

BOARD'S REPORT

OF

RAJASTHAN STATE FOOD AND CIVIL

SUPPLIES CORPORATION LIMITED

FOR THE YEAR ENDED

31ST MARCH, 2017



RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

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CIN: U63023RJ2010SGC033489

BOARD'S – REPORT

To,
The Members Of
Rajasthan State Food and Civil Supplies Corporation Ltd.

Your Director's take pleasure in presenting the 7th Annual Report on the business and operations of the company for the financial year ended on March 31, 2017.

In accordance to the budget announcement of the Hon'ble Chief Minister for the Financial Year 2010-11, the Rajasthan State Food and Civil Corporation Ltd. (RSFCSC) was incorporated on 8th December, 2010 under the Companies Act, 1956 and the Corporation commenced its business from 27th December, 2010. The Authorised Share Capital of the Corporation is Rs. 100 Crores. Presently, the paid up share capital of the Corporation is Rs. 50 Crores.

1. Financial Highlights

The financial performance of your company for the year ending March 31, 2017 is summarized below:

Particulars	(In Crores)	
	As on 31.03.2017	As on 31.03.2016
Revenue from Operation	475.17	561.77
Other Income	4.02	7.25
Total Expenses	471.70	559.49
Profit/(Loss) before tax and Exceptional Items	7.49	9.53
Prior period items	(0.93)	(0.11)
Profit/(Loss) before Tax	6.56	9.42
Tax Expenses	(3.05)	(4.06)
Net Profit/(Loss) after Tax	3.51	5.66

2. State of company affairs

During the year the company is operating in a purchase and sale of wheat and distribution of food grains, commodities on PDS or Non-PDS under various schemes of Central and State Government. Highlights of the companies performances for the financial year 2016-17 as compared to previous year 2015-16 are given below:-

- Total revenue is decreased from Rs. 561.77 cr. to Rs. 475.17
- Profit before Tax is decreased from Rs. 9.42 cr. to Rs. 6.56
- Net Profit after Tax is decreased from Rs.5.66 cr. to Rs. 3.51

3. Extract of Annual Return

The extract of the Annual Return in form **MGT 9** is annexed herewith as “**Annexure A**”.

4. Number of Meeting of Board of Directors

During the Financial Year 2016-17, the Company held three board meetings of the Board of Directors as per Section 173 of Companies Act, 2013 which is summarized below:

Name of Directors	Date of Meeting			Total No. of Meeting attended by each Directors
	12.07.2016	03.11.2016	07.02.2017	
Mr. Giri Raj Singh	x	✓	x	1/3
Ms. Neel Kamal Darbari	x	x	✓	1/3
Mr. Ramniwas	✓	✓	✓	3/3
Mr. Sudarshan Sethi	✓	x	x	1/3
Ms. Rekha Gupta	✓	✓	-	2/2
Mr. Subodh Agarwal	✓	✓	✓	3/3
Mr. Abhay Kumar	-	-	x	0/1
Mr. Dinesh Sharma	-	✓	✓	2/2

‘✓’ indicates attendance in the meeting.

‘X’ indicates leave of absence.

The Company has not hold board meeting for the quarter ended on June 30, 2016.

5. Committees of the Board

5.1 Audit Committee:

The company had constituted its audit committee u/s 177 of the Companies Act, 2013 and during the financial year 2016-17, the company is having an audit committee comprising of the following members:

Sr. No.	Name	Status
1.	Principal Secretary, Agriculture Dept.,	Chairman
2.	Registrar, Cooperative Societies	Member
3.	Managing Director, Rajasthan State Food and Civil Supplies Corporation Limited.	Member
4	Joint Secretary, Finance (EXP-1) Dept.,	Member

Details of audit committee meetings

During Financial Year no audit committee meeting was held.

5.2. CSR Committee

The company had constituted its CSR Committee u/s 135 (1) of the Companies Act, 2013 and during the financial year 2016-17, the company is having a CSR Committee comprising of the following directors:

Sr. No.	Name	Status
1.	Principal Secretary, Food, Civil Supplies & Consumer Affairs	Chairman
2.	Registrar, Cooperative Societies	Member
3.	Managing Director, RSFCSC Ltd.	Member

5.3. CSR Committee Meeting

During Financial Year 2016-17, no corporate governance committee meeting was held.

5.4. Nomination and Remuneration Committee

The company has not constituted the Nomination and Remuneration Committee as per the provisions of section 177 of the Companies Act, 2013 till financial year 2016-17.

5.5. Independent director's committee

The company has not appointed independent directors in the company. Hence, no such committee is formed.

6. Directors Responsibility Statement

To the best of our knowledge and belief and according to the information and explanations obtained by us, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- (a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) they had prepared the annual accounts on a going concern basis.
- (e) Company being unlisted sub clause (e) of section 134(3) is not applicable.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

7. Declaration by Independent Directors

The company has not appointed independent directors in the company.

8. Policy on directors' appointment and remuneration and other details

Being a State Government Undertaking, directors are appointed by State Government and remuneration is also fixed by the State Government.

9. Auditors:

9.1. Statutory Auditors & their Report

M/s R. A. Sharma & Co., Chartered Accountants (Firm Registration No: 001657C), Jaipur, were appointed as Statutory Auditor of the Company by the Comptroller and Auditor General of India vide letter no./CA/V/COY/RAJASTHAN.RSFCSC(1)/1319 dated 02.09.2016 for the audit of the Company's Annual Accounts for the Financial Year 2016-17.

The auditor's report for the financial year 2016-17 is annexed as **Annexure-B** along reply by the management on observations marked therein.

M/s Arvind Mathur & Co., has been appointed as Statutory Auditors of the Company by the Comptroller and Auditor General of India vide their letter no./CA/V/COY/RAJASTHAN.RSFCSC(1)/478 dated 07.08.2019 for the audit of the Company's Annual Accounts for Financial Year 2017-18, 2018-19 and 2019-20.

9.2. Cost Auditor

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, being Government Company the cost audit records maintenance is not applicable on the company.

9.3. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company, the Board of directors of the company has appointed M/s Jitendra Jangid & Company, Practicing Company Secretaries, Jaipur to conduct Secretarial Audit for the financial Year 2016-17. The Secretarial Audit Report for the financial year ended March31, 2017 is annexed herewith as '**Annexure C**' to this Report.

The Observations/Qualifications made by Secretarial Auditor in their report and reply of the same by the management is as under:

Sl.No.	Observations/Qualifications	Management Replies
1	No Corporate Social Responsibility Committee Meeting held in the period under review.	The Company will take necessary steps to comply with the same in future.
2.	No Audit Committee held in the period under review.	The Company will take necessary steps to comply with the same in future.
3.	Only three Board Meeting held in the period under review i.e., on 12.07.2016 for Second Quarter	The Company will take necessary steps to comply with the same in future.

	(Q2), on 03.11.2016 for Third Quarter (Q3) and on 07.02.2017 for Fourth Quarter (Q4).	
4.	No Board Meeting held in the first Quarter (Q1) of 2016-17.	The Company will take necessary steps to comply with the same in future.
5.	The Fifth Annual General Meeting (AGM) for 2014-15 and the 21 st Board Meeting were held on the same date i.e., 03.11.2016 without providing any Shorter Notice for holding AGM and the consent of 95% of the members entitled to vote under Section 101(1)(i) of the Companies Act, 2013.	The Company will take necessary steps So that necessary compliance to be made as per the Act, in future.
6.	Because the Company was holding a Cash Credit Limit of 395 Crore from Punjab National Bank in the First Quarter of 2016-17, there was no Vigil Mechanism established under Section 177 and rule 7 of Companies (Meeting of Board and its Power) Rules, 2014.	As per chapter 12 Section 177 of Companies Act, 2013: Establishment of vigil mechanism: (1) Every listed company and the companies belonging to the following class or classes shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances- (a) the Companies which accept deposits from the public; (b) the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees. (2) The companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should recues themselves and the others on the committee would deal with the matter on hand. (3) In case of other companies, the Board of directors shall nominate a director to play the role of audit committee for the purpose of vigil mechanism to whom other directors and employees may report their concerns. (4) The vigil mechanism shall provide for adequate safeguards against victimization of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the

		<p>Audit Committee or the director nominated to play the role of Audit Committee, as the case may be, in exceptional cases.</p> <p>(5) In case of repeated frivolous complaints being filed by a director or an employee, the audit committee or the director nominated to play the role of audit committee may take suitable action against the concerned director or employee including reprimand.</p> <p>Hence, the management is required to form a vigil mechanism and that is to be done soon.</p> <p>[Refer MCA Notification No G.S.R. 240 (E) dated 31st Mar, 2014]</p> <p>The Company has given a Consent letter to Bank for closing of A/C 4064008700000625 for Cash Credit of Rs 395 Crores. Only the status is showing OPEN on the MCA Portal which is to be closed by filing e form CHG-4.</p>
7.	The Charge created for cash credit is still having the status 'OPEN' on the Ministry of Corporate Affairs (MCA) records of the Company which in Company's record is closed in the First Quarter of 2016-17. The same needs to be satisfied with MCA via applying for compounding for the same.	The management will file CHG-4 soon for satisfaction of charge with MCA/ROC.
8.	No Independent Director was appointed during the period under review.	File has been put up for appointment of Independent Auditor and is under process.
9.	The Company fails to hold AGM of 2016-17 even within extended time allowed by Registrar of Companies (ROC), Jaipur.	The Audit for the F.Y. 2016-17 is not complete yet, as soon as the same is completed by the statutory auditors the company will hold the same.
10.	The Memorandum and Articles of Association of the Company are not updated as per Companies Act, 2013	The Management will update the same, whenever there is any change in Memorandum and Article of Association, the MOA and AOA to be adopted as prescribed under Companies Act, 2013.
11.	Form DIR-2(Consent to act as a Director), DIR-8(Disclosure of not	As per MCA Notification no G.S.R. 463(E) dated 5th June, 2015 Chapter XI,

	disqualified to act as a Director) and MBP-1(Notice of Interest by Directors) are not available for the Directors appointed during the period under review.	sub-section (5) of Section 152 of Companies Act, 2013 in regard to appointment of directors, Government Companies are exempted for DIR-2(Consent to act as a Director), DIR-8(Disclosure of not disqualified to act as a director) in case of appointment of directors.
12.	Form MBP-1 (Notice of Interest by Directors) from all directors in the First Meeting of the Financial Year 2016-17 was not received.	Form MBP-1(Notice of Interest by Director) from all the directors have been duly received and kept in file.
13.	The Company Secretary of the Company resigned from 21.02.2017 and no Company Secretary was appointed till the end of Financial Year 2016-17.	As per Section 203 of the Companies Act, 2013, in case of Vacancy at place of Company Secretary, Company will appoint another Company Secretary within 6 month from the date of resignation of Company Secretary. And the same has been compiled by the management. Former Cs Mr. Vikas Yadav resigned from his post w.e.f. 21.02.2017 and Mr. Mrigank Singh had been appointed w.e.f. 28/07/2017 as Company Secretary of the Company in place of Mr. Vikas Yadav. Hence the Company has complied with the provisions of filling casual vacancy on time.
14.	There is subsequent delay in filing e forms with MCA Portal.	There has been delay in filing e forms but the Company has filed such e forms with delayed fees on MCA Portal.
15.	The Statutory Auditor of the Company for the Financial Year 2016-17 has reported two issues as per Section 143(12) of the Companies Act, 2013, these are: a. Regarding release of performance security deposit and extension of supply period which was resulted in refund of already recovered liquidated damages. b. Regarding fraud in the	Management replies on two issues respectively are as follows: a.The management has already taken action in the matter and disciplinary action has already been initiated against officials involved. The management has also logged FIR in Police station, looking to the grave nature of the act. b. The Corporation hired the service of

	Company relating to claim of sugar Subsidy for Government of India.	an Independent Professional to examine and opine in the matter. M/s G Dutta & Co., Chartered Accountants, has submitted the report on the matter and they have opined that it's a serious lapse. Hence, the Independent Professional has given a report terming it as a lapse and not as a fraud. Further, the reconciliation of the GOI subsidy is underway.
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9.4. Comments of AG and reply by the management thereon

The AG Team has conducted the supplementary audit under the provision of Companies Act, 2013 on the financial Statements of the Company for the F.Y. 2016-17. While conducting the audit AG Team has raised some Memos/observations which were replied by the Company elaborated as follow:

POM No.	AG Comment	Management Response
1.	<p><u>Balance Sheet as on 31March 2017</u> <u>Other Current Liabilities (Note 2.6)</u> <u>Advances Received from DSO & KVSS,</u> <u>Rs. 137.23 lakh</u></p> <p>Despite being commented upon accounts of previous years 2013-14 and 2014-15, the Company has not disclosed the irregular/unauthorized withdrawal of Rs. 94.34 lakh by Rajas Sang KVSS, Baran from the treasury which was refundable to the Government fund, out of which Rs. 72.43 lakh have been deposited in the Company's account. The excess withdrawn amount has not been refunded to Government of Rajasthan despite being recommended by a committee of the Company, as a special audit was conducted by a committee of the Company, who reported (22.02.2014/06.03.2014) that Rajas Sang KVSS, Baran had withdrawn Rs. 94.34 lakh unauthorizely / irregularly</p>	<p>We have noted the same and assure the AG team that it would be made sure that appropriate disclosure would be done in this regard in future.</p> <p>Since, the amount involved is very small and does not have material impact on the financial position of the co., it is requested to kindly drop the Para.</p>

	<p>from the treasury which is refundable to the Government funds.</p> <p>It is also pertinent to mention here that, the Regional Manager of this KVSS had furnished (12.12.2013) the details of transactions with the Company (RSFCSC) stating that the outstanding dues of the Company amounting to Rs. 37.06 lakh would be paid shortly as the claim of differential amount of Rs. 103.07 lakh under various schemes had been submitted to District Supply Office, of which Rs. 72.43 lakh have been received and deposited in your account by the end of March 2013. However, Advances Received from DSO & KVSS Rs. 137.23 lakh comprises Rs. 71.65 lakh only being excess amount received on account of KVSS, Baran.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	
2.	<p><u>Statement of Profit and Loss for the year ended 31 March 2017</u> <u>Revenue from Operations (Note 2.14)</u> <u>Sales & Subsidy, Rs. 436.89 crore</u></p> <p>An order was placed (18.10.2018) in favour of M/s S.A. Agarwal & Associates, Chartered Accountants (firm) for reconciliation of sugar subsidy, received from Government of India (GoI) and Government of Rajasthan and other related work from 2013-14 to 2017-18 with condition that work would be completed within 30 days from the date of issue of order.</p> <p>The firm submitted (29.12.2018) the sugar subsidy reconciliation report till 31.03.2017 only wherein it was stated that as per the guidelines issued from time to time by GoI the following conditions are made for subsidy procedure:</p> <ol style="list-style-type: none"> 1. Sugar would be distributed on 	<p>We have noted the observation of the AG Team. Kindly note that the books of accounts of F.Y. 2016-17 were already finalized and the reconciliation of sugar subsidy was still underway. The reconciliation would be finalized and reflected in financial statements once the books of accounts for F.Y. 2017-18 are completed. So we assure that once the reconciliation is finalized, the same would be incorporated in the Books of the Company of the Company, in the subsequent years. So we request you to kindly drop the Para.</p>

month to month basis and subsidy on sugar @ Rs. 18.50 per kg. would be given by Gol on **actual quantity distributed**.

2. Sugar would be purchased by RSFCSC in open tender mechanism.
3. It would upon the State to either "absorb" additional cost, if any, or pass it on to consumers as part of Retail Issue Price.

The firm reported the subsidy receivable (accrued for 904806 qtls. Sugar distributed) from GoR for the year 2016-17 amounting to Rs. 28.03 crore against which Rs. 28.71 crore was received by 31.03.2017 and thereby Rs.0.67 crore was excess received, but after adjusting the short claimed from GoR of Rs. 6.14 crore by 31.03.2016 the net receivable amount from GoR was Rs. 5.47 crore. However, the accounts of the company for the year 2016-17 depicted the subsidy from GoR (Sugar Branch) Rs. 22.56crore only as Revenue from Operation. In addition, Rs. 27.15 crore was shown as Other Current Liabilities to GoR (after reducing Rs. 0.69 crore receivable from GoR as subsidy).

This has resulted in resulted in understatement of Revenue from Operation as well as Net Profit for the year by Rs. 5.47 crore (Accrued subsidy from GoR, Rs. 28.03 crore – Subsidy from GoR accounted for, Rs. 22.56 crore). In addition, Subsidy Receivable from GoR has been understated by Rs. 32.62 (Rs. 27.15 crore + Rs. 5.47 crore).

The firm further reported the subsidy receivable (accrued for 904806 qtls. Sugar distributed) from GoI for the year 2016-17 amounting to Rs. 167.39 crore. / 166.21 lakh against which Rs. 172.41 crore was

	<p>claimed / received for the year 2016-17 and thereby Rs.6.20crore was excess received, but after adjusting the short claimed (deficit subsidy) from GoI of Rs. 2.70crore by 31.03.2016 the excess subsidy received from GoI was Rs. 3.50crore, apart from excess subsidy claimed / received from GoI in financial year 2015-16 in comparison to cost of purchase amounting to Rs. 22.30 crore. However, the accounts of the company for the year 2016-17 depicted the subsidy from GoI Rs. 166.33crore as Revenue from Operation and Rs. 0.69crore as Subsidy Receivable from GoI, which still needs reconciliation.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	
3.	<p><u>Independent Auditor's Report</u></p> <p>A reference is invited to Independent Auditor's Report, wherein it has been stated that "the effect of our observations reported below, to the extent quantifiable is that profit is overstated by Rs. 21,05,98,715/- and would have resulted in loss of Rs. 17,54,66,813/- as against profit of Rs. 3,51,31,902/- disclosed in Profit and Loss Account with consequential effects on the other accounts as set out in para {B}12 below"(i.e. of the Report).</p> <p>This is incorrect to the extent that after considering quantifiable observations of Rs. 21,05,98,715/- as discussed in the report, the Profit and Loss Account could have resulted in loss of Rs. 14,49,15,992/- as against profit of Rs. 6,56,82,723/- (profit before tax) disclosed in the Statement of Profit and Loss for the year ended 31March 2017.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	<p>With respect to your kind observation, as per management opinion, the basis may have been taken as profit before tax figure which is Rs. 6, 56, 82, 723. The same would be further clarified by the Auditor. It is worth mentioning here that management is taking up with auditor regarding each of their observation in this respect to which the management does not agree completely.</p>

4.	<p><u>Notes on Account</u></p> <p>Section 129 (1) of the Companies Act 2013 provides that the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III.</p> <p>Schedule –III provides under the heading “General Instructions for Preparation of Statement of Profit and Loss” that a company shall disclose by way of notes additional information regarding any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher.</p> <p>Audit however, noticed that the following items of income and expenditure which are exceeded one per cent of the revenue from operations of Rs. 475.17 crore, have not been disclosed by way of notes:-</p> <p>1. Note 2.14: Sales & Subsidy of Rs. 436.89 crore comprises following items which exceeded one per cent of the Revenue from Operation:</p> <ul style="list-style-type: none"> a. NSFA Sale, Rs. 19.73 crore. b. Sales (Sugar Branch), Rs. 179.73 crore. c. Subsidy from GoR (Sugar Branch), Rs. 22.56 crore. d. Subsidy from GoI, Rs. 166.33 crore. e. Gunny Bags Sales, Rs. 28.45 crore. <p>2. Note 2.14: Commission Received of Rs. 38.28 crore comprises following items which exceeded one per cent of the Revenue from Operation:</p> <ul style="list-style-type: none"> a. Commission (Agency), Rs. 5.16 crore. b. Retailers/ Wholesalers Commission 	<p>Kindly note that the Co. is a PSU mainly earning revenue through operations in PDS and Non PDS item on behalf of Govt of Raj., which is in public domain already. Disclosure in this respect is mentioned in notes to accounts point no. 1.6., 1.11, 1.22, 1.23 and also below the financial figures of sales and subsidies, additional disclosure is provided. Still we have noted your kind observations and the management assures to provide detailed disclosures in all the items highlighted in future. Since it does not have financial impact on the books of accounts of the Company, So kindly drop the para.</p>
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	<p>Baran, Rs. 5.25 crore. c. Retailers/ Wholesalers Commission Kota, Rs.5.28 crore.</p> <p>3. Note 2.16: Purchases under DCP Scheme of Rs. 24.81crore comprises, Purchases of Gunny Bags of Rs. 24.58 crore which exceeded one per cent of the Revenue from Operation.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	
5.	<p><u>General</u></p> <p>Rule 3 of the Companies (Accounts) Rules, 2014 stipulates that:</p> <p>(1) The books of account and other relevant books and papers maintained in electronic mode shall remain accessible in India so as to be usable for subsequent reference.</p> <p>(2) The books of account and other relevant books and papers referred to in sub-rule (1) shall be retained completely in the format in which they were originally generated, sent or received, or in a format which shall present accurately the information generated, sent or received and the information contained in the electronic records shall remain complete and unaltered.</p> <p>(3) The information received from branch offices shall not be altered and shall be kept in a manner where it shall depict what was originally received from the branches.</p> <p>(4) The information in the electronic record of the document shall be capable of being displayed in a legible form.</p> <p>(5) There shall be a proper system for storage, retrieval, display or printout of the electronic records as the Audit Committee,</p>	<p>The Books of accounts are maintained in both hard copy and electronic format. The Company is using Tally Software for accounting but, after the finalization of Books of accounts, the same is not altered. The backup of books of accounts of Head Office and district accounts as consolidated are available in tally software on Accounts Server, CS Section, Another Computer Hard Disk and External Storage Device. Also, since the Tally accounting is outsourced, the backup is also available with the agencies. Still, the Company assures of properly maintaining books of accounts as per your observation going forward.</p>

