



## Independent Auditors' Report

**TO**  
**THE MEMBERS OF NATIONAL JUTE MANUFACTURES CORPORATION LIMITED**  
**REPORT ON THE AUDIT OF 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, 2023, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and notes to the Financial Statements, including 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 March 31, 2023, its profit and cash flows for the year ended on that date.

### Basis for Qualified Opinion

#### A) Going Concern Assumption:

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

- The Union Cabinet has approved the closure of National Jute Manufactures Corporation Limited (NJMC) and its subsidiary Birds Jute 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 14.06.2018 and the proceeds from the sale of assets, after meeting the liabilities will be deposited in Consolidated Fund of India. In terms of engagement of MSTC as auctioning agency, all the movable assets of three of its Mills namely viz. National, Alexandra and RBHM have been disposed off. In respect of Kinnison all the process of disposal including delivery advice is completed by the end of the year but the actual removal of those assets is pending. Besides, the assets in respect of Khardah unit have been sold during subsequent period. NBCC who has been appointed as Pre-Land Management Agency submitted their report but the disposal of Land and Building for all the units is yet to be taken.
- In terms with the closure notification, the company has during the year 2018-19 refunded Interest Free Loan to the extent of ₹200 crores to the Government of India. The income of the company for the last several years is primarily from Interest on Fixed Deposits which has been reduced significantly after the said refund.
- The Financial Statements indicate that the company's current and non-current liabilities exceed its total assets by ₹19745.27 Lakhs (Previous Year ₹22,851.57 Lakhs).

These factors confirm the inability of the company to continue as a going concern and to 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/market price. Since the units were not in operation, the inventories are unmoved for several years. As per the decision of the management all the movable assets of the three units including inventories have



been disposed off during the year and realized value is found to be higher than its book value. But for remaining inventories the relevant cost details and the basis of determination of net realizable value were not made available to us and, hence, it is not possible to ascertain whether AS-2 has been complied with. Moreover, age-wise analysis of inventory as well as identification of obsolete and non-marketable inventories has not been ascertained. Hence, it is not possible to determine whether the carrying value of inventories represents its proper valuation.

#### **B.2 Accounting Standard-9 - Revenue Recognition:**

As per decision of the management, the disposal procedure for four units was completed before closing of the year under audit receiving EMD/Security Deposits, Bid Value, Issuance of Sale order and Delivery Advice. While the amounts received in connection with three mills namely Alexandra, National and RBHM of ₹1,511 Lakhs, ₹3,000 Lakhs and ₹1,570 Lakhs respectively have been considered in 'scrap sale' but, even though delivery advice was issued on 21.03.2023 in respect of Kinnison Mill, no scrap sale has been considered during the year resulting in an understatement of scrap sale amounting to ₹3,650 Lakhs and profit to the relevant extent.

The Company has recognized interest income of ₹259.23 Lakhs on the loans granted to its subsidiary, Birds Jute & Exports Ltd. But at the same time, it has also made provision on this account towards doubtful interest receivable net of TDS. This process of accounting is causing loss to the company on account of income tax on the interest income being irrecoverable for years. The subsidiary company has not made any repayment of principal as well as interest for several years.

#### **B.3 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 in accordance with the said standard has not been done.

#### **B.4 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, a number of which are pending for several years. However, against many cases, the company has not estimated and disclosed the amount of possible financial implication of the dispute, as required under AS-29 'Provisions, Contingent Liabilities and Contingent Assets'.

#### **B.5 Accounting Standard-24 - 'Discontinuing Operations'**

As the company has already started disposing off its movable assets including inventories according to the closure directives, the company cannot be treated to be continuing in operation. The Disclosure as contained in accounting standard 24 'Discontinuing operations' have not been followed in preparation of the accounts of the company.

