - e. Being a government company, the provisions of sub section (2) of Section 164 of the Companies Act, 2013 is not applicable.
 - f. With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate report in “**Annexure B**”.
 - g. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. (Refer Notes #46 to #49)

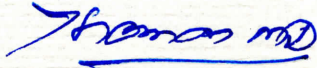


BABU A. KALLIVAYALIL & CO.

- ii. Provision has been made in the consolidated financial statements as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group, where applicable.

17. Being a Government Company, the provisions of section 197 of the Act with respect to the matters to be included in the Auditor's Report is not applicable.

*For Babu A. Kallivayalil & Co.,
Chartered Accountants,
Firm Registration No. 05374S*



*M.D. Thomas
Partner, Membership No. 618177*

Kochi,

June 25, 2020

UDIN: 20018177AAAAAV1758