	<p>if any, or the Board may deem appropriate and such records shall not be disposed of or rendered unusable, unless permitted by law;</p> <p>Provided that the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically located in India on a periodic basis.</p> <p>(6) The company shall intimate to the Registrar on an annual basis at the time of filing of financial statement-</p> <p>(a) the name of the service provider;</p> <p>(b) the internet protocol address of service provider;</p> <p>(c) the location of the service provider (wherever applicable);</p> <p>(d) where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider.</p> <p>Audit however, noticed that the RSFCSC is maintaining books of account in Tally software, which can easily be altered/changed.Consolidation of accounts of Board office of the company & its 34 accounting units for the year 2016-17 has not been made in appropriate manner. The back-up of the books of account and other books and papers of the company maintained in Tally for the financial year 2016-17 is not available on record with the company.</p> <p>Thus, Rule 3 of the Companies (Accounts) Rules, 2014 has not been complied by RSFCSC for maintaining books of account in electronic mode for the year 2016-17, in true spirit.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	
6.	<u>Independent Auditor's Report</u>	

	<p>A reference is invited to Independent Auditor's Report, wherein it has been stated that the "Liability of Expenses Rs. 3,80,78,142.68 claimed by Rajasthan State Warehousing Corporation(RSWC) and Rs. 22,47,803.00 claimed by Rajasthan Rajya Sahakari Upbhokta Sangh Ltd. is not provided in the Books as mentioned in Note No 3.12 and 3.13of last year Auditor's Report. The consequential effect of non-provision is that income of company is overstated and current liability of company is understated by Rs. 4,03,25,946.</p> <p>Audit however noticed that the Trade Payable (For Expenses) of the Company had already been depicted Rs. 3,80,78,142.68 payable to RSWC by the end of March 2016. Thus, it is incorrect to state that the income of company is overstated and current liability of company is understated by Rs. 3,80,78,142.68.</p> <p>Audit further, noticed that Rajasthan Rajya Sahakari Upbhokta Sangh Ltd. had claimed Rs.22,47,803.00 towards price increase and had retained the same amount, out of the advance given to them. Hence, the comment in Independent Auditor's Report is incorrect to the extent that current liability of company is understated by Rs. 22,47,803.00 instead of overstatement of advance to suppliers.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	<p>Kindly note that RSFCSC has already shown liability towards RSWC and receivable from Rajasthan Rajya Sahkari Upbhokta Sangh Limited with disclosures in significant accounting policies point no. 1.28 and 1.29. The observation of independent Auditor would be clarified by them. Since the Company has already accounted the same in the books of the accounts, we request you to kindly drop the Para.</p>
7.	<p><u>Notes to Accounts</u></p> <p>Reference is invited to Note No. 1.29 of the Notes to Accounts wherein it has been stated that the amount payable to Rajasthan State Warehouse Corporation (RSWC) is pending for final reconciliation with the party for expenses payable under DCP procurement.</p> <p>This disclosure is incomplete and incorrect</p>	<p>In respect of RSWC reservation claim, the same was taken up by the Company at State Govt. level in the meeting held on 04.07.2017 (Meeting minutes letter no ,फ33(2)/खा.वि./प्रोक्यो/आर.एम. एस/डीसीपी/2015-16 जयपुर, दिनांक 05-07-2017). Minutes of meetings</p>

	<p>to the extent that an amount of Rs. 2,99,55,353.00 was claimed (03.02.2017) by RSWC from the Company for reservation of Godowns for storage capacity of 95,660 MT in pretext to procure wheat under Decentralized Procurement (DCP) Scheme during the year 2016-17, which has not been accounted for/admitted by the Company due to failure to utilize the same.</p> <p>The above facts & figures may please be confirmed along with remarks, if any</p>	<p>are enclosed for your kind self. So, based on the decision of the meeting, RSWC claim for FY 2016-17 was not accounted for in the books of accounts of the Company .Still, disclosure in respect of reconciliation with RSWC is already done on note no. 1.29 of the significant accounting Policies of the notes to accounts, as pointed out by your goodself. The Company assures to disclose the same in more detail in future. Since the same does not have any financial impact on the Company, we request you to kindly drop the Para.</p>
8.	<p><u>Notes to Accounts</u></p> <p>Rajasthan State Food & Civil Supply Corporation (RSFCSC) reserved Godowns of Central Warehouse Corporation (CWC) of 11,000 MT capacity at Kotputli, Mahwa and Bharatpur for a period of three months (10/16.04.2016 to 09/15.07.2016) in pretext to procure wheat under Decentralized Procurement (DCP) Scheme during the year 2016-17, but the same could not be utilize. However, the claim made by CWC of Rs. 36,30,000.00 for reserved Godowns has neither been accounted for nor disclosed by way of a note.</p> <p>The above facts & figures may please be confirmed along with remarks, if any.</p>	<p>In respect of CWC reservation claim, the same was taken up by the Company at State Govt. level in the meeting held on 04.07.2017 (Meeting minutes letter no ,फ33(2)/खा.वि./प्रोक्यो/आर.एम. एस/डीसीपी/2015-16 जयपुर, दिनांक 05-07-2017). Minutes of meetings are enclosed for your kind self. So, based on the decision of the meeting, CWC claim for FY 2016-17 was not accounted for in the books of accounts of the Company. The Company assures to disclose the same in more detail in future. Since the same does not have any financial impact on the Company, we request you to kindly drop the Para.</p>

10. **Particulars of Loans, Guarantees and Investments**

Particulars of loans, guarantees and Investments as per provisions of section 186 of the Companies Act, 2013, if any, to be considered from financial statement and notes to financial statement of the Company or vice versa.

11. Related Party Transactions

Related Party Transactions as per provisions of section 188 of the Companies Act, 2013, if any entered, to be considered from financial statements and notes to financial statement of the Company or vice versa.

12. Change in Nature of Business

There is no change in the nature of business of the company.

13. Share Capital

The paid up Equity Share Capital as on March 31, 2017 was Rs. 50,00,00,000/- During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

14. Transfer to reserve

No amount has been transferred to General Reserves during the year.

15. Dividend

The Board of directors of the company has not recommended any dividend during the financial year.

16. Human Resources

The well-disciplined workforce which has served the company for more than two decades lies at the very foundation of the company's major achievements and shall well continue for the years to come. The management has always carried out systematic appraisal of performance and imparted training at periodic intervals. The company has always recognized talent and has judiciously followed the principle of rewarding performance.

17. Material Changes and Commitments, if any, Criteria specify

During the year no material changes and commitment made by directors affecting financial position of the company.

18. Energy conservation, technology absorption & Foreign Exchange Earnings and Outgo

The particulars as required under section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies(Accounts) Rules, 2014 in respect of conservation of energy and technology absorption is not being given, since the Company is not engaged in any manufacturing or processing activity. There are no foreign exchange earnings and outgo during the year under review.

19. Business Risk Management

Risks are events, situation or circumstances which may lead to negative consequences on the company's businesses. Risk Management is a structured approach to manage uncertainty. A formal approach to risk management is being adopted by the company and key risks will now be managed within a unitary framework.

20. Directors

There were changes in the constitution of board during the year, and directors as on 31.03.2017 are as follows:

S. No.	Name	Designation	Date of appointment	Date of cessation & Mode of Cessation
1.	Mr. Giri Raj Singh	Nominee Director	12/02/2016	-
2.	Ms. Neel Kamal Darbari	Nominee Director	12/02/2016	-
3.	Ms. Shivangi Swarnkar	Nominee Director	03/02/2016	04/08/2016
4.	Mr. Shreemat Pandey	Nominee director	13/12/2013	18/05/2016
5.	Mr. Rama Krishanan Venkateswaran	Nominee director	29/04/2015	18/05/2016
6.	Mr. Sudarshan Sethi	Nominee director	18/05/2016	-
7.	Ms. Rekha Gupta	Nominee director	18/05/2016	10/11/2016
8.	Mr. Ramniwas	Managing Director	01/08/2016	04/02/2017
9.	Mr. Kailash Chand Meena	Managing Director	04/02/2017	-
10.	Mr. Subodh Agarwal	Nominee director	06/06/2014	-
11.	Mr. Abhay Kumar	Nominee director	10/11/2016	02/03/2017
12.	Sh. Dinesh Kumar Sharma	Nominee Director	17/06/2016	-

21. Deposits

The company has not accepted any deposits during the year.

22. Disclosure relating to the provision of Section 73 of Companies Act,2013 read with rule (2) (1)(c)(viii) of The Companies(Acceptance of Deposit) Rules 2014.

During the year the company has not accepted borrowing(s) from its Directors and their relatives

23. Corporate Social Responsibilities (CSR)

As per Section 135(5) of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and schedule VII of the Companies Act, 2013, the company has duly constituted CSR Committee. The committee has decided the activities to be undertaken by the company and the expenditures to be incurred on the same and recommended the same to the board therefore the board approved the CSR policy.

The CSR Policy may be accessed on the Company's website at the link: <http://www>.

FOCUS AREAS: In accordance with the requirements under the Companies Act, 2013, CSR activities will focus on:

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water;
- (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- (vi) measures for the benefit of armed forces veterans, war widows and their dependents;

- (vii) training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- (viii) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- (x) rural development projects;
- (xi) Slum area development.

Further the detailed information about CSR is given in annual report on CSR activities for the financial year ended, 31st March, 2017 which is annexed herewith for your kind perusal and information. **“Annexure C”**

24. Board Evaluation

The provision of section 134(3)(p) relating to board evaluation is not applicable on the company.

25. Internal control systems and their adequacy

The Company has adequate system of internal control to safeguard and protect from loss, unauthorized use or disposition of its assets. All the transactions are properly authorized, recorded and reported to the Management. The Company is following all the applicable Accounting Standards for properly maintaining the books of accounts and reporting financial statements. The internal auditor of the company checks and verifies the internal control and monitors them in accordance with policy adopted by the company. Further, internal control in payment, it is stated that all payments are processed through proper approval channel and all approvals are done on note sheet, which is very transparent process. All payments are done through banking channels.

26. Particulars of Employees

Being a State Government Company, particulars of employees pursuant to provision of Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are not applicable to the Company.

27. Vigil Mechanism / Whistle Blower Policy

As per the provisions of section 177(9) of the Companies Act, 2013 establishment of vigil mechanism is applicable. But the Company has not formed such mechanism, the same to be complied soon.

28. Information about Subsidiary/ JV/ Associate Company

No Company has become / ceased to be its Subsidiary/ JV/ Associate Company during the year.

29. Significant and Material Orders Passed By The Regulators Or Courts

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations during the financial year.

30. Fraud Reporting

The Statutory Auditor of the Company for the F.Y 2016-17 has reported seven issues/irregularities as per Section 143 (12) and Section 447 of the Companies Act, 2013, these are as follows:

- a. Regarding refund of earnest money and liquidated damages to Beta Edible Processing Pvt. Ltd.
- b. Regarding claim of subsidy from Government of India (GOI)
- c. Regarding claim of subsidy from Government of Rajasthan (GOR)
- d. Regarding payment of unauthorized /personal expenses on Cars to Food Minister Govt. of Rajasthan and his staff (Personal Assistant)
- e. Regarding payment of unauthorized /personal expenses on Cars to Chairman of the Company
- f. Regarding payment of unauthorized /personal expenses on Cars to Managing Director of the Company
- g. Regarding making unauthorized payments without delegated authority and proper sanction.

31. Statement regarding compliances of applicable Secretarial Standards

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

32. Acknowledgement

Your Directors wish to place on record their deep appreciation for the co-operation extended by the bankers and the services rendered by the employees at all levels and their dedication.

33. Cautionary Statement

The statements contained in the Board's Report contain certain statements relating to the future and therefore are forward looking within the meaning of applicable laws and regulations.

Various factors such as economic conditions, changes in government regulations, tax regime, other statues, market forces and other associated and incidental factors may however lead to variation in actual results.

Date:

Place: Jaipur

**By the order of board of directors of
Rajasthan State Food and Civil Supplies Corporation Limited**


Ms. Rashmi Gupta

DIN: 08505942

Managing Director

**Add.: 136, Vishveshwariya Nagar,
Gopalpura, Bye pass, A C jobner,
Jaipur-302018.**


Sh Siddharth Mahajan

DIN:

Nominee Director

**Add.: Saumya Marg Gandhi Nagar,
Lalkothi, Jaipur-302015, Rajasthan**

**FORMNO.MGT-9
EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31/03/2017

[Pursuant to section 92 (3) of the Companies Act, 2013 and rule 12 (1) of the
Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN:-U63023RJ2010SGC033489
- ii) Registration Date: 08/12/2010
- iii) Name of the Company: RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED
- iv) Category/Sub-Category of the Company:
- v) Address of the Registered office and contact details: Fifth Floor, Hall No. 501, Kisan Bhawan Lalkothi, Tonk Road, Jaipur-302015, Phone No.: 0141-2744649, 2744692, Fax: 0141-2741924
Email Id: rsfsc@gmail.com, Website: www.rsfsc.org
- vi) Whether listed company: No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl.No.	Name and Description of main products/ services	NIC Code of the Product/ service	% total turnover of the company
1	Sugar and related Items	51225	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES-

S. No	Name and Address of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
1		NIL			

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

- i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year				% Change during the year	
	D e m a t	Physical	Total	% of Total Shares	D e m a t	Physical	Total		% of Total Shares
A. Promoters									
(1)Indian									
a)Individual/ HUF									
b)Central Govt									
c) State Govt (s) Government of Rajasthan & Nominees of GOR	-	500000	500000	100		500000	500000	100	-
d) Bodies Corp.									
e)Banks/FI									
f) Any Other....									
Sub-total (A)(1):-	-	500000	500000	100		500000	500000	100	
(2)Foreign									
a)NRIs- Individuals									
b)Other- Individuals									
c)Bodies Corp.									
d)Banks/FI									
e)Any Other....									
Sub-total (A)(2):-									
Total shareholding of Promoter (A)= (A)(1)+(A)(2)	-	500000	500000	100	-	500000	500000	100	-

C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	-	500000	500000	100	-	500000	500000	100	-

(ii) *Shareholding of Promoters*

S.No.	Shareholder's Name	Share holding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	%of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	%of total Shares of the company	%of Shares Pledged / encumbered to total shares	% change in share holding during the year
1.	Governor of Rajasthan	499300	99.86	Nil	499300	99.86	Nil	Nil
2.	Smt. Neel Kamal Darbari	100	0.02	Nil	100	0.02	Nil	NIL
3.	Shri Giri Raj Singh	100	0.02	Nil	100	0.02	Nil	NIL
4.	Dr Subodh Agarwal	100	0.02	NIL	100	0.02	NIL	NIL
5.	Sh. Umed Singh	100	0.02	NIL	100	0.02	NIL	NIL
6.	Sh. Mahaveer Prasad Sharma	100	0.02	NIL	NIL	NIL	NIL	(0.02)
7.	Sh. Rama Krishnan Venkateswaran	100	0.02	NIL	NIL	NIL	NIL	(0.02)
8.	Smt. Shivangi Swarnkar	100	0.02	NIL	NIL	NIL	NIL	(0.02)
9.	Sh. K.C. Meena	NIL	NIL	NIL	100	0.02	NIL	0.02
10.	Sh. Ram Niwas	NIL	NIL	NIL	100	0.02	NIL	0.02
11.	Sh. Dinesh Kumar Sharma	NIL	NIL	NIL	100	0.02	NIL	0.02
	Total	500000	100	Nil	500000	100	Nil	NIL

(iii) *Change in Promoters' Shareholding--NO CHANGE*

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				

	Date wise Increase/ Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer/ bonus/ sweat equities):	#	#	#	#
	At tend of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NIL

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase/ decrease(e.g. allotment/ transfer/ bonus/sweat equities):	#	#	#	#
	At the End of the year(or on the date of separation, if separated during the year)				

#Shareholding Pattern of top ten Shareholders given below: NIL

S.no.	Name	Shareholding		Date	Increase/decrease in the Shareholding	Reason	Cumulative Shareholding during the year (01.04.2016 to 31.03.2017)	
		No of share at the beginning (01.04.2016/end of the year(31.03.2017)	% of total share of the company				No. of shares	% of total shares of the company
1						N.A.		

(v)Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Shareholding of Directors and key Managerial Personnel	Shareholding at the Beginning of the year		Cumulative Shareholding During the year	
		No. of shares	%of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	700	0.14%	700	0.14%
1	Smt. Neel Kamal Darbari	100	0.02	100	0.02
2	Shri Giri Raj Singh	100	0.02	100	0.02
3	Dr Subodh Agarwal	100	0.02	100	0.02
4	Sh. Umed Singh	100	0.02	100	0.02
5	Sh. Mahaveer Prasad	100	0.02	100	0.02
6	Sh. Rama Krishnan Venkateswaran	100	0.02	100	0.02
7	Smt. Shivangi Swarnkar	100	0.02	100	0.02
8	Sh. Ram Niwas (Due to transfer)	-	-	-	-
9	Smt. Rekha Gupta (Due to transfer)	-	-	-	-
	Date wise Increase/ Decrease in Share holding during the year specifying the reasons for increase /decrease (e.g. allotment/ transfer/ bonus/ sweat Equity etc):	-	-	-	-
	At the End of the year	700	0.14%	700	0.14%
1	Smt. Neel Kamal Darbari	100	0.02	100	0.02
2	Sh. Giri Raj Singh	100	0.02	100	0.02
3	Dr Subodh Agarwal	100	0.02	100	0.02

4	Sh. Ram Niwas	100	0.02	100	0.02
5	Sh. Umed Singh	100	0.02	100	0.02
6	Sh. Kailash Chand Meena	100	0.02	100	0.02
7	Sh. Dinesh Kumar Sharma	100	0.02	100	0.02
8	Sh. Abhay Kumar (Due to transfer)	-	-	-	-

#Shareholding of Directors and Key Managerial Personnel given below: NIL

S. no.	Name	Shareholding		Date	Increase/d ecrease in the Sharehold ing	Reason	Cumulative Shareholding during the year (01.04.2016 to 31.03.2017)	
		No of share at the beginning (01.04.201 6/end of the year(31.03. 2017)	% of total share of the company				No. of shares	% of total shares of the compan y
1						N.A		

V. INDEBTEDNESS

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	7,35,03,604.70	24,78,00,000.00	Nil	32,13,03,604.70
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not	Nil	Nil	Nil	Nil
Total(i+ii+iii)	7,35,03,604.70	24,78,00,000.00	Nil	32,13,03,604.70
Change in Indebtedness during the financial year				
- Addition	NIL	NIL	NIL	NIL
- Reduction	7,35,03,604.70	15,00,00,000.00	NIL	22,35,03,604.70
Net Change	7,35,03,604.70	15,00,00,000.00	NIL	22,35,03,604.70
Indebtedness at the end of the financial year				
i) Principal Amount	Nil	9,78,00,000.00	Nil	9,78,00,000.00
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	Nil	Nil	Nil
Total(i+ii+iii)	Nil	9,78,00,000.00	Nil	9,78,00,000.00

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NIL

Sl. no.	Particulars of Remuneration	Smt. Veena Pradhan (Managing Director)	Total Amount
		<i>(Whole-time Director)</i>	<i>(in Rs.)</i>
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3,92,073	Nil
		Nil	Nil
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	Nil	Nil
		Nil	
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Nil	
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4.	Commission - as % of profit - others, specify...	Nil Nil	Nil
5.	Others, please specify		Nil
	Total(A)	3,92,073	Nil
	Ceiling as per the Act		Nil

Note: All Directors are nominee Directors and paid by the Government.

B. Remuneration to other directors: NIL

S. No.	Particulars of Remuneration	Name of Directors		Total Amount
		-	-	
1.	*Independent Directors			
	· Fee for attending board committee meetings	--	--	--
	· Commission	--	--	--
	· Others, please specify	--	--	--
	Total(1)	--	--	--

2.	Other Non-Executive Directors			
	· Fee for attending board committee meetings	--	--	--
	· Commission	--	--	--
	· Others, please specify	--	--	--
	Total(2)	--	--	--
	Total(B)=(1+2)	--	--	--
	Total Managerial Remuneration (A+B)	Nil	Nil	NIL
	Overall Ceiling as per the Act	N.A.	N.A.	N.A.

