



GMDC/CS/ BSE/NSE/ 350 /2020-21

15/7/2020

To,  
Bombay Stock Exchange Ltd.  
25th Floor, P.J. Towers  
Dalal Street  
Fort, Mumbai-400 001  
Code : 532181

**Sub : Discrepancies in standalone Financial Results**

Dear Sir,

This is with reference to the standalone Financial Results for the Year Ended March 2020 under Regulation 33/52 of SEBI (LODR) Regulations 2015. In this regard kindly find herewith Auditors Report is not submitted for Standalone Financial Result.

Thanking you,

Yours faithfully,

For, Gujarat Mineral Development Corporation Limited

  
Joel Evans  
Company Secretary

Encl : As above

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**Gujarat Mineral Development Corporation Limited**  
**(A Government of Gujarat Enterprise)**

**CIN : L14100GJ1963SGC001206**

"Khanij Bhavan", 132 Ft. Ring Road, Near University Ground, Vastrapur, Ahmedabad-52  
Phone : 2791 0665 / 2791 1662 / 2791 3200 / 2791 3200 TeleFax : 079 – 2791 1151  
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# SONI JHAWAR & CO.

CHARTERED ACCOUNTANTS

## Independent Auditor's Report

To,  
The Members of  
Gujarat Mineral Development Corporation Limited

### Report on the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of **Gujarat Mineral Development Corporation Limited** ("the Company") and its controlled entities, its associates and jointly controlled entities (the Company, its controlled entity, its associates and jointly controlled entities referred to as "the Group"), comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2020, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, notes to the consolidated financial statements including a summary of the significant accounting policies and other explanatory information (herein after referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affair of the Group as at 31<sup>st</sup> March, 2020, the consolidated profit and consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows for the year ended on that date.

#### Basis for Opinion

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 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, and together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Companies Act, 2013 and the Rules there under, 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 opinion.



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### **Emphasis of Matter**

- i. We draw the attention to Note No. 2.27.01 of the consolidated financial statements wherein the company is selling lignite/ power to GSECL/GUVNL. For arriving at the rate of lignite to be charged in invoice for sale of Lignite/power from year to year, the company is charging rate of interest of 13% on fixed assets of the respective project for finalization of cost as per agreed formula. Accordingly, the company has recognized the revenue for the sale of lignite/power to GSECL/GUVNL . However, while making the payment, GSECL and GUVNL are allowing rate of interest of 8.50% only instead of 13% w.e.f 01st July,2017 . The matter has been referred to Government of Gujarat (GOG) to settle the issue. Necessary adjustment entries, if any, will be passed after the matter is finalized by GOG.
- ii. We draw the attention to Note No. 2.48(b) of the consolidated financial statements wherein company has controlled trust i.e. Gramya Vikas Trust (GVT), was formed with the objective of spreading social welfare activities such as public safety, healthcare, education, tribal development, water supply and sanitation facilities etc. in and around the areas and habitat encompassing our project sites. Moreover, GMDC GVT do not participate in any of the profit motive activities rather only service and facilitation activities for the benefit of public at large in the surrounding areas/Core Zone villages. As per Ind AS 110 para 7 which lays down conditions for control, one of them being exposure or right to variable returns from investee. GVT being non profit entity, GMDC has no rights to its variable returns and the control can not be established. Therefore, from current financial year, GVT has been excluded from consolidation and considering the concept of materiality, figures of comparative periods are not restated. This has resulted in net impact of Rs. 10.29 lakh on opening equity (retained earnings).
- iii. We draw attention to Note 2.50 of the consolidated financial results, as regards the management's evaluation of COVID-19 impact on the future performance of the Group. Our opinion is not modified in respect of this matter.
- iv. We draw the attention to Note No. 2.51.01 of Consolidated financial statement wherein Gujarat Mineral Research and Industrial Consultancy Society (GMRICS), a subsidiary of the company has not been considered in preparation of consolidated financial statement, as GMRICS has not prepared its annual accounts due to no financial transactions since 2012-13.



