Gupta & Co.
Chartered Accountants

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Independent Auditor's Report

To the Members of National Jute Manufactures Corporation Limited

Report on the Standalone Financial Statements

Qualified Opinion

We have audited the accompanying standalone financial statements of **National Jute Manufactures Corporation Limited** ('the Company'), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of 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 of matters described in the *Basis for Qualified Opinion* section of our report, the aforesaid Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March, 2019, its profit and its cash flows for the year ended on that date.

Basis for Qualified Opinion

A) Going concern assumption:

The accounts have been drawn up on a going concern basis which is not appropriate under the circumstances because of the following reasons:

a) The Union Cabinet has approved the closure of National Jute Manufactures Corporation Limited (NJMC) and its subsidiary Birds Jute and Exports Limited (BJEL) at its meeting held on 10th October, 2018. Disposal of all assets will be in accordance with the guidelines of DPE dated 14.6.2018 and the proceeds from the sale of assets, after meeting the liabilities will be deposited in Consolidated Fund of India. Also NBCC (India) Limited has been appointed as Land Management Agency (LMA). The LMA will carry out thorough verification of assets before undertaking disposal in accordance with the DPE guidelines. The Board of Directors of NJMC Limited at its 177th Meeting nominated M/S MSTC as auctioning agency of all movable assets including Building.

b) In terms with the closure notification, the company has refunded Rs 200 crores towards Interest Free Loan to the Government of India. The income of the Company in previous years was primarily from the Interest income on Fixed Deposits which have significantly reduced.

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c) The financial statements indicate that the Company's current and non-current liabilities exceeded its total assets by Rs.22197.50 lakhs. The mills were not in operation throughout the year and the projected revival scheme could not be achieved, and there has been constant reduction in the strength of staff.

These factors confirm the inability of the company to continue as a going concern and the company will be unable to realise its assets and discharge its liabilities in the normal course of business.

B) Non compliance with accounting standards:

B.1 Accounting Standard -2 Valuation of Inventories

As stated in Accounting Policy 1.4, Inventories are valued at lower of cost and net realizable value or market price. Most of the inventories are carried forward since long and there is no movement of inventory during the current financial year. The relevant cost details were not made available to us and hence it is not possible to ascertain whether AS 2 has been complied with. Moreover, agewise analysis of inventory as well as identification of obsolete, non moving and non marketable inventories have not been done. The net Realisable value of the inventories has not been determined. Hence it is not possible to determine whether the carrying value of inventory represent the fair value.

B2. Accounting Standard 9 – Revenue Recognition

The Company has recognized interest income of Rs 92.79 lakhs from loan to the subsidiary and at the same time provision has been made in the accounts of the same amount. The subsidiary company has defaulted in making payment of Loan amount and interest since long. Moreover, the Union Cabinet has approved the closure of Birds Jute & Exports Ltd on 10th October, 2018. Since there is significant uncertainty for the ultimate collection, in our opinion, it should not have been recognized as revenue as per (AS) 9 "Revenue Recognition'.

B3. Accounting Standard 21 – Consolidated Financial Statements

The Company has a subsidiary company viz. Birds Jute and Exports Ltd. The Company has not prepared and presented consolidated financial statements as required by (AS) 21, 'Consolidated Financial Statements'.

B4. Accounting Standard 22- Accounting for Taxes on Income

The Company has not complied with AS- 22 Accounting for Taxes on Income. Ascertainment of Deferred Tax Asset & Liability and its recognition in terms with the said Standard has not been done in the Financial Statements.

B5. Accounting Standard 24- Discontinuing Operations'.

The Union Cabinet has approved the closure of the company on 10th October, 2018. Earlier, the BIFR had directed the Company to sale/dispose off the assets of the Company including the land of three closed mills. Moreover, operations have also stopped at the three revival mills from the financial year 2016-17. However, no disclosures have been made by the Board of Directors about the formal plan for discontinuance in the notes to the financial statements as required by (AS) 24, 'Discontinuing Operations'.