*Note: All directors are nominee directors. Further, No independent Director has been appointed.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. no.	Particulars of Remuneration	Key Managerial Personnel*			
		CEO	Company Secretary	CFO	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	—	1,82,798.00	11,51,558.00	13,34,356.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	—	—	—	—
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—	—	—
		—	—	5,173.00	5,173.00
2.	Stock Option	—	—	—	—
3.	Sweat Equity	—	—	—	—
4.	Commission - as % of profit - others, specify...	—	—	—	—
5.	Others, please specify- Misc reimbursement	—	8,390.00	1,53,887.00	1,62,277.00
	Total	—	1,91,188.00	13,10,618.00	15,01,806.00

there is no CEO, in the Company

VII. PENALTIES/PUNISHMENT/COMPOUNDING OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

Date:
Place: Jaipur

By the order of board of directors of
Rajasthan State Food and Civil Supplies Limited

DIN:
(Whole-Time Director)
Address:

(Rashmi Gupta)
Managing Director

DIN:
(Nominee Director)

Address: *सायन्या मार्ग* Gandhi Nagar,
halkothi, Jaipur-302015, Rajasthan

12/5/21
सिद्धार्थ महाजन, आई.ए.एस.
अध्यक्ष
आ. नि. लि., जयपुर

Rajasthan State Food and Civil Supplies Corporation Limited

L[MKL	<u>Statutory Auditor's Observation</u>	<u>Management Reply</u>
	<p data-bbox="252 389 1281 462">{A}. <u>Limitation on the Scope of Audit/unable to obtain audit evidence:</u></p> <p data-bbox="241 511 1354 714">{A}1. In compliance to Standards of Auditing (SA) 505 "External Confirmations " we are unable to obtain external confirmations of Debtors, Advances and Creditors due to non- facilitation of the same by management. We have requested to management for External Confirmation of debtors because of following reasons:-</p> <p data-bbox="220 868 1344 1071">a. The supply of sugar is being made directly by the sugar supplier to Debtors (KVSS) located in Rajasthan State. The corporation made entries in accounts for the purchase and sale of Sugar merely on the basis of acknowledgement of KVSS obtained and submitted by the Supplier of Sugar at the time of Claim of payment of sugar supply.</p>	<p data-bbox="1365 576 2026 803">{A}1. External Confirmations – The organization is a Govt PSU and most of the Debtors are related to Govt concerns. Some of the external confirmation of debtors (Sugar KVSS) has been provided to Statutory Auditor.</p> <p data-bbox="1333 933 2016 1445">{A}1. a. As also explained to the Auditor during course of audit, KVSS are registered co-operative societies, under the administrative control of the Co-operative Department of the Govt of Rajasthan. They are important players in the supply chain system of distribution network of PDS system. They act as wholesaler and ensure delivery of food grain or sugar to the FPS dealers in the three Tier structure of PDS system in line with instructions of State Govt. (Food Dept letter</p>

<p>b. There were instances of material mistakes of excess sale and rectified in current year while attempting reconciliation of books of the few accounts of KVSS with accounts of the company.</p> <p>c. The balances outstanding in debtors account (KVSS) are substantial and remained unconfirmed and un-reconciled since inception of company</p>	<p>dated 13.4.2012. It was built in modes operandi of Sugar business that Sugar would be directly delivered to the KVSS.(as per Delivery instructions Order issued by Company).So, only after their confirmation/verification by KVSS to MCS office, with supporting documents of Purchase Bills, Goods receipts notes, etc, the MCS office used to process payment. The various supporting documents were verified by auditor during audit of MCS offices. Though no specific intense is given regarding matter</p> <p>{A}1. b. Excess sale is not possible in actual as supply is beneficiary wise. The rectification entries in books are very few and small/immaterial, considering overall turnover of the Company over the past 7 years</p> <p>{A}1. c. The reconciliation of balance outstanding with Sugar KVSS had been a regular process and it is totally incorrect to say that the balances are unreconciled since inception. The management regularly used to regularly send all Sugar KVSS balances list of whole Rajasthan from Head Office to</p>
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d. Books of accounts for the year 2017-18 are under preparation hence 'Roll Forward' verification was not possible. In our opinion the external Confirmations under above circumstances were crucial evidence and despite of our repeated attempts company did not agree to get the external confirmations from its sundry debtors etc. hence the presence of material misstatements in these accounts and its impact cannot be determined.

MCS/KVSS.Infact, D.O.letters were also sent to Principal Secretary Co-operative for the outstanding list for recovery.

{A}1. d. External confirmation was provided to Auditor and also the tentative Roll forward balance for FY 2017-18 of KVSS outstanding from books of provisional books of accounts prepared till date of audit was also communicated, showing reduction in outstanding from ~130 crores to ~ 70 crores

As pointed out above, external confirmation of some KVSS was provided during audit. (Copies

{A}2. Bank Balances are not confirmed by Banks and accounts are not reconciled in following cases:-

S.No.	Name of Bank	Balance as on 31-03-2017
1	SBBJ FLEXI KOTA	18,793,684.00
2	PD A/C	1,000,000.00
3	PNB Flexi Banswara	-
4	PNB Flexi Baran 65508	10,050,000.00
5	PNB Flexi Bhartpur	3,150,000.00
6	PNB Flexi Bundi	425,000.00
7	PNB Flexi Churu	-
8	PNB Flexi Hanumangarh	-
9	PNB Flexi Jalore	3,450,000.00
10	PNB Flexi karoli 125269	3,950,000.00
11	PNB Flexi karoli 125278	200,000.00
12	PNB Flexi Kota	5,415,746.00

{A} 2. Observation is not accepted –Bank statements mostly provided during audit were authenticated. In case of exceptions of few flexi statements, the same would be provided in current year.

13	PNB Flexi Rajasmand	-
14	PNB Flexi Sirohi	1,320,000.00
15	PNB Flexi Tonk	250,000.00
16	SBBJ Flexi Baran	3,239,766.88
17	SBBJ Flexi Bikaner	21,411.00
18	SBBJ Flexi karoli	765,431.64
19	SBBJ Flexi Pali	876,247.00
20	Flexi BOB (Kerosene subsidy A/C)	-
21	SBBJ Flexi –Main Acc	34,369,483.94
22	Flexi (Central Bank of India)	5,960,193.65
23	PNB dholpur Flexi 967722	10,350,000.00
24	PNB Flexi Banswara (Revolving Fund A/C)-	-
25	PNB Flexi Chittorgarh	-
26	PNB Flexi Dungarpur	4,500,000.00
27	PNB Flexi Jaipur Rural	-
28	PNB Flexi Jhunjhunu	-
29	PNB Flexi Sikar	2,000,000.00
30	PNB Flexi Nagaur	1,730,000.00
31	PNB Flexi Bhartpur 9824 DCP	1,700,000.00
32	PNB Flexi Bhartpur 9860 PDS	800,000.00
33	PNB Flexi Churu 42360	5,930,000.00
34	PNB Flexi Churu 42379	970,000.00
35	Flexi (RMGB)	1,586,093.00
36	BOB (742) Banswara Flexi A/c	1,350,000.00
37	SBBJ flexi Jalore	15,206.03
38	Rajsthan State Co-Operative Bank	324.001
39	Rajasthan State Co-Operative KUMS (FD)	1,000.00
40	Bank of Maharashtra	-
41	HDFC Bank –Sugar branch	114.86
42	Bank of Baroda	1,711,171.71
	Total	125,880,873.71

Interest accrued on Bank Deposits		
S.No.	Name of Bank	Balance as on 31.03.2017
43	Accrued Interest on BoB	
44	Accrued Interest on PNB FDR	429,159.00
45	Accrued Interest on OBC-FDR	-
46	Accrued Interest on SBBJ Flexi Baran	-88,663.00
47	Accrued Interest on SBBJ KOTA	6,959.00
48	Accrued Interest HDFC Bank	4,795.00
49	Accrued Interest on FDR (RMGB)	-
	Total	352,250.00
Bank Deposits with 12 months maturity		
S.No.	Name of Bank	Balance as on 31.03.2017
50	FDR (Bank of Baroda)	-
51	FDR (CANARA BANK)	-
52	FDR (Oriental Bank of Commerce)	-
53	FDR (Oriental Bank of Commerce)	-
54	FDR (RMGB)	-
55	TDR with BOB (Sugar Branch)	12,828,100.00
56	TDR with OBC (sugar Branch)	65,828,883.90
57	TDR with SBBJ (Sugar Branch)	-
58	TDR with Pnb (sugar Branch)	317,100,000.00
	Total	395,756,983.90
	Grand Total	52,19,90,107.61

Out of total Bank balance of RS 107,55,12,230.47 a sum of Rs. 52,19,90,107.61 is unconfirmed and unreconciled AND

Further remaining amount of Rs. 55,35,22,122.86 in bank balance, most of the balances are verified/ reconciled from unauthenticated Bank statement. Company has not obtained and provided certificates from Bank in all cases confirming balance as on 31.03.2017.

The state of unconfirmed Bank balances and pending reconciliation is abnormal feature and vulnerable to misappropriations. Looking to the week

internal control system, single signatory in various Bank accounts the presence of undetected misstatements in Bank balances can't be overruled.

{A} 3. Out of total Assets of the company Amounting Rs. 340.71 crores following accounts remain unconfirmed/ unreconciled which collectively account for total sum of Rs. 245.30 i.e. 71.99% of total Assets.

Other Non-Current Assets:

- a) Amount receivable from Central Govt. under DCP scheme for F.Y 2013-14 and 2014-15
(Appearing from last year and status of claim as on date of balance Sheet and date of Audit has not been made available) Rs. 10.30 crore

Current Assets:

- a. Inventories (Place wise list of inventories and Physical valuation Report is not provided). Rs. 9.54 crore
b. Trade Receivables (Not confirmed as per para A-1) Rs. 141.24 crore
c. Balance with Banks (Unconfirmed Portion per Para A-2) Rs. 52.20 crore
d. Short term loans (Not confirmed) Rs. 5.88 crore
e. Other current Assets (Unconfirmed) Rs. 26.14 crore

Total Unconfirmed Balances Rs, 245.30 crores

{A} 4. **Balance Sheet is not matched with ledger:**

Final Trial Balance of Head Office consolidation sheet of trail balances of Branches, Groupings of ledger Accounts, ledger for final checking of/tallying ledger with Balance sheet were not made available by the management of the company for our verification.

Therefore audit process of ledger security and matching the balance sheet figure with trial balance, various groupings and ledger accounts could not be done.

{A} 3. All the balances are shown in books of accounts and are related to the Govt Organizations under various schemes. The same were already vetted by earlier years' Auditors and no anomalies were pointed out by them. Some of these had been provided during course of Audit like DCP files, inventories list, bank balances, etc.

{A} 4. The Balance sheet is completely matched with ledgers. All the relevant documents were provided to the Auditor duly signed in from time to time, including Trial Balance, Grouping, etc. The ledgers were also scrutinized by Auditor during vouching process. In spite of this, the Company had

requested the Auditor to visit the Head Office premises for any other additional/pending verification required by them vide letter no. F16(23) RSFCSC / S.A. Compliance / 2016-17 / 11134 dated 15.10.2018, F16(23)RSFCSC / S.A. Compliance / 2016-17/ 11135 dated 15.10.2018, F16(23)RSFCSC /S.A. Compliance /2016-17 /11136 dated 15.10.2018, F16(23)RSFCSC / S.A. Compliance /2016-17 /11137 dated 15.10.2018, F16(23)RSFCSC / S.A. Compliance / 2016-17 / 11138 dated 15.10.2018, F16(23)RSFCSC / S.A. Compliance /2016-17 / 11139 dated 15.10.2018, F16(23)RSFCSC / S.A. Compliance /2016-17 / 11140 dated 15.10.2018, F16(23)RSFCSC / S.A. Compliance /2016-17 / 11359 dated 16.10.2018, F16(23)RSFCSC / S.A. Compliance /2016-17 / 9519 dated 17.09.2018 .But, the Auditor never visited the Company office for same.

{A} 5. Sugar Accounting is separately made as "Memorandum set of accounts" on the basis of purchases orders and merged in Head office books by avoiding real time entries of sale/purchases taken place by 34 Branches without reference of date and No. of purchases and sales bills. In our opinion linking of hypothetical/Memorandum accounts and Delinking all Real-time accounting

{A} 5. Sugar Accounting at HO – The Sugar business is initiated, handled and monitored from Head Office (Sugar section). As already explained during course of Audit, Sugar Head

transaction is not a proper system and do not disclosed date wise details transactions in books of account. The same also contrary to Fundamental Accounting Assumption of 'Historical Cost Convention'.

Office Tally Accounts has been maintained on day to day basis in district branch offices/KVSS from the time Sugar section started operations in RSFCSC. The sales and purchase transactions are consolidated figures in Head Office Accounts of all districts and are used for overall reporting to various stakeholders like Food Department, Co-operative department, etc. The amount is received from KVSS in Head office Sugar Bank Accounts and subsidy and any amount from Govt department is also received in the same. Purchase orders are placed from Head Office and district offices receives and distributes the stock. The retailer cartage, subsidy etc transactions are also done at HO level. So, the Sugar HO Accounts is not hypothetical and are maintained by Sugar section for overall control of the financial transactions in respect of Sugar. The various sale/purchase can be verified from district books, which was also done by the Auditor. If the consolidated books of Sugar are not maintained at HO level, there would be difficulty in monitoring and reporting to various authorities and taking situation at a glance.

<p>{A}6. The consolidation of Branch accounts are made by splitting yearly transactions of Branches, leaving aside entries of purchases and sale of sugar and routed all transactions of Branches through bank accounts instead of making consolidation of Trial Balances of relevant Branch. The method of consolidation adopted is considered as departure from generally followed practice. Consolidation sheets as per Trial Balances of Branches has not been prepared to verify the same. Due to the said peculiar method of consolidation/accounting the opening Balances and Head Office also remain unverified.</p>	<p>{A}6. The consolidation process is done as per the nature of transactions of the company done at HO and branch level through Journal vouchers, which is also an acceptable accounting practice. The same has been followed since initiation and no objection has been raised till now by any previous auditors. The same was also put for Auditor's review during audit process as well. The journal entries for sugar sale/ purchase are done through sugar section tally during consolidation process which has been separately maintained by the Corporation since starting and the, consolidated in head office tally. No transaction of the year from district / sugar section is left out in consolidation in Final accounts, which may be verified again. The various ledger balances of the branches may also be verified wrt head office tally, if required.</p>
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<p><u>{B}.Unearthed misstatements and uncorrected misstatements:</u></p> <p><u>{B}1.Persons at the Helm of Affairs (KMP) of the company and “those charged with Governance” found involved in Frauds:-</u></p> <p>We have reported following seven (7) cases of Fraud in compliance to section 143(12) of Companies Act, 2013 read with Rule 13 of Companies (Audit and Auditors) Amendment Rules, 2015 keeping in view the definition of “Fraud”</p>	<p>{B}. 1. All the “so called” frauds as reported by the Auditor were put for investigation by</p>
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given in section 447 of Companies Act 2013, Standard Auditing (SA) 240 'The Auditors responsibilities relating to Fraud in an Audit of Financial statements' And Guidance Note on "Reporting on Fraud under Section 143(12) of the Companies Act, 2013 (Revised 2016)" issued by Institute of Chartered Accountants of India. Cases of Fraud have been considered on the basis of available evidences, explanations and prima facie reasons to believe that the transactions are covered by definition of section 447 of Companies Act and are not to be taken and considered any legal determination, the reported incidents of frauds are indicative and subject to further investigations and evaluation of evidences as per law for final conclusions and actions in the matter by competent authorities.

1. Reported Fraud u/s 143(12) of Companies Act in refund of earnest money and liquidated damages to Beta Edibles Processing Pvt Limited:

During the course of audit Fraud amounting Rs. 10,98,79,463/- was reported by us relating to release of "Earnest Money Deposit by GM(F) amounting Rs.10,24,65,240/- and Illegal refund of already recovered "Liquidated Damages " Rs. 74,14,233/- Alteration in vital decision of MD by applying White fluid has been found and reported.

Board of Directors have accepted /confirmed the facts of the said Fraud and matter is referred by us to secretary, Ministry of Corporate Affairs, New Delhi. In our opinion the effect of fraud at this stage cannot be quantified.

2. Reported Fraud u/s 143(12) of Companies Act in Claim of Subsidy from Government of India (GOD):

During the course of audit Fraud amounting Rs. 46,79,42,111/- is reported by us:

Independent Consultant by the Company, the reports of which were also perused by the Board of Directors and also intimated to the Auditor from time to time. Most of them were found to be not "frauds" and necessary action is being taken by management in each of the case separately.

{B}.1.1. As already informed to Auditor wide reply of Board of Directors meeting, the management has already initiated disciplinary action against the officials involved as well as criminal proceedings have been initiated and the proceedings are underway.

{B}.1.2. In this case, it is reiterated that as per the findings of the independent consultant on the matter, Board of Directors has not accepted the same as fraud; rather the same has been

(1) Relating to claim of subsidy in excess of purchase cost of Sugar amounting Rs. 27,33,35,450/-

considered as "lapse". The reconciliation of the GOI subsidy is underway.

{B}.1.2.(1). The facts of the case, which clearly clarifies the various points are as follows -:

Issue of Excess Subsidy from GOI (Rs 27.33 crores) - The Government of India wide D.O. letter no 15(8)/2013-SP.1 dated **23rd April 2013** from the Joint Secretary, Govt of India, Ministry of Consumer Affairs, Food & Public Distribution, clarified regarding abolition of Levy Sugar scheme and need for a transparent system for procurements of Sugar from Open market. Through the same letter, the responsibility procurement of Sugar wide Open Market was put on the State Govt after the abolition of levy sugar in year 2013. The GOI was now to extend **fixed** subsidy of **Rs 18.50/Kg** to States/UTs having RIP as Rs 13.50/Kg from FY 2013-14. In February 2015, the States/UTs were extended the flexibility to determine RIP and to extend coverage of beneficiaries under NFSA. As per the said guideline, it was upon the State/UTs to either **"absorb" additional cost, if any, or pass it on to Consumers as part of Retail Issue Price.** It can be well inferred from the said guideline that the GOI subsidy was to remain fixed at Rs 18.50/kg on existing allocations and it was to be

decided by the State/UT to fix the RIP whether or not the costs effects (negative or positive) were to be passed on to consumers, timing of passing on cost effects to consumers or the beneficiary base type whether to cover NFSA as well or not. All had now become part of State Policy subjects after the said guideline.

In the year 2015-16, the Govt of Rajasthan, wide orders of Additional Food Commissioner, Food & Civil Supplies Dept., had fixed Retail Issue Price at Rs 13.50/per kg. It is pertinent to mention here that the State Govt had observed while taking this policy decision that in spite of fluctuations in price of Sugar procurement, the price is fixed at Rs 13.50/Kg to avoid any confusion in the mind of the beneficiaries.

Since it was not within the ambit of the Corporation to fix the Retail Issue Price, the Corporation had followed the above guideline and worked closely under the orders of the Administrative department of Food & Civil Supplies of Govt of Rajasthan. The excess amount, which was the savings from the benefit not passed on to the beneficiaries, was to be kept available with the Corporation was a pool /revolving fund to protect and safeguard the interest of consumers from rapid fluctuations in sugar prices in future. The same has been appearing in the Financial Statements as Payable to State Govt and not considered as income of

(2) Claim of subsidy on Non ISS Grade of Sugar Rs. 10,96,95,750/-

the Corporation. The same was conveyed to the officials of the administrative department of the Govt of Rajasthan. **In fact, the administrative dept itself took up this matter and prepared a Cabinet Memo to take approval of the issue.** Draft Cabinet note for reference.

Hence, it is clearly evident from this fact that it was policy decision at Govt level the Company is correctly reflecting the said amount as in the Financial Statements as Payable to State Govt and not considered as income of the Corporation.

{B}.1.2.(2). **Non ISS Sugar Quality** – It was flagged by Auditor that wrong subsidy was claimed in spite of the quality not conforming to “ISS standards” in respect of Sugar procured from Sri Ganganagar Sugar Mill, which is also a PSU in the State of Rajasthan.

It is pertinent to mention here that it was highlighted by the officers of the Corporation only that the quality of Sugar of the said mill at the time of distribution was not found to be up to mark and the same was highlighted to the State Govt. as well (Principal Secretary Food, Civil Supply & Consumer Affairs Department) and Secretary Finance, Govt. of Rajasthan, as well. In fact, the whole facts were on record and put up before higher authority of the State Govt.

Kindly find from Secretary Finance(Revenue) ,wherein they have provided complete explanation of Sugar Standards, stressing the fact that the Sugar from Sri Ganganagar Sugar Mill conformed to the Standards for distribution in PDS system, enclosing the white sugar specification and certification from Rashtriya Sharkarra Nideshalaya, as mentioned in below extract from the said letter of Secretary Finance, Govt. of Rajasthan :

राष्ट्रीय शर्करा संस्थान ने अपने पत्रांक दिनांक 06.07.2015 से अवगत कराया है कि प्लांटेशन व्हाइट शुगर के नमूनों का विश्लेषण ₹ 5982 रु 2003 में दर्शाये गये मानकों के अनुसार ही किया जाता है। भारत में उत्पादित डबल सल्फिटेशन प्रोसेस द्वारा प्राप्त चीनी को प्लांटेशन व्हाइट शुगर कहा जाता है एवं उसके लिये ₹ 5982 रु 2003 में दर्शाये गये मानको का ही उपयोग किया जाता है। गंगानगर शुगर मिल की चीनी भारतीय शर्करा मानक (६) के अनुरूप है तथा यह चीनी सार्वजनिक वितरण प्रणाली के अन्तर्गत वितरण हेतु उपयुक्त है।

After the matter was highlighted to higher authority, Sri Ganganagar Sugar Mill had taken samples from Godown of RSFCSC and had got the samples tested from National Sugar Institute, as suggested by Secretary Finance. The reports, conformed to the standards and only when the Sugar was declared to be edible, it was distributed in PDS system and subsequently, subsidy claimed thereon.

