

## Independent Auditor's Report

To  
The Members of  
Rajasthan State Industrial Development and Investment Corporation Limited  
Jaipur

### Report on the Audit of the Standalone Ind AS financial statements

#### Qualified Opinion

We have audited the accompanying standalone Ind AS financial statements of Rajasthan State Industrial Development and Investment Corporation Limited ("Corporation"/ "RIICO"), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended and notes to the standalone Ind AS financial statements, including 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 effects/ possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (Financial Position) of the Corporation as at 31 March 2019, and its Profit (Financial Performance including total comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### Basis for Qualified Opinion

We draw attention to the matters described in Annexure- A, the effects/ possible effects of those matters could not be reasonably determined/ quantified, on the elements of accompanying standalone Ind AS Financial Statements.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements" section of our report. We are independent of the Corporation 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 Ind AS financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the standalone Ind AS financial statements.

Emphasis of Matter	Reply of Management
Refer to Significant Accounting Policy No. 2.5 "Revenue Recognition" stating the adoption and preparation of Standalone Ind AS financial statement in accordance with leases revenue as per Ind AS 17 and revenue from development activity as per Ind AS 115. The same have been recognised on estimated and assumption basis in allocating the transaction price to land and development activity. Our opinion is not modified in respect of above matters.	The Corporation has adopted Ind AS 115–Revenue from Contracts with Customers, mandatorily for reporting periods beginning on or after April 01, 2018 and Leases revenue as per Ind AS 17 by allocating the transaction price to Land activity and Development activity after

applying the judgment, estimate and assumption in this regard. Reasonable estimate and assumption has been made in those cases where data for concessional/ free land allotment cases could not be available for fair valuation of land cost.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 matter described below to be the key audit matter to be communicated in our report.

<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p><b>Revenue Recognition:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The Corporation has adopted Ind AS 115 – Revenue from Contracts with Customers, mandatorily for reporting periods beginning on or after April 01, 2018.</li> <li><input type="checkbox"/> The application of this new standard involves the assessment towards identification of the distinct performance obligations, determination of the transaction price for each of the identified performance obligation, the judgments used for determining the satisfaction of those performance obligations over time or at a point in time.</li> <li><input type="checkbox"/> The Corporation has applied the modified retrospective method approach and have given cumulative impact of transition to Ind AS 115 against the retained earnings as at April 01, 2018.</li> <li><input type="checkbox"/> The Corporation recognizes revenue from contracts with customers when it satisfies a performance obligation by transferring promised good or service to a customer. The revenue is recognized to the extent of transaction price allocated to the performance obligation satisfied.</li> <li><input type="checkbox"/> On account of introduction of Ind AS 115 which supersedes Ind AS 11, Ind AS 18 and Guidance Note on accounting for Real Estate Transaction, the application of Ind AS 115 has been considered as key audit matter. (Refer Note No. 2.5 of “Significant Accounting Policies” to Standalone Ind AS financial statements).</li> <li><input type="checkbox"/> Ind AS 115 specifically excludes from its scope the lease contracts within scope of Ind AS 17. Agreement underlying the Infrastructure Activities, deduced that corporation activities contain two elements, one which is lease of land and other elements being the development activity.</li> </ul>	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> We have read the Corporation’s revenue recognition accounting policies and assessed compliance of the policies with Ind AS 115 and Ind AS 17.</li> <li><input type="checkbox"/> We test check the computation of the adjustment to retained earnings balance as at April 01, 2018 in view of adoption of Ind AS 115 as per the modified retrospective method .</li> <li><input type="checkbox"/> We obtained and understood the revenue recognition process including identification of performance obligations and determining whether the performance obligation is satisfied at a point in time or over a period of time.</li> <li><input type="checkbox"/> We have verified the judgments used by the corporation in determining the revenue in case of performance obligations satisfied over a period of time.</li> <li><input type="checkbox"/> We selected a sample of existing lease agreements and tested criteria’s as specified under Ind AS 17 to classify a lease as finance or operating lease.</li> <li><input type="checkbox"/> We evaluated the judgment, estimate and assumptions made by the Corporation for allocating the transaction price to Land activity and Development activity .</li> <li><input type="checkbox"/> We assess the revenue related disclosures included in note no. 35 to the Standalone Ind AS Financial Statements.</li> </ul>