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

### **Key Audit Matters**

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

<b>S.No.</b>	<b>Key Audit Matter</b>	<b>Auditor's Response</b>
1.	<p><b>Stripping Cost</b> Expenditure incurred on removal of mine waste materials (overburden) necessary to extract the lignite reserve is referred to as Stripping cost.</p> <p>Cost of stripping is charged on technical evaluated average stripping ratio at each plot of mine after due adjustment for stripping activity.</p> <p>Refer Note (s) of the Significant Accounting Policies</p>	<p><b>Principal Audit Procedures</b> Our audit approach was a combination of test of internal controls and substantive procedures which included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the Overburden Removal (OB) and lignite reserve estimate and discussed with the geologist about geologist model, estimation tools and sampling method (As per SA-620 "Using the Work of an Auditor's Expert").</li> <li>• Tested 'Average stripping ratio' by recalculating the Lignite to overburden.</li> <li>• Selected a sample of contracts and through inspection of evidence tested the operating effectiveness of the internal controls relating to stripping activity.</li> <li>• Carried out a combination of procedures involving enquiry, observation and inspection of evidence in respect of operation of these controls.</li> <li>• Performed analytical procedures and test of details for reasonableness of expenditure incurred.</li> </ul>
2.	<ul style="list-style-type: none"> <li>• Contingent liabilities relating to Income tax (as described in note 2.37.01 of the financial statements)</li> <li>• The company has uncertain tax position including matters under dispute which involve significant judgment relating to the possible outcome of these disputes in estimation of the provision of income tax. In view of this, the area has been considered as a Key Audit Matter.</li> </ul>	<ul style="list-style-type: none"> <li>• Our audit procedures included the following:-</li> <li>• Our audit procedures included obtaining details of completed tax assessments and outstanding demands as at the year ended March 31, 2020 from management. We involved our internal experts to discuss with the management regarding estimates used to ascertain the tax provision of disputed cases. Our internal experts also considered</li> <li>• legal precedence and other rulings in evaluating management's position on these disputed cases</li> </ul>



**Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure to Board's Report, Business Responsibility Report, Report on CSR Activities, Corporate Governance and Shareholders Information, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group 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 rules issued thereunder.

The respective Board of Directors of the companies/entities 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 consolidated 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 Board of Directors of the Company, as aforesaid.

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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management 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**

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 auditors' 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 Standards on Auditing ('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 financial controls 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 Group 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

We communicate with those charged with governance of Company and such other entities included in the consolidated financial statements of which we are independent auditors 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 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 Matters**

We did not audit the financial statements of a 100% controlled entities and three joint ventures and three associates, whose financial statements reflect total assets of Rs. 19229.62 Lakh as at 31st March, 2020, total revenues of Rs. 12893.53 Lakh and net cash flows amounting to Rs. 2554.56 Lakh of a 100% controlled entity for the year ended on that date, as considered in the consolidated financial statements.

Financial statements of a 100% controlled entity, three joint ventures and three associates are unaudited. These consolidated financial statements 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 controlled entity, jointly controlled entities and associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid controlled entities, jointly controlled entities and associates, is based solely on such unaudited financial statements/ financial information. In our opinion and according to information and explanations given to us by the Management, these consolidated financial statements are not material to the Group.

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 respect to our reliance on the financial statements certified by the Management.

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

1. In terms of Section 143(5) of the Companies Act, 2013 we give in Annexure '2(i) & 2(ii)' a statement on the directions issued under the aforesaid section by the Comptroller and Auditor General of India to the Company.
2. As required by Section 143 (3) of the Companies Act, 2013 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 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.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of the consolidated financial statements.
- d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013.
- e) Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5<sup>th</sup> June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the company and its controlled entities. Further, on the basis of the representation received from the management, none of the directors of the associates and joint ventures, incorporated in India are disqualified as on 31<sup>st</sup> March, 2020, from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5<sup>th</sup> June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of Section 197 of the Act, are not applicable to the company and its controlled entities. Further, on the basis of the representation received from the management, the remuneration paid, if any, by the associates and joint ventures, incorporated in India to its directors during the year is in accordance with the provisions of section 197 of the Act.
- 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 consolidated financial statements disclose the impact of pending litigations of the consolidated financial position of the Group- Refer Note 2.37 to the consolidated financial statements.
- ii. The Group did not have any material foreseeable losses 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.