<p>(3) Claim of subsidy on shortages in actual distribution of sugar Rs. 2,26,99,500/- and</p> <p>(4) Subsidy claimed submitting false data of distribution in quarterly claims Rs.6,22,11,411/-.</p> <p>Board of Directors has accepted/confirmed the facts of the said fraud and matter is referred by us to Secretary, Ministry of Corporate Affairs, New Delhi.</p> <p>In our opinion the effect of Fraud to the extent quantifiable is that net profit of the corporation overstated by Rs. 10,96,95,750/- and current liability of the corporation is understated by Rs.10,96,95,750/-</p>	<p>{B}.1.2.(3). This is not acceptable as there is always the position of carry forward which got adjusted in next months. Hence, claim if subsidy was on actual Procurement basis.</p> <p>{B}.1.2. (4). Please have a kind perusal at revised guideline of Sugar Dated 26th Feb 2015, In which it is clearly mentioned that the task of procuring sugar should be undertaken by the States/UTs through a transparent procurement System. The role of Central Government shall be limited to providing the agreed amount of subsidy. Any dispute between the procuring agencies/suppliers and States/UTs are to be settled between them.</p> <p>iii) & iv) Issue of Subsidy claimed on Shortages in Actual Distribution Vs Quota Distribution and False claims issue -</p> <p>The issue was more due to the backlog ridden system working since initiation of Sugar Business, wherein the Corporation had to inherit huge backlog of Sugar distribution in PDS system. The whole Sugar as procured is eventually distributed in the PDS system in the next period and similarly, the said sugar is also distributed.</p>
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The disclosures and accounting treatment was not made as per being wrongly/illegally/unauthorized claimed amount of subsidy of Rs.10,96,95,750/- is credited to income account.

Further excess amount of subsidy claimed Rs.27,33,35,450/- has wrongly been credited to State Government's account.

To substantiate the stand of the Corporation that there has been delay in actual distribution in prior years as well, attention is being drawn to the same certification enclosed with the claim documents. On Close perusal of the same Annexure I(at page 89 of Auditors "fraud" report),it is brought to notice that although the claims filed related to Period October 2015 to December 2015, the date of actual order ranged from 19/11/2015 to 17/02/2016, which actually falls after the end of the quarter. The same may be further corroborated with claims of other quarters as well wherein the date of procurement itself is delayed. There had been delayed Subsidy claims as well, which were processed wide the Central Govt on submission of similar claims documents. The whole facts were presented to the GOI in the same set of claim documents. Govt of India had released the subsidy amount, on basis of whole facts only.

3. Reported fraud u/s 143(12) of Companies Act in Claim of subsidy from Government of Rajasthan :

Subsidy recorded as income in the books of account substantially differs from the amount of subsidy claimed and received/sanction from Govt. In our opinion the disclosures and accounting treatment was not made as per accounting standard (AS) "Accounting from Govt. Grants". No reconciliation of Book entries with actual claims filed has been taken place since 2013.14 and during our audit following misstatements have been pointed out by us:

{B}.1.3. The Auditor assumption that BOD accepted the said fraud is based on false assumptions. The BOD minutes were forwarded to Auditor and MCA as mentioned above. Disclosure regarding the Sugar subsidy is

- i. Excess amount of subsidy credited to Revenue account "subsidy Income" by Rs. 10,84,13,045/- as compared to claim settled by Govt. Of Rajasthan for 2016-17, which has not been rectified by the corporation in Books of account. In our opinion the disclosures and accounting treatment was not made as per Accounting for Govt. Grants. This resulted in net profit and Current Assets of the corporation overstated by Rs.10,84,13,045/-

mentioned below Note 2.6 "Other Current Liabilities" of the Balance Sheet, where the Corporation has already disclosed in sub point 4 that reconciliation of sugar subsidy is underway.

{B}.1.3. i. No excess subsidy was wrongly credited to State Government's Accounts as explained above. The excess amount, which was the savings from the benefit not passed on to the beneficiaries, was to be kept available with the Corporation was a pool /revolving fund to protect and safeguard the interest of consumers from rapid fluctuations in sugar prices in future.

As per the report submitted by the independent professional, the Board of Directors has not accepted the GOR subsidy matter as fraud; rather the same has been considered as "reconciliation matter".

The reconciliation of sugar was under process up to finalization of the balance sheet, necessary corrective entry, if any required, will be passed in next financial year.

The facts in respect of Govt of Rajasthan Subsidy was to the Auditor wide response to Audit Memo no. 15 dtd 15.05.2018(as enclosed). Since the revised margin approved by the State Govt were received quite delayed for the prior year for FY 2013-14 to 2015-16 and

<p>ii. Liquidated damages recovered amounting Rs. 7,22,31,276/- relating to prior period credited directly to the account of State Govt. Subsidy Receivable, not rectified by the corporation . This resulted in net profit and Current Assets of the corporation is understated by Rs. 7,22,31,276/-</p> <p>iii. Excess amount of subsidy claimed Rs.27,33,35,450/- from GOI ha wrongly been credited to State Govt. subsidy recoverable account.</p>	<p>there was no complete clarity if the Finance department would actually pass the proposal, the decision could not be taken to pass on the revised margins to retailers/wholesalers for earlier years, of which Accounts were already finalized. So, administrative decision is to be taken before finalization of accounts of FY 2017-18 whether the revised margin would be passed on to the Wholesalers/Retailers impacting the prior year accounts balances or the difference amount to be adjusted from future Sugar transactions or refunded to the State Govt. So, the Books of Accounts had already been prepared of the earlier years on the approved margin of those years (as applicable during the time while the Accounts were prepared).</p> <p>{B}.1.3.ii. The Liquidated damages had been adjusted to the Subsidy A/c and not booked as income of the Corporation on the basis of decision taken by prior years management, on basis of opinion of Statutory and Internal Auditors of those years. The Corporation has followed this practice as per the expert advice and as per the due approval at competent level. Kindly find enclosed the relevant supporting documents (Opinion Copies of the Experts along with Note sheet copy on which the matter was approved).</p> <p>{B}.1.3.iii. No excess subsidy was wrongly credited to State Government's Accounts as</p>
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- iv. Amount of Liquidated Damages recovered amounting Rs. 16,55,170/- relating to the period under audit i.e. 2016-17 credited directly to the account of State Govt. subsidy Receivable, not rectified by the corporation. This resulted in net profit and Current Assets of the corporation is understated by Rs.16,55,170/-.
- v. Subsidy excess accounted for in Books as compared to actual claims receives is Rs. 1,16,00,434/- related to prior year period needed rectification. This resulted in net profit of the Corporation overstated by Rs. 1,16,00,434/- and current assets of the corporation is overstate by Rs. 1,16,00,434/- .
- vi. The final Cr. Balance of Rs.4,43,18,936/- after above adjustment related to access subsidy received being refundable to State Government .

Board of Directors have not denied the facts and accepted/ confirmed that the differences are due to irregularities on the part of the Company and **Necessary adjustment entries are required to be passed in the Books of Account**, as no such corrective entries passed in Books of account as recommended by Board of Directors, it tantamount to intentional Act of Fraud. The matter is referred to Secretary, Ministry of Corporate Affairs, New Delhi.

explained above. The excess amount, which was the savings from the benefit not passed on to the beneficiaries, was to be kept available with the Corporation was a pool /revolving fund to protect and safeguard the interest of consumers from rapid fluctuations in sugar prices in future.

{B}.1.3. iv-vi. The Board of directors had treated this as “reconciliation” matter on the basis of independent consultant report, which does mean conforming to the facts pointed out by the Auditor. The reconciliation is still underway and the necessary corrective entry, as required, will be incorporated accordingly.

Relevant disclosure in this regard has been done in Note 2.6”Other Current Liabilities” of the Balance Sheet, where the Corporation has already disclosed in sub point 4 that reconciliation of sugar subsidy is underway.

4. Reported Fraud u/s 143 (12) of Companies Act in payment of unauthorized/ personal expenses on cars to Food Minister, Govt. of Rajasthan and his staff (Personal Assistant).

During the course of audit we have observed that the officials of the company in connivance have made payment of Hire charges of Cars provided to Food Minister and his staff (personal Assistant). We have not been provided any authority /order /sanction/obligation of the company, to justify provision of cars to Minister and to his P.A (staff) by the company. In the existing system of internal control and internal audit the payment of such expenses was not objected at any point of time.

The matter is reported as fraud to audit committee/ Board of Directors. The amount of Fraud could not be determined as the required information and records were not provided to us.

Board of Directors observed that the company has provided the cars to Minister and his staff also and stated that proper guidance may be obtained from competent authority and necessary course of action may be taken accordingly.

Therefore the matter is pending at the level of management for appropriate action in the matter

5. Reported Fraud u/s 143 (12) of companies Act of payment of unauthorized / personal expenses on car to Chairman of the company.

Chairman of the company has availed facility of company owned car against rules and order of State Government.

{B}.1.4. The matter was put for examination of the independent professional. The report was submitted by the independent professional and was discussed in 30th BOD that this matter is not of fraud. As per the direction of BOD, management directed to GM (F) in this regard for getting the guideline etc. and the same is under process.

{B}.1.5. The matter was put for examination of the independent professional. The report was

Quantum of Fraud could not be determined as the desired information and details were not provided by the company.

However, the matter has been reported u/s 143(12) of the companies Act to audit committee and Board of Directors.

Board of Directors stated that the Principle Secretary Food (PSF) was not having vehicle from GAD, Government of Rajasthan during 2016-17 as the vehicle was surrendered by earlier PSF and instructed the management to provide necessary supporting papers which show that there was no use of two vehicle by Chairman having Additional charge in RSFCSCCL along with his holding post as Principle Secretary Food. **Management has not provided to us the supporting papers in evidence to surrender of vehicle to GAD along with the reply made by Directors.**

6. Reported for u/s 143(12) of Companies Act in payment of unauthorized/ personal expenses on car to Managing Director of the Company.

Managing Director of the company has availed facility of company owned car against rules and order of State Government.

Quantum of Fraud could not be determined as the desired information and details were not provided by the company.

However, the matter has been reported u/s 143(12) of the companies Act to audit committee and Board of Directors.

The reply by Board of Directors has accepted that Managing Director of the Company during the period 04.07.2016 to 31.03.2017 has used to car for official purposes and the same was against the rules and considered as misuse

submitted by the independent professional and was discussed in 30th BOD that this matter is not of fraud. As already pointed out by Auditor that there was only one car being used by the Chairman. The letter received from the Food Department, regarding the fact that there was no other vehicle with Chairman.

{B}.1.6. As per direction of Board of Director, management has constituted a committee to do preliminary enquiry. Necessary action will be taken after enquiry report.

of assets of the company.

7. Reported Fraud u/s 143(12) of Companies Act in making unauthorized payments without delegated authority and proper sanction:

Managing Directors and /or GM (F) have appointed various firms and agencies and agencies without delegated power and authority. These payments remain unauthorized and un-regularized till date of audit.

The practice of such payments is being followed last so many years also. We could trace these few transactions unauthorized payments in our audit by test/sample check, if special audit/ investigation is carried out for last 3-4 years amount of Fraud might increase substantially.

Quantum of fraud could not be determined as the desired information and details were not provided by the company.

However the matter has been reported u/s 143(12) of the companies Act to Audit Committee /Board of Directors appreciated that the company has made Contravention of RTPP provisions.

As reported in above Para the Frauds are perpetrated by persons at the Helm of Affairs of the company and by the officials who are entrusted with Charge of Governance, deliberate avoidance to reply the audit queries , and due to inherent limitation of Audit procedures in detecting frauds, we could not comment that the financial statements are free from any other material misstatements /Frauds. We are of the opinion that the transactions of the company were carried out during last 3-4 years in the said manner and should be investigated.

{B}.1.7. Necessary action has been taken by the company as per the direction of BOD and in line with rules and disciplinary action has been initiated against the Erring officers.

The assumption, that such transactions were carried on since last many years, appear baseless. Regular audits have been conducted in due course and such so called "frauds" were not reported by any of earlier audits.

{B}2. Rectifications are not made for reported Frauds:

As assured by the company in its reply and specific directions of Board of Directors also, the due corrections on account of reported Frauds are not made in the Books of account.

{B}3. As observed during the course of audit that Fraudulent/unauthorized office orders are issued by the then GM (F) and CFO relating to refund of Earnest Money, refund of Liquidated damages, appointment of service providers etc. In our opinion issue of such office orders by the then GM (F) and CFO of the company is a classic example of abuse of power. It has distorted financial discipline and control system of the Corporation not only during the year under audit but possibly in preceding years also headed by same GM (F) in the corporation. Prevailing Rules and Law including delegated authorizations of Board Directors have been flouted and contravened. It was also observed by us that no one from entire system like internal auditors, managers (payments) could flag the issue at any stage, and the internal controls are completely in the state of 'seized/collapsed'. The matter needs immediate attention, investigation and appropriate action to fix accountability. In our opinion financial indiscipline prevailed in the company and rampant issuance of fraudulent/unauthorized office orders by CFO of the company has posed serious threat of undetected /unearthed misstatements /Irregularities/ Frauds. **In absence of any remedial measures /action/stand by management regarding the unauthorized /fraudulent office orders, in our opinion the financial accounts to the company are bundled with unauthorized transactions and not found reliable and appropriate for expressing for expressing audit opinion of 'True and Fairness'.**

{B}.2. The reconciliation of Sugar subsidy is still under process. The books and accounts of FY 2016-17 was already finalized and audited. If any correction in accounts is required, the same may be incorporated in the books of FY 2017-18.

{B}.3. In previous years, internal, statutory and CAG audits have been conducted regularly. Nothing adverse was reported in these reports. So, it is not acceptable that internal financial controls had been seized/ collapsed. Further, the management has taken various steps to strengthen the internal financial control in future. Various guidelines have been issued in this regard.

{B}4. Unauthorized payments by virtue of “Tainted” office orders were not objected by Managers who processed the payments. The said payments are not flagged by internal auditors also. The managements and Board of Directors have not ratified those unauthorized payments, which in undetected misstatements lying in Financial Statements. Therefore existence of conspiracy cannot be overruled.

{B}5. The weak Internal Financial Reporting Controls has serious threat of all possibility that Material Misstatements are crept in the Financial Statements.

{B}.4. The Company is a Government Corporation where disciplinary rules exist for all employees. The employees adhere to the same and in case of any deviation, necessary action is taken, Allegations of conspiracy involving whole management, based on assumptions, show lack of balanced professional approach.

{B}.5. Internal Control is effective in the Corporation.

Regarding internal control in payment, all payments are processed through proper approval channel and all approvals done on note sheet, which is a very transparent process. All payments are through banking channels.

The internal control is effective in the Operation of the Corporation..As mentioned Company is working as rate finalising agency in Non PDS,i.e., similar to DGS&D or CSPO. It controls the sale through hologrammes & EPA but it is worth mentioning that sale is at three level i.e. primary- from vendor, secondary- intermediatory agency i.e wholesaler i.e. C&F and tertiary to and FPS & finally to end

consumer. We took data of primary & secondary sales and accordingly EPA as per hologrammes. Unused hologrammes is being returned otherwise it is treated that up to that level sale is being made. Corporation is not procuring at its own level, it only acts as facilitator.

As far as wheat purchase control in DCP is concerned it is very much systematic. It is being checked at three levels i.e. MCS, RAJFED & FCI. Without verifying the stock position by FCI, GOI never entertains the final claims. WR's, as issued by RSWC, are also being kept in record for procured wheat.

In case of Sugar, the mills directly supply the Sugar to the KVSS which further transport to FPS dealers for distribution in PDS system. The sugar purchase is through open tender process in transparent manner through various committees and once the purchase order is issued to mill, further monitoring is done from Head office and District MCS Office for timely delivery of Sugar. The distribution of sugar in PDS is also monitored by DSO offices of relevant districts.

{B}6. Audit Committee did not function as per law with regard to appointment of internal auditors, evaluation of internal control system and compliances of audit observations.

{B}.6. Audit Committee of the Company is now complying with regard to appointment of internal auditors, evaluation of internal control system and compliances of audit observations.

{B}7. Suspicious Fraud u/s 143(12) of companies Act in reversal of already recovered "Liquidated damages" in past years amounting Rs. 95,95,350/-

We have flagged cases of already recovered Liquidated damages later reverses and refunded to various amounting Rs 95,95,350/- during 2013.14 to 2015.16 also and sought relevant documents/details from management to examine in the light of modus operandi of fraud reported by us as per para {B}1.1 above. The management did not provide the desired details and explanation on same.

{B}8. Sale of Hologram

During the year Corporation has made sale of Hologram amounting Rs 1060,000/- without charging of VAT amounting Rs. 153700/- on the said transaction of sales. Therefore corporation has defaulted in making payment of due VAT of Rs. 1,53,700/- In our opinion this resulted in net profit of the corporation overstated by Rs 1,53,700/- and Current liability of the corporation is understated by Rs. 1,53,700/- The interest and penalty cannot be quantified at this stage.

{B}9. In our opinion Agency Commission (EPA) of Rs. 2,27,95,783/- has been earned by the company. Out of which an amount of Rs. 62,79,136/- has

{B}.7. The issue as pointed out relates to prior years, which were duly audited for the said period as well and no such adverse observation was reported. The suspicion is baseless.

{B}.8. Regarding points raised for holograms, it is submitted that from the beginning no bills have been raised for issuance of holograms. The firm deposit the amount according to the quantity required by them and the holograms are issued vide letter mentioning the numbers of holograms. Since inception of this business, none of the Statutory Auditors or C&AG Auditors has considered this as Sale. The sole purpose of providing hologram to suppliers was to authenticate the product and not meant as revenue earning activity. It was not business activity of the Corporation and consumption of hologram depended on demand from Non PDS suppliers.

{B}.9. The Corporation has earned Rs. 1,65,16,647.00 (instead of Rs. 2,27,95,783.00)

been directly diverted/transferred to Consumer welfare fund (CWF) (a Liability account), without first crediting the same to profit and Loss Account. the said treatment is in contravention of Accounting Standard (AS) -9 Revenue Recognition. This resulted in net profit of the corporation is understated and Current Liability is overstated by Rs. 62,79,136/-.

Exclusive Privilege Amount @ 3% on the rate approved of the vendor this does not include Consumer Welfare Fund. Consumer Welfare Fund Rs. 62,79,136.00 is separate than EPA and not included in EPA amount, as per the details already provided by Corporation to Statutory Auditors. The nature of CWF is to round off the MRP of consumer pack to the next of rupee and resultant residual amount is to be transferred to CWF of the Food Department. The approval of Chairman and Principal Secretary Food in this regard is that the amount is to be transferred to Food Department, hence same cannot be treated as Income of Corporation.

{B}10. As explained to us Service Tax receivable Rs.91,58,022/- relates to the balance amount of input credit not claimed by the company in service Tax returns and also not taken/carried forward as claim in GST regime. Hence the amount is not recoverable and should have been debited to profit and Loss Account of the company under relevant head of expenses. Consequential effect of the same is that profit and Other Current Assets of the company is overstated by Rs.91,58,022/-.

{B}.10. The service tax receivable is the input amount as appearing in the books of accounts. The reconciliation with service tax returns is outstanding and will be completed soon. The department service tax audit is due and the service tax is applicable till June 17, so, it is being carried forward.

{B} 11. Liability of Expenses Rs. 3,80,78,142.68 Claimed by Rajasthan State Warehousing Corporation and Rs. 22,47,803/- Claimed by Rajasthan Rajya Sahakari Upbhokta Sangh Ltd. is not provided in Books as mentioned in Note No.3.12 and 3.13 of last year Auditor's Report (Note is repeated from last

{B}.11. RSFCSC has already shown liability towards RSWC and receivable from Rajasthan Rajya Sahkari Upbhokta Sangh Limited with disclosures in significant accounting policies

year) The consequential effect of non-Provision is that income of company is overstated and current liability of company is understated by Rs. 4,03,25,946/-

{B} 12. Skipped due to summary effect of observations.

{B}13. In our opinion unregulated credit was allowed to all KVSS in supply of Sugar without any written Credit policy/authority and without evaluating their capacity/worth/ security deposit. Total amount outstanding from KBSS is Rs. 136 Crores. Age-wise analysis of debtors are not maintained and made available also, no provision of Bad Debt is accounts for old unrecoverable dues.

point no. 1.28 and 1.29.

{B}. 12. No comments required.