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

#### **C.1 Property, Plant & Equipment& Depreciation:**

- a) Certain assets having WDV of ₹637/- were lying with third party since nationalization, as stated in Note 9(2), on Property, Plant & Equipment. Profit on disposal of movable assets of the said mill in its entirety has been determined by the management without taking into account the aforesaid assets lying with third party.
- b) As disclosed in Note 9(6), 'Land & Building' includes property at 5, Alipore Road, Kolkata, which is not in the possession of the Company though vested in the company under the Jute Companies (Nationalization) Act, 1980. The property is under litigation and the legal experts are having divergent views regarding the ownership right over the property. Though the ownership is disputed, the company



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is providing liability in respect of municipal taxes payable to Kolkata Municipal Corporation, which amounted to ₹4.45 Lakhs for the financial year 2022-23 (Previous Year: ₹4.45 Lakhs). The cumulative liability so provided upto 31.03.2023 is ₹116.47 Lakhs (upto 31.03.2022: ₹112.02 Lakhs)

- c) While loss to the extent of ₹1.84 Lakhs due to theft of assets occurred during the year 2021-22 has been charged off in the current year but similar loss of ₹0.28 Lakhs occurred in 2020-21 has not been provided for separately though all the movable assets of the mill have been disposed off.
- d) The Title Deeds of the land at various location were made available for our verification but could not be properly verified and linked with the records of fixed assets. However, according to information and explanation given to us, the landed property of three mills viz. Khardah, some portion of Kinnison and Alexandra are still continuing in the name of the erstwhile companies. We have been further informed that representation has been made to the Additional District Magistrate & District Land & Land Reforms Officer – North 24 Paraganas, Barasat as well as Secretary Land and Land Reforms and Refugee Relief and Rehabilitation Department, Government of West Bengal for updating the land records in respect of the said properties but, the matter is still pending as on 31<sup>st</sup> March, 2023.

### C.2 Investments:

The holding company is not maintaining proper Register of its Investments. The details of investments, as disclosed under note no. 10, is also not matching with the general ledger and there is a difference of ₹0.37 Lakh. Further, in respect of Investments in Govt. securities aggregating to ₹0.74 Lakhs and Share scrips in respect of investments held in Britannia Engineering Ltd. and J.F. Low & Co. Ltd., value 'NIL' could not be made available for our verification and were informed to be not traceable. These investments are very old and it was explained to us that the original certificates might have been provided as security to the various Govt. authorities/ departments. It was also noticed that investments include ₹0.02 Lakhs in the shares of companies, the names of which have already been struck off. However, full provision has been made against all these investments. Furthermore, investments include shares in Cheviot Company Limited and Birla Corporation Limited against which full provision has been made though dividends have been received against these shares.

### C.3 Inventories:

The valuation of inventories of the remaining mills at the year-end, which are very old, have been done by the management without considering damage/obsolesce on account of lapse of time and non-operations but the value has not been reduced with reference to their realizability.

### C.4 Cash and Bank Balances:

Bank balances include ₹91,083.04 on account of Kinnison unit lying with UCO Bank, Titagarh Branch, which is a dormant account as on Balance Sheet date.

Further, Balance in bank accounts is net of book overdraft with bank, that is negative bank balance as per books of account due to accounting for a payment of GST dues amounting to ₹701.85 Lakhs on 31<sup>st</sup> March 2023, though there was no sufficient balance in bank account.

### C.5 Short Term Loans & Advances:

- a) Against the aggregate amount of ₹1219.33 Lakhs as income tax deducted at source receivable the company has made a provision of ₹408.77 Lakhs. The Income-tax refunds determined for earlier years, together with interest allowed thereon, are being adjusted by the Income Tax department against the arrear demand for the assessment year 1990-91. The outstanding demand summary of the company appearing in the Intimation u/s 143(1) for the assessment year 2022-23 is still showing a sum of ₹177.94 Lakhs payable by the company. We have been informed that the company is trying



to obtain necessary information and documents in respect of the demand raised for the assessment year 1990-91 and necessary adjustment/further provision will be made after receiving necessary documents/information.