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B6. Accounting Standard 28- Impairment of Assets.

No accounting policy has been stated with regard to Impairment of Assets. The mills of the Company were not in operation during the year. As stated in Note 28(8), the Company has not determined impairment loss in accordance with (AS) 28, and therefore has not been recognized in the statement of profit and loss.

B7. Accounting Standard 29- 'Provisions, Contingent Liabilities and Contingent Assets'.

According to the information and explanations given to us, the Company is in litigation with various parties on diverse matters and these litigation cases are pending for a long time. However, the Company has not disclosed the possibility of any outflows in settlement for each class of contingent liability at the balance sheet date along with a brief description of the nature of the obligation as required by (AS)29.'Provisions, Contingent Liabilities and Contingent Assets'.

C) Under/Over statement of Income / Expenses and Assets / Liabilities:

C.1 Fixed Assets & Depreciation

a) As stated in Note 1.2.2, the Company has reassessed the useful life of its existing fixed assets in accordance with Schedule II of the Companies Act, 2013, and new rates of depreciation on written down value method has been arrived at to depreciate the assets over the remaining useful life. However, the necessary details including readjustments of rate of depreciation were not made available to us and therefore we are unable to comment whether the Companies Act have been complied with and the depreciation charged in the accounts is adequate.

b) As stated in Note 10(2), fixed assets include certain machines pertaining to the Company which were lying with a third party on the date of Nationalisation. The details of such machineries are not known since a long time and no provision for the book values of such machineries have been made in these accounts.

c) As disclosed in Note 10(4), land and building includes property at 5 Alipore Road, Kolkata, though vested in the Company under the Jute Companies (Nationalization) Act,1980 is not in the possession of the Company. As disclosed by the Company, the matter is subjudice, and divergent views of legal experts as well as the Ministry of Law & Justice are available regarding the ownership of the property. However, it is noted that the Company has provided Rs 193.27 lakhs for Municipal Taxes during financial years 2017-18 and 2018-19 for this property on the basis of a demand received from Kolkata Municipal Corporation.

d) The plant & machinery of 5 (five) mills of the company except Union Mill were physically verified and valued by a Government of India undertaking (Ferro Scrap Nigam Limited) during 2017-18. As per their report, the Plant & Machinery at units National & Alexandra were highly rusted damaged and un-serviced condition and the possibilities of further usage / reconditioning is negligible. For the units Khardah & RBHM Katihar, the Plant & Machinery were badly rusted damaged and un-serviced condition and the possibilities of further usage / reconditioning is moderate. The plant & machinery at Kinnison unit was moderately rusted and un-serviced condition and the possibilities of further usage / reconditioning is fair. As per this report, the total realizable value of Plant & Machinery of 5units is Rs 2942.16 lacs and Distress Sale Value is Rs 2422.96 lakhs. This valuation is much higher than the Net

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Block of Plant & Machinery as per accounts which are Rs 202.14 lakhs. However, no reconciliation in respect of assets physically verified with Fixed Assets register was available.

e) During 2018-19, NJMC Limited, on its own, engaged a government registered Chartered Valuation Surveyor, Associate Valuers, through tendering process to conduct the physical survey and inspection of the land belonging to six mills of NJMC viz Khardah, Kinnison, Alexandra, National and Union in West Bengal and RBHM in Katihar, Bihar. Valuation was also done for Bungalow at 5A, Alipore Road and guest house in Kalimpong.

