

UDIN : 21137686A AAATWS081

**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF  
CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED**

***Qualified Opinion***

1. We have audited the Separate financial statements of **CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March 2019, the Statement of Profit & Loss and the cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (collectively referred to as 'Financial Statements').
2. In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs (financial position) of the Company as at 31st March, 2019, and its profit (financial performance) and its cash flows for the year ended on that date.

**3. Basis for Qualified Opinion**

- 3.1 *The Government of Maharashtra vide its order dated 1<sup>st</sup> January, 2005 appointed Dr. D. K. Sankaran, Additional Chief Secretary, Planning Department, to conduct discrete inquiry in the affairs of the Company for the period 26<sup>th</sup> May, 2003 to 28<sup>th</sup> December, 2004, particularly to look into the allotment of lands made contrary to the establishment rules, regulations and conventions. Dr. D. K. Sankaran has submitted his report and has estimated a financial loss amounting to Rs.347.00 Crores due to irregular allotment of land/plots. The Company has not made any provision for the aforesaid liability.*
- 3.2 *The Government of Maharashtra has appointed Nandlal Committee to enquire into the allotment of plots of land to Prathmesh Co-operative Housing Society (proposed) and the committee has submitted its report and has estimated a financial loss amounting to Rs.2.38 Crores due to malafide intentions in the allotment of land to the society. The Company has not made any provision for the aforesaid liability.*
- 3.3 *In absence of proper records of properties let out and rent agreements, correctness of accounting of rent could not be ascertained in Navi Mumbai Project account.*
- 3.4 *In the absence of information and necessary supporting documents regarding accounting of Railway Surcharge, we are unable to verify and comment on correctness of the Surcharge received and receivable in respect of sale of Tickets, Coupons and Smart Card from Central Railway and Western Railway.*
- 3.5 *Sale/Revenue in Project accounts from sale of Plots/ shops/Tenements is not in accordance with AS-9. Also observed and mentioned in Point No.5 of Note 1 that the Corporation has continued the policy of accounting certain items on cash basis as against accrual basis as required by amended section 128(1) of the Companies Act, 2013.*



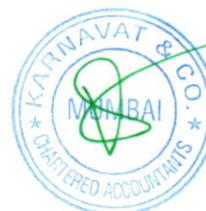
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- 3.6 There is no sale of Shops/Stalls in Aurangabad, Nasik and Nanded branches during the year. Further, there is no sale of completed tenements under different housing schemes during the year in Aurangabad, Nashik and Nanded branches.
- 3.7 Attention is invited to point no. 3, 4 and 5 of Note-17 regarding non-reconciliation of accounts under assets and liabilities and non-adjustment of advances under loans and advance and non-recovery of advances given in earlier years.
- 3.8 No provision has been made in respect of items mentioned in point No. 2, 6, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 11.1, 12.2 and 13.3 of Note-17.
- 3.9 No Provision for Gratuity liability, if any, has been made for workers on contract basis. The management has informed that since no claim has been received from the contractors, no provision has been made and the amount is not ascertainable. Further, no disclosure with regards to any short-term employee benefit plans/ post-employment benefit plans/ termination benefit plans and or other Long term benefit plans are not made as required by AS 15.
- 3.10 Company has neither prepared Consolidated Financial Statement of its subsidiary nor disclosed reason for non-consolidation of financial statements of its subsidiary as required by AS 21.
- 3.11 Company has not disclosed information as required by accounting standard. In absence of information we are unable to comment upon the compliance of AS - 28.
- 3.12 In absence of full disclosures regarding contingent liabilities and assets, we are unable to comment on compliance of AS - 29.
- 3.13 a) Party and age wise details of the amounts received towards Registration charges/EMD and Buyers contribution for booking of Plots, Shops, Tenements were not provided for our verification.
- b) Receipts from Sale of Tenements, Plots and Shops have been accounted for based on the information provided by the Marketing Department of the Company. However, subsidiary books and other records of the Marketing Department are subject to reconciliation with control accounts.
- c) As per books of accounts of the company **Rs. 2,13,953.30 Lacs** (Rs. 1,99,728.96 Lacs), **Rs. 3,24,428.63 Lacs** (Rs. 3,19,810.22 Lacs), **Rs. 9,614.65 Lacs** (Rs. 9,877.04 Lacs) and **Rs. 827.93 Lacs** (Rs. 1,534.06 Lacs) are Deposits from buyers against sale of plots, Tenements, shop and others respectively up to 31st March, 2019. Most of the amounts are long outstanding. In absence of proper records showing party wise and age wise details of deposits received and accounting of sales if any, in the books of accounts, we are unable to quantify the impact/consequential effect of the same in the financial statements.
- 3.14 Confirmations have not been obtained for receivables, Loans & advances and Payables. The same may be subject to Reconciliation and consequential adjustments. Management is unable to quantify the impact of the above. In view of the above, we are unable to quantify the impact if any on the financial statements for the year ended on 31<sup>st</sup> March, 2019.
- 3.15 The Company has not maintained Fixed Assets register except for New Nashik Unit. In case of Aurangabad Unit, the fixed asset register has been maintained but it is not updated.
- 3.16 The relevant information and documentation regarding process for allotment of Plots, Shops, tenements etc. were not provided for our verification.