- b) After going through the balance confirmation and the audited financial statements for the year ending 31.03.2023 received from Birds Jute & Exports Ltd., the subsidiary, we observed the balances lying in various accounts with the subsidiary are not matching, the details of which are as follows:

Account	Balance as per NJMC (₹ in Lakhs)	Balance as per Subsidiary (₹ in Lakhs)	Remarks
Interest Accrued on loans granted to Subsidiary	4047.24	4047.33	Differences enumerated in the columns have not been reconciled till close of the year.
Advances given	605.64	631.05	
Creditor for Goods	Nil	94.91	
Creditor for Rent	Nil	0.15	
Creditor for other services	0.10	Nil	
Creditor for Brokerage	0.28	Nil	
Trade Receivables A/c Goods	23.56	258.21	
Trade Receivables A/c Expenses	Nil	7.40	
Advances given for Services	3.33	Nil	

#### C.6 Other Current Assets:

In absence of party wise details and relevant documents in respect of Security Deposits aggregating to ₹56.31 Lakhs, of which 11.47 Lakhs considered doubtful, it could not be determined how the company is assured of the recovery of balance amount of ₹44.84 Lakhs which also should have been provided under the current situation.

#### C.7 Long Term Borrowings:

- a) The company has taken loans of ₹281.48 Lakhs from Government of West Bengal in earlier years. Though the loan agreement or any other document showing the terms and conditions of such loan could not be made available to us for our verification but the government has provided a detailed calculation with rate of interest “Penal rate-13%”, for the entire period of loan which shows a total Interest liability of ₹1613.67 Lakhs provided by the company up to 31-03-2023 including ₹305.06 Lakhs for the year under review in the breakup of ₹36.59 Lakhs for Current Year and ₹268.46 Lakhs for earlier year. As stated in Note 4 additional information (c) to accounts, the company has defaulted in repayment of this loan and the accumulated balance of Principal including interest unpaid as per the books of account of the company is ₹1895.15 Lakhs as on 31<sup>st</sup> March, 2023 (as on 31<sup>st</sup> March, 2022 ₹1590.09 Lakhs). In absence of any document showing the rate of interest and other terms, we could not verify the correctness of interest aggregating to ₹1613.67 Lakhs.
- b) No balance confirmations have been obtained by the company from the Central Governments for the outstanding balance of loans as on 31-03-2023 amounting to ₹21,571.41 Lakhs.



### C.8 Trade Payables:

Trade Payables aggregating to ₹2104.85 Lakhs (as at 31.03.2022 ₹2055.99 Lakhs) include old outstanding balances carried over for more than three years aggregating to ₹1976.48 Lakhs as per age-wise analysis of trade payables prepared by the company. In absence of party wise and invoice wise details or statement of account received from parties, it is not possible to ascertain how much of these liabilities are ultimately payable. In absence of necessary information, the status of parties under MSMED Act and dues to Micro and Small Enterprises could not be ascertained. Further, no liability on account of interest payable under the MSMED Act is being provided in the accounts for the last several years. Consequently, the interest payable under the said Act may be different from the amount of interest liability shown under the head Trade Payables. Furthermore, in case of Kinnison Unit, the amount of Sundry Creditors for Services and Sundry Creditors for Stores are being included in Trade Payables at net of debit balance of ₹25.32 Lakhs lying in some of these creditor accounts. Consequently, the liability on account of Trade payables is understated to that extent in the balance sheet. Furthermore, the provision made by the company towards doubtful advances given is also short to that extent, which has the impact of understatement of loss to the extent of ₹25.32 Lakhs on this account.

### C.9 Other Current Liabilities:

- a) During the year under review, the company has made payment of ₹284.36 Lakhs towards interest on ESI Contributions as per demand of ESI and subsequent order of Hon'ble High Court Kolkata. These payments have been adjusted by the company against the unpaid liability of ₹3524.19 Lakhs lying in the books of accounts as on 1<sup>st</sup> April 2022 as provision for ESI Damages without any basis and nothing has been charged to the statement of Profit & Loss on this Account. From the papers made available to us the above payment has been made against interest added to the claims of ESI which has not been adjusted leading to understatement of loss for the year.

- b) Statutory Dues includes

Damages due on PF and Interest thereon amounting to ₹903.05 Lakhs, Damages on ESI and Interest thereon amounting to ₹3,240.00 Lakhs, Profession Tax (including interest) amounting to ₹70.20 Lakhs, Fringe Benefit Tax amounting to ₹8.92 Lakhs, Provision for VAT/CST and VAT on sale amounting to ₹18.74 Lakhs which are brought forward since long back for which no any relevant information provided by the company so, due to absence of relevant information, it could not be ascertained how much of these liabilities are ultimately payable or whether the same have been adequately provided.