Summary of the valuation report is as under:

Name of Jute Mill	Land Area	Market Value of Non encroached Land (Rs Lakhs)	Market Value of encroached Land (Rs Lakhs)	Total(Rs. In Lakh)
Alexandra Jute Mill	52.68	13570.52	6860.89	20431.41
Khardah Jute Mill	86.60	19029.12	14225.28	33254.40
Kinnison Jute Mill	53.595	18961.63	2116.61	21078.24
National Jute Mill	65.043	3521.73	1161.36	4683.09
Union Jute Mill	14.451	31598.10	7419.60	39017.70
RBHM Jute Mill	53.52	54297.20	30872.00	85169.20
Bunglow at Alipore	0.147	-	2439.45	2439.45
Guest House at Kalimpong	1.53	826.20	-	826.20
Total Value of Land		141804.5	65095.19	206899.69

This valuation is much higher than the value of Land as per accounts which are Rs 605.59 lakhs. As already pointed out in our report in para A above, NBCC (India) Limited has been appointed as Land Management Agency (LMA). The LMA will carry out thorough verification of assets before undertaking disposal in accordance with the DPE guidelines.

e) . The title deeds of immovable properties were not made available to us for our verification. However, according to information and explanation given to us, the landed property of the three mills viz Khardah, Kinnison and Alexandra is continued to be shown in the name of erstwhile companies. For updating the land records representation has been made to the Additional District Magistrate & District Land & Land Reforms Officer- North 24 Paraganas, Barasat. As on 31st March, 2019 the updation is pending.

C.2 Inventories

As earlier stated in para B.1, in the absence of adequate records it is not possible to determine whether the carrying value of inventory represents the fair value.

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C.3 Short Term Loans & Advances

a) Security deposits, considered good, Rs.174.66 lakhs is being carried forward for a long time. Since the party wise details, agewise analysis and other relevant information are not made available to us, it is not possible to determine at this stage how much of the said deposits are ultimately collectable and no provisions have been made in these accounts.

b) Refer note 15 (d) (i) of annual accounts regarding Income Tax Deducted at Source considered Good Rs 649.91 lakhs . This balance pertains to Assessment years 2016-17 to 2019-20. The copies of assessment orders are not available with the company from assessment year 2016-17 onwards. Moreover a demand of Rs 436.80 lakhs pertaining to 1990-91 is shown in the name of the company for which no necessary records are available. The matter has been taken up with the Income Tax Department and the amount is shown as contingent liability.

c) Refer note 15(c)(vi) of annual accounts regarding interest free loan of Rs 1200 lakhs to Handicrafts and Handlooms Exports Corporation of India of which Rs 1078.21 lakhs is outstanding as on 31st March, 2019. Since the amount is expected to be repaid within 2 years from the date of disbursement of loan through sale of assets of the company, the amount should have been classified under Long Term Loans & Advances instead of Short Term Loans & Advances.

C.4 Other Current Assets

Other assets comprises of Input GST Credit of Rs 55.05 lakhs. It is unlikely that the company will be able to utilize GST Input credit within September 2019 as per section 16(4) of the CGST Act, 2017. No provision has been made in the accounts in respect of this Input Credit.

C.5 Long Term Borrowings

a) Refer Note 4 for Long Term Borrowings. The company has repaid Rs 20000 lakhs against Unsecured Loan from Government of India and the present outstanding balance is Rs 21571.41 lakhs. This loan will be repaid through Funds generated by disposal of assets.

b) The company has taken loans from Government of West Bengal. The loan agreements along with terms and conditions for utilization and repayments of such loans were not made available to us for our verification. As stated in Note 4c, the Company has defaulted in repayment of the loan and the accumulated balance of Principal and Unpaid Interest amounts to Rs 1481.20 lakhs as on 31st March, 2019.

c) No balance confirmation has been obtained from the Central / State Governments for the loans.

C.6 Trade Payables

a) Refer Note 7 on Trade Payables. This includes Creditors for Supplies amounting to Rs.2,518.53 lakhs which are mostly carried forward for a long time. In the absence of party wise and invoice wise details, agewise analysis, confirmation of balances and other relevant details it is not possible to ascertain how much of these liabilities are ultimately payable.

b) Interest accrued on Trade Payables shows a balance of Rs 69.09 lakhs which is being carried forward for a long time and in the absence of requisite details ultimate liability could not be ascertained.

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c) Amount payable to Micro, Small and Medium Enterprise amounted to Rs.148.56 lakhs which is being carried forward for a long time and no relevant details are available for verification. No further liabilities have been identified and accounted for and up to date provision of interest has also not been ascertained and provided for.