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- 3.17 Other receivables include Rs. 10,964.30 Lacs recoverable from Navi Mumbai Municipal Corporation (NMMC) in terms of agreement dated 30<sup>th</sup> November, 2007 between CIDCO and NMMC (Water Supply Infrastructure), in absence of information about the compliance of terms and conditions of the said agreement, we are unable to comment upon the status of final recovery of the said amount.
- 3.18 In respect of Investment in Equity Shares of M/s. Mahatourism Corporation Ltd., the aforesaid company has been making losses due to which its net worth is substantially eroded. Further, the Bord of Directors have passed a resolution for winding up of the Company. However, no provision for diminution in value of investment is made by the Company.
- 3.19 Current assets, Loans & advances and Current liabilities & Provisions of Projects undertaken on behalf of government are included in Loans & advances and Liabilities & provisions respectively in the accounts of the Company.
- 3.20 Claim recoverable from contractors have been included in other receivables under other current assets.
- 3.21 The Corporation is yet to comply with the revised guidelines/directives for investment of surplus funds for State Public Enterprises by Government of Maharashtra issued on 27.10.2015.
- 3.22 Details of estimated amount for the contracts remaining to be executed on capital account not provided for are not available.
- 3.23 As reported by auditor of Aurangabad, Walunj & Jalna Unit, it was observed that the said unit has changed its method of accounting from Profit & Loss Account to Project Account from Financial Year 2012-2013 onwards without arriving at opening balance of Project Account since inception. Management is unable to quantify the impact of the above. In view of the above, we are unable to quantify the impact if any on the financial statements for the year ended on 31<sup>st</sup> March, 2019.
- Further, all the immovable fixed assets have been transferred to Project Account along with depreciation fund. However, disclosure with regards to the effect on profit/excess of receipt over expenditure has not been given for the future period.
- 3.24 As reported by auditor of Aurangabad, Walunj & Jalna Unit, it was observed that the said unit has followed mixed system of accounting i.e. some incomes & expenses are accounted on cash basis and some on accrual basis which is not in conformity Accounting Standard 9 'Revenue Recognition'. Management is unable to quantify the impact of the above. In view of the above, we are unable to quantify the impact if any on the financial statements for the year ended on 31<sup>st</sup> March, 2019.
- 3.25 As reported by auditor of Aurangabad, Walunj & Jalna Unit, No land valuation is being done for insignificant part (241 Ha.) out of total notified area (10,233 Ha.) acquired in earlier years.
- 3.26 As reported by auditor of Aurangabad, Walunj & Jalna Unit, in case of the plot holders who had not submitted for completion of construction within prescribed time period i.e. six years from the date of allotment, the Corporation has levied additional lease premium on the plot holders till the date of submission for completion of construction. However, in the absence of age-wise analysis, we are unable to comment on the doubtful debt, if any. Further, during the financial year 2018-2019, no provision for additional lease premium was made in the books of accounts.