Other Current liabilities (Note No. 7) excludes statutory dues towards GST to the extent of ₹701.85 Lakhs. We have been informed that these dues have already been paid by the company through RTGS on 31<sup>st</sup> March 2023, but the duly paid challan for the said date could not be produced for our verification. Further this amount is appearing as outstanding in the Bank Reconciliation Statement prepared at the year-end as concerned bank account did not had sufficient balance to honour this stated payment. On verification of bank statement for the subsequent year, we found that this payment has been debited in bank account on 19<sup>th</sup> of April 2023. Accordingly, in our opinion, this payment should have been recorded in the subsequent year when the payment was actually made on 19<sup>th</sup> April 2023. As a result of accounting for of the aforesaid payment on 31<sup>st</sup> March 2023, the current assets and current liabilities both are understated in the balance sheet to the extent of ₹701.85 Lakhs.

- c) In absence of party wise details and other necessary information in respect of undisbursed claim of Commissioner of Payment: ₹40.29 Lakhs; Performance Guarantee: ₹57.47 Lakhs, Interest on ISDS Fund: 19.02 Lakhs and old outstanding balance included in Security Deposit/EMD and in Advance from parties: Amount of which could not be ascertained for want of details, it is not possible for



us to ascertain how much of these liabilities are ultimately payable or whether the same have been ultimately provided for. Most of the balances are outstanding for a long period.

- d) Liabilities for Employee benefits of ₹ 338.80 Lakhs include old outstanding liability aggregating to ₹320.60 Lakhs on account of VRS payable, Gratuity payable and Salary Payable. The company is maintaining the old balances as liability towards staff related payments. According to the information given to us, the total financial contingent liability in Labour matters, so far the management could ascertain in a number of cases comes to ₹6989.05 Lakhs.
- e) Unpaid Rates & Taxes includes Cess, Duty etc ₹0.78 Lakhs, Professional Tax ₹0.12 Lakhs, Service Tax ₹1.69 Lakhs, TDS ₹0.99 Lakhs, Other Rates & Taxes ₹109.97 Lakhs which are being carried forward for long period. In the absence of relevant information, it could not be ascertained how much of these liabilities are ultimately payable or whether the same have been adequately provided.

In view of the aforesaid observations, we are unable to determine the impact of these matters on the statement of affairs of the company and the corresponding impact on the Statement of Profit & Loss.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reporting of key audit matters as per SA 701, Key Audit Matters are not applicable to the Company as it is an unlisted company.

### INFORMATION OTHER THAN THE 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 Board's Report including Annexure to Board's Report, Business Responsibility Report but does not include the financial statements and our auditor's report thereon.

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

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

- Identify and assess the risks of material misstatement of the 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. 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 Financial Statements, including the disclosures, and whether the 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2020 ("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 paragraphs 3 and 4 of the Order to the extent applicable.
2. As required by section 143 (3) of the Act, we report 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 the Statement of Cash Flow 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 Standalone Balance Sheet, Statement of Profit and Loss, 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, 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 5<sup>th</sup> June, 2015.
  - (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) Since the company is not paying any managerial remuneration to the directors, the provision of Section 197 of the Companies Act, 2013 is not applicable.
  - (j) 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 our information and according to the explanations given to us:
    - i. In the absence of complete details, we are not in position to comment whether the Company has disclosed the full impact of pending litigations on its financial position in its financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.





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- iii. There were no amounts which required to be transferred to the Investor Education and Protection Fund by the Company.
  - iv. (a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;  
(b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;  
(c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
  - v. As the company has not declared or paid any dividend during the year, the provisions contained in section 123 of the Companies Act, 2013 are not applicable to it.
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 Company is carrying Interest Free loan, sanctioned by the Government of India as additional budgetary support for restructuring/revival of the Company as approved by Cabinet Committee of Economic Affairs (CCEA) and BIFR, as Long Term Borrowings.  
(b) The Company has obtained a Loan of ₹281.48 lakhs from Government of West Bengal in earlier years, repayment of Loan and Interest on which have been defaulted in since 31<sup>st</sup> March 1994. The accumulated balance of Loan and Unpaid Interest is ₹1895.15 Lakhs as on 31.03.2023. In absence of loan documents, terms & conditions, adequacy of the interest provision made cannot be commented upon.