**Place:- AHMEDABAD**  
**Date:- 23.06.2020**



**For SONI JHAWAR & CO.**  
**CHARTERED ACCOUNTANTS**  
**F.R.N. 110386W**

*Harish Daga*  
**HARISH DAGA**  
**PARTNER**  
**M. NO. 409620**

**UDIN : 20409620AAAACD1483**

## **Annexure 'A' to the Auditor's Report**

**(Referred to in para 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)**

### ***Report on Internal Financial Controls over Financial Reporting***

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting of Gujarat Mineral Development Corporation Limited ("the Company") and its controlled entities, its associates and jointly controlled entities, (the Company, its controlled entities, its associates and jointly controlled entities referred to as "the Group") as of that date.

#### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the companies/entities included in the Group are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Companies/entities considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Group'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 Institute of Chartered Accountants of India. 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 were 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 the 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 consolidated 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 Group's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

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



### **Emphasis of Matter**

(a) We draw attention to note no. 2.48 (b) of the consolidated financial statement wherein GMDC Gramya Vikas Trust, a controlled entity of the company, is excluded from consolidation from the current financial year.

(b) We draw attention to note no. 2.51.01 of the consolidated financial statement wherein Gujarat Mineral Research and Industrial Consultancy Society, controlled entity of the company has not been considered in preparation of consolidated financial statement, since, there are no transactions since the year of establishment.

Our opinion on an adequate internal financial controls system over financial reporting, is not modified in respect of the above matters.

### **Basis for Qualified Opinion**

According to the information and explanations given to us, in Gujarat Foundation for Entrepreneurial Excellence - iCreate, a joint venture of the company, the following weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting:

There were deficiencies observed in operating effectiveness of internal control relating to payments, classification of expenses, compliance of TDS matters and salary processing as identified as per test check based audit.

### **Opinion**

In our opinion, the Group, have in all material respects except for the effects of the matters described in the Basis for opinion paragraph above, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### **Other Matters**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 100% controlled entity, three associates and three jointly controlled entities is based on Management Representation as these were not audited.  
Our opinion on an adequate internal financial controls system over financial reporting, is not modified in respect of the above matters.

Place:- AHMEDABAD  
Date:- 23.06.2020



For SONI JHAWAR & CO.  
CHARTERED ACCOUNTANTS  
F.R.N. 110386W

*Harish Daga*  
HARISH DAGA  
PARTNER  
M. NO. 409620



# SONI JHAWAR & CO.

CHARTERED ACCOUNTANTS

## Independent Auditors' Report

To  
The Members of  
Gujarat Mineral Development Corporation Limited

### Report on the Standalone Financial Statements

#### Opinion

We have audited the accompanying standalone financial statements of **Gujarat Mineral Development Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, notes to the standalone financial statements including a summary of the significant accounting policies and other explanatory information (herein after referred to as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affair of the Company as at 31st March, 2020, the profit and total comprehensive income, changes in equity and cash flows for the year ended on that date.

#### Basis for Opinion

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 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 together with the ethical requirements that are relevant to our audit of the standalone 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 opinion.



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SURAT-395 002. Ph.: (O) 3912290-93 E-mail : sonijhavar@gmail.com

### **Emphasis of Matter**

- i. We draw the attention to Note No. 2.27.01 of the standalone financial statements wherein the company is selling lignite/ power to GSECL/GUVNL. For arriving at the rate of lignite to be charged in invoice for sale of Lignite/power from year to year, the company is charging rate of interest of 13% on fixed assets of the respective project for finalization of cost as per agreed formula. Accordingly, the company has recognized the revenue for the sale of lignite/power to GSECL/GUVNL. However, while making the payment, GSECL and GUVNL are allowing rate of interest of 8.50% only instead of 13% w.e.f 01st July, 2017. The matter has been referred to Government of Gujarat (GOG) to settle the issue. Necessary adjustment entries, if any, will be passed after the matter is finalized by GOG.
- ii. We draw attention to Note 2.50 of the standalone financial statements, as regards the management's evaluation of COVID-19 impact on the future performance of the Company. Our opinion is not modified in respect of this matter.