<p>□ As per Ind AS 17, if an arrangement contains a lease, the parties to the arrangement shall apply the requirements of Ind AS 17 to the lease element of the arrangement and other elements of the arrangement not within the scope of Ind AS 17 shall be accounted for in accordance with other Standards .</p> <p>□ Accordingly the principles and provisions of Ind AS 17 have been applied in case of Land component and in case of Development activities the provisions of Ind AS 115 have been applied and the policies in that respect are mentioned under note no. 2.5 of Significant Accounting Policies.</p>	
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We have determined that there are no other key audit matters to communicate in our report

**Information Other than the Standalone Ind AS Financial Statements and Auditor’s Report Thereon**

The Corporation’s management is responsible for the preparation of the other information. The other information comprises the information included in director’s report and annexure but does not include the standalone Ind AS financial statements and our auditor’s report thereon. The director’s report and annexure is expected to be made available to us after the date of this auditor’s report.

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

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

**Responsibility of Management and Those Charged with Governance for the standalone Ind AS financial statements**

The Corporation’s management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the state of affairs ( financial position), Profit or Loss (financial performance including other comprehensive income), cash flows and changes in equity of the Corporation in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant Rule issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Corporation 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation’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 management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS 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 Ind AS 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 Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Corporation 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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS 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.

### **Report on Other Legal and Regulatory Requirements**

I. As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure B", a Statement on the matters specified in paragraph 3 and 4 of the Order.

II. 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 Corporation so far as it appears from our examination of those books;

c) The standalone Ind AS Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the statement of cash flows and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

d) Except for the matters described in Annexure- A of this report, which is part of "Basis for Qualified Opinion" paragraph, in our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with the relevant rules issued thereunder,

e) In accordance with Notification No. G.S.R. 463(E), dated June 5<sup>th</sup>, 2015, the requirement of Section 164(2) of the Companies Act, 2013 is not applicable to Government Companies.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Corporation and the operating effectiveness of such controls, refer to our separate Report in "Annexure C"; and

g) As per Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 of the Act is not applicable to the Government Companies. Accordingly, reporting in accordance with requirement of provisions of section 197(16) of the Act is not applicable on the Corporation.

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 Corporation has disclosed the impact of pending litigations on its financial position under note no. 34 in its Standalone Ind AS financial statements as at 31.03.2019.

ii. The Corporation did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Corporation;

III. As required under section 143(5) of the Act, which is applicable to the Corporation, finding on the direction issued by Comptroller and Auditor General of India is as per Annexure- D.

**Annexure- A referred to in our** report under paragraph “Basis for Qualified Opinion” and forming an integral part of our report dated 22nd November, 2019, addressed to the members of Rajasthan State Industrial Development and Investment Corporation Limited for the year ended on 31.03.2019

Observation	Management reply
<p>1.(a) The Corporation has valued, stock of encroached and litigated land of Rs. 13141.58 lacs (previous year Rs. 12807.20 lacs) involving 1079.41 acres of land (Previous year 1162.64 acres) as on 31.03.2019 as NIL [Refer Note No. 11(i) (a)]. In absence of assessment or working of realizable value of these litigated and encroached lands, we are unable to give impact of the same on the Standalone Ind AS Financial Statements.</p> <p>(b) Non-provision towards advances to suppliers and others, remaining unadjusted since long, in the absence of relevant details and information regarding realizable value of these outstanding amounts, we are unable to give impact of the same on the Standalone Ind AS Financial Statements.</p> <p>(c) The Corporation has allotted land, even if corporation does not have lease deed of the land in its favour, Refer to Para no. 2.5.1.4(v) of Significant Accounting Policies</p> <p>.</p> <p>(d) Cost of development of Industrial Area and revenue from “Consideration for allotment of land (development)” has been calculated on the basis of estimated Cost of Development of that particular area as stated in Administrative Sanction of that area. The estimated cost comprises the provision for expenses to be incurred on future up gradation of that area, which is to be used after 5 years from the date of declaration of area as developed. In the absence of relevant details and information regarding provisions made (Net of expenses incurred) for future up-gradation of area, we are unable to give impact of the same on the standalone Ind AS Financial Statements.</p>	<p>Considering nature of the business and volume of land activity, some encroachment /litigation is imminent. However, the Corporation is making concerted efforts for removal of encroachment at Unit level with help of local administration as well in case of litigated land through legal recourses. Since marketability/ salability of such encroached/ litigated land does not exist on Balance-Sheet date, its market realizable value is considered nil and no separate assessment thereof is deemed required. Cost of such land is already disclosed.</p> <p>Scrutiny of very old balances of advances and suitable action shall be made to carry out necessary adjustment.</p> <p>It is pertinent to mention that from year 2010 and onwards, RIICO has been allotting land only after getting its name registered in related land records/ documents For old case(s), efforts are being made to get the land registered in favor of RIICO.</p> <p>The Corporation is following this policy consistently over the years looking to the nature of its business.</p>
<p>2. Compensation paid and cost of development incurred on those lands which have been kept by Corporation for future planning, have been considered as part of cost of remaining land of that industrial area and have not been kept separately as inventory. In the absence of relevant details and information regarding cost and compensation paid on land kept for future planning, we are unable to give impact of the same on the standalone Ind AS Financial Statements.</p>	<p>Now, management is focusing on planning of entire acquired land and not reserving big chunk for future planning at the time of approval of Administrative Sanction for development scheme of new industrial area.</p>

