

ANNEXTURE-II

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(B) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF CITY AND INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED FOR THE YEAR ENDED 31ST MARCH 2024.

COMMENTS ON FINANCIAL POSITION**Equity and Liabilities****Non-current Liabilities****(b) Other Long-term Liabilities (Note-5)-24,07,382.69 lakh****Navi Mumbai Project Account (Note-5 (1)- 22,57,727.34 lakh****Receipts during the year sale proceeds- 24,78,502.74 lakh**

- 1) The above does not include sale of six plots amounting to ₹ 21545.22 lakh in respect of which the allotment letter was issued and the entire consideration was received during the financial year. This was not in accordance with the accounting policy of the Company on Revenue Recognition which stipulated that "Sale of plot is booked on the basis of allotment letter and receipt of entire consideration."

This has resulted in understatement of Other Long-Term Liabilities and Overstatement of "Other Current Liabilities by ₹ 21545.22 lakh.

Explanation: In all the cases shown in annexure-1 mentioned in the observation including Six cases mentioned above, the entries for booking Sales could not be taken in FY 2023-24 due to procedural delays. However, the same will be reflected in FY 2024-25. Necessary disclosure in this regard for procedural delays and consequent Sales booking is given in Accounting Policy (Note-1 to the balance sheet)

COMMENTS ON DISCLOSURE

- 2) As per Rule 4 (1)(ii)(e) of the Companies (Indian Accounting Standards) Rules, 2015, read with subsequent amendments, if a company is covered under Ind AS applicability criteria, its holding, subsidiary, associate, and joint venture companies are also required to comply with Ind-AS to ensure uniformity in the financial reporting framework. The Company has 51 *per cent* equity holdings in M/s Pune (Purandar) International Airport Pvt. Ltd. (PIAL) which has prepared its financial statements as per Ind-AS.

Further, the Company has not complied with Ind AS 101 regarding preparation of the Consolidated Financial Statement.

The disclosure of financial statements is deficient to that extent.

Explanation: CIDCO was incorporated as a fully owned Government Company in 1972, as a New Town Development Authority for development of a new City in Thane, Panvel and Uran Tehsils of Thane and Raigad Districts. Development of New Towns by enforcing the provisions of the Maharashtra Regional and Town Planning Act, 1966. CIDCO is not eligible for adoption of Ind AS as per Companies (Indian Accounting Standards) Rules, 2015. CIDCO is merely executing the Town Planning functions (like Municipal Corporations) under MRTP Act, 1966, as an agent of the Government. Considering the nature of these activities, its regulatory and quasi-judicial nature, Collection of land

premium, taxes and statutory levies on behalf of Government, it is impractical for CIDCO to prepare the financial statements based on Ind AS. Eg. If statutory dues are not received for long periods of time, CIDCO cannot provide for ECL as per Ind AS 109. As tax collection is a sovereign function and the Government can apply complete force of law, with due relaxations. It maybe noted that such activities cannot be termed as ordinary commercial, business transactions.

The Pune (Purandar) International Airport Ltd. (PIAL) was incorporated in 2019 as per the G.R. of the GAD dated 08-03-2019. As per the said G.R. the Maharashtra Airport Development Company Ltd. (MADC) is designated as the Nodal Agency for this project. The responsibility for Land acquisition for the Airport is vested with the Collector, Pune. The Company's registered address is also the same as that of MADC. Except for infusing 51% equity, as per the directions of the Government and obligatory oversight role flowing from it, CIDCO is playing limited active role in the daily operations of PIAL currently.

Also, the pre-incorporation activity of PIAL was undertaken by MADC, which has adopted Ind AS. Hence, PIAL adopted Ind AS since incorporation. The role of CIDCO may also undergo major revision in near future, as PMRDA is the competent authority for planning activities in Purandar tehsil.

It is to further state that CIDCO is following Cash basis of accounting in respect of sum account heads of income. This fact has been mentioned in our accounting policy and considered by various judicial authorities. Since the basic criteria for applicability of Ind-AS requires accrual basis of accounting the same cannot be made applicable in our case. It is further stated that as per the GR applicable to CIDCO, the profit and loss account consist of only one item of commission being an agent of government of Maharashtra for executing various projects and no other source of income of CIDCO as such is recorded in P&L account, the application of Ind-AS will be improper for implementation.

In view of the facts mentioned above it is to state that CIDCO does not have any control over the functions M/s. PIAL though it is a subsidiary of CIDCO accept having amount invested to the extent of 51% shareholding as per the directives of State Government. Hence, CIDCO has been preparing the financial statements under the Generally Accepted Accounting Principle (GAAP) though the subsidiary M/s. PIAL is following the Ind-AS accounting principles.

It is further submitted that MADC Ltd. has adopted Ind-AS but its subsidiary MIHAN Ltd. which is developing the MIHAN SEZ has not adopted it.

It is reiterated that the Town Planning functions sovereign functions of the government, usually undertaken by the Autonomous Bodies like MMRDA, PMRDA and involves tax collection, collection of statutory dues and levies which is a quasi-judicial function. Application of Ind-AS is not practically possible for above mentioned reasons.

In view of the submission made above the observation may be considered for withdrawal.

- 3) The Company has disclosed the revenue from ordinary activities of Town Development Authority that include interest on surplus funds, rental income, and the administrative and establishment expenses viz., employee benefits, taxes, and duties, Directors' fees, honorarium to the Chairman, Secretarial expenses, electricity, housekeeping, depreciation etc., attributed to the day-to-day operations of the Company under the various Project Accounts that are disclosed as Other Long-Term Liabilities (Note No.5) instead of Statement of Profit and Loss. The Statement of Profit and Loss of the Company do not comply with the format prescribed in the Schedule III and applicable Accounting Standard regarding Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies that requires disclosing the expenses incurred for earning the income during the financial year. Further, while the Cash Flow Statement

acknowledges the Corporation's operational receipts and payments, the P&L does not reflect them, resulting in misleading presentation of financial performance. This is in violation of Schedule III of the Companies Act 2013, Accounting Standard (AS) 1, AS 9, AS 15 and AS 29.