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3.27 As reported by auditor of Aurangabad, Walunj & Jalna Unit, after completion of project, Corporation should have transferred the ownership of asset to the principal i.e. Government of Maharashtra since it is merely acting as an agent. However, it is observed that leasehold rights of the lessor still vest with the Corporation and has not been transferred to the lessee as a freehold property or to the principal i.e. Government of Maharashtra.

The unit of Corporation has followed the system of sale of plot/land by the tender system with the intention of earning profit over and above the cost of acquisition, development and administration cost which seems to be improper since the Corporation is merely acting as an agent of Government of Maharashtra and not with the motive of earning profits.

3.28 As reported by auditor of Nashik Unit, Internal Audit Report was not produced for verification.

3.29 As reported by auditor of Nanded Unit, in the absence of proper records of property let out and rent agreement, correctness of provision of rent could not be ascertained in case of Rent from MSEB.

3.30 As reported by auditor of Nanded Unit, GST TDS was not deducted on the payments to contractors supplying taxable services above Rs.2.50 Lacs for part of the year.

3.31 The reconciliation of turnover, output tax with GST returns and reconciliation of input tax credit with GSTR-2A is under process. The effect of reconciliation, if any, will be provided as and when ascertained.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**4. 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.

Sl. No.	Key Audit Matter	Our Response
1	<p><u>Revenue Recognition:</u> The Company is engaged in infrastructure development of new towns which, by its nature, is complex given the significant judgements involved in the assessment of current and future contractual performance obligations.</p>	<p>Our audit of the revenue recognition and related receivables and liabilities included the following:</p> <p>Evaluated the appropriateness of revenue recognition policies;</p> <p>Assessed the design and implementation of key controls over the recognition of contract revenue and margins, and tested the operating effectiveness of these controls;</p>



