

THE STATE TRADING CORPORATION OF INDIA LIMITED, NEW DELHI

ANNEXURE-1

Statement on impact of Audit Qualification for the Financial Year ended 31st March 2018 along with Annual Audited Financial Results – (Standalone)

(Rs. Crore)

I	Sl. No.	Particulars	Audited Figures as reported before adjusting for qualifications	Audited Figures (as reported after adjusting for qualifications)
	1.	Turnover / Total Income	11169.14	10909.67
	2.	Total Expenditure	11128.47	11267.26
	3.	Net Profit / (Loss)	40.67	(357.59)
	4.	Earning Per Share	6.78	(59.60)
	5.	Total Assets	4438.20	4172.77
	6.	Total Liabilities	3507.39	3640.22
	7.	Net Worth (including Revaluation Reserve)	930.81	532.55
	8.	Any other financial item(s) (as felt appropriated by the Management)		
II	Audit Qualification (each audit qualification separately).			
1	a. Details of Audit Qualification	Trade receivable includes Rs. 2076.70 crore (previous year Rs. 1904.24 crore) and other income includes interest of Rs. 259.47 crore (previous year Rs. 231.93) booked during the current year on over dues from one of the business associates on account of goods supplied in earlier years. The dues are stated to be secured by EMD of Rs. 29.73 crore and personal guarantee of chairman of its holding company. Consequent upon Conciliation Agreement dated 15.11.2011 and further settlement agreement dated 17.05.2012 the entire dues were payable to the company by 10.11.2012. During the year, the Business Associate remitted an amount of Rs. 100 crore (previous year Rs. 70.18 crore) on the		

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	<p>b. Type of Audit Qualification:</p> <p>Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification: Whether appeared first time /Repetitive / since how long continuing</p>	<p>directions of Hon'ble Supreme Court. Considering the poor recovery, non-availability of security, dispute by party with respect to interest charged, and age of outstanding dues, interest income should not be recognized as per provisions of Indian Accounting Standard- 9 issued by ICAI.</p> <p>Considering the overall circumstances surrounding the recoverability of outstanding dues of Rs. 2076.70 crore, we are not in a position to ascertain whether the amount is fully recoverable or not. We are informed by the management that petition for execution of decree as per Conciliation Agreements under the Arbitration and Conciliation Act, 1996 has been filed before the Hon'ble Supreme Court wherein it has been held that decree is final. The party has submitted payment proposal before the Hon'ble Apex Court which is still subjudice before the Hon'ble Apex Court. Cases U/s 138 of Negotiable Instruments Act are also filed by the company before the Hon'ble High Court Delhi. The Enforcement Directorate and CBI are also investigating into the matter about cheating and fraud done by the party. We have also been provided affirmative Board Resolution dt. 14.02.2017 and outcome dt. 30.05.2017 that all possible efforts are extended for recovery of the dues through legal process and company is assured of recovering the dues.</p> <p>Qualified opinion</p> <p>Repetitive</p>
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	<p>d. For Audit Qualification(s) Whether the impact is quantified by the auditor, Management's view</p>	<p>Other Income include interest of Rs.259.47 crore recoverable from one of the business associate with whom conciliation agreement has been signed which has been held as final by Hon'ble Supreme Court. Dues are secured by EMD of Rs.29.73 crore and the personal guarantee of Chairman of its holding company. The case for enforcement of decree is continuing with Hon'ble Supreme Court. During the year, the business associate remitted an amount of Rs.100.00 crore with the knowledge of Hon'ble Supreme Court. Considering the status of case in the Hon'ble Supreme Court, the management is hopeful that the associate may come out with settlement proposal for repayment of entire dues to STC. Next date of hearing is 04.07.2018. Hence the debt is considered good and interest accrued thereon is recognized as income."</p>
2	<p>a. Details of Audit Qualification</p> <p>b. Type of Audit Qualification: Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification: Whether appeared first time /Repetitive / since how long continuing</p> <p>d. For Audit Qualification(s) Whether the impact is quantified by the auditor, Management's view</p>	<p>With respect to contingent assets disclosed, the management has not provided any substantive evidence in support of probability of recovery, hence we are not in a position to form an opinion thereon.</p> <p>Qualified</p> <p>First time</p> <p>The amount shown as contingent asset as on 31.3.18 represents mostly the interest on delayed payment by the associates and other amounts recoverable from the associates under the agreement entered into with them and policy. As per practice the receivables/claims are reviewed by the</p>