Our opinion on standalone financial statements, and our Report on Other Legal and Regulatory Requirements, is not modified in respect of the above matters.

### **Key Audit Matter**

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

<b>S.No.</b>	<b>Key Audit Matter</b>	<b>Auditor's Response</b>
1.	<p><b>Stripping Cost</b></p> <p><i>Expenditure incurred on removal of mine waste materials (overburden) necessary to extract the lignite reserve is referred to as Stripping cost.</i></p> <p><i>Cost of stripping is charged on technical evaluated average stripping ratio at each plot of mine after due adjustment for stripping activity.</i></p>	<p><b><u>Principal Audit Procedures</u></b></p> <p><i>Our audit approach was a combination of test of internal controls and substantive procedures which included the following:</i></p> <ul style="list-style-type: none"><li>• <i>Evaluated the Overburden Removal (OB) and lignite reserve estimate and discussed with the geologist about geologist model, estimation tools and sampling method (As per SA-620 "Using the Work of an Auditor's Expert").</i></li><li>• <i>Tested 'Average stripping ratio' by recalculating the Lignite to overburden.</i></li></ul>



	<i>Refer Note (r) of the Significant Accounting Policies</i>	<ul style="list-style-type: none"> <li>• Selected a sample of contracts and through inspection of evidence tested the operating effectiveness of the internal controls relating to stripping activity.</li> <li>• Carried out a combination of procedures involving enquiry, observation and inspection of evidence in respect of operation of these controls.</li> <li>• Performed analytical procedures and test of details for reasonableness of expenditure incurred.</li> </ul>
2.	<p><b>Contingent liabilities relating to Income tax (as described in note 2.37.01 of the financial statements)</b></p> <p><i>The company has uncertain tax position including matters under dispute which involve significant judgment relating to the possible outcome of these disputes in estimation of the provision of income tax. In view of this, the area has been considered as a Key Audit Matter.</i></p>	<p><i>Our audit procedures included the following:-</i></p> <p><i>Our audit procedures included obtaining details of completed tax assessments and outstanding demands as at the year ended March 31, 2020 from management. We involved our internal experts to discuss with the management regarding estimates used to ascertain the tax provision of disputed cases. Our internal experts also considered legal precedence and other rulings in evaluating management's position on these disputed cases</i></p>

**Information Other than the Standalone Financial Statements and Auditor's Report Thereon**

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexure to Board's Report, Business Responsibility Report, Report on CSR Activities, Corporate Governance and Shareholders Information, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued thereunder and 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 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.

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 also responsible for overseeing the Company's financial reporting process.

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

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 auditors' 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 Standards on Auditing ('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 controls 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 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.

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 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**

1. 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 the Annexure 'A', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. In terms of Section 143(5) of the Companies Act, 2013, we give in Annexure '2(i) & 2(ii)' a statement on the directions issued under the aforesaid section by the Comptroller and Auditor General of India.
3. As required by Section 143 (3) of the Companies Act, 2013 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 of the aforesaid standalone financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid standalone financial statements have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of the standalone financial statements.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.



- e) Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Companies Act, 2013, are not applicable to the Company.
- f) 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 B'.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5<sup>th</sup> June 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of Section 197 of the Act, are not applicable to the company.
- 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 Note 2.37 to the Standalone financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

Place:- AHMEDABAD  
Date:- 23.06.2020



For SONI JHAWAR & CO.  
CHARTERED ACCOUNTANTS  
F.R.N. 110386W

*HARISH DAGA*  
HARISH DAGA  
PARTNER  
M. NO. 409620

UDIN :20409620AAAACC9134

## **ANNEXURE 'A' TO THE AUDITORS' REPORT**

**(Referred to in para 1 under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)**

The Annexure referred to in Independent Auditors' Report to the members of Gujarat Mineral Development Corporation Limited ("the Company") on the standalone financial statements for the year ended 31 March, 2020.