Thus, the Statement of Profit and Loss does not comply with Schedule III and the Accounting Standards notified under Companies (Accounting Standards) Rules, 2015 as amended.

Explanation: CIDCO is appointed as an 'Agent of the Government of Maharashtra' for development of Navi Mumbai under section 113(3A) of the Maharashtra Regional and Town Planning Act, 1966 (the MRTTP Act) and for development of other New Towns under section 40(1) (b) of the MRTTP Act. CIDCO receives mandate from Government of Maharashtra to develop particular region by way of issuance of Government Resolutions & Notifications. S Accordingly.

a) City & Industrial Development Corporation of Maharashtra Limited (CIDCO) was incorporated on 17th March 1970. The Government of Maharashtra vide Government Resolution (GR) No. IDL5770/IND-I dated 18th March 1970. entrusted CIDCO to act as an agent of Government of Maharashtra for development of Trans-Thana and Trans-Harbour areas in Uran, Panvel and Thane Tehsil with a view to secure the objective of decongesting industries and other concentrations in Bombay and with a view generally to resolve the problems of urban congestion in Bombay City.

c) CIDCO was appointed as Special Town Planning Authority/Development Authority for the new towns of NEW Aurangabad, New Nasik, New Nanded etc by the Government of Maharashtra in exercise of powers conferred by clause (b) of sub-section (1) of section 40 of the Maharashtra Regional and town Planning Act, 1966. As per provisions of section 113 (3A) of the Maharashtra Regional and Town Planning Act, 1966. the Special Town Planning Authority has to work as an agent of the State Government.

d) The C&AG appointed Statutory Auditors have observed that there is no difference in the status of CIDCO being the 'Agent of Government of Maharashtra' either in Navi Mumbai or New Towns of Aurangabad, Nashik, Nanded, Vasai-Virar and other New Towns Projects. The C&AG appointed Statutory Auditors have observed that where CIDCO is a New town Development Authority for Navi Mumbai or Special Town Planning Authority for New Towns of Aurangabad, Nashik, Nanded etc. makes no difference in the status of CIDCO as the agent of Government of Maharashtra and CIDCO is the agent of Government of Maharashtra for Navi Mumbai and all other New Towns and accordingly. the surplus/deficit in the Project Account, belongs to Government of Maharashtra.

Thus, there is no business activity of Corporation of its own and all the receipts and expenses incurred by the Corporation are on behalf of the Government of Maharashtra. The issue of whether the Corporation is an agent of Government of Maharashtra or not, is concluded by the decision of the High Court of Bombay Percival Joseph Pareira v/s The Special Land Acquisition Officer (Writ Petition No. 1211 of 2009). The Hon'ble High Court held that the Corporation is not a necessary party in Land acquisition proceedings as the Corporation is merely acting as an agent of the Government of Maharashtra while acting as a 'New Town Development Authority' and, therefore, once the Government of Maharashtra is a party to the proceedings, the agent i.e. CIDCO is not separately required to be made a party. The High Court came to the conclusion that the Corporation is agent of Government of Maharashtra on the basis of the interpretation of the provisions of the MRTTP Act particularly section 113(3A) of the MRTTP Act.

The Division Bench of the Bombay High Court in Civil Appeal No. 184 of 2010 vide order dated 6th March, 2013 confirmed the aforesaid decision of the Single Judge.

Hence, receipts and expenditure on various projects are transferred to individual project accounts and the net surplus/deficit as shown as payable to and receivable from Government of Maharashtra as all these activities are carried on by the Corporation on behalf of the Government of Maharashtra.

We state that Section 182 of the Indian Contract Act, 1872 defines an "agent" as a person employed to do any act for another, or to represent another in dealings with third persons. Therefore, when an agent carries on an act it is only on behalf of the principal. Hence, the Same cannot be reflected as income/ expenditure of the corporation, The only income of the corporation is the agency remuneration, which is reflected in the profit and loss account.

OTHER COMMENT

Consolidated Financial Statement

- 4) Section 129(3) of the Companies Act, 2013 mandates that in case a company has one or more subsidiaries or associate companies, it shall, in addition to its standalone financial statements, prepare a consolidated financial statement (CFS) of the Company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards. The Company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries and associate company or companies in such form as may be prescribed. Further, Schedule III of the Act and Accounting Standard (AS) 21 require consolidation of financial information of subsidiaries to present the financial position and performance of the group as a single economic entity.

The Company, despite having two subsidiaries and two associated companies (Note 17 (40 A)), violated the requirements of the Act regarding preparation and presentation of the Consolidated Financial Statement.

Explanation: Though CIDCO is having subsidiary companies as well as Associate companies, No control is exercised by CIDCO over these companies except amount invested in the shareholding as per the directives of State Government.

Further CIDCO is following cash basis of accounting in respect of some of the income heads which may not be the case with subsidiary or associate companies. Hence the consolidation of accounts may give a wrong picture and the purpose of uniformity in reporting will be defeated.

Since profit and loss account of CIDCO consist only one item of Agency commission being an Agent of GOM to carry out various projects assigned, the consolidated Financial Statements including subsidiary / associate companies and Joint ventures are not prepared.



Vice Chairman & Managing Director