(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.

Place: Kolkata  
Date: 01-12-2023

**FOR R.K.PATODI &CO.**  
CHARTERED ACCOUNTANTS  
FRN: 305091E

**SIDDHARTHA PATODI**  
(PARTNER)  
MEMBERSHIP NO. 059144  
UDIN: 23059144BGW1WV5111



## **Annexure– A to Independent Auditors’ Report**

The Annexure referred to in Independent Auditors’ Report to the members of National Jute Manufactures Corporation Limited (the company) on the Financial Statements for the year ended 31<sup>st</sup> March 2023,

We report that:

- (i) (a) (A) The Company is not maintaining proper records of its Property, Plant & Equipment. The records kept by the company in respect of Property, Plant & Equipment lack sufficient information, in many cases, like description of asset to make identification possible, its location/situation, year of purchase, adjustments made on account of revaluation or impairment, if any, its useful life and, in case of land at some of the units of the company, the plot-wise details of the same and specification whether free hold, lease hold or perpetual lease. Furthermore, the company has not updated these records for last several years. We have been informed that the company is in the process of closure and has already disposed-off entire movable assets in respect of three of its closed mills during the year under reference. Such sale has been accounted for over and above the valuation made for the list of movable assets provided by NBCC (I) Ltd., which was appointed for the purposes of verification, assessment and valuation of assets before undertaking disposal in accordance with the DPE guidelines, with due approval of the Board of Directors. Further, sale of remaining movable assets will be accounted for by the company transferring the same to scrap account on the basis of decision taken by the Board of Directors.
- (B) There is no intangible asset in the books of the company.
- (b) According to the information given to us, there is no regular programme for carrying out physical verification of Property, Plant & Equipment of the company. It was further informed that due to shortage of staff, the management could not carry out any physical verification of Property, Plant & Equipment during the year under review. In the absence of any physical verification, we are unable to comment whether there exists any material discrepancy. However, as informed to us by the management, verification of the assets (Property, Plant, Equipment and Land) was conducted through an external agency i.e, NBCC (India) Ltd., a Central Government PSU as part of Pre - LMA activities and the Board of Directors has accepted the list of movable assets as per the report of NBCC (India) Ltd. without ascertaining discrepancy, if any.
- (c) Though a number of title deeds in respect of various plots of land were produced before us by the management for our verification, the same could not be properly linked with the records kept by the company in respect of its immovable properties held at different locations of the country for want of adequate details in the records of Property, Plant and Equipment. We have been informed by the management that on the basis of verification of Records of Rights conducted by them from various sources, the title of the following immovable properties of the company are not in its name:



The details of Immovable Property not held in the name of the company						
Relevant line item in the Balance Sheet	Description of item of property	Gross Carrying Value	Title deed held in the name of	Whether title deed holder is a promoter, director or relative of promoter/ director or employee of	Property held since date	Reason for not being held in the name of the company
Property Plant & Equipment	Land - Unit Alexandra	included in ₹134752/- mentioned in FAR not separately ascertainable	Alexandra Jute Mills Ltd	NA	21 <sup>st</sup> December 1980	Though all the mentioned properties were vested on NJMC Ltd. as per the Jute Company Nationalisation Act, the transfer of the same in the name of NJMC is still pending.
	Land - Unit Alexandra	₹4,86,332.00	Mackinon Mackenzie & Co Pvt Ltd.*	NA	21 <sup>st</sup> December 1980	
	Land - Unit National	₹3,183.01	Mayarani Devi	NA	10 <sup>th</sup> June 1980	
	Land - Unit National	included in ₹240384.99/- mentioned in FAR not separately ascertainable	National Jute Co Ltd	NA	10 <sup>th</sup> June 1980	
	Land - Unit Kinnison	included in ₹7911000/- mentioned in FAR not separately ascertainable	The Kinnison Jute Milss Co Ltd	NA	21 <sup>st</sup> December 1980	
	Land - Unit Kinnison		The Cable Chut Company Ltd.	NA	21 <sup>st</sup> December 1980	
	Land - Unit Khardah	₹5,15,136.00	Khardah Company Ltd.	NA	21 <sup>st</sup> December 1980	
	Land - Unit RBHM	₹27,00,000.00	British India Corporation (Lease)	NA	21 <sup>st</sup> December 1980	
	Building - Alipore Road	₹2,00,000.00	Mackinon Mackenzie & Co Pvt Ltd.*	NA	21 <sup>st</sup> December 1980	