C.7 **Other Current Liabilities**

a) As indicated in Note 8, statutory liabilities amounting to Rs.4,260.02 lakhs include damages amounting to Rs.3,550.11 and Rs.592.24 claimed by ESI and Provident Fund authorities. These are being carried forward for a long time and as explained to us, waiver has been sought by the Company in accordance with BIFR approved scheme. However, no adjustments have been made for these outstanding amounts pending approval for waiver.

b) Statutory Liabilities also includes liability for Fringe Benefit Taxes Rs 7.94 lakhs, Interest on Professional Tax Rs 68.69 lakhs and Interest on Municipal Taxes for Rs 28.46 lakhs which are being carried forward for a long time. In the absence of relevant information it is not possible to ascertain how much of these liabilities are ultimately payable.

c) Undisbursed claim of Commissioner of Payment Rs.40.29 lakhs; Performance Guarantee Rs.57.47 lakhs, Security Deposit/EMD Rs.76.85 lakhs and Advance from parties Rs 98.83 lakhss: In the absence of partywise details and other necessary information it was not possible to determine how much of the abovementioned amounts, which are being carried forward for a long time, are ultimately payable.

d) Included in Other Current Liabilities is Creditors for accrued wages and salaries Rs.343.53 lakhs. This is being carried forward for a long time and as explained to us, this figure includes Rs.114.16 lakhs on account of VRS payable, Rs.3.87 lakhs towards income tax refundable to employees and Rs.8.49 lakhs on account of profession tax refundable to employees. . In the absence of relevant information it is not possible to ascertain how much of these liabilities are ultimately payable.

As a result of the aforesaid matters, we were unable to determine whether any adjustments to these amounts were necessary in the Balance Sheet, and the corresponding impact on the Statement of Profit and Loss.

Managements Responsibility for the 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 to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial

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statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under Section 143(11) of the Act.

We conducted our audit in accordance with Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

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

- Identify and assess the risks of material misstatement of the 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 qualified 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.
- 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 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.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

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 section 143(11) of the Act, we give in Annexure A, a statement on the matters specified in the paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, based on our audit we report, to the extent applicable, that:

a) We have sought and, except for the matters described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.

c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d) Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

e) The matters described in the Basis for Qualified Opinion Paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

f) We have been informed that the provisions of section 164(2) of the Act in respect of disqualification of directors are not applicable to the Company, being a Government Company in terms of notification No.G.S.R.463 (E) dated 5th June, 2015.

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g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion Paragraph above.

h) 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.

i) With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

a) In the absence of complete details, we are not in a position to comment whether the Company has disclosed the full impact of pending litigations on its financial position in its financial statements.

b) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.

c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

3. In response to the directions issued by the Comptroller and Auditor General of India under section 143(5) of the Act, we report that:

i) The company does not have an ERP Accounting System or fully integrated IT system among its units and corporate office. The accounts of each unit and corporate office are maintained on accounting software. Consolidation of accounts of the corporate office and the various divisions are done through a separate data entry mode.

The present system adopted by the company leaves a scope of absence of data integrity and increases audit risk.

ii) According to the information and explanations given to us and the records of the Company examined by us, there have been no 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.

iii) a) The Government of India sanctioned Interest Free Loan of Rs 48362 lakhs as additional budgetary support for restructuring /revival of the Company as approved by Cabinet Committee of Economic Affairs (CCEA) and BIFR. Out of that amount Rs 41571.41 lakhs were released till 31.3.2018. During 2018-19 Government of India approved the closure of the Company and in line with directive issued by the Government of India, Rs 20000 lakhs were repaid. The balance amount is lying as Long Term Borrowings.

b) The Company has obtained a Loan of Rs 281.48 lakhs from Government of West Bengal in earlier years. The company has defaulted in repayment of Loan and Interest since 31st March 1994. The accumulated balance of Loan and Unpaid Interest is Rs 1481.20 lakhs as on 31.3.2019. The loan documents and terms and conditions of the loan were not made available to us.