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		Management at periodical intervals. In case Associates are not paying the dues/ there is inordinate delay in recovery of dues. Legal and other actions are initiated to recover the dues. Subsequently, as a prudent accounting policy, interest etc. are not recognized in books of accounts and shown as contingent asset. Provision is made where ever recovery is considered doubtful. In such cases the income is recognized on receipt basis.
3	<p>a. Details of Audit Qualification</p> <p>b. Type of Audit Qualification: Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification: Whether appeared first time /Repetitive / since how long continuing</p> <p>d. For Audit Qualification(s) Whether the impact is quantified by the auditor, Management's view</p>	<p>The company has not considered Rs. 132.83 crore being the amount payable by calculation of impairment of fixed assets,</p> <p>Qualified opinion</p> <p>First time</p> <p>L&DO allotted a plot of land measuring 2.599 acres for constructing of office building vide lease agreement signed on 15.12.1975. In order to execute the perpetual lease, matter has been taken up with L&DO who has indicated an expenditure of Rs 132.83 crore on various account for facilitating execution of perpetual lease. The demand raised by L&DO is not acceptable to STC and is being disputed in view of verification of actual facts. The actual liability is therefore not ascertainable at present. Hence no provision was considered necessary.</p>

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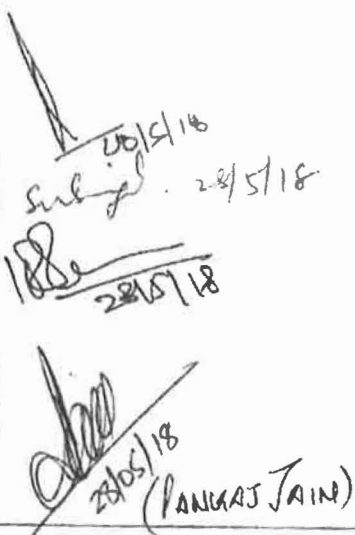
4	<p>a. Details of Audit Qualification</p> <p>b. Type of Audit Qualification: Qualified Opinion/Disclaimer of Opinion/Adverse Opinion</p> <p>c. Frequency of Qualification: Whether appeared first time /Repetitive / since how long continuing</p> <p>d. For Audit Qualification(s) Whether the impact is quantified by the auditor, Management's view</p>	<p>Rs. 10.53 crore recoverable from one of the business associate. While making the provision of Rs. 3.58 crore against the dues, the management has considered Rs. 6.13 crore towards value of immovable property provided as security. Since the company is not able to sale the property inspite of various auctions, hence till realization of security the value of security should not be considered for ascertainment of provision for doubtful debts in our opinion. Had the company made the provision of said amount , net profit of current year would have been lower by Rs. 5.77 crore, retained earning and trade receivable (current assets) would have been lower by Rs. 5.77 crore.</p> <p>Qualified opinion</p> <p>First time</p> <p>Trade receivables includes an amount of Rs. 10.53 crore (Rs. 10.53 crore), recoverable from one of the business associate for sale of met coke. A provision of Rs. 3.58 crore has been made against the dues. The balance dues are secured by mortgage of free hold land. M/s. Cushman wakefield, who had previously valued the property, has been appointed to sell the property. Process of selling the property is in advance stage. For recovery of the balance dues, claim has been filed with NCLT through IRP. The company has filed legal and criminal case against the business associate which are being followed up. In view of above no provision is considered necessary at this stage.</p>
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	<p><u>Signatories</u></p> <ul style="list-style-type: none"> • CMD • CFO: • Audit Committee Chairman: • Statutory Auditor – P. Jain Company 	 <p>20/5/18 Subj. 28/5/18 28/5/18 28/5/18 (PANKAJ JAIN)</p>