{B}. 13. For the smooth functioning of the PDS system, the prime objective is to provide hassle free delivery of Sugar to the Target PDS beneficiaries. And, largely, it is Endeavour of the Corporation to recover amount of the Corporation as soon as possible. However in certain circumstances, sugar is provided in credit which is evident from circular dated 8.1.2013 of Food Dept, where in while endorsing the letter to Registrar Co-operative society, instructions has been given to the KVSS that they may lift the Sugar from the Sugar Mills and distribute to FPS dealers and deposit the due amount in account of the Corporation. From this, it may be construed that in certain circumstances, sugar may be provided on credit. However, clear cut instruction has been given to the KVSS to sale the sugar to FPS dealer and sale amount as collected from FPS dealers to be deposited in Bank A/c of the Corporation. The same has been constantly monitored to recover the amount due from KVSS. During the course of audit, it was

{B} 14. Details/explanation about nature, existence, completeness and due date of various liabilities as under has not been provided to us:
(Refer Not No 2.3 of Balance Sheet "Other Long Term Liabilities")

1. Payable to State GOVT.	Rs. 26,10,41,910/-	
2. Unsecured Borrowings	<u>Rs.9,78,00,000/-</u>	
		Rs.35,88,41,910/-

(Refer Note no. 2.6 of Balance Sheet "Other Current Liabilities")

1. Wheat Revolving Fund	Rs. 8,11,89,473/-
2. Kerosene Subsidy	Rs.8,41,58,340/-
3. Daal Ghee and oil Procurement	Rs.52,52,354/-
4. Bonus on Wheat procurement	Rs. 14,941/-
5. Cons. Welfare Fund (Non-PDS)	Rs.1,26,35,222/-
6. fund for computerization	Rs. 2,60,00,000/-
7. Sugar subsidy	<u>Rs. 26,46,64,788/-</u>
	<u>Rs.47,39,15,118/-</u>

Total
Rs.83,27,57,028/-

intimated to the auditor regarding recovery from KVSS to the tune of more than Rs 70 crores. The Chairman of RSFCSC had also taken a meeting all officers/staff on 25/05/2018 and directed DSO/MCS to recover the dues as a team of Food Dept. Regular monitoring system has been implemented and recovery reports to be sent to Head Office periodically. Also, it was instructed that whenever bills of KVSS/FPS are passed by DSO, recovery of first RSFCSC dues will be effected.

{B}.14. The same relates to prior years which were already verified by earlier years auditors. It was also informed to the Auditor that above relates to mainly different Govt. schemes and are payable to State Govt. on demand.

Sugar subsidy reconciliation is already underway.

As explained to us all the accounts mentioned above are payable to State Government.

The company has not provided any explanation/details for above amounts brought forward from earlier years. Hence, neither the existence of the aforesaid liabilities nor accrual of further liability due to non-payment/non discharge of the obligation could be ascertained. Further the due date of payment is not specified and at the same time the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Therefore the liability of Rs. 35,88,41,910/- should be shown under current liabilities (Refer Instructions for preparation of Balance Sheet Note no. 3d. Part I of Schedule III of companies Ac. 2013) Consequent effect of the same is that current liabilities are understated by Rs 35,88,41,910/- and Non Current Liabilities are overstated by Rs.35,88,41,910/-

{B} 15. Reconciliation of 26AS (Statement of TDS) with books of account has not been made. Hence we are not in position to cross verify whether amount of income accrued has correctly been reconciled and booked relating to Commission, interest etc. Therefore compliance of accounting standard (AS) 9 "Revenue Recognition" could not be verified and undetected misstatements are overruled.

{B} 16. Non Compliance of Accounting Standards specified under Sec 133 read with rule 7 of the Companies Accounts) Rules 2014:-

- a. In our opinion the Company has not complied with the requirements of accounting Standard (AS) 2 "Valuation of Inventories" which require (refer Para 5 of the said AS) that valuation of inventory should be made at lower of cost or net realizable value. But the Company has made the valuation of

The categorization to "Long term liability" was done in response to observation of prior year Statutory Auditor only.

{B}.15. Reconciliation of 26AS of Head Office has been provided wide internal audit report and in case of District Bank Accounts, interest has been booked as per the Bank Statement. Income is booked in Books of Accounts as per actual figures on accrual basis, which was verified by the Auditor from relevant documents during Audit.

{B}.16. Non Compliance of Accounting Standards - Kindly note that same have been followed and the relevant disclosures may be found in the

<p>inventory at cost.</p> <p>b. In our opinion the Company has not Compiled Cash Flow Statements in accordance with AS-3-“Cash Flow Statements” as the figures of operating profit do not match with Profit and Loss Account, other non operating income (Sch.2.15) of Rs. 61,19,324.15 has been shown as Operating Income, Inventory has been shown as increased whereas it is actually decreased, Method of Cash Flow Statement is not declared in Notes on accounts.</p> <p>c. In our opinion (pursuant to para 15 of AS-5) nature and amount of Prior Period Items has not been separately disclosed by the Company in accordance with AS-5 “Net Profit or Loss for the period, Prior Period Items and Changes in Accounting Policies”.</p> <p>d. In our opinion the Company has not complied with the requirements of Accounting standard (AS) 9 “Revenue Recognition” and income of Liquidated Damages, Penalty recovered and EPA Commission was not credited correctly and /or completely to the current year income of the Company. (Refer to note no. {B} 12 herein for consequential effect on Financial Statements)</p> <p>e. In our opinion the Company has not complied with the requirements of Accounting standard (AS) 12 “Accounting for Govt. Grants” (for details refer to note B-1 above) The Grants are accounted for as income in contrary to the Para 6 of said AS-12 and provisions of refundable Grants has also not been made as provided in Para 11 of the said AS-12.</p> <p>f. In our opinion the Company has not complied with the requirements of Accounting standard (AS) 15 “Employees Benefits” and liability based on actuarial method has not been computed and provided with required disclosures.</p> <p>g. In our opinion the Company has not complied with the requirements of Accounting Standards (AS) 17 “Segment Reporting” as no disclosure of distinguishable segments have been made e.g. PDS items, non PDS Items and other services.</p> <p>h. In our opinion the Company has not complied with the requirements of</p>	<p>“Significant Accounting Policies”, as provided.</p>
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Accounting Standards (AS) 19 "Lease" and disclosed details as "Lease" of operating lease entered by the Company for premises taken by the Company on Operating Lease.

- i. In our opinion the Company has not complied with the requirements of Accounting Standards (AS) 22 "Accounting for Taxes on Income" regarding provision of current Tax and differed tax assets/liabilities.
- j. In our opinion the Company has not complied with the requirements of Accounting Standards (AS) 29 "provisions, Contingent Liabilities And Contingent Assets" and in absence of details about the best estimates of provisions, reviewed report on balance sheet date, change/use of provision, disclosure as per Para 66 and 67 of AS 29 regarding movement of provisions, we cannot quantify and comment on the various provisions made and carried over by the Corporation from last so many years.

{B} 17. Claims of Wheat Commission, Claims of DCP purchases and expenses provided in Books are not reconciled with actual claims filed. The corporation has not maintained claim - wise details of pending claims and their status as on balance sheet date. It is not possible to verify whether claims are accepted/rejected. Further, the effect of the same on financial statement cannot be quantified.

{B}18. Income Tax demands adjusted from due refunds interest amount adjusted from refund have not been reconciled and accounted for correctly, in absence of details and relevant reconciliation, the same cannot be quantified. Further no provision of undisputed demand pending against TDS defaults Rs. 77,00,312/- is made in the books of account.

{B}.17. The DCP activities were mostly done in prior years, which were reviewed in detail by prior year auditor. For FY 2016-17, relevant documents was provided to the auditor.

{B}.18. Kindly note that as explained, the amount receivable against the prior years refunds and interest were adjusted by the Income Tax department during FY 2017-18 against the disputed demand of AY 2012-13 and 2013-14. So, the same would be adjusted next year in Books of Accounts. The necessary disclosure is done in this regard in Notes to Accounts. The TDS defaults were mainly on account of PAN/Challan mismatch. The same was being informed to TDS Authorities as well.

<p>{B} 19. In compliance to Standard on Auditing (SA), "Audit Evidence Specific Considerations for Selected items" We could not participate in the task of physical verification of inventory (if any conducted) due to our appointment after year end, also the existence and condition of inventory could not be verified form subsequent sale of inventory because accounts of Branches of succeeding year 2017-18 were not updated till date of audit. Further the "Litigations and claims against the company" could not be certified in absence of detailed analysis made available by the company.</p> <p><u>{B} 20 In Compliance to Standard on Auditing (SA) 402-A Audit considerations relating to an entity using a service organization we observe that:-</u></p> <ul style="list-style-type: none"> a. Entire accounting function is outsourced hence the role of service organization is significant. b. The procedure of transactions initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements have following defects: <ul style="list-style-type: none"> i) Unauthorized entries in the book through JV and other vouchers ii) No control or authorization over Back date correction in accounts iii) There is no system to capture events and conditions other than transactions, which are significant to the financial statements-as no reconciliation/communication from other departments regarding events e.g. timely adjustments of Gunny bags returned to FCI were not made in books as no capturing of the same by service 	<p>The management is constantly endeavoring in this direction to completely mitigate this demand and have reduced substantially from past year from crores</p> <p>{B}.19. No comments required.</p> <p>{B}.20.The Tally Accounts were outsourced from starting to various Firms to ensure that books are prepared on Tally Software as per requirement of various Statutes due to lack of adequate staff in the Company. The Journal Vouchers are passed in Tally on basis of supporting documents provided by concerned Corporation offices only, which are available in records of the Corporation and as covered in scope of Tally Accountants. So, all entries are based on authorization given from a competent authority and flowing into the Accounting system through supporting documents. The Books of accounts are in line with work order</p>
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organization, reconciliation of various claims of subsidy on Sugar & DCP Commodities, reconciliation of EPA from Tender documents, reconciliation of Debtors, creditors, advances sub ledgers of security deposits were not carried out.

iv) the process of making significant accounting estimates in compliance to AS 29 is not assessed/controlled/governed/monitored.

v) there is no control over Journal entries, unusual transaction etc.

{B} 21. Service Tax liability on various commissions, Liquidated Damages recovered, and penalty recovered including reverse charge was not properly worked out and reconciled and provided in the books. The impact of the same on the financial statements is unascertainable.

{B} 22. In compliance to SA 250 "Consideration of Laws and Regulations in an audit of financial statement" We further communicate that the Corporation and its officers are exposed to following penalties an account of Statutory non-compliances of various Laws including Companies Act (viz : Non **appointment** of Independent Directors, Not holding required number of BOD meeting, Non compliance of Accounting Standards, appointment of internal auditor, Functioning of Audit Committee, Delay in filing AR and BS, CSR meeting, holding AGM, Vigil Mechanism, Frauds,) Income Tax Act, Service Tax and RTPP provisions.

Above non compliances may attract financial liability for which provision of the same is made in the books of account of corporation.

and the same is being supervised at Head Office Level. No Journal Voucher was pointed by the Auditor to be incorrect/exceeding authorization.

{B}.21. The observation is general and particular instances were not pointed out by auditor where service tax liability was not worked out.

{B}.22. The matter regarding appointment of Independent Director is under process. Company is regular in holding the Board Meeting on due time.

Though due to delay in audit by the Statutory Auditors the Company cannot hold the AGM on time and due to which non compliances regarding filing AR and BS occurs. Similarly if the audit is not done on time CSR expenditures cannot be determined on time.

Further, in the matter of frauds reply has already been given in para {B} 1,2,3,4,5,6,7 &8.

{B} 23. Internal Control Deficiencies:

- a) The Company has not documented its internal control procedures and Accounts Manual has not been compiled. The company has also not carried out any test to ascertain adequacy of internal financial controls over financial reporting and operating effectiveness on such control.
- b) No segregation of explicit duties and responsibilities between staff and executives.
- c) Financial Accounting is outsourced completely with no control and supervision over Journal vouchers. JVs are prepared and entered by the book writers as they deem fit, without supporting details/ documents, sanction and authorization.
- d) Accounts are not reviewed and supervised periodically and there is no maker checker policy.
- e) Writing of Books of the year 2017-18 were not commenced till date of audit hence roll forward verification is not possible.
- f) Access to accounts by authorized persons is not observed.
- g) RTPP provisions are consciously/knowingly contravened
- h) No control over Back dated entries, adjustments and correction in financial accounting System.
- i) Access to financial books and amendments./ corrections are not defined and not found under control of the company

{B}.23.Internal Control Systems are very much in place in the Corporation. The Company is working as rate finalizing agency in Non-PDS i.e., similar to DGS&D or CSPO. We take data of primary and secondary sales and accordingly EPA (Exclusive Privilege Amount) as per hologrammes is determined. Unused hologramme is being returned otherwise it is treated that up to that level sale is being made. Corporation is not procuring at its own level, it only acts as facilitator.

As far as wheat purchase control in DCP (Decentralized Procurement) is concerned it was very much systematic at that time. It was checked at three levels i.e., Manager Civil Supplies (MCS), RAJFED (Rajasthan State Co-operative Marketing Federation Limited) & FCI. Without verifying the stock positions by FCI, GOI never entertains the final claims. Warehouse receipts as issued by RSWC (Rajasthan State Warehouse Corporation) were also kept in record for procured wheat. At present, Decentralized Procurement of wheat is not been undertaken by the Corporation.

Further, In case of sugar, the mills

directly supply the sugar to the KVSS (Kraya Vikrya Sahkari Samiti) which further allots to FPS (Fair Price Shops) dealers for distribution in PDS system. The sugar purchase is done through open tender process in transparent manner through various committees and once the purchase order is issued to mill, further monitoring is done from Head Office and District MCS (Manager Civil Supply) Office for timely delivery of sugar. The distribution of sugar in PDS (Public Distribution System) is also monitored by DSO (District Supply Officer) offices of relevant districts.

Regarding internal control in payment, it is stated that all payments are processed through proper approval channel and all approvals are done on notesheet, which is very transparent process. All payments are done through banking channels.

Further, approval for establishment and implementation of a proper Internal Financial Control (IFC) was accorded by the Board in its 29th meeting held on 3rd October, 2018. A sub-committee was constituted to monitor IFC. Various meetings of Sub-committee were held and its recommendations were appraised to the Board in its 31st Board meeting held on 25th February, 2019.

{B} 24. We have sought information on "Outstanding of subsidy recoverable form GOI" which includes 1,14,17,400/- being double entry of subsidy claim on 6343 Qtl of sugar booked in earlier years, but no explanation and details were provided to us. The excess provision made in earlier years need to be reversed after reconciliation. The effect of reversal of income may further reduce the profit and assets after of the company.

{B} 25. All supplies made by Sriganganagar Sugar Mills Limited to the Corporation during the year under audit and past years also, were proved/ reported as not conforming to the required standards i.e. ISS norms and the same was distributed to the consumers. As per "General Terms & Conditions of Bid and Contract" .Clause 56 (f) of tender, the corporation is entitled to receive the refund of any payments made to supplier on account of substandard supply distributed by Corporation to consumers. As per our information the corporation has neither received nor lodged any claim of refund of payments made against such supply.

{B} 26. In absence of any Details of Quantity, value and location of Stock, Certificate of Cash in hand and Management Representation Letter by the Company we are not in a position to comment on existence, quality and value of Stock and Cash in hand.

{B}.24. Sugar Reconciliation is still under process, once the reconciliation is finalized , the information would be available and provided for in books of accounts

{B}.25. Regarding the subsidy claim on the Sugar purchased from Sri Ganganagar Sugar Mill, the Sugar of Sri Ganganagar Sugar Mill was later on tested through the Kanpur Lab, as per the directions of the then Chairman of the Mill and Finance Secretary of the Govt of Rajasthan and the Sugar was tested to be fit to be distributed in the PDS system. The relevant letters and lab test reports are enclosed (Enl.- 6 & 7)in this regard.

{B}.26. The various closing stock details, registers and cash books were provided during audit.

<p><u>Report on Other Legal and Regulatory Requirements</u></p> <p>1- As required by the Companies (Auditor's Report) Order, 2016("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give below a statement on the matters Specified in Paragraphs 3 and 4 of the Order, to the extent applicable.</p> <p>I. a. The Company has not maintained proper records showing full particulars including quantitative details and situation of fixed assets at Head Office and Branches.</p> <p>b. These fixed assets have not been physically verified by the management at regular interval considering the size of the company and nature of assets. Therefore we cannot comment whether any material discrepancies have been noticed on such verification. Copy of Physical Verification report not given to us.</p> <p>c. The company has no immovable properties consisting of land and building which are free hold hence paragraph 3 (1) (c) of the order is not applicable.</p> <p>II. As explained to us, the inventories were not physically verified during the year by the Management at reasonable intervals and therefore we cannot comment whether any material discrepancies were noticed on physical verification. Copy of physical Verification report not given to us.</p> <p>III. In our opinion and according to the information and explanations given to us the Company has not granted unsecured loans to the parties covered in the register maintained under section 189 of the companies Act 2013 (the act) hence our reporting on the matters referred in Clause 4 (iii) of the order is not applicable.</p>	<p>1. I. a & b. The Fixed Assets may be verified from the Dead Stock register and the physical verification was done by management and the same may be validated from the register itself.</p> <p>1.I. c. No comments required.</p> <p>1.II..No comments required.</p> <p>1.III. No comments required.</p>
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<p>IV. In Our opinion and according to the information and explanation given to us, the company has not given loan to directors etc. or made any loans, investments, guarantees and security. Hence our reporting on compliance with provisions of section 185 and 186 of the Companies Act, 2013 does not arise.</p> <p>V. In our opinion and according to information and explanation given to us, the company has not accepted deposits from the public, Hence our reporting on the matters referred to in clause 4 (v) of the order does not arise.</p> <p>VI. As explained to us, the Central Government has not specified maintenance of cost records under section 148(1) of the companies Act, 2013, for any of activities of the company.</p> <p>VII.A) According to the records of the Company, the Company is generally been regular in depositing undisputed statutory dues including provident fund, employee's state insurance Income Tax, Service Tax duty of customs duty of excise , Sales Tax, VAT, Cess, and other material statutory dues applicable to it with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable except Vat report, for a period of more than six months from the day they became payable except Vat Liabilities of Rs. 153700/- as pointed out by our remark no. B(8) of "Basis of Adverse Opinion" as reported above and undisputed demand pending against TDS defaults Rs. 77,00,312/- as pointed out by our remark no. B (18) of "Basis of Adverse Opinion" as reported above in this report.</p> <p>B) According to the information and explanations given to us and the records of the Company examined by us, there are no dues except narrated hereunder of income tax or sales tax or service tax or duty of customs, or duty of excise, or value added tax, as at 31st March 2017, which has not been</p>	<p>1.IV. No comments required.</p> <p>1.V. No comments required.</p> <p>1.VI. No comments required.</p> <p>1.VII. A. . Point has been dealt with earlier above.</p> <p>1.VII. B. The disclosure in respect of Income Tax demand has been done at Significant Accounting policies at point no. 1.31.</p>
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deposited on account of dispute:

a) Income Tax Assessment year 2013-14 amount not ascertained by
consultant appeal is pending with ITAT

b) Income tax assessment year 2015-16 Rs. 5, 50,768/-
Appeal is pending with CIT (A)

VIII. In Our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and financial institutions. The Company does not have any loans or borrowings from government and has not issued any debentures.

IX. The Company has not raised moneys by way of term loans and the Company has not raised any amount by way of initial public offer or further public offer (including debt instruments).

X. To the best our knowledge and according to the information and explanations given to us, Seven cases of fraud by the Company and/or on the Company by its officers or employees has been noticed or reported during the year by us as under:

S. No.	Nature of Fraud	Amount Involved (Rs.)
1-	Illegal refund of Earnest money. Liquidated Damages recovered from supplier by altering decision of MD applying white fluid in the note sheet and issuing unauthorized instructions by GMF to Branches.	10.95 Crores
2	Claiming subsidy from central Govt. issuing wrong certificates, on the basis of hypothetical data, on	46.79 Crores

1.VIII. No comments required.

1. IX. No comments required.

1. X. Specific comments have already been given for point 1 to 7.

	ineligible/inferior quality of sugar	
3	Claiming subsidy from State Govt. by issuing wrong certificates	55.20 crores
4	Amount spent on unauthorized provisions of cars to Minister of State	-
5	Amount spent on unauthorized provisions of cars to Chairman of the Co	-
6	Amount spent on unauthorized provisions of cars to MD of the Co.	-
7	Amount spent by GMF without authority and powers	-

(Exact amount of Fraud at serial no. 4 to 7 could not be computed as necessary details were not made available by the company)

XI. The Company is a Government Company and hence provisions of sections 197 of the Companies Act, 2013 relating to managerial remuneration are not applicable to the company in terms of MCA notification dated 05-06-2015. Hence our reporting on the matters referred to in clause (xi) of the order does not arise.

1. XI. No comments required.

XII. The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.

1. XII. No comments required.

XIII. In our opinion and according to the information and explanations given to us the Company is a Government Company and there were no transactions with related parties. Hence, our reporting on compliance with section 177 and 188 of the companies act, 2013 does not arise.

1. XIII. No comments required.

XIV. The Company has not made any preferential allotment or private placement of shares or fully convertible debentured during the year under review. Hence our reporting on compliance with section 177 and 188 of companies Act 2013 does not arise.