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c) As disclosed in Note 3 of the Financial Statements, the Company had received grants from Bihar Government and IJIRA in 1988-89 and subsidy from West Bengal Industrial Development Corporation in 1982-83. The detailed papers of such grant / subsidy as well as the assets acquired out of such grant were not made available to us.

For Gupta & Co.
Chartered Accountants
Firm's registration number; 301028E

Arnab Deb
Partner
Membership number: 062018
UDIN:19062018AAAACT2207

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Kolkata
Date: 20.09.2019

Annexure A to Independent Auditor's Report

Referred to in the Independent Auditor's Report of even date to the members of **National Jute Manufactures Corporation Limited** ('the Company') on the financial statements for the year ended March 31, 2019.

We report that:

ia. The Company has maintained records of fixed assets which lacks details like sufficient description to make identification possible, location/situation, year of purchase, adjustment for revaluation, useful life, impairment and components of fixed assets.

b. The fixed assets have not been physically verified by the management at any time during the year. However, only plant & machinery of 5 (five) mills of the company except Union Mill were physically verified and valued by a Government of India undertaking (Ferro Scrap Nigam Limited) during the previous financial year 2017-18. As per their report, the Plant & Machinery at units National & Alexandra were highly rusted damaged and un-serviced condition and the possibilities of further usage / reconditioning is negligible. For the units Khardah & RBHM Katihar, the Plant & Machinery were badly rusted damaged and un-serviced condition and the possibilities of further usage / reconditioning is moderate. The plant & machinery at Kinnison unit was moderately rusted and un-serviced condition and the possibilities of further usage / reconditioning is fair. However, no reconciliation in respect of assets physically verified with the fixed assets register have been carried out. Hence discrepancies, if any, as on balance sheet date could not be ascertained and accounted for.

c. The title deeds of immovable properties were not made available to us for our verification. However, according to information and explanation given to us, the landed property of the three mills viz Khardah, Kinnison and Alexandra is continued to be shown in the name of erstwhile companies. For updating the land records representation has been made to the Additional District Magistrate & District Land & Land Reforms Officer- North 24 Paraganas, Barasat. As on 31st March, 2019 the updation is pending.

ii). Physical verification of inventory has been conducted at Kinnison, Khardah and RBHM (Katihar) units of the Company by an external stock auditor. However, in the absence of updated inventory records no comparison of inventories verified with stock records could be done and inventory valuation on balance sheet date is done on the basis of such verification.

Most of the inventories are carried forward since long and there is no movement of inventory during the current financial year and previous financial year. Moreover, agewise analysis of inventory as well as identification of obsolete, non moving and non marketable inventories have not been done. The net Realisable value of the inventories has not been determined. Hence it is not possible to determine whether the carrying value of inventory represents the fair value.

iii.a) The Company had granted unsecured loans amounting to Rs.4668.95 lakhs to its subsidiary in earlier years, which is considered doubtful by the management and full provision has also been made. The Union Cabinet has approved the closure of the subsidiary company. The terms and conditions of the loan granted to its subsidiary was not made available to us and therefore, we are unable to comment whether such loans are prejudicial to the interest of the Company. Except this loan to subsidiary, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

b) The Company is charging interest and also making full provision of such amount as the amount is not considered recoverable.

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c) The loan together with principal and interest remains overdue for more than 90 days. There is no recovery of loan over past years. Since the Union Cabinet has approved closure of the subsidiary there is no realistic chance of recovery of loan amount and interest.

iv. In our opinion and according to the information and explanations given to us, the Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under sections 185 and 186 of the Act during the current year.

v. The Company has not accepted any deposits from the public during the year within the meaning of sections 73 to 76 of the Act and the Rules framed there under to the extent notified and does not have any unclaimed deposits as at March 31, 2019 and therefore, the provisions of clause 3(v) of the Order are not applicable to the company.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under section 148(1) of the Act in respect of its products. Such cost accounting records were not made available to us for our review and accordingly, we are unable to comment whether such prescribed accounts and records have been made and maintained by the Company.