<p>The recognition of contract revenue and contract costs therefore rely on the estimates in relation to forecast contract revenue and the total cost. These contract estimates are reviewed by the management on a periodic basis. In doing so, the management is required to exercise judgement in its assessment of the valuation of contract variations and claims and liquidated damages as well as the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within contractually determined timelines. The final contract values can potentially be impacted on account of various factors and are expected to result in varied outcomes.</p> <p>Changes in these judgements, and the related estimates as contracts progress can result in material adjustments to revenue and margins. As a result of the above judgments, complexities involved and material impact on the related financial statement elements, this area has been considered a key audit matter in the audit of the financial statements.</p> <p>Further, CIDCO is 'Agent of Government of Maharashtra' in New Town Development Authority in Navi Mumbai or New Towns of Aurangabad, Nashik, Nanded, Vasai-Virar and other New Towns Projects. The Company being an agent of the Government of Maharashtra has only Agency Remuneration as income.</p> <p>Considering this matter is fundamental to the understanding of the user of financial statement, we draw attention to point no. 5 of Note 1 of the financial statement regarding basis of Revenue recognition.</p>	<p>For sample contracts, tested the appropriateness of amount recognized by evaluating key management judgements inherent in the forecasted contract revenue and costs to complete that drive the accounting under the percentage of completion method, including:</p> <ul style="list-style-type: none"><li>- reviewed the contract terms and conditions;</li><li>- evaluated the identification of performance obligation of the contract;</li><li>- evaluated the appropriateness of management's assessment that performance obligation was satisfied over time and consequent recognition of revenue;</li><li>- tested the existence and valuation of claims and variations within contract costs via inspection of correspondence with customers;</li><li>- reviewed legal and contracting experts' reports received on contentious matters;</li><li>- obtained an understanding of the assumptions applied in determining the forecasted revenue and cost to complete;</li><li>- assessed the ability of the Company to deliver contracts within budgeted timelines and exposures, if any, to liquidated damages for late delivery;</li></ul> <p>Irregularities observed by us while carrying out our procedures are mentioned in para 3.5 to this report.</p>
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2	<p><u>Provisioning, Reconciliation and Adjustments of various accounts under assets and liabilities pertaining to earlier years:</u></p> <p>Considering the materiality of the amounts involved, uncertainty associated with the outcome of the negotiations/ discussions/ arbitration/ litigation, availability of information and significant management judgement involved in its assessment, this was considered to be a key audit matter in the audit of the financial statements.</p> <p>Considering this matter is fundamental to the understanding of the user of financial statement, we draw attention to point no. 3, 4 and 5 of Note 17 of the financial statement regarding recoverability, provisioning, adjustments relating to above discussed accounts.</p>	<p>Our audit procedures included the following:</p> <p>Obtaining understanding of the Provisioning, Reconciliation and Adjustments of accounts under assets and liabilities and adjustment of advances under loans and advance and recovery of advances;</p> <p>Discussed extensively with management regarding steps taken for provisioning, recovering and adjusting the amounts and evaluated the design and testing operating effectiveness of controls;</p> <p>Assessed the reasonability of judgements exercised and estimates made by management in recognition of these accounts and validating them with corroborating evidence;</p> <p>Obtained an understanding of current period developments for respective claims pending at various stages;</p> <p>Assessed that the whether the disclosures made by the management are in accordance with applicable accounting standards;</p> <p>Irregularities observed by us while carrying out our procedures are mentioned in point no. 3, 4 and 5 of Note 17 of the financial statement read with para 3.7 of this report.</p>
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**5. 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 Annexures to Board's Report, Management Discussion and Analysis, Report on Corporate Governance, 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 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.



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## 6. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to preparation of these 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. This responsibility also includes maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

## 7. Auditor's Responsibilities for Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Act, 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.

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- Evaluate appropriateness of the accounting policies used and reasonableness of accounting estimates and related disclosures made by management.
- Conclude on 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. 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 8. Other Matters

We did not audit the financial statements of Five branches included in the financial statements of the Company whose financial statements reflect total assets of Rs.72,810.73 Lacs as at 31<sup>st</sup> March, 2019 and total revenues of Rs. Nil for the year ended on that date, as considered in the financial statements. The financial statements of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.

Our opinion is not modified in respect of this matter.



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**Report on Other Legal and Regulatory Requirements**

9. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”) issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Companies Act, 2013 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure-A a statement on the matters specified in paragraph 3 of the Order.
10. As required by section 143(3) of the Act, we report that:
- a) We have sought, *except for the possible effect of the matter described in basis of qualified opinion in point 3 above*, and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, *except for the matter as described in the Basis for Qualified Opinion paragraph*, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c) The reports on the accounts of the branch offices of the Company audited under Section 143 (8) of the Act by branch auditors have been sent to us and have been properly dealt with by us in preparing this report;
  - d) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - e) In our opinion, *except for the matter as described in the Basis for Qualified Opinion paragraph*, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, except following:

Accounting Standards		Comments
AS - 9	Revenue Recognition	Sale/Revenue in Project accounts from sale of Plots/shops/Tenements is not in accordance with AS-9. Also refer Point No.5 of Note 1.
AS - 10	Property, Plant & Equipments	<p>Policy of Company regarding debiting Navi Mumbai Project Account for certain assets purchased/acquired for Navi Mumbai Project instead of Property, Plant &amp; Equipments is not in accordance with AS 10.</p> <p>The Company is not maintaining item wise quantitative details of Property, Plant &amp; Equipments and accumulated depreciation reflected in Note no. 8 of financial statements.</p> <p>Till financial year 2014-2015, in the case of sale of assets, the sale price of the assets sold has been reduced from cost of assets instead of reducing the original cost of assets sold from the gross block of respective assets and total depreciation charged till date of sale from accumulated depreciation.</p>