1. XIV. No comments required.

<p>XV. In our opinion and according to information and explanations given to us, the company has not entered into any non cash transactions with directors or persons connected with him. Hence our reporting on compliance with provisions of section 192 of Companies Act, 2013 does not arise.</p>	<p>1. XV. No comments required.</p>
<p>XVI. The Company is not a 'Non Banking Financial Company' and hence, the company is not required to be registered under Sections 45-IA of the Reserve Bank of India Act, 1934.</p>	<p>1. XVI. No comments required.</p>

<p>2- As required by sections 143(3) of the Act, we report that:</p> <p>a. As described in the Basis for Adverse Opinion paragraph, and further we sought following information and explanations but were unable to obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;</p> <ol style="list-style-type: none"> 1- As mentioned in Para {A} 4 above Final Trial Balance of Head Office, Consolidation sheet of Trial Balances of Branches, Groupings of Ledger Accounts, Ledger for final checking of/tally with Balance sheet. 2- The scheme of Subsidy from Govt. of Rajasthan and entitlement was not been provided. Further subsidy credited in accounts and claimed from GOR is not matched/ reconciled. No explanation was given for reason/authority of various amount of 'Income credited directly to 'subsidy due form GOR' instead to Profit and Loss account'. 3- We have specifically sought information on following issues which 	<ol style="list-style-type: none"> 2.a.1. The Trial Balance of HO, Trial balance of districts, groupings of ledgers and Tally backup in soft copy and hard copy was provided to Auditor during Audit. On the basis of same, the Audit report has been made otherwise, it is not possible to draw audit report. 2.a.2. Replied in Para B.3 above 2.a.3. Disciplinary action has been taken. The
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<p>remain unresponded by management:</p> <ol style="list-style-type: none"> a. What are the Consequences of Fake/Fraudulent/Unauthorized office orders issued by GM (F) and how much present and future liability is created/discharged/accounted for in the books of account by virtue of those tainted office orders? b. Whether corporation will roll back its decisions communicated by office orders of the then GM(F) Shri Umed singh, without authority/in Fake manner/Fraudulently c. Whether corporation has initiated any enquiry/disciplinary/ action/ civil or criminal action against erring officials to recover illegally paid money through tainted office orders? d. Whether Board of Directors or other competent authority have given ex-post facto sanction to these tainted office orders and regularized those serious irregularities? e. If such serious irregularities have not been regularized, what treatment in financial accounts is given and proposed to be given for such payments/liabilities? <p>4- Details of total payments made in contravention of RTPP Act, action taken by management against erring officers, expected liability of penalty etc of the company for conscious non compliances have not been provided to us.</p> <p>5- Bank Statements/ balance confirmation and their reconciliation has not been provided regarding Bank Balances mentioned in Para {A}2 above.</p>	<p>matter is under enquiry and appropriate action will be taken after final outcome.</p> <p>These points have been dealt with earlier in the report.</p> <p>2.a.4. Under enquiry. Appropriate action will be taken after final outcome of the enquiry.</p> <p>2.a.5. Already replied above.</p>
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<p>6- Age-wise analysis of Debtors, Advances etc. Balance Confirmation in large accounts is not done. Looking to the nature of business transaction, results of reconciliation in past, size and magnitude of transactions, the state of unconfirmed accounts may result in material misstatements in Financial Statements including Frauds.</p> <p>7- No written policy/ order/resolution of Board of Directors/ order of Food Department has been shown us to allow huge credit to KVSS across state of Rajasthan. Who has allowed unfettered/unregulated supply of sugar on credit to KVSS without any security is not explained. No policy of fixing responsibility/accountability about the possible loss on account of Bad debts has been formulated or shown to us.</p> <p>8- We have not been provided photo copy/details of vouchers of car hire charge for provision of cars to Minister for whole year and in past years also, Expenses incurred on running maintenance of cars, Insurance of cars, salary of driver and depreciation towards two cars to Managing Director and Chairman respectively who were having additional charge of MD and chairman of the company. The expenses were debited against the Rule/order of Govt. Although not material to mention but against the policy that recharge of Tata Sky Channel which are not related to the business of the company and of personal in nature were paid/reimbursed to KMP of the company.</p> <p>9- Log Books of Cars were not made available for audit.</p>	<p>2.a.6. Confirmation was provided as enumerated above.</p> <p>2.a.7. Guideline document in respect of KVSS has been provided during audit.</p> <p>2.a.8. All vouchers were provided during audit for verification.</p> <p>2.a.9. All the documents as required by you have been provided and intimated the auditor to visit Head office any time for any further clarification and verifications.</p>
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<p>10-Evidence to verify that Chairman of the company has surrendered his car to Food department and used only one car provided by Corporation, has not been provided to us. (despite specific Instruction by Board of Directors to provide the evidence to auditors)</p> <p>11-Copy of reconciliation if any carried out by the company for subsidy claims has not been given to us (despite of specific Instruction by Board of Directors to provide the same to auditors)</p> <p>12-We have not been given the details of 'Provision for expenses' made during the year, basis of estimates of expenses, opening balances of provisions, and review report of existing provisions.</p> <p>13-Details of nature and existence of various liabilities appearing in Balance sheet are not made available for audit.</p> <p>14-We have not been given details of various claims filed and admitted specifically for Amount receivable from central Govt. under DCP Scheme for FY 2013.14 and 2014.15 (Appearing from last year and status of claim as on date of Balance sheet and date of audit has not been made available) 10.30 Crore</p> <p>15-we have sought information on "outstanding of subsidy recoverable form GOI' which includes 1,14,17,400/- being double entry of subsidy claim on 6343 Qtl. of sugar booked in earlier years, but no explanation and details were provided to us. The excess provision made in earlier years need to be reversed after reconciliation.</p> <p>16-Management of the Corporation has created deadlock in audit process after revealing serious Frauds, and deprived us from statutory right to access Books of account, vouchers and needful explanations since 16-08-</p>	<p>2.a.10. Food department letter F23(2) Food. Deptt. /Bhandar/2013/part-i(Loose) Dated 06.11.2018.</p> <p>2.a.11. Reconciliation is underway.</p> <p>2.a.12 & 13.. All the documents as required by you have been provided and informed you to come office any time for any further clarification and verifications. The relevant vouchers were provided during audit.</p> <p>2.a.14. All the relevant record have been provided and this relates to earlier year which was already verified by prior year's auditors.</p> <p>2.a.15. The sugar subsidy is still under reconciliation.</p> <p>2.a.16. All the files, records and documents relating subsidy and claims have provided to auditors. There was no deadlock in audit</p>
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	<p>2018. We have attempted to break the deadlock and requested the company by e-mail on 18-10-2018 to provide the e-mail address and details of present chairman and Members of Audit committee, so that matter may be represented before the Audit Committee, but the same was also not replied by the then Managing Director.</p> <p>b. Due to the possible effects of the matter described in the Basis for Adverse Opinion Paragraph, we are unable to state whether proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.</p> <p>c. No Branches auditors have been appointed by the Company under section 143(8) of the Act. Therefore Trial Balance of all 34 Branches duly authenticated by Bookwriters and Internal Auditors were consolidated in Head office Books by service providers subject to our observations in Para {A} 6 above.</p> <p>d. As described in the Basis for Adverse Opinion Paragraph, the management of the company has not afforded opportunity and necessary details to verify that the Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement Dealt with by this Report are in agreement with the books account;</p> <p>e. Due to the possible effects of the matter described in the Basis for Adverse Opinion Paragraph, and specific non compliances of Accounting Standards in Para {B} 16 Basis of Adverse Opinion, we are unable to state whether the standalone financial statements comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rule, 2014;</p>	<p>process. Had the records not been provided, such detailed report was not possible to be drafted.</p> <p>2..b. No comments required.</p> <p>2.c.The Company is a PSU and Statutory Auditor is appointed by the CAG.No separate Branch Auditor is appointed by CAG and statutory auditor covers the same.</p> <p>2.d. No Comments required.</p> <p>2. e.No Comments required.</p>
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<p>f. The matter described in the Basis for Adverse opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.</p> <p>g. As per Notification F .No. 1/2/2014-CL.V 05-06-2015 issued by Central Government the provision of section 164(2) of the Companies Act. 2013 regarding disqualification of director, are not applicable to the company;</p> <p>h. The reservation relating to the maintenance of accounts and other matters connected there with are as stated in the Basis for Adverse of Opinion paragraph above.</p> <p>i. Due to possible effects of the matter described in the Basis of Adverse Opinion paragraph we are of the opinion that the company has no adequate internal financial controls system in place.</p> <p>j. 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) Rule, 2014, in our opinion and to the best of our information and according to the explanations given to us:</p> <p>i. The Company has not disclosed the impact of pending litigations on its financial position in its financial statements:</p> <p>ii. As explained to us the company did not have any long term contracts including derivatives contracts for which there were any material foreseeable losses including derivative contracts.</p> <p>iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.</p>	<p>2.f. No Comments required.</p> <p>2.g. No Comments required.</p> <p>2.h. No Comments required.</p> <p>2.i. No Comments required.</p> <p>2.j. i-v. No Comments required.</p>
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- iv. The Company has not provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016.
- v. Based on the Verification of records of the company and as per information and explanations given to us we give below a report on replies to the directions and Additional Company Specific Directions issued by the Comptroller and Auditor General of India in terms of section 143(5) of the Act.

As per the direction received from Comptroller and Auditor General of India under sub section 5 of the section 143 of the Companies Act, 2013 vide letter Ref. No. CAWI/AA/Direction/2014-15/K-602/552 dated 05.06.2015. We report on such direction as under

No Comments required.

S.No.	CAG direction	Auditors Replies
1-	If the company has been selected for disinvestment, a complete status report in terms of valuation of assets (including intangibles assets and land) and liabilities (including committed and General Reserves) may be examined including the mode and present stage of disinvestment process.	Not Applicable
2	Please report whether there are any cases of waiver/write off of debts/loans/interest etc. if yes, the reasons there for and the amount involved.	There are no cases of waiver/write off of loan/debt or interest, as per representation by management.
3	Whether proper records are maintained for inventories lying with third parties and assets received as gift from Government	As explained to us there is no inventory lying with third parties and No assets received

	or other.	as gift from Govt. or other authorities.	
4	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.	The list of pending Legal Cases is enclosed in Notes on accounts Note No. 1.27. Details of Legal / arbitration cases including the reasons of pendency and existence / effectiveness of a monitoring mechanism for expenditure on all legal cases are not provided by the Management.	
5	Whether the Company has lifted the quantity of food grains allotted by Government, the lifted quantities are released to fair price shop at subsidized rates and the company has reconciled the total quantity of food grains lifted and distributed.	The company does not maintain records of lifted quantity of food grains as its own stocks, The food grains are directly lifted by KVSS from FCI godowns, there are no records to show that the lifted quantity is released to fair price shops at subsidized rates. The management has supplied quantitative information based on memorandum register or sheets maintained by them, we are unable to comment upon the same as the company has not maintained contemporaneous and proper records in respect of the lifted quantities and	

		distribution there upon.	
6	Whether the company has preferred the claim in time for differential cost with the Government and the amount of claim accepted / rejected has been properly accounted for in the books of company.	<p>As no records / Files / documents are shown to us to verify various claims of differential cost we cannot comment that company has claimed the differential cost with the government and the amount of claim accepted / rejected has been properly accounted for in the books of account of the company. These claims are not reconciled with books of accounts to account for as per Accounting Standards.</p> <p>There are outstanding Balances in Various Claim accounts pending since last so many years and no proper records of pending claims, their settlement by Govt. and present state is maintained. Besides above during course of our audit we have noted various discrepancies in the nature of Frauds relating to claim of subsidy from Govt. of India and Govt. of Rajasthan :</p>	

1. Reported Fraud in Claim of Subsidy from Government of India (GOI):

During the course of audit Fraud amounting Rs. 46,79,42,111/- is reported by us (relating to claim of subsidy in excess of purchase cost of sugar amounting Rs. 27,33,35,450/-, Claim of subsidy on Non ISS Grade of Sugar Rs. 10,96,95,750/-, Claim of subsidy on shortages in actual distribution of sugar Rs. 2,26,99,500/- and subsidy claim by submitting false date of distributing in quarterly claims Rs. 6,22,11,411/-)

Board of Directors has accepted / confirmed the facts of the Fraud in the meeting dated 27-06-2018 and matter is referred to Secretary, Ministry of Corporate Affairs, New Delhi.

In our opinion the effect of Fraud to the extent quantifiable is that net profit of the corporation overstated by Rs. 10,96,95,750/- and

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Current liability of the corporation is understated by Rs. 10,96,95,750/-.

The disclosures and accounting treatment was not made as per Accounting Standard (AS) 12 Accounting for Government Grants being wrongly / illegally / unauthorized claimed amount of subsidy of Rs. 10,96,95,750/- is credited to income account.

Further excess amount of subsidy claimed Rs. 27,33,35,450/- has wrongly been credited to state Govt. account.

2. Reported Fraud in Claim of Subsidy from GOR: Claim of subsidy made and subsidy received from Govt. of Rajasthan substantially differs from amount of subsidy recorded as income in the books of account.

In our opinion the disclosures and accounting treatment was not made as per **Accounting Standard (AS) 12 Accounting**

for Government Grants. No Reconciliation of book entries with actual claims filed has been taken place since 2013-14 and during our audit following misstatements have been pointed out by us:

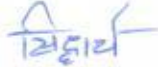
(a) Excess amount of subsidy credited to Revenue account "subsidy Income" by Rs. 10,84,13,045/- as compared to claim settled by GOR for 2016.17, which has not rectified by the corporation in Books of account. In our opinion the disclosures and accounting treatment was not made as per **Accounting Standard (AS) 12 Accounting for Government Grants. This resulted in net profit and current Assets of the Corporation overstated by Rs. 10,84,13,045/-.**

(b) Liquidated Damages recovered amounting Rs. 7,22,31,276/- relating to prior period credited directly to the account of State Govt. Subsidy Receivable, not rectified by the corporation. **This resulted in**

		<p>net profit and current Assets of the corporation is understated by Rs. 7,22,31,276/-.</p> <p>(c) Excess amount of subsidy claimed Rs. 27,33,35,450/- from GOI has wrongly been credited to State Govt. subsidy recoverable account.</p> <p>(d) Amount of liquidated Damages recovered amounting Rs. 16,55,170/- relating to the period under audit i.e. 2016.17 credited directly to the account of State Govt. Subsidy Receivable, not rectified by the corporation. This resulted in net profit and Current Assets of the Corporation is understated by Rs. 16,55,170/-</p> <p>.</p> <p>(e) Subsidy excess accounted for the Books as compared to actual claims received is Rs. 1,16,00,434/- relates to prior year period needed rectification. This resulted in net profit of the corporation overstated by Rs. 1,16,00,434/- and Current</p>	
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		<p>assets of the corporation is overstated by Rs. 1,16,00,434/-</p> <p>(f) The final Cr. Balance of Rs. 4,43,18,936/- after above adjustments relates to excess subsidy received being refundable of State Govt.</p>	
7	<p>Comment on the existence of quality control system to check the quality of food grains to be distributed to beneficiaries. Any deficiencies resulting in supply of food grains not as per accepted quality norms shall be mentioned.</p>	<p>It has been represented by the management that the lifting of food grains are made directly by KVSS from Godowns of FCI the quality control of food grains is not monitored by the company. Hence we cannot comment on it.</p>	
8	<p>If audited entity has computerized its operations or part of it, how much of the data in the company is in electronic format, which of the area such as accounting, sales personnel information pay roll, inventory etc have been computerized and the company has evolved proper security policy for data / software / hardware ?</p>	<p>Accounts at Head Offices and Branches are maintained on Tally software by outsourced agencies, including sales accounting and inventory. The Company has not evolved any security policy for data/ software / hardware. As informed to us, no external backup of Tally accounting data maintained by HO and Branches.</p>	


 (Rashmi Gupta)
 Managing Director


 (सिद्धार्थ महाजन), आई.ए.एस.
 अधीक्षक
 स. स. खा. आ. नि. नि., जयपुर

**ANNUAL REPORT ON CSR INITIATIVES TO BE INCLUDED
IN THE BOARD REPORT**

1. A brief outline of the company's CSR policy including overview of projects or programmes proposed to be undertaken and a reference to the web link to the CSR policy and projects or programs.

Rajasthan State Food & Civil Supplies Corporation Limited (RSFCSC) was established in 2010 under the Companies Act, 1956 and it commenced its business from 27th December, 2010. The authorized capital of the Corporation is Rs. 100 crore and the present paid up capital is Rs. 50 crore. The main objectives of the corporation are:

- To ensure effective and smooth lifting, transportation and distribution of PDS Commodities to the targeted groups.
- To make available non-PDS items of daily use at reasonable price, in right quantity and of good quality to the consumers through FPS.
- Supply of food grains to all Fair Price Shops in the State by lifting the food grains allotted by Central Government through Food Corporation of India (FCI).
- Hiring of warehouse facilities /godowns at Tehsil level, where godown facilities of Central /State warehousing Corporation are not available /existing.
- Acts as a Wholesaler of wheat and sugar and as the nodal agency of the State for decentralized procurement of wheat.
- Market intervention to provide the essential goods at reasonable prices to the Consumers.
- Corporation is currently taking care of distribution of PDS items like wheat, sugar, through the Fair Price Shop (FPS) established across the State.

The CSR committee recommended a CSR policy to the board of Directors and the same was approved at its meeting held on 12th July, 2016. The CSR Policy may be accessed on the Company's website at the link: <http://www.rsfcsc.org>

2. The composition of the CSR Committee.

The CSR Committee of the company consist the following Director:

Sl. No.	Name	Status	Category
1.	Principal Secretary, Food, Civil Supplies & Consumer Affairs	Chairman & Member	Nominee Director
2.	Registrar, Cooperative Societies	Member	Nominee Director
3.	Managing Director, RSFCSC Ltd.	Member	Whole -Time Director

3. Net Profit Before Tax during Last Financial Year:

Sl No.	Financial Year	Net Profit Before Tax (Amount in Crores)
1.	2013-14	9.035
2.	2014-15	6.476
3.	2015-16	9.420
Average profit of 3 F.Y.		8.310

4. Average Net Profit of the company for last 3 financial years is Rs. 8.310 Crores

5. Prescribed CSR Expenditure (2% of the amount of item 3 above): Rs.16.62 Lacs

6. Details of CSR spent during the financial year:

- Total amount to be spent for the Financial year:16.62 Lacs
- Amount unspent: whole amount is unspent
- Amount carried forward for the year. N.A.

7. In case the company has failed to spend the 2% of the Average Net Profit (INR) of the last 3 financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. There was no suitable implementing agency for CSR spending. Further, the funding of CSR expenditure approved for F.Y. 2016-17 is under process.

Date: / /2019

Place: Jaipur

**By the order of Board of directors of
Rajasthan State Food & Civil Supplies Corporation Limited**

DIN:

(Whole-Time Director)

Address:

(Signature)
(Rohmi Gupta)
Manager Director

DIN:

(Nominee Director)

Address: *सावनीया मार्ग, गांधी नगर,
हलकोठी, जयपुर-302015, Rajasthan*

*सिद्धार्थ महाजन), आई.ए.एस.
अध्यक्ष
ख. आ. नि. लि., जयपुर*



From No. MR-3

SECRETARIAL AUDIT REPORT

For The Financial Year Ended 31st March, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

**To,
The Members,
Rajasthan State Food & Civil Supplies Corporation Ltd.
(RSFCSCCL)**

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Rajasthan State Food & Civil Supplies Corporation Ltd. (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, the explanations and clarifications given to us and the representations made by the Management, I hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on 31st March, 2017 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder **[Not Applicable as the Company is Owned and Managed by Rajasthan State Government];**
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder **[Not Applicable as the Company is Owned and Managed by Rajasthan State Government];**
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings **[Not Applicable as the Company does not have any FDI, ODI & ECB during the reporting period];**
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;





- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- [The above points from v.a to v.h are Not Applicable as the Company is Owned and Managed by Rajasthan State Government and the Shares are not Listed on any Stock Exchange]**

vi. Other laws applicable specifically to the Company namely:

- a. Food Safety And Standards Act, 2006

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board and General Meetings.

During the period under review (i.e. 2016-17) the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

- i. No Corporate Social Responsibility (CSR) Committee Meeting held in the period under review.
- ii. No Audit Committee Meeting held in the period under review.
- iii. Only Three Board Meeting held in the period under review i.e. on 12.07.2016 for Second Quarter (Q2), on 03.11.2016 for Third Quarter (Q3) and on 07.02.2017 for Fourth Quarter (Q4).
- iv. No Board Meeting held in the First Quarter (Q1) of 2016-17.
- v. The Fifth Annual General Meeting (AGM) (for 2014-15) and the 21st Board Meeting were held on the same date i.e. 03.11.2016 without providing any Shorter Notice for holding AGM and consent of 95% of the Members entitled to vote under Section 101(1)(i) of the Companies Act, 2013.
- vi. Because the Company was holding a Cash Credit limit of Rs. 395 Crore from Punjab National Bank in the First Quarter of 2016-17, there was no Vigil Mechanism established under section 177 and rule 7 of Companies (Meetings of Board and its Powers) Rules, 2014.