3. Refer to para no. 2.5.1.5(e) (v) of Significant Accounting Policies, wherein disclosure has been made with regard to expenses incurred for land and building for own uses in industrial areas, is charged to direct development expenditure and does not form part of the Fixed Assets. In the absence of relevant details and information, we are unable to give impact of the same on the standalone Ind AS Financial Statements.	This is being done as per the Accounting Policy reworked looking to the nature of infrastructure development activities of the Corporation.
.4 Refer to para no. 2.2.1 of Significant Accounting Policies, wherein disclosure has been made for certain items which have been accounted for on cash basis in books of accounts. The account on cash basis is not in consonance with the accrual basis of accounting required by the Companies Act. In the absence of relevant details and information, we are unable to give impact of the same on the standalone Ind AS Financial Statements.	In view of the typical nature of the transactions with exact time of recovery/ incidence cannot be foreseen, these are accounted for on cash basis as exceptional items.
5 Refer to Note no. 3.1, 8.1, 11(i)(c), 18.1 and 39 regarding disclosure of accounting of amortization of lease, Provision for bad and doubt full debt, inventory of sheds/ shops/ houses/ flats / kiosks, deferred tax assets/ liabilities and value of assets & liabilities transferred by Government Of Rajasthan on 1 <sup>st</sup> October, 1979 are not in consonance of Indian Accounting Standards. In the absence of relevant details and information, we are unable to give impact of the same on the standalone Ind AS Financial Statements.	Looking to the special nature of the transactions, the treatment has been given as disclosed in notes to accounts.
6. Refer to Note no. 34.1 (3) & (4) of standalone Ind AS Financial Statement in respect to Contingent Liabilities, In the absence of relevant details and information, we are unable to give impact of these contingent liabilities on the standalone Ind AS Financial Statements.	Major part of contingent liability estimated to arise out of pending litigation/ court cases has already been disclosed. Only contingent liability towards salary arrears against 7 <sup>th</sup> Pay Commission in suspension cases/pending option cases and Govt. dues in case of sale of Borrower's units could not be worked out /disclosed in absence of basis available.
7. Refer to Note no. 33 (b) of Standalone Ind AS Financial Statement in respect of non-disclosure of minimum lease payments and unearned finance income.	Case wise detail of scheduled payment against plots allotted on installment is available at Unit Offices level but compiled information for RIICO as a whole is not available, this being first time disclosure requirement in the year 2018-19 due to new Accounting standards.
8. Refer to Note no. 35 (b) of Standalone Ind AS Financial Statement in respect of non-disclosure of year wise bifurcation of transaction price allocated to the remaining performance obligation	Year-wise detail for future years against the remaining performance obligation could not be disclosed in absence of precise estimation for the same.

**Annexure B** referred to in our Independent Auditors Report to the members of the Rajasthan State Industrial Development & Investment Corporation Limited on the standalone Ind AS financial statements for the year ended 31st March, 2019