We report that:

- i. In respect of Fixed Assets
  - a. The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - b. The Company has a program of physical verification of its fixed assets by which fixed assets are verified at reasonable intervals. In accordance with this program, fixed assets were verified and discrepancies which were noticed on such verification were properly dealt with in the books of accounts.
  - c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.
- ii. In respect of Inventory
  - a. The physical verification of inventory has been conducted at reasonable intervals by the Management.
  - b. The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of company and the nature of its business.
  - c. The company has maintained proper records of inventory. The discrepancies noticed on such verification between the physical stocks and book stocks were not material and the same have been properly dealt with in the books of accounts.
- iii. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore requirement of clauses (iii) of the paragraph 3 of the order is not applicable to the company.
- iv. In respect of loans, investments, guarantees, and security, provisions of section 185 and 186 of the Companies Act, 2013 have been complied with as applicable.



- v. The company has not accepted any deposits during the year as per the directives issued by the Reserve Bank of India and within the meaning of the provisions of sections 73 to 76 and other relevant provisions of the Companies Act, 2013 and the rules framed there under, where applicable. Thus, the clause (v) of paragraph 3 of the order is not applicable to the company.
- vi. In pursuant to the order made by the Central Government for the maintenance of cost records under sub section (1) of section 148 of the Companies Act, 2013, the company has made and maintained the prescribed accounts and records.
- vii. In respect of statutory dues
- According to the information and explanations given to us, and on the basis of our examination, the company is generally regular in depositing undisputed statutory dues including provident fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Goods and Service Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Excise, Value Added Tax and Cess and any other statutory dues with appropriate authorities.
  - The details of excise duty, service tax, income tax and sales tax/VAT not deposited on account of dispute are as under:

Name of Statute	Nature of the Dues	Period to which the amount relates	Amount (Rs. In Lakh)	Forum where dispute is pending
Commercial tax	Sales tax/VAT	1995-96	98.92	Appellate Tribunal
Commercial tax	Sales tax/VAT	1997-98	2.45	Appellate Tribunal
Commercial tax	CST	1997-98	4.26	Appellate Tribunal
Service Tax	Service Tax	Dec-15 to Aug 16	0.39	Appellate Tribunal
Service Tax	Service Tax	2018-19	701.90	Directorate General of Central Excise Intelligence Zonal unit (DGCEIZ)
Service Tax	Service Tax	2018-19 & 2019-20	509.78	Office of the Commissioner of Central GST, Kutch-Gandhidham
Central Excise Act, 1944	Excise	Jan 14 – Dec 14	1.23	Appellate Tribunal
Central Excise Act, 1944	Excise	Mar 11 - Jan 16	10.21	Appellate Tribunal
Central Excise Act, 1944	Excise	2015-16	450.58	Appellate Tribunal
Income Tax Act, 1961	o/s Demand	A.Y 2018-19	1322.93	Assessing Officer



- viii. The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year.
- ix. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) or taken any term loan during the year.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- xi. 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 Companies Act, 2013 is not applicable to the Government Companies. Accordingly, provisions of clause 3 (xi) of the Order are not applicable to the Company.
- xii. The provisions of clause 3 (xii) of the Order, for Nidhi Company, are not applicable to the Company.
- xiii. According to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where ever applicable and the details have been disclosed in the standalone Financial Statements etc. as required by the applicable Indian Accounting Standards.
- xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the company has not entered into non-cash transactions with directors or persons connected with them during the year.
- xvi. According to information and explanation given to us, the Company is not required to be registered u/s 45-IA of Reserve Bank of India Act, 1934. Accordingly, provision of clause 3(xvi) of the Order is not applicable to the Company.