AS - 15	Employee Benefits	Disclosure with regards to any short-term employee benefit plans/ post employment benefit plans/ termination benefit plans and or other Long term benefit plans are not made as required by AS 15.  Also, no Provision for Gratuity liability has been made for workers on contract basis.
AS - 21	Consolidated Financial statements	Company has neither prepared Consolidated Financial Statement of its subsidiary company and associate company nor it has disclosed reason for non-consolidation of financial statements of its subsidiary company and associate company as required by AS 21.
AS - 28	Impairment of assets	Company has not disclosed information as required by accounting standard. In absence of information we are unable to comment upon the compliance of AS 28.
AS - 29	Provisions, Contingent liabilities and contingent assets	In absence of full disclosures regarding contingent liabilities and assets, we are unable to comment on compliance of AS 29.

- f) Pursuant to the notification number GSR 463 (E) dated 5<sup>th</sup> June, 2016 issued by the Government of India, the provisions of Section 164(2) of the Companies Act, 2013 are not applicable to the Company;
- g) With respect to 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;
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us, we report that:
- i) According to the information and explanations given to us, the Company has disclosed the impact of pending litigations on its financial position in its notes forming part of the financial statements except for the possible effect of the matter described in our basis of opinion in point no.3 above;
- ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii) There were no amounts which were required to be transferred to the Investors Education and Protection Fund by the Company.



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- i) As required under section 143(5), we report on the following directions issued under the section as under:

Sr. No.	Directions	Action Taken	Impact on Financial Statements
1	To report whether there are any cases of waiver/write off of debts/loans/interest etc. if yes, the reasons thereof and the amount involved.	As per the information & explanations provided to us, there were no such cases of waivers/write off during the Financial Year 2018-2019.	Nil
2	Whether proper records are maintained for inventories lying with third parties and assets received as gift from Government and other authorities.	The Company does not have any inventories and also there were no cases of any assets being received as gift from Government and other authorities.	Nil
3	A report on age-wise analysis of pending legal/arbitration cases, including the reasons of pendency and existence/effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.	<p>As per the information &amp; explanations provided to us, the Company has 6027 pending legal/arbitration cases. The age-wise classification obtained from the management is as under:</p> <p>More than 3 years - 3350 cases 2 to 3 years - 482 cases 1 to 2 years - 2195 cases</p> <p>The above cases are pending for hearing/disposal at respective forums.</p> <p>It is informed to us that Company's Legal Department monitors the expenditure on legal cases.</p>	The impact of the same has been disclosed in the contingent liabilities in the notes forming part of the financial statements.
4	If the company has been selected for disinvestment, a complete status report in terms of valuation of assets (including intangible assets and land) and liabilities (including Committed & General Reserves) may be examined, including the mode and present stage of Disinvestment process.	As per the information & explanations provided to us, the Company has not been selected for disinvestment.	Nil



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Sr. No.	Sub-Directions	Action Taken	Impact on Financial Statements
1	Whether profit/loss mentioned in Audit Report is as per Profit & Loss Accounts of the company?	Profit mentioned in Audit Report is as per Profit & Loss Accounts of the company.	Nil
2	Examine and provide the details of the liability, if any, on account of delay, in handling over of any project to allottees and its consequent accounting.	As per the information & explanations provided to us, there were no such cases during the period under audit.	Nil
3	State the cases where loans/funds received from central/State Government or its agencies have been diverted from the purpose for which these are received.	As per the information & explanations provided to us and based on the documents & records produced before us, we have not come across any such instances.	Nil
4	Is the system of sanction, disbursement and recovery of industrial loan Effective? State the cases of deviations from rules, regulations and polices in regard to rescheduling, Waiver of loans/interest and One Time Settlement schemes etc.	As per the information & explanations provided to us and based on the documents & records produced before us, during the period under audit, there were no cases of any sanction, disbursement and recovery of industrial loan.	Nil
5	Examine and state the system of allotment of industrial plots/sheds including recovery of instalments from the allottees. What is the system of imposing penalty due to delay in setting of business or starting of business other than the one for which the allotment was made?	As per the information & explanations provided to us and based on the documents & records produced before us, the Company has not made any allotment of industrial plots/sheds.	Nil
6	Describe the deviations from the system of payment for land acquisition including compensation under Resettlement & Rehabilitation Policy of the State Government cases of land disputes should be mentioned.	As per the information & explanations provided to us and based on the documents & records produced before us, no deviations were observed from the system of payment for land acquisition.	Nil