i) (a) The Corporation has not properly maintained records showing full particulars including quantitative details and situation of its fixed assets.	Efforts will be made to maintain fixed asset register with full particulars/detail.															
(b) The fixed assets were physically verified by the management at the year-end. In absence of proper records, we are unable to comment on the discrepancies.	No Comment															
<p>(c) According to the information and explanations given to us and on the basis of our examination of the records of the Corporation, the title deeds of immovable properties are held in the name of the Corporation, except of the space of 45700 sq. ft. (approx..) used as head office in the building situated at Udhyog bhawan, Jaipur which is in the name of Department of Industries, Government of Rajasthan and Land at Ajmer Unit Office (5706 sq yard) in the name of erstwhile Watch Assembly Unit, allotted by UIT Ajmer, lying vacant. Complete detail of this is as under:</p> <table border="1" data-bbox="142 760 1068 934"> <thead> <tr> <th>Particulars</th> <th>Total No. of cases</th> <th>Leasehold/freehold</th> <th>Gross Block as on 31.03.2019</th> <th>Net Block as on 31.03.2019</th> </tr> </thead> <tbody> <tr> <td>Land</td> <td>2</td> <td>Leasehold</td> <td>22.87 Lacs</td> <td>22.87 Lacs</td> </tr> <tr> <td>Building</td> <td>1</td> <td>Leasehold</td> <td>54.96 Lacs</td> <td>21.53 Lacs</td> </tr> </tbody> </table>	Particulars	Total No. of cases	Leasehold/freehold	Gross Block as on 31.03.2019	Net Block as on 31.03.2019	Land	2	Leasehold	22.87 Lacs	22.87 Lacs	Building	1	Leasehold	54.96 Lacs	21.53 Lacs	No comment
Particulars	Total No. of cases	Leasehold/freehold	Gross Block as on 31.03.2019	Net Block as on 31.03.2019												
Land	2	Leasehold	22.87 Lacs	22.87 Lacs												
Building	1	Leasehold	54.96 Lacs	21.53 Lacs												
(ii) According to the information and explanation given to us, Physical verification of land in stock, stores, spare parts, components and raw materials were carried out by the management at reasonable intervals. Further as informed to us, there were no material discrepancies noticed on physical verification of land in stock, stores, spare parts, components and raw materials as compared to the book records.	No Comment															
(iii) According to the information and explanation given to us, the Corporation has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnership or other parties covered in the register(s) maintained Under Section 189 of the Companies Act, 2013. In view of the above, the clauses 3 (iii)(a), 3 (iii)(b), 3(iii) (c) of the Order are not applicable to the Corporation.	No Comment															
(iv) In our opinion and according to the information and explanations given to us, the Corporation has not given any loan to the parties covered under Section 185 of the Act. Further, as per explanation given to us, Section 186 of the Act is not applicable on the corporation	No Comment															
(v) According to information and explanations given to us, the Corporation has not accepted any deposit from public and hence the directives issued by the Reserve Bank of India and the provisions of Section 73 to 76 or any other relevant provisions of the Act and rules made there under are not applicable.	No Comment															
(vi) As informed to us, the Corporation has not maintained separate cost records and the same are being extracted from the financial records. We have not made detailed examination of the financial records with a view to determine they are accurate and complete in respect of cost records.	No Comment															



<p>(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the corporation, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Service Tax, Custom Duty, Excise duty, Value Added tax, Cess and any other material statutory dues have generally been regularly deposited during the year by the corporation with the appropriate authorities.</p>	<p>No Comment</p>																														
<p>b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, Employees' State Insurance, Income tax, Goods and Service Tax, service tax, duty of customs, value added tax, cess and other material statutory dues were in arrears as at 31 March, 2019 for a period of more than six months from the date they became payable.</p>	<p>No Comment</p>																														
<p>c) According to the information and explanation given to us the disputed statutory dues aggregating Rs. 16861.72 Lacs that have not been deposited on account of disputed matters pending before appropriate authorities detailed as under:</p> <table border="1" data-bbox="159 853 1057 1253"> <thead> <tr> <th colspan="6" style="text-align: center;">(Rs. in Lacs)</th> </tr> <tr> <th>Sr. No</th> <th>Nature of dues</th> <th>Amount Disputed</th> <th>Amount Deposited</th> <th>Period to which Amount relates</th> <th>Forum where dispute is pending</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Service Tax</td> <td>13904.74*</td> <td>1123.67</td> <td>1-10-2004 to 31-03-2019</td> <td>Commissioner/ Tribunal/ Supreme Court</td> </tr> <tr> <td>2</td> <td>Income tax</td> <td>5123.35</td> <td>1042.70</td> <td>A.Y. 2010-11 to 2016-17</td> <td>CIT/ ITAT</td> </tr> <tr> <td colspan="2"><b>TOTAL</b></td> <td><b>19028.09</b></td> <td></td> <td><b>2166.37</b></td> <td></td> </tr> </tbody> </table> <p>*Includes Rs. 10941.35 lacs towards demands against Development charges and Economic rent, which have already been decided in Corporation's favor but pre-deposit made there against yet to be received.</p>	(Rs. in Lacs)						Sr. No	Nature of dues	Amount Disputed	Amount Deposited	Period to which Amount relates	Forum where dispute is pending	1	Service Tax	13904.74*	1123.67	1-10-2004 to 31-03-2019	Commissioner/ Tribunal/ Supreme Court	2	Income tax	5123.35	1042.70	A.Y. 2010-11 to 2016-17	CIT/ ITAT	<b>TOTAL</b>		<b>19028.09</b>		<b>2166.37</b>		<p>No Comment</p>
(Rs. in Lacs)																															
Sr. No	Nature of dues	Amount Disputed	Amount Deposited	Period to which Amount relates	Forum where dispute is pending																										
1	Service Tax	13904.74*	1123.67	1-10-2004 to 31-03-2019	Commissioner/ Tribunal/ Supreme Court																										
2	Income tax	5123.35	1042.70	A.Y. 2010-11 to 2016-17	CIT/ ITAT																										
<b>TOTAL</b>		<b>19028.09</b>		<b>2166.37</b>																											
<p>(viii) As explained to us, the Corporation has not defaulted in repayment of dues to financial institution or bank or government or debenture holders</p>	<p>No Comment</p>																														
<p>(ix) According to the information and explanations given to us, the Corporation did not raise any money by way of initial public offer or further public offer (including debt instrument) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable</p>	<p>No Comment</p>																														
<p>(x) According to the information and explanations given to us and on the basis of our examination of books and records of corporation, no fraud on or by the corporation, by its officers or employees has been noticed or reported during the year</p>	<p>No Comment</p>																														
<p>(xi) The provisions of section 197 read with Schedule V to the Companies Act, 2013 in respect of managerial remuneration are not applicable to the government Corporation. Accordingly, paragraph 3 (xi) of the order is not applicable.</p>	<p>No Comment</p>																														