## NATIONAL JUTE MANUFACTURES CORPORATION LTD.

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As informed and explained to us, the management of six sick private sector Jute manufacturing companies were taken over by the Central Government under Clause (a) of sub-section (1) of Section 18 AA of the Industries (Development and Regulation) Act, 1956 and thereafter the ownership of all the properties and other Assets of these companies were vested in the Central Government. through enabling legislations. The National Jute Mill was nationalized under the National Company Limited (Acquisition and transfer of Undertakings) Act, 1980 and the remaining five companies were nationalized under the Jute Companies (Nationalization) Act, 1980. The ownership of these nationalized companies was vested on NJMC Ltd, a company newly created specifically for this purpose on 3<sup>rd</sup> June 1980. (National Jute Mill w.e.f. 10<sup>th</sup> June, 1980 and the remaining five mills w.e.f. 21<sup>st</sup> December, 1980). It was informed to us the title deeds in respect some of the land belonging to these units, having approximate total area of 20 acres, though appearing in the Records of Rights, are not available with the company.

- (d) The company has not revalued its property plant & equipment (including right of use assets) during the year under reference.
- (e) As informed and explained to us by the company, no proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.
- (ii) (a) According to the information given to us, the inventories were not physically verified during the year under review and hence we are unable to comment whether there exists any discrepancy.
- (b) As per information given to us and the books of the company, it has no working capital loan from any banks or financial institutions on the basis of security of current assets.
- (iii) (a) During the year under review, the company has not made any investment, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties.
  - (A) Though no loans or advances in the nature of loan were granted during the year, the company has granted unsecured loan and advances to its subsidiary in earlier years. The balance of such loans and advances, including interest aggregating to ₹5,130.37 Lakhs accrued thereon till 31.03.2023 (₹4898.10 Lakhs as on 31.03.2022).
  - (B) In the earlier years, the company has also granted non-interest bearing loan to one party, which is a central public sector unit. The balance of the said loan as at the Balance-Sheet as on 31.03.2023 is ₹1078.21 Lakhs (₹1078.21 Lakhs as on 31.03.2022)
- (b) The terms and conditions on which the loans and advances were granted to the subsidiary company in the earlier years could not be made available to us and, therefore, we are unable to comment whether same were prejudicial to the interest of the company. As regards the interest free loan granted in an earlier year to the aforesaid other party, which is a central public sector unit, we have been explained by the management that the same was granted as per the decision of the Ministry of Textiles, Government of India and, hence, should not be treated as prejudicial to the interest of the company.
- (c) The terms and conditions on which the loans and advances were granted to the subsidiary company in the earlier years could not be made available to us and, hence, we are unable to comment whether there are any express stipulations as regards the due dates for payment of interest and repayment of the principal amount. The Union Cabinet has approved the closure of the said subsidiary company and consequently the said loan is being considered doubtful but the company is charging interest on the loan given to its subsidiary at the agreed rates and also made full provision for the same, net



of TDS thereon, since the amount is being considered doubtful of recovery. As regards the interest free loan granted in an earlier year to the aforesaid other party, the said loan was repayable by the party within a maximum period of two years from the date of disbursement of the loan from the sale proceeds of its assets. The said party, vide its email dated 28.01.2021, has requested the company to extend the time stipulated for repayment by a further period of two years or until further direction of MOT, as the party is in advanced stage of the process of closure. As per the minutes of the Board meeting in its 189<sup>th</sup> Board Meeting, a letter was initiated to the Ministry of Textiles stating the facts regarding the requested extension of the time period for loan repayment and to get the necessary advice.