**Place:- AHMEDABAD**  
**Date:- 23.06.2020**



**FOR SONI JHAWAR & CO.**  
**CHARTERED ACCOUNTANTS**  
**F.R.N. 110386W**

*Harish Daga*  
**HARISH DAGA**  
**PARTNER**  
**M. NO. 409620**

## **Annexure 'B' to the Auditors' Report**

**(Referred to in para 3(f) under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)**

### ***Report on Internal Financial Controls over Financial Reporting***

Report on the Internal Financial Controls 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 **Gujarat Mineral Development Corporation Limited** ("the Company") as of March 31, 2020, in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India (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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company'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 Institute of Chartered Accountants of India. 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 were 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 the 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 auditors' judgment, including the assessment of the risks of material misstatement of the standalone 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 Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Place:- AHMEDABAD  
Date:- 23.06.2020**



**For SONI JHAWAR & CO.  
CHARTERED ACCOUNTANTS  
F.R.N. 110386W**

*Harish Daga*  
**HARISH DAGA  
PARTNER  
M. NO. 409620**



# SONI JHAWAR & CO.

CHARTERED ACCOUNTANTS

## Annexure to the Independent Auditors' Report of Gujarat Mineral Development Corporation Ltd

To  
The Members  
Gujarat Mineral Development Corporation Ltd.

In continuation of our Independent Audit Report on Standalone Financial Statement of Gujarat Mineral Development Corporation Ltd. ("The Company") dated 23.06.2020 we have reported on Directions and Sub-direction under section 143(5) of the Companies Act, 2013 applicable for the year 2019-20, as under:

**ANNEXURE-2(i)**

### Directions under Section 143(5) of Companies Act, 2013 Applicable for the year 2019-20

Sr. No.	Directions/Questions u/s 143(5)	Action Taken	Impact on Accounts and Financials
1	Whether the Company has system in place to process all the accounting transactions through IT system? If No, the implication of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, the Company has Oracle based composite ERP System covering all the departments of the company from where accounting transactions are processed. We have not come across any case, where accounting transactions are processed outside ERP. Therefore, there is no financial implication on the integrity of the accounts.	No impact
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 company due to company's inability to repay the loan? if yes, the financial impact may be stated	The company has no borrowing. Therefore, there is no restructuring of an existing loan or cases of waiver/ write off of debts/loans/ interest etc, made by a lender to the company due to company's inability to repay the loan.	No impact
3	Whether funds received/ receivable for specific scheme from Central/ State agencies were properly accounted for / utilised as per its terms and conditions? List the cases of deviation	Yes, funds received/ receivable for specific scheme from Central/ State agencies were properly accounted for/ utilised as per its terms and conditions.	No impact

Place: Ahmedabad  
Date: 23.06.2020



For Soni Jhavar & Co.  
Chartered Accountants  
FRN: 110386W  
*Harish Daga*  
Harish Daga  
Partner  
M. No. 409620

H.O.: 3002-03, Trade House Market, Opp. Fire Brigade, Ring Road,  
SURAT-395 002 Ph.: (O) 3912290-93 E-mail : sonijhavar@gmail.com

## Sector Specific Sub-directions under section 143(5) of Companies Act, 2013

Sr. No.	Sub Directions issued/Questions u/s 143(5)	Action Taken	Impact on financials
<b>Manufacturing Sector</b>			
<b>Mining</b>			
1	Whether the company has taken adequate measures to reduce the adverse affect on environment as per established norms and taken up adequate measures for the relief and rehabilitation of displaced people.	According to the information and explanation given to us, the Company is obtaining environmental pollution monitoring report periodically from outside agency for each project to reduce/monitor the adverse effect on environment.  No Major Displacement/Rehabilitation has been taken at any project of the corporation for the year 2019-20. (Please note that we are not technical expert)	No impact
2	Whether the Company had obtained the requisite statutory compliances that was required under mining and environmental rules and regulations?	As per information and explanation given to us, the Company has obtained necessary consents from GPCB for mining projects.	No impact.
3	Whether overburden removal from mines and backfilling of mines are commensurate with the mining activity?	As informed to us, in respect of lignite projects overburden removal from mines and backfilling of mines are commensurate with the mining activity as per submitted/ approved/ prepared mine closure plan. (Please note that we are not technical expert)	No Impact
4	Whether the Company has disbanded and discontinued mines, if so, the payment of corresponding dead rent there against may be verified.	As informed to us, the Company has discontinued its Pandharo mine due to exhaust of lignite. Dead rent paid for above mine during the year Rs.51.37 lac.	Not Applicable
5	Whether the Company's financial statements had properly accounted for the effect of Rehabilitation Activity and Mine Closure Plan?	The expenditure on Rehabilitation Activity and for Mine Closure is properly accounted in the books of account of the Company, as per the policy adopted in this behalf.	No impact
<b>Power Sector</b>			
<b>Generation</b>			
1	In the cases of Thermal Power Projects, compliance of the various Pollution Control Acts and the impact thereof including utilization and disposal of ash and the policy of the company in this regard, may be checked and commented upon.	As per information and explanation provided to us, the Company has made compliance of various pollution control Act.  In respect of utilization and disposal of ash, generally the Company is using it in backfilling of mine in Panandhro project.	No impact