- vii. The Charge created for Cash Credit is still having the Status as 'OPEN' on the Ministry of Corporate Affairs (MCA) records of the Company which in Company's records is closed in the First Quarter of 2016-17. The same needs to be satisfied with MCA via applying for compounding for the same.
- viii. No Independent Director was appointed during the period under review.
- ix. The Company fails to hold AGM of 2016-17 even within extended time allotted by Registrar of Companies (ROC), Jaipur.
- x. The Memorandum and Articles of Associations of the Company are not adopted as per Companies Act, 2013.
- xi. Form DIR-2 (Consent to Act as a Director), DIR-8 (Disclosure of Not Disqualified to act as a Director) and MBP-1 (Notice of Interest by Directors) are not available for the Directors appointed during the period under review.
- xii. Form MBP-1 (Notice of Interest by Directors) from all Directors in the First Meeting of Financial Year 2016-17 were not received.
- xiii. The Company Secretary of the Company resigned from 21.02.2017 and no Company Secretary was appointed till the end of Financial Year 2016-17.
- xiv. There is subsequent delay in filling of E-Forms with MCA portal.
- xv. The Statutory Auditor of the Company for the Financial Year 2016-17 has reported Two issues as per Section 143(12) and Section 447 of the Companies Act, 2013, these are:
 - a. Regarding release of performance security deposits and extension of supply period which resulted in refund of already recovered liquidated damages.
 - b. Regarding fraud in the Company relating to claim of Sugar Subsidy for Government of India.

I further report that:

The Board of Directors of the Company is duly constituted by Center/ State Government orders and which are strictly followed. The changes in the composition of the Board of Directors that took place during the period under review are carried out in compliance with the provisions of the Act but the E-Forms of the same were not filled in time.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines perhaps the composition of Board is observed as:





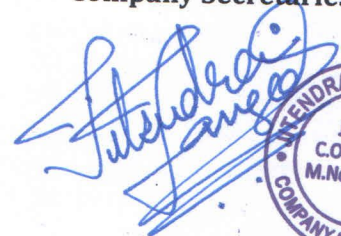

Jitendra Jangid & Co.
Practicing Company Secretaries & Trademark Attorney



1. The Company has One Chairman, One Managing Director, One Chief Financial Officer, One Company Secretary and Two Nominee Directors from different State Government Departments.

Lastly, this report is prepared before finalizing of Annual Financial Statements of the Company for 2016-17; therefore it should be obtain accordingly.

For JITENDRA JANGID & CO.
Company Secretaries

Date: 13.08.2018
Place: Jaipur

CS Jitendra Jangid
M. NO.: A41561
C.O.P. NO.: 15978

This Report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.



Jitendra Jangid & Co.
Practicing Company Secretaries & Chartered Accountants



Annexure A

**To,
The Members,
Rajasthan State Food & Civil Supplies Corporation Ltd.
(RSFC SCL)**

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and process as are appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. I believe that the process and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, I have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For JITENDRA JANGID & CO.
Company Secretaries**



**Date: 13.08.2018
Place: Jaipur**

**CS Jitendra Jangid
M. NO.: A41561
C.O.P. NO.: 15978**

**FINANCIAL STATEMENTS
OF
RAJASTHAN STATE FOOD &
CIVIL SUPPLIES CORP. LTD.
FOR THE F.Y. 2016-17**

Rajasthan State Food & Civil Supplies Corporation Limited
Balance Sheet as on 31st March, 2017

(Amount in Rs.)

Particulars		Note	As at 31.03.2017	As at 31.03.2016
I. EQUITY AND LIABILITIES				
1 Shareholder's funds				
(a)	Share capital	2.1	500,000,000.00	500,000,000.00
(b)	Reserves and surplus	2.2	367,318,744.68	328,812,993.85
(c)	Money received against share warrants			
2 Share application money pending allotment				
3 Non-current liabilities				
(a)	Long-term borrowings		-	-
(b)	Deferred tax liabilities (Net)	2.22	-	-
(c)	Other Long term liabilities	2.3	368,267,552.27	270,467,552.27
(d)	Long-term provisions		-	-
4 Current liabilities				
(a)	Short-term borrowings	2.4	-	321,303,604.70
(b)	Trade payables	2.5	1,470,869,407.22	1,512,554,362.54
(c)	Other current liabilities	2.6	607,018,890.11	256,552,710.90
(d)	Short-term provisions	2.7	93,622,242.30	164,633,805.75
TOTAL			3,407,096,836.58	3,354,325,030.01
II. ASSETS				
Non-current assets				
1 (a) Fixed assets				
(i)	Tangible assets		3,437,794.92	3,816,885.37
(ii)	Intangible assets		61,570.97	124,229.29
(b) Non-current investments				
(c) Deferred tax assets (net)				
(d) Long-term loans and advances				
(e)	Other non-current assets	2.8B	102,970,512.29	102,970,512.29
2 Current assets				
(a) Current investments				
(b)	Inventories	2.9	95,413,105.38	112,066,835.40
(c)	Trade receivables	2.10	1,412,405,886.61	1,043,619,561.25
(d)	Cash and cash equivalents	2.11	1,471,634,314.37	1,230,349,710.66
(e)	Short-term loans and advances	2.12	58,813,489.31	376,798,314.67
(f)	Other current assets	2.13	261,375,231.26	483,043,229.24
TOTAL			3,407,096,836.58	3,354,325,030.01

Significant accounting policies
Notes to Accounts

In terms of our report of even date attached

In terms of our separate Report
of even date Attached herewith
For R. A. Sharma & Co
Chartered Accountants
(FRN 001657)

(R. A. Sharma)
Partner M.No.70884



For and on behalf of
Rajasthan State Food & Civil Supplies
Corporation Limited

Managing Director
(DIN: 08505942)

CFO/General Manager (F)
Pradeep Mathur
General Manager (Finance)

Director
(DIN: 06433592)
Jayanti Jha
Company Secretary

COMPANY SECRETARY
Rajasthan State Food & Civil
Supplies Corporation Ltd., JAIPUR

Place - Jaipur
Date - 21 AUG 2019

Rajasthan State Food & Civil Supplies Corporation Limited
Statement of Profit and loss for the year ended 31st March, 2017

(Amount in Rs.)

Particulars	Note	As at 31.03.2017	As at 31.03.2016
I. Revenue from operations	2.14	4,751,742,784.40	5,617,712,863.06
II. Other income	2.15	40,250,865.22	72,573,852.07
III. Total Revenue (I + II)		4,791,993,649.62	5,690,286,715.13
IV. Expenses:			
Cost of materials consumed			
Purchases of Stock-in-Trade	2.16	4,392,434,781.55	5,184,034,786.10
Changes in inventories	2.17	16,653,730.02	-96,173,599.40
Employee benefits expense	2.18	81,368,136.20	70,397,401.89
Finance costs	2.19	3,027,269.35	63,850,537.54
Depreciation and amortization expense	2.8	1,463,855.97	1,749,804.85
Other expenses	2.20	222,060,275.35	371,116,805.32
Total expenses		4,717,008,048.44	5,594,975,736.30
Profit before exceptional and extraordinary items and tax (III-IV)		74,985,601.18	95,310,978.83
VI. Exceptional items		-	-
VII. Profit before extraordinary items and tax (V - VI)		74,985,601.18	95,310,978.83
VIII. Add: Prior Period Items		(9,302,878.51)	(1,102,952.82)
IX. Profit before tax (VII- VIII)		65,682,722.67	94,208,026.01
X. Tax expense:			
(1) Current tax		30,000,000.00	37,500,000.00
(2) MAT credit (entitlement)		-	-
(3) Deferred tax	2.22	550,820.38	1,535,751.85
(3) Income tax relating to prior years		-	1,607,778.93
Profit (Loss) for the period from continuing operations (VII-VIII)		35,131,902.29	56,635,998.93
XII. Profit/(loss) from discontinuing operations		-	-
XIII. Tax expense of discontinuing operations		-	-
Profit/(loss) from discontinuing operations (after tax) (XII-XIII)		-	-
XIV. Profit (Loss) for the period (XI + XIV)		35,131,902.29	56,635,998.93
XVI. Earnings per equity share:			
Basic & Diluted	2.21	70.26	113.27

Significant accounting policies
Notes to Accounts

1
2

In terms of our report of even date attached

In terms of our separate Report
of even date Attached herewith
For R. A. Sharma & Co
Chartered Accountants
(FRN 001657)

(R. A. Sharma)
Partner M.No.70884

Place : Jaipur

Date: 21 AUG 2019



For and on behalf of
Rajasthan State Food & Civil Supplies
Corporation Limited

(Rashmi Gupta)
Managing Director
(A.I.N.: 08505942)

CFO/General Manager (F)
Pradeep Mathur
General Manager (Finance)

Director
(A.I.N.: 06433592)
Jayanti Jha.

Company Secretary
COMPANY SECRETARY
Rajasthan State Food & Civil
Supplies Corporation Ltd., JAIPUR

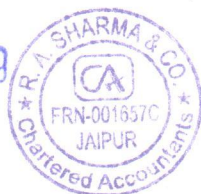
Rajasthan State Food & Civil Supplies Corporation Limited
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

Particulars	March 31,2017	March 31,2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, prior period and Extra Ordinary Items	78,380,335.54	95,310,978.83
Adjustments For:		
Depreciation	1,463,855.97	1,749,804.85
Preliminary Exp. Written Off	-	-
Interest & Finance Charges	-	-
Adjustment for reserve	-	-
Interest Received	-33,564,441.07	-67,379,588.83
Operating Profit Before Working Capital Changes	46,279,750.44	29,681,194.85
Adjustments For:		
Decrease/(increase) in Trade & Other Receivables	-147,118,327.38	678,545,386.97
Decrease/(increase) in Loan & Advances	317,984,825.32	-328,121,225.11
Increase/(decrease) in Trade & Other Payables	406,581,223.89	-281,776,517.08
Increase/(decrease) in Provision	-71,011,563.45	95,722,729.05
Increase/(decrease) in Inventories	16,653,730.02	-96,173,599.40
Cash Generated from Operations	569,369,638.84	97,877,969.28
Taxes (paid) refund / MAT Credit Utilisation(Entitlement)	-30,000,000.00	-39,107,778.93
Cash Flow before extra-ordinary and exceptional item	539,369,638.84	58,770,190.35
Extra-ordinary and exceptional item	-9,302,878.51	-1,102,952.82
NET CASH FROM (USED IN) OPERATING ACTIVITIES (A)	530,066,760.33	57,667,237.53
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Asset Acquired during the year	-1,042,993.00	-914,180.00
Investment	-	-
Interest Received	33,564,441.07	67,379,588.83
NET CASH FROM (USED IN) INVESTING ACTIVITIES (B)	32,521,448.07	66,465,408.83
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares	-	-
Share Premium	-	-
Proceeds/(Repayment) of Long Term Borrowing	-	-
Short Term Borrowing (net)	-321,303,604.70	-160,120,535.10
Interest & Finance Charges	-	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES (C)	-321,303,604.70	-160,120,535.10
Increase/Decrease in Cash & Cash Equivalents (A+B+C)	241,284,603.71	-35,987,888.73
Cash & Cash Equivalents in the beginning of the year	1,230,349,710.66	1,266,337,599.39
Cash & Cash Equivalents at the end of the year	1,471,634,314.37	1,230,349,710.66
Net Increase in Cash and Cash Equivalent (As per notified AS-3)	241,284,603.71	-35,987,888.73

In terms of our report of even date attached

In terms of our separate Report
of even date Attached herewith
For R. A. Sharma & Co
Chartered Accountants
(FRN 001657)

(R. A. Sharma)
Partner M.No.70884



For and on behalf of
Rajasthan State Food & Civil Supplies
Corporation Limited

(Rashmi Gupta)
Managing Director
(DIN: 085D 5942)

CFO/General Manager (F)
Pradeep Mathur
General Manager (Finance)

Director
(DIN: 06433592)
Fayaz Ali She
Company Secretary

COMPANY SECRETARY
Rajasthan State Food & Civil
Supplies Corporation Ltd., JAIPUR

Place:- Jaipur

Date:- 21 AUG 2019

Rajasthan State Food & Civil Supplies Corporation Limited

2. Notes to Financial Statements for the year ended 31st March, 2017

2.1 Share Capital	As at 31 March 2017		As at 31 March 2016	
	Number	(Amount in Rs)	Number	(Amount in Rs)
Authorised				
1000000 Equity Shares of Rs 1000 each	1000000	1,000,000,000.00	1000000	1,000,000,000.00
Issued, Subscribed & Paid up				
500000 Equity Shares of Rs 1000 each	500000	500,000,000.00	500000	500,000,000.00
TOTAL	500000	500,000,000.00	500000	500,000,000.00

Details of Shareholders holding more than 5%

Name of Shareholder	As at 31 March 2017		As at 31 March 2016	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
H.E. Governor of Rajasthan and nominees	500000	100.00	500000	100.00

The reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2017 and March 31, 2016 is set out below:

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number	Rs	Number	Rs
Shares outstanding at the beginning of reporting period	500000	500,000,000.00	500000	500,000,000.00
Shares Issued during the period	-	-	-	-
Shares bought back during the period	-	-	-	-
Shares outstanding at the end of the reporting	500000	500,000,000.00	500000	500,000,000.00

The Company has only one class of shares referred to as equity shares having a par value of Rs. 1000/-. Each holder of equity shares is entitled to one vote per share. Entire shareholding vests into Government of Rajasthan.

There was no buy back of shares and no calls were unpaid during the F.Y 2016-17



Particulars	As at 31 March 2017	As at 31 March 2016
	Rs.	Rs.
2.2 Reserve & Surplus		
a. Surplus		
Opening balance	328,812,993.85	272,176,994.92
(-) Adjustment relating to Fixed Assets(Refer Note No. 2.8) AND reversal of prior period adjustments	(3,373,848.54)	
(+) Net Profit/(Net Loss) For the current year as per Statement of Profit & Loss	35,131,902.29	56,635,998.93
Closing Balance	367,318,744.68	328,812,993.85
Total	367,318,744.68	328,812,993.85
2.3 Other Long Term Liabilities		
(a) Trade Payables		
For expenses	9,294,341.00	9,294,341.00
For services	131,301.00	131,301.00
For Goods/Materials		
(b) Others		
Payable to State Govt:		
- For Price equalisation funds ¹	30,838,299.00	30,838,299.00
- For Upbhokta kalyan consumer welfare fund society	37,483,237.94	37,483,237.94
- KVSS Kota a/c	428,206.00	428,206.00
Consumer Welfare levy payable	192,292,167.33	192,292,167.33
(c) Unsecured Borrowings		
Loan for Sugar Department 2	97,800,000.00	-
Total	368,267,552.27	270,467,552.27
1 Price Equalization difference amount is received from Kraya Vikraya Sahkari Samiti on behalf of the government on account of difference in transportation expenses/surplus and this is payable back to the State Government of Rajasthan.		
2 Unsecured loan of Rs. 9.78 crores was provided by Rajasthan Upbhokta Kalyan Samiti for lifting Levy Sugar (Public Distribution System) for Sugar Department on short term basis, which has become overdue for payment on 20.05.2013. Extension has later been given for Loan repayment of Rs. 9.78 crore upto 31.3.2018 by Principal Secretary, Food and Civil Supplies Department, as per note sheet . This has been further extended and classified as long term liabilities this year.		
2.4 Short-Term Borrowings		
Secured		
(a) from Bank		
PNB - CC Limit ³	-	73,503,604.70
Unsecured		
(a) Other		
Loan for Sugar Department	-	97,800,000.00
Loan for Wheat Department (State Govt.) 1	-	150,000,000.00
Total	-	321,303,604.70
1 Unsecured loan of Rs. 30 Crore for wheat department for purchases of wheat on Minimum Support Price under decentralized procurement system, granted by Government of Rajasthan has now been paid off completely.		



³ **Securities:**

Cash Credit Hypothecation (Panjab National Bank)

Fund based Cash Credit Hypothecation limit for Rs. 395 crores against Stock & Book Debt. Margin on security is 25% against inventory of wheat and book debts. There is no outstanding amount against CC limit during the current year.

Primary

Cash credit limit from PNB was secured against:

1. First charges by way of hypothecation on stock of wheat and book debts of Company, present & future.

Collateral

i. Secured by Guarantee of Government of Rajasthan.

2.5 Trade Payables		
For Expense	75,387,332.00	74,021,820.11
For Services	299,627.00	527,645.00
For Goods/Materials	1,395,182,448.22	1,438,004,897.43
Total	1,470,869,407.22	1,512,554,362.54
2.6 Other Current Liabilities		
a) Bank Balances (Credit) due to timing difference		
PNB Rajasmand	-	17,091.53
Pnb Dausa(3909002100009249)	4,558,620.80	
SBBJ Flexi Jalore	-	3,762.36
b) Outstanding Liabilities		
Security deposit	29,932,975.43	20,254,949.43
Payable to State Govt:		
Advances recd. From DSO & KVSS ¹	13,723,323.84	10,850,441.28
Advances from Mills and Commission Agent	64,961,413.03	26,607,309.83
Statutory Liabilities	3,588,209.91	2,799,693.56
Wheat Revolving Fund	81,189,473.08	81,189,473.08
Kerosene Subsidy	84,158,340.30	83,980,260.65
Daal, Ghee & oil subsidy	5,252,354.00	5,252,354.00
Bonus on Wheat Procurement	14,941.50	14,941.50
Consumer Welfare Fund(Non PDS)	12,635,222.50	6,206,809.30
Fund for PDS Scheme for End to End Computerisation	26,000,000.00	
Salary & Wages Payable	3,739,639.33	4,455,610.43
Other Outstanding Exp.	12,599,588.13	14,920,013.95
Sugar Subsidy ¹	264,664,788.26	-
Total	607,018,890.11	256,552,710.90

1. Sugar Subsidy due from GOI/GOR has been accounted for in Books of Accounts on Distribution basis.
2. Claims of sugar subsidy were sent to GOI/GOR on basis of Allotment Qty.
3. The amount received from the GOI/GOR has been accounted for in Books of Accounts as per actual amount received against claims of sugar subsidy submitted to the GOI and GOR.
4. Excess amount of sugar subsidy received from, GOI/GOR is lying as payable to GOI/GOR in our books and reconciliation of the same is underway.
5. The excess amount of sugar subsidy has not been treated income in the books of accounts of the of the Corporation.
6. Orders for the division of margin between the Corporation and KVSS for the F.Y. 2013-14, 2014-15 & 2015-16 is yet to be issued by the GoR, hence the income of the Corporation's margin has been booked in the accounts as per previous orders. The same will be revised after receipt of the revised orders from GOR.



2.8A Fixed Assets	Rate of Depreciation (%)	Gross Block			Depreciation / Amortisation				Net Block		
		Balance as at 1 April 2016	Additions	Deductions / Adjustments	Balance as at 31 March 2017	Balance as at 1 April 2016	Depreciation charge for the year	Deductions / Adjustments	Balance as at 31 March 2017	Balance as at 1 April 2016	Balance as at 31 March 2017
a											
Tangible Assets											
Furniture and Fixtures		5,593,534.08	371,634.00		5,965,168.08	3,124,995.13	692,253.89		3,817,249.02	2,468,538.95	2,147,919.06
Office Equipments		1,975,356.26	452,529.00		2,427,885.26	1,395,667.35	394,508.86	3,604.18	1,793,780.38	579,688.91	634,104.88
Computers		10,928,484.27	218,830.00		11,147,314.27	10,797,344.53	110,840.20	17,281.65	10,925,466.38	131,139.74	221,847.89
Motor Car		1,823,805.00	-		1,823,805.00	1,186,287.24	203,594.70		1,389,881.94	637,517.76	433,923.09
Total (a)		20,321,179.61	1,042,993.00		21,364,172.61	16,504,294.24	1,401,197.65		17,926,377.72	3,816,885.37	3,437,794.92
b											
Intangible Assets											
SMS Based Software		40,500.00	-		40,500.00	37,481.67	1,510.44		38,992.11	3,018.33	1,507.89
Web design		111,750.00	-		111,750.00	63,837.98	25,255.83		89,093.81	47,912.02	22,656.19
Tally Erp.9		671,491.69	-		671,491.69	598,192.75	35,892.05		634,084.80	73,298.94	37,406.89
Total (b)		823,741.69			823,741.69	699,512.40	62,658.32		762,170.72	124,229.29	61,570.97
Total (a+b)		21,144,921.30	1,042,993.00		22,187,914.30	17,203,806.64	1,463,855.97		18,688,548.44	3,941,114.66	3,499,365.89

1. Pursuant to the enactment of Companies Act 2013, the company has applied the estimated useful life as specified in Schedule-II. Accordingly the unamortised carrying value is being depreciated/ amortised over the remaining useful lives.

2. The Fixed Asset Schedule is prepared on the basis of consolidation of accounts at Head Office.



2.7 Short Term Provisions		
(a) Others		
Provision for EPF and ESI	-	299,008.45
Provision for Gratuity	2,363,000.00	2,363,000.00
Provision for Leave Encashment	1,471,000.00	1,471,000.00
Provision for Bonus	339,000.00	339,000.00
Auditors' Remuneration	-	94,500.00
Provision for Sugar Branch expenses	44,984,420.90	10,540,223.90
Provision for Current Tax	16,324,884.00	37,500,000.00
Provision for DCP Schemes	26,422,501.40	110,309,637.40
Provision for Atta Difference	1,717,436.00	1,717,436.00
Total	93,622,242.30	164,633,805.75

Provision for DCP schemes included provision of Bardana Expenses for Rs. 1.19 crores, which have been taken on loan basis from the Food Corporation of India for DCP 2014-15 and DCP 2015-16.