- (d) In the absence of any document produced before us specifying the terms and conditions on which the loans and advances were granted to the subsidiary company in the earlier years, we are unable to specify the amount overdue for more than 90 days included in the closing balance of ₹5130.37 Lakhs as at the Balance-Sheet date, which includes interest aggregating to ₹ 4047.24 Lakhs accrued thereon till that date. We have been informed that the Central Government has declared closure of the subsidiary company and the recovery, if any, will be made out of funds to be generated by the subsidiary through disposal of its assets. As regards the non-interest bearing loan granted to one other party, which is a central public sector unit, the balance of ₹1078.21 Lakhs is overdue for more than 90days on the basis of originally stipulated terms & conditions. As aforesaid, the said party, vide its email dated 28.01.2021, has requested the company to extend the time stipulated for repayment by a further period of two years or until further direction of MOT, as this party is in advanced stage of the process of closure. As per the minutes of the Board meeting in its 189<sup>th</sup> Board Meeting, a letter was initiated to the Ministry of Textiles stating the facts regarding the requested extension of the time period for loan repayment and to get the necessary advice.
- (e) Except what has been stated in the earlier clause, the company has not renewed or extended or granted fresh loans to settle the overdue of existing loans given to the same parties. The amount of the aforesaid loan awaiting decision of its renewal is ₹1078.21 Lakhs. No loans or advances in the nature of loans were granted during the year.
- (f) The company, during the year, has not granted any loan or advance in the nature of loan, which is either repayable on demand or without specifying any terms or period of repayment. As regards the loans or advances in the nature of loans granted in earlier years to the subsidiary, the terms and conditions on which the same were granted could not be made available to us and, hence we are unable to comment whether the same were repayable on demand or without specifying any terms or period of repayment.
- iv) In our opinion and according to the information and explanations given to us, the Company during the year has not granted any loan, made investment, provided any guarantee or security, which attracts the provisions of section 185 and 186 of the Act.
- v) According to information given to us the Company has not accepted any deposit from the public during the year within the meaning of sections 73 to 76 of the Act or any other relevant provisions of the Companies Act and no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
- vi) During the year under review, the company was not engaged in any such activities which attracts the maintenance of cost records under section 148 of the Act.
- vii) (a) According to the information and explanations given to us, the company was generally regular in depositing its current undisputed statutory dues with the appropriate authorities except:  
Penalty for delayed payment of Land Rent Katihar: ₹2.81 Lakhs.





## NATIONAL JUTE MANUFACTURES CORPORATION LTD.

However, there are many old outstanding statutory dues lying unpaid since long for which no proper details and other explanations for non-payment could be made available to us, the breakup of which as follows:-

- a) Damages for Provident Fund (including interest): ₹903.05 Lakhs
- b) Damages for Employees State Insurance (including interest): ₹3240.00 Lakhs
- c) Profession tax (including Interest): ₹70.20 Lakhs
- d) Fringe Benefit tax : ₹8.92 Lakhs
- e) VAT/CST : ₹18.74 Lakhs
- f) Other Rates & Taxes : ₹113.56 Lakhs

Further in absence of any supporting documents for proper explanation we could not ascertain whether there exists any dispute for non-payment of the aforesaid statutory dues.

- (b) According to the information and explanations given to us, the following statutory dues have not been deposited as on 31<sup>st</sup> March, 2023 on account of dispute:

Nature of the Statute	Nature of Dues	Forum where dispute is pending	Amount Due (₹ in lakhs)	Period to which dues relate
Finance Act 1994	Service Tax	Deputy Commissioner, Service Tax	0.10	Very Old
West Bengal Value Added Tax, 2003	CST	Deputy Commissioner of Commercial Tax	223.08	2010-11 to 2017-18

viii) No undisclosed income has been recognised during the year in tax assessments under the Income Tax Act, 1961.

- ix) (a) According to the books of the Company examined by us and the information and explanations given to us, the Company has defaulted in repayment of loan taken from Government of West Bengal amounting to ₹1895.15 Lakhs (including interest and penal interest thereon aggregating to ₹1613.67 Lakhs) as on 31.03.2023. As stated in Note 4(d) of the Financial Statements, the company has made request for adjustment of principal amount against the compensation receivable by the company towards acquisition of land and conversion of ₹922 Lakhs out of interest payable into a soft loan. However, no documents in this regard could be made available for our verification. Since Terms and conditions of Loan could not be made available to us we are unable to comment on no. of days delayed and amount not paid within due date.