<p>(xii) In our opinion and according to the information and explanations given to us, the Corporation is not a nidhi Corporation. Accordingly, paragraph 3(xii) of the Order is not applicable.</p>	<p>No Comment</p>
<p>(xiii) According to the information and explanations given to us and based on our examination of the records of the Corporation, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.</p>	<p>No Comment</p>
<p>(xiv) According to the information and explanations given to us and based on our examination of the records of the Corporation, the Corporation has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.</p>	<p>No Comment</p>
<p>(xv) According to the information and explanations given to us and based on our examination of the records of the Corporation, the Corporation has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable</p>	<p>No Comment</p>
<p>(xvi) According to the information and explanations given to us, as the Corporation is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.</p>	<p>No Comment</p>

**Annexure C** referred to in our Independent Auditors Report to the members of Rajasthan State Industrial Development & Investment Corporation Limited on the standalone Ind AS financial statements for the year ended 31st March, 2019

**Report on the Internal financial controls over Financial Reporting under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Rajasthan State Industrial Development & Investment Corporation Limited (“the Corporation”) as of 31st March 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Corporation for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Corporation’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Corporation 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 (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Corporation’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Corporation’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Corporation’s internal financial controls system over financial reporting.

**Meaning of Internal Financial controls over Financial Reporting**

A Corporation’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Corporation’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (2) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the standalone Ind AS financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Qualified opinion**

According to the information and the explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2019-

Observation	Management Reply
<p>a) Internal control system with regard to adjustment of old balances of EMD/ Security Money from contractors, advances to Govt. Deptt., advances to suppliers / contractors, sundry creditors, provision for refund of development charges, and outstanding liabilities is not adequate</p>	<p>Efforts shall also be made to scrutinize old balances and carry out necessary adjustment.</p>
<p>b) The corporation did not have appropriate internal control for cancellation and taking possession of plots allotted where no production or other activities have been started by the allottees within the prescribed time</p>	<p>As per RIICO Disposal of Land Rules of the Corporation, there is provision to cancel the plot if there is a delay in setting up of business; however under the rules, allottees has a option to extend the time limit after paying the retention charges. Allottees can start the business other than the one for which it was allotted after taking approval from the Corporation. However, Corporation has right to cancel the plot if the allottees has changed the business without taking the approval from the corporation.</p>
<p>c) Corporation is not having efficient internal controls to avoid acquisition of encroached and litigated land and also to stop further encroachment and litigation of land.</p>	<p>Looking to the nature and volume of land activity, steps for physical verification of land stock at reasonable interval in phased manner are being taken. Further, removal of encroachment/ decision over litigated land is a continuous process .Appropriate action</p>

	at Unit level are taken with the help of local administration for removal of encroachment wherever possible .In case of litigated land, proper legal recourse at Units/ HO is taken and progress is reviewed / monitored on regular basis.
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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 Corporation’s annual or interim financial statement will not be prevented or detected on a timely basis.