Place : Mumbai  
Dated : July 31, 2021



For and on behalf of  
**KARNAVAT & CO.**  
Chartered Accountants  
Firm Regn No. 104863W

*Viral Joshi R.*  
(Viral Joshi)  
Partner  
Membership No. 137686

**CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED**  
**ANNEXURE-A TO INDEPENDENT AUDITOR'S REPORT**

Annexure referred to in paragraph 9 under the 'Report on Other Legal and Regulatory Requirements' of our report to the members of CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED, ('the Company') for the year ended on March 31, 2019.

We report that:

- i. In respect of fixed assets:
  - (a) In our opinion the Company has not maintained proper records showing full particulars including, quantitative details and situation of fixed assets except for New Nashik. In case of Aurangabad Unit, the fixed asset register has been maintained but not updated. Further as reported in Point Nos. 4 & 5 of Note 5(1), the Company has not maintained any records of Fixed Assets of Navi Mumbai Project Account;
  - (b) The Company has not carried out physical verification of Fixed Assets except at New Nashik. The physical verification conducted at New Nashik has not revealed any material discrepancies;
  - (c) As per the information and explanation given to us by the management, the title deeds of the Land as disclosed in Property, Plant & Equipments (Note No.8 to the financial statements) are held in the name of the Company and Buildings are constructed on the land vested by Government of Maharashtra. In case of Nashik Unit, title deeds of immovable properties were not available for verification;
- ii. The Company does not hold any inventory. It acts as an agent of Government of Maharashtra for City & Industrial development and hence provisions of Clause 3(ii) of the Order are not applicable to the Company;
- iii. In our opinion and according to the information and explanations given to us, during the year, 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 ('the Act') and hence provisions of Clause 3(iii) of the Order are not applicable to the Company;
- iv. In our opinion and according to the information and explanations given to us, during the year, the Company has not granted any loans, or provided any guarantee or security to the parties covered under Sections 185 and further provisions of Section 186 are not applicable since the Company is engaged in the business of providing infrastructure facilities and in respect of investments made, the Company has complied with provisions of sections 185 and 186 of the Act;
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed thereunder to the extent notified;
- vi. In our opinion and according to the information and explanations given to us maintenance of cost records under sub-section (1) of the Section 148 of the Companies Act, 2013 has not been prescribed by the government;
- vii. (a) According to the records of Company, delays have been observed in payment of Tax Deducted at Source, Service Tax, Goods & Service Tax, Employees' State Insurance, etc. which were subsequently paid along with the interest.



\* 2 \*

The extent of arrears payable in respect of statutory dues outstanding, as at 31-03-2019, for a period of more than six months from the date they became payable are as follows:

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the dues relate	Date of Payment
Income Tax Act, 1961	TDS on Payment to Contractors	22.11	Earlier Years	20.79 paid on 20.02.20 & balance Unpaid Till date
Professional Tax Act	Professional Tax	0.18	Earlier Years	Unpaid Till date
Building and Other Construction Workers Welfare Cess Act, 1996	Labour Welfare Cess	115.52	F.Y. 2018-19	Unpaid Till date
Service Tax Act, 1994	Service Tax	1.75	Earlier Years	Unpaid Till date
Maharashtra Value Added Tax, 2002	Works Contract Tax	1.06	Earlier Years	Unpaid Till date
Goods & Services Tax Act, 2017	Goods & Services Tax	0.08	F.Y. 2018-19	Unpaid Till date

In the case of Nagpur Unit, Service Tax has not been paid on Rs. 4.33 Lacs & Rs.9.04 Lacs incurred for Hire Charges of Vehicles & Security Service Charges respectively for the Financial Year 2015-16.