Nature of Borrowings	Name of lender	Amount not paid on due date	Principal/ Interest	No of days of delay	Remarks
Unsecured Loan	Govt. of West Bengal	₹281.48 Lakhs	Principal	Since 1994	According to information given to us the company has requested to adjust principal amount against compensation receivable on acquisition of land and to convert ₹922 Lakhs out of the total interest payable into soft loan. No consent has yet been received.
DO	DO	₹1613.67 Lakhs	Interest	1994 and subsequent years	



- (b) The company has not been declared as a willful defaulter by any bank or financial institution or other lender;
- (c) The Company has obtained loans from both Government of West Bengal and Government of 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 made available to us. Therefore, we are unable to comment whether the loans were applied for the purposes for which those were obtained.
- (d) According to the information and explanations given to us and based on our examination of the records of the company the company has not raised any funds on short term basis and accordingly reporting requirements under paragraph 3(ix)(d) of the Order are not applicable to the company.
- (e) The company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures as explained and informed to us by the management.
- (f) The company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.
- x) (a) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). The Company has obtained loans from both Government of West Bengal and Government of 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 made available to us. Therefore, we are unable to comment whether the loans were applied for the purposes for which those were obtained.
- (b) According to the information and explanations given 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.
- xi) (a) During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing standards in India and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees noticed or reported during the year, nor have we been informed of such case by the management.
- (b) No report under sub-section 12 of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.
- (c) No whistle-blower complaints have been received during the year by the company.
- xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv) (a) No internal audit has been conducted for the financial year 2022-23.
- (b) As no internal audit was conducted during FY 2022-23, consideration of such report does not arise.
- xv) According to the information and explanations given to us and based on our examination of the records



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of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.
- xvii) The company has not incurred any cash loss for the financial year 2022-23.
- xviii) There has been no resignation of statutory auditors of the company during the year. Accordingly reporting requirements under paragraph 3(viii) of the Order are not applicable to the company.
- xix) On the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, the auditor's knowledge of the Board of Directors and management plans, and based on our examination of the evidence supporting the assumptions, we are of the opinion that there exist material uncertainty as on the date of the audit report that the company is not capable of meeting its liabilities as on the date of Balance Sheet as and when they fall due within a period of one year from the Balance Sheet date even after disposal of four mills . We further state that our reporting is based on the facts upto the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet, will be met by the company as and when they fall due.
- xx) Since the company has neither formed any fund specified in Schedule vii to the Companies Act ,2013 nor spent any amount under section 135 of the said act the point does not apply to the company.
- xxi) As our report is not on consolidated financial statements, reporting under this clause is not applicable.

**FOR R.K.PATODI &CO.**  
CHARTERED ACCOUNTANTS  
FRN: 305091E

**SIDDHARTHA PATODI**  
(PARTNER)  
MEMBERSHIP NO. 059144  
UDIN: 23059144BGW1WV5111

Place: Kolkata  
Date: 01-12-2023



## ANNEXURE – B

TO  
THE INDEPENDENT AUDITORS' REPORT

### **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 **NATIONAL JUTE MANUFACTURES CORPORATION LIMITED** ("the Company") as on 31<sup>st</sup> March, 2023 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.

#### **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 was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of 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 obtained in most of the cases, excepting old cases, are sufficient and appropriate to provide a basis for our audit opinion on the holding 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 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.

#### **Qualified Opinion**

According to the information and explanations given to us and based on our audit, the company and its units being remained inoperative for several years, various information and papers in support could not be made available hence we cannot comment on its internal financial control over financial reporting on criteria based on or considering the essential components of internal control stated in 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 include 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 31.03.2023 is inadequate based on the internal control over financial reporting criteria as stated in 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 opinion on the financial statements of the company

**FOR R.K.PATODI & CO.**  
CHARTERED ACCOUNTANTS  
FRN: 305091E

**SIDDHARTHA PATODI**  
(PARTNER)  
MEMBERSHIP NO. 059144  
UDIN: 23059144BGW1WV5111

Place: Kolkata  
Date: 01-12-2023