vii. a) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, value added tax, service tax, duty of customs, duty of excise, sales tax, cess and other material statutory dues were in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, the following statutory dues have not been deposited as on March 31, 2019 on account of dispute:

Name of the Statute	Nature of dues	Amount (Rs.lakhs)	Period to which amount relates	Forum where dispute is pending
Finance Act 1994	Service tax	0.10	Very old	Deputy Commissioner of Service tax
West Bengal Value Added Tax 2003	CST	220.18	2011-12 to 2015-16	Deputy Commissioner of Commercial Taxes

In addition to above, the following old statutory dues stated to be disputed, remain outstanding in the books of the company as on 31st March, 2019 for which details are not available:

a) Provident fund Rs.595.22 lakhs
b) Employees' state insurance Rs.3,550.29 lakhs
c) Profession tax Rs.69.40 lakhs
d) Municipal tax Rs.28.47 lakhs,
e) Fringe benefit tax Rs.7.94 lakhs
f) VAT / CST Rs 8.99 lacs

viii) According to the records of the Company examined by us and the information and explanations given to us, the Company has defaulted in repayment of loan from Government of West Bengal amounting to Rs.1481.20 lakhs(including interest thereon Rs.1,199.72 lakhs) which is subject to adjustments as disclosed in Additional Information to Note 4 of Financial Statements.

ix) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments). The Company had obtained loans from both Government of West Bengal and Government of

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India in earlier years. However, the terms and conditions subject to which the Company has obtained the loans including purpose for which such loans were sanctioned were not available to us. Therefore, we are unable to comment whether the loans were applied for the purposes for which those were obtained.

x) To the best of our knowledge and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.

xi) The provisions of section 197 read with Schedule V of the Act, relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of Ministry of Corporate Affairs Notification No. G.S.R.463 (E) dated 5th June, 2015.

xii) The Company is not a Nidhi company as prescribed as per provisions of section 406 of the Act. Accordingly, reporting under the provisions of clause 3(xii) of the Order are not applicable to the Company.

xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with section 177 and 188 of the Companies Act 2013.

xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.

xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Act are not applicable to the Company.

xvi) The Company is not required to be registered under section 45-1A of the Reserve Bank of India Act, 1934. Accordingly, the provisions of clause 3(xvi) of the Order are not applicable to the Company.

For Gupta & Co.
Chartered Accountants
Firm's registration number: 301028E

GUPTA & CO., KOLKATA, CHARTERED ACCOUNTANTS

Arnab Deb
Partner
Membership number: 062018
UDIN:19062018AAAACT2207

Kolkata
Date: 20.9.2019

Annexure B to Independent Auditor's Report of Even Date on the Financial Statements of National Jute Manufactures Corporation Limited

Report on the Internal Financial Controls under Section 143(3) (i) of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of **National Jute Manufactures Corporation Limited** ('the Company') as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management 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.

Auditor's 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 prescribed under section 143(10) of the Companies Act 2013 ('the Act') to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with the 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 operate effectively in all material aspects.

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 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 qualified 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 financial statements for

GUPTA & CO. KOLKATA CHARTERED ACCOUNTANTS

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 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. Our opinion, therefore, do not assure, for example, the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the Company has not established its internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI, e.g. control environment, risk assessment, control activities, information system and communication and monitoring. The Board's report also does not indicate any risk management policy for the Company including identification therein of elements of risk.

In view of above observations, Internal Financial Controls in the Company as on 31.3.2019 is inadequate based on the internal control over financial reporting criteria as stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

We have considered the qualified opinion reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and the qualification does not affect our opinion on the financial statements of the Company.

For Gupta & Co.

Chartered Accountants
Firm's registration number.301028E

GUPTA & CO. KOLKATA CHARTERED ACCOUNTANTS

Arnab Deb
Partner
Membership number:.062018
UDIN:19062018AAAACT2207

Place: Kolkata
Date: 20.9.2019