In our opinion, except for the possible effects, which are unascertainable, of the material weaknesses described above on the achievement of the objectives of the control criteria, the Corporation has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial control over financial reporting were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the Corporation 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 standalone Ind AS financial statements of the Corporation, and these material weaknesses have affected our opinion on the standalone Ind AS financial statements of the Corporation and we have issued a qualified opinion on the standalone Ind AS financial statement.

**Annexure D referred to in our Independent Auditors Report to the members of the Rajasthan State Industrial Development & Investment Corporation Limited on the standalone Ind AS financial statements for the year ended 31st March, 2019**

Report under section 143(5) of the Companies Act, 2013

Audit Observation	Management Reply	Comment
1 Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated	As informed by the Corporation, IT Enabled Program is under the process of development. At present all the accounting transactions are not being processed through IT system.	No Comment
2 Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/loans/interest etc. made by a lender to the Corporation due to the Corporation's inability to repay the loan? if yes, the financial impact may be stated	As informed to us there is no case as such	No Comment
3. Whether funds received/ receivable for specific schemes from Central/ State agencies were properly accounted for/utilized as per its term and conditions? List the cases of deviation	As explained to us, the funds received/ receivable for specific schemes from Central/ State agencies have been properly accounted for/ utilized as per respective terms and conditions.	No Comment
<b>S.No .</b>	<b>Corporation/Sector specific Directions</b>	<b>Comment</b>
1. Whether the Corporation has taken adequate measures to prevent encroachment of idle land owned by it. Whether any land of the Corporation is encroached, under litigation, not put to use or declared surplus? Details may be provided.	As informed to us Corporation has taken steps to prevent/ remove the encroachment/ litigation of idle land owned by it but the same has not proved adequate. At the end of year, total encroached and litigated land was determined at 1079.41 acres valued Rs. 13141.58 lacs (previous year 1162.64 acres valued Rs. 12807.19 lacs). (Refer Note No. 11(i)(a)). Realizable value of the encroached and litigated land has been considered as Rs. NIL therefore Rs. 13141.58 lacs (previous year Rs. 12807.19 lacs ) has been reduced from the value of stock of land	No Comment
2. Describe the deviations from the system of payment for land acquisition including compensation under Resettlement & Rehabilitation policy of the State Government. Cases of land disputes should be mentioned.	As explained to us, there were no cases where Corporation has deviated from the system of payment for land acquisition including compensation under Resettlement & Rehabilitation policy of the State Government. Cases of land disputes are not made available to us for reporting	No Comment
3. State the system of allotment of industrial plots/ sheds including recovery of installments from the allottees. What is the system of	As informed to us, the Corporation before declaration of the area as saturated, allotment of industrial plots has been	No Comment

<p>imposing penalty due to delay in setting up of business or starting business other than the one for which the allotment was made?</p>	<p>made on application, at the rates as decided by the Corporation. After declaration of the area as saturated or in some other cases where demand for plots has been perceived to be substantial, allotment has been made through auction. Further, there is a system to recover balance 75% of the allotment value in 7 interest bearing installments in 2 years. Corporation has a system as provided in RIICO Disposal of Land Rules,1979 to cancel the plot if there is a delay in setting up of business. However allottees has a option to get extension of time limit after paying the retention charges. Allottees can start the business other than the one for which it was allotted after taking approval from the corporation. However, Corporation has right to cancel the plot if the allottees has changed the business without taking the approval from the corporation.</p>	
<p>4. Have all steps to remedy the situation of default cases taken within the prescribed time limits? The cases of non-compliances to established system shall be detailed.</p>	<p>As informed to us, the notices are issue to the defaulting units from time to time, at least once in a year for making payment of land dues. Under RIICO disposal of land rule 1979, the corporation has right to cancel the plot allotment after issuing show cause notice to allottees for breach of any of these rules, condition of allotment letter or terms of lease agreement.</p>	<p>No Comment</p>

For JAIN SHAH & CO.

Chartered Accountants  
FRN : 002819C  
Place : JAIPUR

Date : 22nd November, 2019

( CA Ajay Shah)  
Partner  
M. No.: 071954

For & on behalf of the Board

( Ashutosh A.T.Pednekar )  
Managing Director  
RIICO Ltd.