Sr. No.	Sub Directions issued/Questions u/s 143(5)	Action Taken	Impact on financials
2	Has the company entered into revenue sharing agreements with private parties for extraction of coal at pitheads and it adequately protects the financial interest of the Company?	As informed to us, the Company has not entered into revenue sharing agreements with private parties for extraction of coal at pitheads.	Not Applicable
3	Does the company have a proper system for reconciliation of quantity/ quality of coal ordered and received and whether grade of coal/moisture and demurrage etc., are properly recorded in the books of accounts?	Company does not purchase coal from the outside parties. However, as informed to us, the Company is having a system in ERP for reconciliation of quantity ordered and received and Grade of coal/ moisture and demurrage etc. are recorded in the books of accounts on the basis of Test Certificate received from the laboratory. (Please note that we are not technical experts).	No impact
4	How much share of free power was due to the State Government and whether the same was calculated as per the agreed terms and depicted in the accounts as per accepted accounting norms?	The power is sold to Government controlled entity and the same is calculated as per terms agreed in PPA (Power Purchase Agreement).	No impact
5	In the case of Hydroelectric Projects the water discharge is as per policy /guidelines issued by the State Government to maintain biodiversity. For not maintaining it penalty paid/ payable may be reported.	As informed to us, no hydroelectric Project is carried out by Company.	Not Applicable

Place: Ahmedabad  
Date: 23.06.2020



For Soni Jhawa & Co.  
Chartered Accountants  
FRN: 110386W

*Harish Daga*  
Harish Daga  
Partner  
M. No. 409620



# SONI JHAWAR & CO.

CHARTERED ACCOUNTANTS

## Annexure to the Independent Auditors' Report of Gujarat Mineral Development Corporation Ltd

To  
The Members  
Gujarat Mineral Development Corporation Ltd.

In continuation of our Independent Audit Report on Consolidated Financial Statement of Gujarat Mineral Development Corporation Ltd. ("The Company") dated 23.06.2020, we have reported on Directions and Sub-direction under section 143(5) of the Companies Act, 2013 applicable for the year 2019-20, as under:

As per the information and explanation given to us, directions under section 143(5) of the Companies Act, 2013 are not applicable on the Controlled entity, Joint Ventures and Associates of the company except Naini Coal Company Ltd. for which report on directions under section 143(5) of the Companies Act, 2013 have not been received yet. Hence, we are unable to offer any comment on the same.

### ANNEXURE-2(i)

#### Directions under Section 143(5) of Companies Act, 2013 Applicable for the year 2019-20

Sr. No.	Directions/Questions u/s 143(5)	Action Taken by Gujarat Mineral Development Corporation Ltd.	Impact on Accounts and Financials
1	Whether the Company has system in place to process all the accounting transactions through IT system? If No, the implication of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, the Company has Oracle based composite ERP System covering all the departments of the company from where accounting transactions are processed. We have not come across any case, where accounting transactions are processed outside ERP. Therefore, there is no financial implication on the integrity of the accounts.	No impact
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 company due to company's inability to repay the loan? if yes, the financial impact may be stated	The company has no borrowing. Therefore, there is no restructuring of an existing loan or cases of waiver/ write off of debts/loans/ interest etc, made by a lender to the company due to company's inability to repay the loan.	No impact
3	Whether funds received/ receivable for specific scheme from Central/ State agencies were properly accounted for / utilised as per its terms and conditions? List the cases of deviation	Yes, funds received/ receivable for specific scheme from Central/ State agencies were properly accounted for/ utilised as per its terms and conditions.	No impact