The said Provision has been adjusted in current year against the Bardana returned to FCI

2.8B Other Non-Current Assets		
Amount receivable from Central Govt. under DCP Scheme for FY 2013-14 and 2014-15	102,970,512.29	102,970,512.29
Total	102,970,512.29	102,970,512.29

¹The amount receivable from Central Government under the Decentralised Procurement of Wheat (DCP) Scheme in Alwar District for FY 2013-14 and 2014-15 for Wheat Procurement has been recognised.

2.9 Inventories		
a) Stock in trade ¹	27,633,900.90	19,500,962.00
b) Packing material	67,779,204.48	92,565,873.40
Total	95,413,105.38	112,066,835.40

1 Stock in trade comprises of stock of holograms held by the company for affixing on stock and wheat held by the Food Corporation of India.

2.10 Trade Receivables		
Unsecured, considered good		
Exceeding six months from the date due for payment	36,537,114.41	40,623,521.22
Other Debts	1,374,323,251.05	1,001,450,518.88
Unsecured, considered doubtful		
Exceeding six months from the date due for payment	1,545,521.15	1,545,521.15
Total	1,412,405,886.61	1,043,619,561.25

Suspense has been reduced from Trade Receivables. It reflects the amount directly deposited into bank by parties, details of which are non- traceable.

2.11 Cash & Cash Equivalents		
a. Balances with banks	1,075,512,230.47	702,884,186.76
b. Cash in hand	12,850.00	-
(II) Other Bank Balances		
Interest accrued on Bank Deposits	352,250.00	7,245,993.32
Bank deposits with more than 12 months' maturity	-	-
Bank deposits with 12 months' maturity	395,756,983.90	520,219,530.58
Total	1,471,634,314.37	1,230,349,710.66



2.12 Short Term Loans & Advance		
Unsecured, considered good		
a. Loans and advances to related parties	-	-
b. Capital Advances	-	-
c. Others		
Advance to suppliers 1	24,658,017.00	6,424,509.20
Imprest to employees	67,199.00	33,620.00
Other Advance 2	23,240,688.12	359,182,037.76
Unsecured, considered doubtful		
DSO Advance	504,619.00	504,619.00
Other Advance 3	10,342,966.21	10,653,528.72
Total	58,813,489.33	376,798,314.68

¹ Advance to Suppliers consists of outstanding advance of Rs. 22.48 lakhs to Rajasthan Rajya Sahkari Upbhogta Sangh. The advance of Rs. 4 crores was given on 23.08.2013 for purchase of onion for a period of 10 days, out of which around Rs. 3.78 crores have been received back in previous financial year and Rs 2247803/- is to be recovered from the party till date.

² Other Advances includes D.S.O. Advances of Rs. 5,04,619 in case of which no recoveries have been made during the year. In some cases, in absence of clarity regarding claim, amount may not be recovered. Such amount being unascertainable, could not be provided for.

³ Kraya Vikraya Sahkari Samiti (KVSS) are distribution agencies of the corporation. To enable them to lift wheat from Food Corporation of India godowns, certain KVSS have been advanced amounts and the corporation recovers higher commission amount, if KVSS avails such financial assistance.

2.13 Other Current Assets		
Amount receivable from Central Govt. under DCP Scheme	117,973,358.50	101,731,149.00
Sugar Subsidy Receivable	-	189,118,844.94
Prepaid Expenses	294,962.76	105,556.61
Security Deposit ¹	37,023,000.00	106,822,500.00
Income tax refundable ²	84708220.00	76723138.64
Balance with Revenue Authorities	12,217,668.00	
Service Tax Receivable	9,158,022.00	8,542,040.05
Total	261,375,231.26	483,043,229.24

¹The company had placed security deposit with FCI against the Gunny Bag (Bardana) supplied on Loan Basis for DCP 2014-15 and DCP 2015-16.

²The amount of Income Tax refundable includes amount adjusted by the Income Tax department against the demand raised for AY 2012-13 and 2013-14. The management has filed Appeal against the disputed demand, which is pending before the hon'able bench of ITAT Jaipur.



2.14 Revenue From Operations		
Sales & Subsidy ¹	4,368,932,612.95	5,298,234,534.08
Commission received ²	382,810,171.45	319,478,328.98
Other operating revenues	-	-
Total	4,751,742,784.40	5,617,712,863.06
2.15 Other Income		
Interest Income	33,564,441.07	67,379,588.83
Receipt of Tender fees	567,100.00	282,000.00
Other non-operating income	6,119,324.15	4,912,263.24
Total	40,250,865.22	72,573,852.07
2.16 Purchases of Stock-in-trade		
FCI Purchase	526,422,992.00	468,884,708.00
Purchases Sugar Branch	3,615,269,400.91	3,694,882,570.86
Purchases under DCP scheme	248,134,778.64	1,018,199,507.24
Purchase of holograms	787,500.00	2,068,000.00
Purchase of Non PDS items	1,820,110.00	-
Purchase of Daal (Baran Sahariya)	-	-
Total	4,392,434,781.55	5,184,034,786.10
¹ Sales & Subsidy includes sales of wheat and sugar under various schemes along with subsidies receivable from Govt. of India and Govt. of Rajasthan for purchase of sugar.		
² Commission received includes commission on wheat and sugar under various schemes and EPA on non- PDS items- Masala, soap, tea and daal etc.		
2.17 Change in inventories		
a. Inventories (at commencement)		
Stock in trade	19,500,962.00	15,893,236.00
Packing Material	92,565,873.40	-
	112,066,835.40	15,893,236.00
b. Inventories (at close)		
Stock in trade	27,633,900.90	19,500,962.00
Packing Material	67,779,204.48	92,565,873.40
	95,413,105.38	112,066,835.40
Net Change in Inventories	16,653,730.02	-96,173,599.40
2.18 Employee benefits expense		
Salaries, wages and Incentives ¹	78,890,464.20	66,153,880.89
Salary NIC	260,219.00	203,231.00
Staff Welfare Expenses	374,270.00	565,209.00
Contribution to Provident fund	590,599.00	401,664.00
Contribution to Pension	1,252,506.00	710,345.00
Contribution to Employer Welfare fund	78.00	72.00
Gratuity	-	2,363,000.00
Total	81,368,136.20	70,397,401.89
1. Salary, Wages and Incentives include the salary/contract amount paid to the persons appointed on contract directly or through placement agencies.		



2.19 Finance Cost		
Bank Charges	200,444.35	197,240.54
Interest Expense	2,826,825.00	63,653,297.00
Total	3,027,269.35	63,850,537.54
2.20 Other Expenses		
Transportation	115,719,667.56	113,283,278.35
Storage charges	3,729,540.00	39,949,980.00
Advertisement	5,013,860.00	7,142,690.00
Commission/Margin Reimbursed	54,616,990.98	45,642,142.77
Rent	6,704,486.00	5,988,655.00
Computer operating & maintenance	7,721,713.00	5,030,161.00
Tours & Travelling Expenses	4,942,322.00	5,016,280.00
Accounting Charges	1,784,960.00	1,568,000.00
Repairs & Maintenance	127,562.00	275,330.00
Printing & Stationery	1,245,334.00	1,053,636.00
Telephone & Communication	1,431,432.48	997,334.00
Professional & Consultancy	1,950,430.00	875,823.00
Internal Audit fees	134,000.00	134,000.00
Security Expenses	1,052,853.00	1,037,053.85
Other expenses under DCP Scheme	3,945,310.50	121,555,201.00
Expenses under Annapurna Bhandar	1,246,633.00	2,036,721.00
Vehicle Rent	8,317,701.00	6,770,559.00
Contribution to CM Relief Fund(For Nepal)	-	10,000,000.00
Miscellaneous expenses	2,269,279.85	2,669,960.35
Payment to Current Auditor as:		
a. Auditor	47,200.00	40,000.00
b. for tax audit	47,200.00	40,000.00
c. other services & certification	11,800.00	10,000.00
Total	222,060,275.37	371,116,805.32



2.21 Earning per share		
1) Profit/(Loss) after tax	35,131,902.29	56,635,998.93
2) Number of equity shares	500,000	500,000
3) Nominal value of share	1,000	1,000
Earning Per Share (Basic & Diluted)	70.26	113.27
2.22 Deferred tax liabilities (Net)		
Disclosure in accordance with AS-22 "Accounting for Taxes on Income"		
Major components of Deferred Tax Balance:		
I) Deferred Tax Liability /Asset		
Difference between accounting and tax WDV		-
II) Deferred Tax Assets		
Disallowance under IT Act, 1961	984,931.47	1,535,751.85
Closing Deferred Tax Asset	984,931.47	1,535,751.85
Less: Opening Deferred Tax Asset	1,535,751.85	-
Net Difference credited to Statement of Profit & Loss	-550,820.38	1,535,751.85
Closing Deferred Tax Liability		
Less: Opening Deferred Tax Liability	-	-
Net Difference credited to Statement of Profit & Loss	-	-
2.23 Contingent Liabilities and Commitments (to the extent not provided for)		
(i) Contingent Liabilities		
(a) Claims against the company not acknowledged as debt ¹	2,247,803.00	2,247,803.00
(b) Guarantees (B/G limit)		
(c) Other money for which the company is contingently liable		
(as) Liability in respect of bills discounted with Banks		
(d) Other money for which the company is contingently liable ²		
(ii) Commitments		
(iii) Contingent Incomes	10,000,000.00	10,000,000.00
(iv) Contingent Expenses		
Total	12,247,803.00	12,247,803.00
¹ The corporation has given loan of Rs. 4 crores to Raiasthan Raiva Sahkari Ubbhogta Sangh for a period of 10 days towards purchase of onion, out of which Rs 2247803/- is to be recovered from the party till date.		
² The details of suit filed against the company are given in point. no. 1.27 of notes on accounts/significant accounting policies.		



RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1.1 Basis of preparation of Financial Statements

The financial statements are prepared following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the Accounting Standards referred to in Section 133 and other requirements of the Companies Act, 2013.

1.2 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Actual result could differ from these estimates. Difference between actual results and estimates are recognized in the period in which results materialize.

1.3 Fixed Assets

Tangible Assets

Tangible Assets are stated at cost net of recoverable taxes, trade discounts and rebates and includes amounts added on revaluation, less accumulated depreciation and impairment loss, if any. All costs, including finance costs till commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalized.

Intangible Assets

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization/depletion and impairment loss, if any. The cost comprises purchase price, borrowing cost, and any cost directly attributable to bringing the asset to its working condition for the intended use and net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets.

1.4 Depreciation and amortization

Tangible Assets

Depreciation on fixed assets has been charged on Written down Value basis in accordance with the provisions of section 123(2) of the Companies Act, 2013, based on useful life and in manner as prescribed in Schedule II with reference to the day in which the asset was brought



into use. In respect of additions or extensions forming an integral part of existing assets, depreciation is provided as aforesaid over the residual life of the respective assets.

Intangible Assets

These are amortised as under:

<u>Particular</u>	<u>Amortization / Depletion</u>
SMS Based Software	Over a period of 5 years
Tally ERP 9	Over a period of 5 years

1.5 Impairment

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. In such case the impairment loss is charged to the statement of Profit & Loss in the year in which the asset is identified as impaired.

1.6 Inventories

There was no closing stock of raw materials or work in progress of commodities or products in which the company deals. However, during this year, the company had stock of wheat, Sugar and Gunny Bags.

The company is holding stock of Holograms, Sugar, Gunny Bags and Wheat.

- (a) Stock in holograms (consumables) is valued at cost on FIFO basis and includes freight.
- (b) Stock of wheat is valued at cost on FIFO basis.
- (c) Stock of Sugar is valued at cost on FIFO basis.
- (d) Stock of Gunny Bag is valued at cost on FIFO basis.

1.7 Revenue Recognition

Revenue is recognized only when it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations include commission/subsidy/margin on various services provided by the corporation on behalf of government for lifting, transportation, storage and distribution of food and other essential commodities in public distribution system. Rate of commission is fixed by the State Government.

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.



1.8 Employee benefits

Short Term Employee benefits

The undiscounted amount of short-term employee benefit expected to be paid in exchange for the services rendered by employees are recognized as an expense during the period when the employees render the services. These benefits include performance incentive and compensated absence.

Post Employment benefits

The Company makes specified monthly contribution towards Provident Fund and Pension Scheme. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

1.9 Provision for Current and Deferred Tax

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates. Deferred income tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing difference of earlier years/period. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future income will be available except that deferred tax assets, in case there are unabsorbed depreciation or losses, are recognized if there is virtual certainty that sufficient future taxable income will be available to realize the same.

Deferred tax assets and liabilities are measured using the tax rates and tax law that have been enacted or substantively enacted by the Balance Sheet date.

1.10 Provisions, Contingent liabilities and contingent assets

Provision is recognized in the accounts when there is a present obligation as a result of the past event(s) and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote.

1.11 Accounting for Decentralized Procurement of Wheat (DCP) Scheme

The company has carried the business of supply of wheat as Nodal Agency under the Decentralized Procurement Scheme (DCP) in State of Rajasthan which was handled by RAJFED in Alwar and MCS Office in Bharatpur, acting as procurement agency, on



RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

behalf of the company. All the transactions pertaining to purchases and sales, claims of subsidy and expenses related to procurement and storage of wheat, costs of packing materials and other operational charges incurred upon the scheme have been charged to the Profit and Loss statement based on statement supplied by the RAJFED and certified by Statutory Auditors of that concern and in case of MCS Office, on basis of actual Sales/Purchase transactions entered into.

- 1.12 Number of employees who are in receipt of remuneration exceeding Rs.60 lakhs p.a. or Rs. 5 lakhs p.m., if employed for part of the year. **NIL**
- 1.13 Current year figures and previous year figures have been regrouped and rearranged, where ever necessary.
- 1.14 Suspense account for miscellaneous receipts, normally reduced from Trade Receivables, reflects amount directly deposited in bank by parties, details of which are non- traceable.
- 1.15 Balance of some of the Trade Receivables, Other Debtors and Trade Payables and Payables for expenses is subject to confirmation.
- 1.16 Consumer Welfare Payable to Govt. for Rs. 19.22 crores for the F.Y. is still outstanding and payable to Food Department or to be utilized as per instructions of Food Department.
- 1.17 Payment of Salary (on contract) against payment to Company Secretary to Shri Karni Seva Samiti, Churu, is through empanelled placement agency. This payment has been made for company secretary services as contractual payment instead of payment of salary to company secretary, key managerial personnel to be in whole-time employment, as per resolution approved by the Board of Director's meeting dated 27.06.2012.
- 1.18 In respect of distribution of Non- PDS items, the company is exercising internal control over actual material supplied by respective suppliers to Fair Price Shops on the basis of Holograms supplied and based upon the details supplied by the parties.
- 1.19 During the year 2015-16, the Corporation had launched the "Annapurna Bhandar Yojna", in line with budget announcement of honorable Chief Minister of Rajasthan. On 20th August 2015, a tripartite agreement was signed at the Chief Minister's Office in Jaipur, between RSFCSC (the facilitator on behalf of GOR), selected FPS shops and Future Consumer Enterprise Ltd (FCEL) in the auspicious presence of the honourable CM, Smt. Vasundhra Raje, Chief Secretary GOR, Sri C.S. Rajan, Principal Secretary Food and Civil Supplies, Dr Subodh Agrawal and other officials



RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

of the food department and RSFCSC. Under this agreement, 1% of total turnover at FPS shops each month to RSFCSC would be passed on by the supplier.

1.20 RELATED PARTY TRANSACTIONS

The company has identified all the related parties having transaction during the year as under:

Related Party Information

Key Management personnel

1.20.1 Dr. Veena Pradhan, Managing Director

1.20.2 Sh. Ummed Singh, Finance Officer

1.20.3 Sh. Vikas Yadav, Company secretary

1.20.4 Transactions carried out with related parties' referred in (1) above in ordinary course of business are as follows:

Transactions with Key Management personnel

Name	Salary (including DA)	Nature of transactions		
		Medical Reimbursements	Newspaper Reimbursements	Misc. Reimbursements
Dr. Veena Pradhan, M.D	392073.00	-	-	-
Sh. Ummed Singh, FO	1151558.00	945.00	4228.00	153887.00
Sh. Vikas Yadav (Company Secretary retained through service provider)	182798.00	-	-	8390.00

1.21 The company has not obtained details of Micro, Small & Medium Enterprises (MSMEs). Therefore, details required to be given as per the provisions of the Act are not available.



- 1.22 The corporation is dealing in purchase and sale of wheat and wherein it earns income out of commission and reimbursement of expenses. The corporation has total 34 branches for distribution of food grain and commodities on PDS or non-PDS basis under various schemes of Central and State Government. As such the corporation deals into geographically 35 locations including Head Office within the state. It has two business model of distribution. One is on commission and reimbursement of expenses basis and another on trading in various commodities. The management opines that segment wise reporting under AS 17 is not applicable upon the Corporation as all locations are within the State, all commodities are distributed under government support schemes. Individual commodity wise inventory value and commission details are maintained by the corporation.
- 1.23 The company takes Bardana (Gunny bags) from FCI on loan, when required in procurement process. The packing material consumed during the year is expensed at prevailing cost of material in the accounts and corresponding liability is being carried out in the books of account. The closing stock at the end of year out of such loan is not recognized in the books of account. It is held by the company as the Third's Party Stock. As per terms of the loan arrangement, the company will return the material to FCI after receiving back from the supplier along with a stipulation that the increase in cost of the materials, if any, will be borne by the company. Reconciliation of Gunny Bags transactions with various parties is required to be done.
- 1.24 Government Grants and subsidies are recognized when there is a reasonable assurance that the conditions attached to them will be complied, and grant/subsidy will be received. Government grants & subsidies receivable against expense are recognized as income in the Statement of Profit & Loss.
- 1.25 After availing input credit of Service Tax, balance amount is refundable from the Service Tax department towards excess deposit of service tax. The management is of the opinion that this refund will be available for adjustment from Service Tax payable of next financial year.
- 1.26 There is an incidence of Deferred Tax Assets which has been recognized as there is virtual certainty of sufficient future taxable income to be available.



RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

1.27 **CONTINGENT LIABILITY** - Claims against the Company not acknowledged as debts:

S. No.	Writ No.	Detail	Remarks	Expenditure in Rs. & Monitoring
				Mechanism
1.	16084/13	DholpurMahilaPrathnikSahakari UpbhogtaBhandar Ltd. V/s State (Food & Civil Supplies) and others	For wholesaler handling agent	
2.	12054/20 13	Uttar Railway KaramchariSangh UpbhogtaSangh Ltd. V/s Rajasthan Sarkar	For cancellation of wholesaler dealership	
3.	5892/201 4	Kumari Priyanka Saini V/s State (Food & Civil Supplies) and others	For recruitment process	
4.	31/2013	Prem Prakash Gujjar V/s Rajasthan State Food and Civil supplies Corporation, Jaipur and others	For recruitment process	
5.	10360/14	Ruchi Agarwal & Others V/s Principal Secretary and Rajasthan State Food and Civil supplies Corporation, Jaipur	For making MCS permanent.	
6.	37/2015	Heera Lal Gujjar V/s Rajasthan State Food and Civil supplies Corporation, Jaipur	For recruitment process	



RAJASTHAN STATE FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

1.28 Rajasthan Rajya Sahakari Upphokta Sangh Ltd. has claimed Rs. 22,47,803, towards price increase and has retained the respective money out of the advance given to the party, however the company has not admitted the claim.

1.29 Amount payable to Rajasthan State Warehousing Corporation is pending for final reconciliation with the party for expenses payable under DCP procurement.

1.30 The Income Tax demand for Rs. 3,35,63,110/- for A.Y. 2012-13(F.Y. 11-12), interest and penalty have not been provided for as the management is of the opinion that no liability will arise thereupon. The company has preferred an appeal against assessment order U/S 143(3) of the Income Tax Act, 1961 dated 31.01.2015. The same is pending at ITAT.

The demand has been adjusted against outstanding refunds of prior years by Income Tax department.

1.31 The Income Tax demand for Rs. 8,14,51,120/- for A.Y. 2013-14(F.Y. 12-13), The company had paid an amount of 15% of demand(Rs 1,22,17,668/-) on 20.04.2016 against stay of demand to prefer appeal with CIT(Appeals). The first appeal has confirmed the demand. The company has further preferred second appeal against assessment order U/S 143(3) of the Income Tax Act, 1961 dated 22.03.2016. The same is pending at ITAT.

The demand has been adjusted further partly against outstanding refunds of prior years by Income Tax department. Rest of the amount is being paid through monthly instalment during FY 2017-18.

As per our Report attached


In terms of our separate Report
of even date Attached herewith
For R. A. Sharma & Co
Chartered Accountants
(FRN 001657)

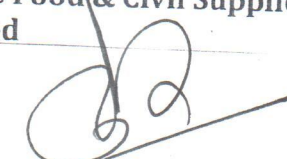
(R. A. Sharma)
Partner M.No.70884

PARTNER
Place - Jaipur
Date - 21 AUG 2019



For Rajasthan State Food & Civil Supplies Corporation Limited


Managing Director
(DIN: 08505992)
Managing Director


Director
(DIN: 06433592)


CFO / General Manager (F)
General Manager (Finance)


Company Secretary
COMPANY SECRETARY
Rajasthan State Food & Civil
Supplies Corporation Ltd., JAIPUR