As reported by the Branch Auditor of Aurangabad unit, it is observed that following statutory dues pertaining to earlier years is still unpaid:

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the dues relate	Date of Payment
Building and Other Construction Workers Welfare Cess Act, 1996,	Labour Welfare Cess	945.99	Earlier Years	Unpaid Till date
	Environment Cess	1.36	Earlier Years	Unpaid Till date
Service Tax Act	Service Tax	1.01	Earlier Years	Unpaid Till date
Maharashtra Land revenue Code	Non-Agriculture Tax	32.09	Earlier Years	Unpaid Till date



\* 3 \*

As reported by the Branch Auditor of Nanded unit, it is observed that following statutory dues pertaining to earlier years is still unpaid:

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the dues relate	Date of Payment
Income Tax Act, 1961	TDS on Payment to Contractors	0.02	Earlier Years	Unpaid Till date
Income Tax Act, 1961	TDS on salary	0.07	Earlier Years	Unpaid Till date
Maharashtra Land revenue Code	Non-Agriculture Tax	0.08	Earlier Years	Unpaid Till date
Building and Other Construction Workers Welfare Cess Act, 1996,	Labour Welfare Cess	0.06	Earlier Years	Unpaid Till date
	Labour Welfare Cess	0.09	F.Y. 2016-17	Unpaid Till date
	Labour Welfare Cess	0.51	F.Y. 2017-18	Unpaid Till date
	Labour Welfare Cess	0.94	F.Y. 2018-19	Unpaid Till date
	Environment Cess	0.01	F.Y. 2017-18	Unpaid Till date
	Royalty Charges	0.15	Earlier Years	Unpaid Till date
	Royalty Charges	1.49	F.Y. 2017-18	Unpaid Till date
	Royalty Charges	1.95	F.Y. 2018-19	Unpaid Till date

As reported by the Branch Auditor of Nashik unit, it is observed that, GST amounting to Rs.31.51 Lacs, Labour Cess amounting to Rs.0.08 Lacs and Contingent Workers Welfare Fund amounting to Rs.0.14 Lacs has not been deposited till March 31, 2019 and no documentary evidence were produced for verification if any amount is paid subsequently till date.

As reported by the Branch Auditor of New Nanded unit, it is observed that, under account Code No. 232100 an amount of Rs. 68.08 Lacs is deposited with the PF authorities by debit under the account A.P.P (EPF), (Advance to private party). It is stated that the amount is deposited in the matter of case for the period Year 1990 to October 2005. The said amount is deposited on account of PF payable for the labours engaged by the contractors of the unit earlier for which notice under Section 7A were issued to the Company. Thus, the amount paid is on behalf of contractors for default, if any, committed by the contractor whose bills might have been settled. The contractors are not yet identified and proceedings for recovery have not yet been initiated. It is stated that the matter is subjudice before the PF authorities, no further details are submitted to verify and comment on the effect of the financial statement and probable contingent liability.