For Soni Jhavar & Co.  
Chartered Accountants  
FRN: 110386W

*Harish Daga*  
Harish Daga  
Partner  
M. No. 409620

Place: Ahmedabad  
Date: 23.06.2020

H.O.: 3002-03, Trade House Market, Opp. Fire Brigade, Ring Road,  
SURAT-395 002. Ph.: (O) 3912290-93 E-mail : sonijhavar@gmail.com

**ANNEXURE-2(ii)**

**Sector Specific Sub-directions under section 143(5) of Companies Act, 2013**

Sr. No.	Sub Directions issued/Questions u/s 143(5)	Action Taken	Impact on financials
<b>Manufacturing Sector</b>			
<b>Mining</b>			
1	Whether the company has taken adequate measures to reduce the adverse affect on environment as per established norms and taken up adequate measures for the relief and rehabilitation of displaced people.	According to the information and explanation given to us, the Company is obtaining environmental pollution monitoring report periodically from outside agency for each project to reduce/monitor the adverse effect on environment.  No Major Displacement/Rehabilitation has been taken at any project of the corporation for the year 2019-20. (Please note that we are not technical expert)	No impact
2	Whether the Company had obtained the requisite statutory compliances that was required under mining and environmental rules and regulations?	As per information and explanation given to us, the Company has obtained necessary consents from GPCB for mining projects.	No impact.
3	Whether overburden removal from mines and backfilling of mines are commensurate with the mining activity?	As informed to us, in respect of lignite projects overburden removal from mines and backfilling of mines are commensurate with the mining activity as per submitted/ approved/prepared mine closure plan. (Please note that we are not technical expert)	No Impact
4	Whether the Company has disbanded and discontinued mines, if so, the payment of corresponding dead rent there against may be verified.	As informed to us, the Company has discontinued its Pandharo mine due to exhaust of lignite. Dead rent paid for above mine during the year Rs.51.37 lac.	Not Applicable
5	Whether the Company's financial statements had properly accounted for the effect of Rehabilitation Activity and Mine Closure Plan?	The expenditure on Rehabilitation Activity and for Mine Closure is properly accounted in the books of account of the Company, as per the policy adopted on this behalf.	No impact
<b>Power Sector</b>			
<b>Generation</b>			
1	In the cases of Thermal Power Projects, compliance of the various Pollution Control Acts and the impact thereof including utilization and disposal of ash and the policy of the company in this regard, may be checked and commented upon.	As per information and explanation provided to us, the Company has made compliance of various pollution control Act.  In respect of utilization and disposal of ash, generally the Company is using it in backfilling of mine in Panandhro project.	No impact



Sr. No.	Sub Directions issued/Questions u/s 143(5)	Action Taken	Impact on financials
2	Has the company entered into revenue sharing agreements with private parties for extraction of coal at pitheads and it adequately protects the financial interest of the Company?	As informed to us, the Company has not entered into revenue sharing agreements with private parties for extraction of coal at pitheads.	Not Applicable
3	Does the company have a proper system for reconciliation of quantity/ quality of coal ordered and received and whether grade of coal/moisture and demurrage etc., are properly recorded in the books of accounts?	Company does not purchase coal from the outside parties. However, as informed to us, the Company is having a system in ERP for reconciliation of quantity ordered and received and Grade of coal/ moisture and demurrage etc. are recorded in the books of accounts on the basis of Test Certificate received from the laboratory. (Please note that we are not technical experts).	No impact
4	How much share of free power was due to the State Government and whether the same was calculated as per the agreed terms and depicted in the accounts as per accepted accounting norms?	The power is sold to Government controlled entity and the same is calculated as per terms agreed in Power Purchase Agreement (PPA).	No impact
5	In the case of Hydroelectric Projects the water discharge is as per policy /guidelines issued by the State Government to maintain biodiversity. For not maintaining it penalty paid/ payable may be reported.	As informed to us, no hydroelectric Project is carried out by Company.	Not Applicable

Place: Ahmedabad  
Date: 23.06.2020



For Soni Jhavar & Co.  
Chartered Accountants  
FRN: 110386W

*Harish Daga*  
Harish Daga  
Partner  
M. No. 409620