\* 4 \*

- (b) According to the information and explanations given to us and based on records produced before us, dues of service tax and value added tax, which have not been deposited with appropriate authorities on account of a dispute, are as follows:

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the Dues relate	Forum where dispute is pending
Service Tax	Service Tax Demand	13656.00	1 <sup>st</sup> June, 2007 to 31 <sup>st</sup> March, 2012	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Service Tax	Service Tax Demand	9548.82	F.Y. 2012-13	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Service Tax	Service Tax Demand	4480.82	F.Y. 2013-14	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Service Tax	Service Tax Demand	1999.44	F.Y. 2014-15	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Service Tax	Service Tax Demand	298.91	1 <sup>st</sup> April, 2012 to 30 <sup>th</sup> September, 2016	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Service Tax	Service Tax Demand	13410.60	1 <sup>st</sup> April, 2011 to 31 <sup>st</sup> March, 2014	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Service Tax	Service Tax Demand	168.49	1 <sup>st</sup> June, 2006 to 31 <sup>st</sup> March, 2011	Custom Excise and Service Tax Appellate Tribunal (CESTAT)
Income Tax	Income Tax Demand	45,309.55	F.Y. 2005-06	Hon'ble Bombay High Court
Income Tax	Income Tax Demand	89,214.52	F.Y. 2006-07	Hon'ble Bombay High Court

- viii. Based on our audit procedures and according to the information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and bank;
- ix. The Company has not raised any money by way of initial public offer, further public offer (including debt instruments). Further, the Company has taken Term Loans from State Government in earlier years for the purpose of mega city development. We are informed by the management that the said term loans has been applied for the purpose for which they were taken;



(Cont...5)

\* 5 \*

- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material 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 any such case by the management;
- xi. The Company being an undertaking of State Government, provisions of Clause 3(xi) of the Order are not applicable to the Company;
- xii. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to the Company and hence provisions of Clause 3(xii) of the Order are not applicable to the Company;
- xiii. The Company has entered into transactions with related parties in compliance with provisions of the Section 177 & 188 of the Act. Details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS)18, and Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures during the year under review and hence provisions of Clause 3(xiv) of the Order are not applicable to the Company;
- xv. The Company has not entered into any non-cash transactions with its directors or the persons connected with them and hence provisions of Clause 3(xv) of the Order are not applicable to the Company; and
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and hence provisions of Clause 3(xvi) of the Order are not applicable to the Company.



Place : Mumbai  
Dated : July 31, 2021

For and on behalf of  
**KARNAVAT & CO.**  
Chartered Accountants  
Firm Regn No. 104863W

*Viral Joshi R.*  
(Viral Joshi)  
Partner  
Membership No. 137686

**CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED**  
**ANNEXURE-B TO INDEPENDENT AUDITOR'S REPORT**

The Annexure referred to in paragraph 10(g) under the 'Report on Other Legal and Regulatory Requirements' our report to the members of CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED, ('the Company') for the year ended on March 31, 2019.

***Report on the Internal Financial Controls under Clause (i) of Sub-Section 3 of Section 143 of the Act***

We have audited internal financial controls over financial reporting of **CITY & INDUSTRIAL DEVELOPMENT CORPORATION OF MAHARASHTRA LIMITED** ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year then ended on that date.

***Disclaimer of Opinion***

The information and explanations provided by the management on system of Internal Financial Controls over financial reporting were not complete to enable us to determine if the Company has established adequate Internal Financial Controls over financial reporting and whether such Internal Financial Controls were operating effectively as at March 31, 2019.

We have considered the disclaimer 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 disclaimer may affect our opinion on the financial statements of the Company.

***Management's Responsibility for the 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 Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities includes design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of business, including adherence to Company's policies, the safeguarding of the 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 Act.

***Auditor's Responsibility***

Our responsibility is to express an opinion on 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 deemed to be prescribed under Section 143(10) of the Act 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 ICAI. Those Standards and Guidance note require that we comply with ethical requirements and plan and perform 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.



\* 2 \*

Our audit involves performing procedure 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 controls based on the assessed risk. The procedures selected depend on the auditor's judgement, 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 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 a reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purpose 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 the transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorised 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 control 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.



Place : Mumbai  
Dated : July 31, 2021

For and on behalf of  
**KARNAVAT & CO.**  
Chartered Accountants  
Firm Regn No. 104863W

*Viral Joshi*  
(Viral Joshi)  
Partner  
Membership No. 137686